



# Greater Cleveland Food Bank

Financial Statements  
Years Ended September 30, 2018 and 2017

# Greater Cleveland Food Bank

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Financial Statements  
Years Ended September 30, 2018 and 2017

# Greater Cleveland Food Bank

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## Independent Auditor's Report

Board of Directors  
Greater Cleveland Food Bank  
Cleveland, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of Greater Cleveland Food Bank (a nonprofit organization), which comprise the statements of financial position as of September 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.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Cleveland Food Bank as of September 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.

BDO USA, LLP

Cleveland, Ohio  
December 12, 2018

## Financial Statements

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# Greater Cleveland Food Bank

## Statements of Financial Position

<i>September 30,</i>	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 496,747	\$ 202,806
Investments, at fair value	5,039,903	4,700,364
Accounts receivable		
Agency receivables, net	369,981	279,541
Government administrative fees/reimbursements	891,157	805,013
Operating pledges- current portion, net	477,158	967,183
Other receivables	2,970	12,939
	1,741,266	2,064,676
Inventory		
Contributed (540,334 and 1,116,041 pounds, respectively)	907,761	1,930,751
Purchased Food Program (749,668 and 776,366 pounds, respectively)	475,260	476,074
U.S. Department of Agriculture (583,841 and 772,868 pounds, respectively)	916,630	1,174,759
Ohio Food Purchase Program (465,628 and 565,304 pounds, respectively)	731,036	977,976
Greater Cleveland Food Bank Kitchen Purchased Food (115,417 and 45,800 pounds, respectively)	152,409	54,787
	3,183,096	4,614,347
Prepaid expenses and other deposits	710,243	670,107
<b>Total Current Assets</b>	<b>11,171,255</b>	<b>12,252,300</b>
<b>Property and Equipment, Net</b>	<b>9,042,049</b>	<b>9,440,111</b>
<b>Noncurrent Assets</b>		
Cash, board designated for endowment	-	21,482
Investments - endowment	2,178,294	2,037,220
Operating pledges- non-current	20,000	175,250
Software, net	164,991	153,390
Deposits	1,816	1,816
<b>Total Assets</b>	<b>\$ 22,578,405</b>	<b>\$ 24,081,569</b>

*See accompanying notes to financial statements.*

# Greater Cleveland Food Bank

## Statements of Financial Position

<i>September 30,</i>	2018	2017
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable - operating	\$ 872,173	\$ 987,451
Accrued expenses	982,380	1,034,938
Lines of credit	997,686	907,686
Harvest for Hunger credits	1,312,384	1,215,186
Agency grant commitments	797,014	808,440
<b>Total Current Liabilities</b>	<b>4,961,637</b>	<b>4,953,701</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Unrestricted	5,328,869	6,517,204
Net investment in property, equipment and software	9,207,040	9,593,501
Undesignated	14,535,909	16,110,705
Board designated for endowment	2,059,189	1,944,419
<b>Total unrestricted</b>	<b>16,595,098</b>	<b>18,055,124</b>
<b>Temporarily restricted</b>		
State of Ohio- joint use grant	32,862	65,729
Time restricted pledges	780,831	692,732
Food stamp outreach	75,633	150,000
Endowment earnings	26,305	21,483
Other	13,239	50,000
<b>Total temporarily restricted</b>	<b>928,870</b>	<b>979,944</b>
<b>Permanently restricted endowment</b>	<b>92,800</b>	<b>92,800</b>
<b>Total Net Assets</b>	<b>17,616,768</b>	<b>19,127,868</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,578,405</b>	<b>\$ 24,081,569</b>

*See accompanying notes to financial statements.*



Greater Cleveland Food Bank

Statement of Activities

<i>For the Year Ended September 30, 2018, with Summarized Comparative Information for 2017</i>	Undesignated	Board Designated Endowment	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
<b>Food Programs Revenue</b>							
Value of food received							
Value of food donated (21,922,000 and 21,905,950 pounds, respectively)	\$ 36,828,960	\$ -	\$ 36,828,960	\$ -	\$ -	\$ 36,828,960	\$ 37,897,294
Value of USDA and OFPP food received (19,310,380 and 19,798,633 pounds, respectively)	30,317,297	-	30,317,297	-	-	30,317,297	32,540,905
	67,146,257	-	67,146,257	-	-	67,146,257	70,438,199
Food distribution revenue							
Purchased Food Program (4,339,763 and 4,378,143 pounds, respectively)	2,879,250	-	2,879,250	-	-	2,879,250	2,738,427
	70,025,507	-	70,025,507	-	-	70,025,507	73,176,626
<b>Operating Revenue</b>							
Greater Cleveland Food Bank Kitchen fees	2,628,431	-	2,628,431	-	-	2,628,431	1,624,756
Member agency handling fees	917,248	-	917,248	-	-	917,248	1,231,768
Federal, state, county government reimbursement and administrative fees	4,090,515	-	4,090,515	-	-	4,090,515	3,728,891
Contributions and grants	11,950,097	31,398	11,981,495	693,583	-	12,675,078	12,400,577
Other	117,591	-	117,591	-	-	117,591	97,445
Net assets released from restrictions	716,612	-	716,612	(716,612)	-	-	-
Total	20,420,494	31,398	20,451,892	(23,029)	-	20,428,863	19,083,437
<b>Total Revenue from Food Programs and operations</b>	<b>90,446,001</b>	<b>31,398</b>	<b>90,477,399</b>	<b>(23,029)</b>	<b>-</b>	<b>90,454,370</b>	<b>92,260,063</b>
<b>Food Programs Expense</b>							
Value of food distributed							
Value of donated food distributed, including scrap (22,497,706 and 22,271,814 pounds, respectively)	37,852,104	-	37,852,104	-	-	37,852,104	38,440,793
Value of USDA and OFPP food distributed, including scrap (19,599,083 and 19,727,928 pounds, respectively)	30,822,366	-	30,822,366	-	-	30,822,366	32,504,838
	68,674,470	-	68,674,470	-	-	68,674,470	70,945,631
Food cost of goods sold							
Purchased Food Program, including scrap (4,366,461 and 4,435,558 pounds, respectively)	2,591,294	-	2,591,294	-	-	2,591,294	2,425,586
Harvest for Hunger food purchases and grants	2,128,126	-	2,128,126	-	-	2,128,126	2,142,085
Total food programs expenses	73,393,890	-	73,393,890	-	-	73,393,890	75,513,302

See accompanying notes to financial statements.

Greater Cleveland Food Bank

Statement of Activities

<i>For the Year Ended September 30, 2018, with Summarized Comparative Information for 2017</i>	Undesignated	Board Designated Endowment	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
<b>Operating Expenses</b>							
Program expenses							
Operations	11,755,920	-	11,755,920	-	-	11,755,920	11,429,741
Greater Cleveland Food Bank Kitchen	2,704,957	-	2,704,957	-	-	2,704,957	1,841,355
Community and government programming	435,697	-	435,697	-	-	435,697	410,859
Total program expenses	14,896,574	-	14,896,574	-	-	14,896,574	13,681,955
Support services							
Fundraising	2,673,621	-	2,673,621	-	-	2,673,621	2,717,169
Volunteer Service & Product Resource Development	291,250	-	291,250	-	-	291,250	287,463
Administration	1,260,231	-	1,260,231	-	-	1,260,231	1,237,281
Total support services	4,225,102	-	4,225,102	-	-	4,225,102	4,241,913
Total operating expenses	19,121,676	-	19,121,676	-	-	19,121,676	17,923,868
<b>Total Food Programs and Operating Expenses</b>	<b>92,515,566</b>	<b>-</b>	<b>92,515,566</b>	<b>-</b>	<b>-</b>	<b>92,515,566</b>	<b>93,437,169</b>
<b>Change in Net Assets from Operations</b>	<b>(2,069,565)</b>	<b>31,398</b>	<b>(2,038,167)</b>	<b>(23,029)</b>	<b>-</b>	<b>(2,061,196)</b>	<b>(1,177,106)</b>
<b>Other Revenue</b>							
Realized and unrealized gain on investments, net	39,460	163,351	202,811	4,822	-	207,633	408,485
Interest and dividends	342,463	-	342,463	-	-	342,463	369,371
Net assets released from restrictions	112,846	(79,979)	32,867	(32,867)	-	-	-
Total other revenue	494,769	83,372	578,141	(28,045)	-	550,096	777,856
<b>Change in Net Assets</b>	<b>(1,574,796)</b>	<b>114,770</b>	<b>(1,460,026)</b>	<b>(51,074)</b>	<b>-</b>	<b>(1,511,100)</b>	<b>(399,250)</b>
<b>Net Assets, beginning of year</b>	<b>16,110,705</b>	<b>1,944,419</b>	<b>18,055,124</b>	<b>979,944</b>	<b>92,800</b>	<b>19,127,868</b>	<b>19,527,118</b>
<b>Net Assets, end of year</b>	<b>\$ 14,535,909</b>	<b>\$ 2,059,189</b>	<b>\$ 16,595,098</b>	<b>\$ 928,870</b>	<b>\$ 92,800</b>	<b>\$ 17,616,768</b>	<b>\$ 19,127,868</b>

See accompanying notes to financial statements.

Greater Cleveland Food Bank

Statement of Activities

<i>Year Ended September 30, 2017</i>	Undesignated	Board Designated Endowment	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
<b>Food Programs Revenue</b>						
Value of food received						
Value of food donated (21,905,950 pounds)	\$ 37,897,294	\$ -	\$ 37,897,294	\$ -	\$ -	\$ 37,897,294
Value of USDA and OFPP food received (19,798,633 pounds)	32,540,905	-	32,540,905	-	-	32,540,905
	70,438,199	-	70,438,199	-	-	70,438,199
Food distribution revenue						
Purchased Food Program (4,378,143 pounds)	2,738,427	-	2,738,427	-	-	2,738,427
	73,176,626	-	73,176,626	-	-	73,176,626
<b>Total food programs revenue</b>	<b>73,176,626</b>	<b>-</b>	<b>73,176,626</b>	<b>-</b>	<b>-</b>	<b>73,176,626</b>
<b>Operating Revenue</b>						
Greater Cleveland Food Bank Kitchen fees	1,624,756	-	1,624,756	-	-	1,624,756
Member agency handling fees	1,231,768	-	1,231,768	-	-	1,231,768
Federal, state, county government reimbursement and administrative fees	3,728,891	-	3,728,891	-	-	3,728,891
Contributions and grants	11,819,747	47,716	11,867,463	523,114	10,000	12,400,577
Other	97,445	-	97,445	-	-	97,445
Net assets released from restrictions	566,265	-	566,265	(566,265)	-	-
<b>Total</b>	<b>19,068,872</b>	<b>47,716</b>	<b>19,116,588</b>	<b>(43,151)</b>	<b>10,000</b>	<b>19,083,437</b>
<b>Total Revenue from Food Programs and Operations</b>	<b>92,245,498</b>	<b>47,716</b>	<b>92,293,214</b>	<b>(43,151)</b>	<b>10,000</b>	<b>92,260,063</b>
<b>Food Programs Expenses</b>						
Value of food distributed						
Value of donated food distributed, including scrap (22,271,814 pounds)	38,440,793	-	38,440,793	-	-	38,440,793
Value of USDA and OFPP food distributed, including scrap (19,727,928 pounds)	32,504,838	-	32,504,838	-	-	32,504,838
	70,945,631	-	70,945,631	-	-	70,945,631
Food cost of goods sold						
Purchased Food Program, including scrap (4,435,558 pounds)	2,425,586	-	2,425,586	-	-	2,425,586
Harvest for Hunger food purchases and grants	2,142,085	-	2,142,085	-	-	2,142,085
<b>Total food programs expenses</b>	<b>75,513,302</b>	<b>-</b>	<b>75,513,302</b>	<b>-</b>	<b>-</b>	<b>75,513,302</b>

See accompanying notes to financial statements.

## Greater Cleveland Food Bank

### Statement of Activities

<i>Year Ended September 30, 2017</i>	Undesignated	Board Designated Endowment	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
<b>Operating Expenses</b>						
Program expenses						
Operations	11,429,741	-	11,429,741	-	-	11,429,741
Greater Cleveland Food Bank Kitchen	1,841,355	-	1,841,355	-	-	1,841,355
Community and government programming	410,859	-	410,859	-	-	410,859
Total program expenses	13,681,955	-	13,681,955	-	-	13,681,955
Support services						
Fundraising	2,717,169	-	2,717,169	-	-	2,717,169
Volunteer Service & Product Resource Development	287,463	-	287,463	-	-	287,463
Administration	1,237,281	-	1,237,281	-	-	1,237,281
Total support services	4,241,913	-	4,241,913	-	-	4,241,913
<b>Total operating expenses</b>	<b>17,923,868</b>	<b>-</b>	<b>17,923,868</b>	<b>-</b>	<b>-</b>	<b>17,923,868</b>
<b>Total Food Programs and</b>						
<b>Operating Expenses</b>	<b>93,437,169</b>	<b>-</b>	<b>93,437,169</b>	<b>-</b>	<b>-</b>	<b>93,437,169</b>
<b>Change in Net Assets from Operations</b>	<b>(1,191,671)</b>	<b>47,716</b>	<b>(1,143,955)</b>	<b>(43,151)</b>	<b>10,000</b>	<b>(1,177,106)</b>
<b>Other Revenue</b>						
Realized and unrealized gain on investments, net	168,243	232,031	400,274	8,211	-	408,485
Interest and dividends	369,371	-	369,371	-	-	369,371
Net assets released from restrictions	127,181	(92,314)	34,867	(34,867)	-	-
Total other revenue	664,795	139,717	804,512	(26,656)	-	777,856
<b>Change in Net Assets</b>	<b>(526,876)</b>	<b>187,433</b>	<b>(339,443)</b>	<b>(69,807)</b>	<b>10,000</b>	<b>(399,250)</b>
<b>Net Assets, beginning of year</b>	<b>16,637,581</b>	<b>1,756,986</b>	<b>18,394,567</b>	<b>1,049,751</b>	<b>82,800</b>	<b>19,527,118</b>
<b>Net Assets, end of year</b>	<b>\$ 16,110,705</b>	<b>\$ 1,944,419</b>	<b>\$ 18,055,124</b>	<b>\$ 979,944</b>	<b>\$ 92,800</b>	<b>\$ 19,127,868</b>

*See accompanying notes to financial statements.*

Greater Cleveland Food Bank

Statement of Functional Expenses

	Program Expenses			Supporting Services			2018 Total Expenses	2017 Total Expenses
	Operations	Greater Cleveland Food Bank Kitchen	Community and Government Programming	Fundraising	Volunteer Service & Product Resource Development	Administration		
<i>For the Year Ended September 30, 2018, with Summarized Comparative Information for 2017</i>								
<b>Food Programs Expense</b>								
Value of food distributed, including scrap								
Value of donated food distributed	\$ 37,852,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,852,104	\$ 38,440,793
Value of USDA and OFPP food distributed	30,822,366	-	-	-	-	-	30,822,366	32,504,837
Food cost of goods sold, including scrap								
Purchased food program	2,591,294	-	-	-	-	-	2,591,294	2,425,586
Harvest for Hunger food purchases and grants	2,128,126	-	-	-	-	-	2,128,126	2,142,085
<b>Total food programs expense</b>	<b>\$ 73,393,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,393,890</b>	<b>\$ 75,513,301</b>
<b>Operating Expense</b>								
Salaries and wages	\$ 5,139,486	\$ 89,213	\$ 333,332	\$ 1,143,963	\$ 212,984	\$ 741,269	\$ 7,660,247	\$ 7,296,249
Employee benefits	840,274	41,999	42,364	180,689	38,564	138,631	1,282,521	1,279,543
<b>Total salaries and related expenses</b>	<b>5,979,760</b>	<b>131,212</b>	<b>375,696</b>	<b>1,324,652</b>	<b>251,548</b>	<b>879,900</b>	<b>8,942,768</b>	<b>8,575,792</b>
Professional services	103,761	450	2,100	112,015	-	147,086	365,412	321,883
Office expense and services	332,067	22,142	20,855	147,113	16,548	1,696	540,421	584,229
Food and supplies - Greater Cleveland Food Bank Kitchen	74,042	2,419,575	-	-	-	-	2,493,617	1,597,015
Occupancy costs and warehouse maintenance	914,912	24,111	30	214	500	8,890	948,657	892,368
Fuel, fleet costs, inbound freight (net)	707,791	55,080	-	-	-	-	762,871	691,483
Direct mail fundraising and communications	1,376	-	14,895	854,489	8,133	982	879,875	1,068,959
Agency support	3,093,787	131	-	-	-	-	3,093,918	3,067,195
Miscellaneous	117,130	7,678	15,221	209,548	14,211	146,842	510,630	549,690
<b>Total operating expenses before depreciation</b>	<b>11,324,626</b>	<b>2,660,379</b>	<b>428,797</b>	<b>2,648,031</b>	<b>290,940</b>	<b>1,185,396</b>	<b>18,538,169</b>	<b>17,348,614</b>
Depreciation and amortization	431,294	44,578	6,900	25,590	310	74,835	583,507	575,254
<b>Total operating expenses</b>	<b>11,755,920</b>	<b>2,704,957</b>	<b>435,697</b>	<b>2,673,621</b>	<b>291,250</b>	<b>1,260,231</b>	<b>19,121,676</b>	<b>17,923,868</b>
<b>Total Functional Expenses</b>	<b>\$ 85,149,810</b>	<b>\$ 2,704,957</b>	<b>\$ 435,697</b>	<b>\$ 2,673,621</b>	<b>\$ 291,250</b>	<b>\$ 1,260,231</b>	<b>\$ 92,515,566</b>	<b>\$ 93,437,169</b>

See accompanying notes to financial statements.

Greater Cleveland Food Bank

Statement of Functional Expenses

Year Ended September 30, 2017	Program Expenses			Supporting Services			2017 Total Expenses
	Operations	Greater Cleveland Food Bank Kitchen	Community and Government Programming	Fundraising	Volunteer Service & Product Resource Development	Administration	
<b>Food Programs Expense</b>							
Value of food distributed, including scrap							
Value of donated food distributed	\$ 38,440,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,440,793
Value of USDA and OFPP food distributed	32,504,837	-	-	-	-	-	32,504,837
Food cost of goods sold, including scrap							
Purchased food program	2,425,586	-	-	-	-	-	2,425,586
Harvest for Hunger food purchases and grants	2,142,085	-	-	-	-	-	2,142,085
<b>Total food programs expense</b>	<b>\$ 75,513,301</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,513,301</b>
<b>Operating Expense</b>							
Salaries and wages	\$ 4,851,844	\$ 133,710	\$ 285,067	\$ 1,110,710	\$ 195,722	\$ 719,196	\$ 7,296,249
Employee benefits	874,454	33,255	35,143	167,170	37,372	132,149	1,279,543
<b>Total salaries and related expenses</b>	<b>5,726,298</b>	<b>166,965</b>	<b>320,210</b>	<b>1,277,880</b>	<b>233,094</b>	<b>851,345</b>	<b>8,575,792</b>
Professional services	45,398	-	12,693	126,839	8,462	128,491	321,883
Office expense and services	360,813	18,619	25,479	144,081	20,896	14,341	584,229
Food and supplies - Greater Cleveland Food Bank Kitchen	74,042	1,522,973	-	-	-	-	1,597,015
Occupancy costs and warehouse maintenance	850,013	32,506	-	10	500	9,339	892,368
Fuel, fleet costs, inbound freight (net)	637,728	53,693	-	-	-	62	691,483
Direct mail fundraising and communications	76,979	-	16,458	965,984	8,000	1,538	1,068,959
Agency support	3,067,061	-	134	-	-	-	3,067,195
Miscellaneous	160,818	9,571	28,985	176,785	16,201	157,330	549,690
<b>Total operating expenses before depreciation</b>	<b>10,999,150</b>	<b>1,804,327</b>	<b>403,959</b>	<b>2,691,579</b>	<b>287,153</b>	<b>1,162,446</b>	<b>17,348,614</b>
Depreciation	430,591	37,028	6,900	25,590	310	74,835	575,254
<b>Total operating expenses</b>	<b>11,429,741</b>	<b>1,841,355</b>	<b>410,859</b>	<b>2,717,169</b>	<b>287,463</b>	<b>1,237,281</b>	<b>17,923,868</b>
<b>Total Functional Expenses</b>	<b>\$ 86,943,042</b>	<b>\$ 1,841,355</b>	<b>\$ 410,859</b>	<b>\$ 2,717,169</b>	<b>\$ 287,463</b>	<b>\$ 1,237,281</b>	<b>\$ 93,437,169</b>

See accompanying notes to financial statements.

# Greater Cleveland Food Bank

## Statements of Cash Flows

<i>Years Ended September 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (1,511,100)	\$ (399,250)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	583,509	575,254
Realized and unrealized gain on investments	(207,633)	(408,485)
Grants and contributions received for cooler/freezer expansion	-	(2,000)
Uncollectible agency receivables and pledge write offs	15,526	24,194
Change in contributed and government inventory	1,528,059	507,965
Contributions restricted to endowment	-	(10,000)
(Increase) decrease in:		
Agency receivables	(105,966)	(80,764)
Government administration fees/reimbursements	(86,144)	115,436
Operating pledges	645,275	144,275
Cooler/freezer expansion pledges	-	2,000
Other receivables	9,969	(12,939)
Purchased food program inventory	(96,808)	25,938
Prepaid expenses and other deposits	(40,136)	(203,893)
Increase (decrease) in:		
Accounts payable - operating	(115,278)	(180,739)
Accrued expenses	(52,558)	212,792
Harvest for Hunger credits	97,198	(229,150)
Agency grant commitments	(11,426)	268,431
<b>Net Cash and Cash Equivalents From Operating Activities</b>	<b>652,487</b>	<b>349,065</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(76,305)	(566,476)
Capitalized software costs	(120,743)	(59,586)
Proceeds from sale of investments	79,979	92,314
Purchase of investments	(331,477)	(32,197)
<b>Net Cash and Cash Equivalents For Investing Activities</b>	<b>(448,546)</b>	<b>(565,945)</b>

*See accompanying notes to financial statements.*

# Greater Cleveland Food Bank

## Statements of Cash Flows

<i>Years Ended September 30,</i>	2018	2017
<b>Cash Flows from Financing Activities</b>		
Net borrowings on lines of credit	\$ 90,000	\$ 407,686
Contributions restricted for endowment	-	10,000
Grants and contributions received for cooler/freezer expansion	-	2,000
<b>Net Cash and Cash Equivalents From Financing Activities</b>	<b>90,000</b>	<b>419,686</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>293,941</b>	<b>202,806</b>
Cash and Cash Equivalents, at beginning of year	202,806	-
<b>Cash and Cash Equivalents, at end of year</b>	<b>\$ 496,747</b>	<b>\$ 202,806</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 35,947	\$ 28,719

*See accompanying notes to financial statements.*



# Greater Cleveland Food Bank

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Nature of organization*

The Greater Cleveland Food Bank (the Food Bank) is incorporated under the laws of the State of Ohio as a not-for-profit corporation. The function of the Food Bank is to collect, warehouse, and distribute food and grocery products to social service agencies that feed the needy in the Northeast Ohio area. The Food Bank provides food to child care centers, group homes, and programs for the elderly. The Food Bank uses the state system Ohio Benefit software to help low income clients apply for the public benefits they are eligible for including Supplemental Nutrition Assistance Program (SNAP). Clients can call the Food Bank's Help Center for assistance or meet with our outreach workers in the community. The Food Bank also connects clients to community partners focused on employment, housing and healthcare. The Food Bank's major sources of revenues are food donations, contributions, foundation grants, fee income and government contracts.

#### *Basis of presentation*

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as recommended in the Audit and Accounting Guide for Not-for-Profit Organizations published by the American Institute of Certified Public Accountants. The financial statement presentation follows the recommendation of the Accounting Standards Codification (ASC) Not-for-Profit Entities.

#### *Net Assets*

The Food Bank's financial statements require that unconditional promises to give (pledges) be recorded as receivables and revenues and contributions received be distinguished for each net asset category in accordance with donor-imposed restrictions. Further, the resources of the Food Bank are classified into net asset categories according to donor-imposed restrictions. A description of these categories are as follows:

*Unrestricted Net Assets:* Include the net assets that are free of donor-imposed restrictions and are neither permanently restricted nor temporarily restricted as well as those designated by the governing board.

*Board Designated Funds:* Include unrestricted net assets voluntarily segregated by the board for specific purposes.

*Temporarily Restricted Net Assets:* Include the net assets from grants, contributions or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Food Bank. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets:* Include net assets from contributions or other inflows where the donor does not allow original principal to be expended, but the earnings are available for use under a spending policy.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Cash and cash equivalents*

Highly liquid investments with initial maturities of three months or less are considered to be cash equivalents.

### *Investments*

Investments are reported at their fair values in the statement of financial position. Income and gains from investments includes interest and dividends, realized gains and unrealized appreciation (depreciation). Such income is reported as other revenue in the statement of activities in the period in which the income is recognized, given that such income is not used in operations of the Food Bank. See Note 2 for discussion of fair value measurements.

### *Agency receivables*

The Food Bank reports agency receivables at net fair value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account as bad debt expense. Agency receivable balances are shown on the statements of financial position net of the following allowances for doubtful accounts:

<i>September 30,</i>	2018	2017
Agency receivables	\$ 392,697	\$ 306,292
Less allowance for doubtful accounts	22,716	26,751
	<b>\$ 369,981</b>	<b>\$ 279,541</b>

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### *Government administrative fees & reimbursement receivable*

The Food Bank reports government fees and reimbursements at their realizable value. The fees and reimbursements represent payments from federal, state and county contracts. The fees and reimbursements are recorded as revenue at the time the service is complete and the monthly billing is submitted to the appropriate government agency. Government Administrative fees & Reimbursements shown on the statements of financial position are as follows:

<i>September 30,</i>	2018	2017
USDA Administrative fee	\$ 163,689	\$ 93,913
CACFP Reimbursement	286,905	203,194
FNS Reimbursement	166,612	119,747
State Food Program Administrative Fee	76,006	87,159
County Reimbursement	189,420	293,528
All other	8,525	7,472
	<b>\$ 891,157</b>	<b>\$ 805,013</b>

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# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Operating pledges receivable*

Operating pledges receivable represent promises to give that have been made by donors, but have not been received by the Food Bank. Unconditional promises to give are recognized as revenue when the donor's commitment is received. Operating pledges were as follows:

<i>September 30,</i>	<b>2018</b>	<b>2017</b>
Receivable in less than one year	\$ 477,158	\$ 967,183
Receivable in one to five years	20,000	175,250
	<b>\$ 497,158</b>	<b>\$ 1,142,433</b>

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As of September 30, 2018 and 2017 allowances for uncollectible pledges were \$7,500 and \$6,500, respectively.

### *Inventory*

Contributed inventories represent inventory items donated to the Food Bank for distribution. In accordance with Feeding America's Product Valuation Survey, which is performed annually by KPMG, the average wholesale value of contributed items was \$1.68 per pound as of September 30, 2018 and \$1.73 per pound as of September 30, 2017. Items are distributed on a FIFO basis.

USDA inventories represent commodities (bulk food products) received under federal government programs for distribution. In accordance with the USDA Food Distribution Policy FD-104 and revised on December 2, 2016, food items are valued at the average wholesale value of food items only and exclude non-food items. In accordance with the Feeding America Product Valuation Survey, the average wholesale value of food only was \$1.57 per pound as of September 30, 2018 and \$1.52 per pound as of September 30, 2017. Items are distributed on a FIFO basis.

Ohio Food Purchase Program inventories represent commodities (bulk food products) received under the state government programs for distribution. Ohio Food inventories are valued at the average wholesale value of food items only and exclude non-food items. In accordance with the Feeding America Product Valuation Survey, the average wholesale value of food only was \$1.57 per pound as of September 30, 2018. The food bank used the average wholesale value of all contributed items of \$1.73 per pound to value Ohio Food inventories for FY2017. The change is considered a change in accounting estimate, and, accordingly has prospective implementation in the accompanying financial statements. The impact of the change was a decrease to Value of OFPP food received of \$1,287,227 and a decrease to cost of sales of \$1,236,008 reported for the year ended September 30, 2018. Items are distributed on a FIFO basis.

Purchased Food Program inventories represent food purchased and are stated at the lower of cost or market on a FIFO basis.

Greater Cleveland Food Bank Kitchen (the Kitchen) inventory represents food purchased for use by the Kitchen for prepared meals for distribution and is stated at the lower of cost or market on a FIFO basis.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Property and equipment*

Property and equipment is recorded at cost at the date of acquisition or fair value at the date of donation. There was no donated property and equipment for years ended September 30, 2018 and 2017. The Food Bank capitalizes all expenditures for property and equipment equal to or greater than \$2,500. Depreciation is computed on a straight-line method over the estimated useful lives of the respective assets, which range from three to forty years. Routine expenditures for repairs and maintenance are expensed as incurred.

### *Harvest for Hunger credits*

Harvest for Hunger credits represent money set aside from the funds raised during the annual Harvest for Hunger campaign to apply as grants to member agencies based on their annual service statistics, to purchase product made available to agencies at reduced prices, and to purchase produce at no charge for the agencies. Agencies can apply any of their Food Bank purchases to the grants. The related expense is shown as Harvest for Hunger food purchases and grants on the statements of activities.

### *Contributions*

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. However, if a restriction is fulfilled in the same period in which the contribution is received, the Food Bank reports the support as unrestricted.

### *In-kind donations*

During the years ended September 30, 2018 and 2017, the value of contributed goods and services meeting the requirements for recognition in the financial statements was \$51,359 and \$21,699, respectively. In-kind donations included promotional material and legal services. The value of these contributions is included in fixed assets in the statements of financial position and Community & Government Programming in the statements of activities.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Food Bank, but these services do not meet the criteria for recognition as contributed services. The Food Bank benefited from more than 85,200 and 82,500 volunteer hours in the years ended September 30, 2018 and 2017, representing a dollar value of approximately \$2,056,728 and \$1,992,500 in volunteer services for the respective fiscal years based on the 2017 and 2016 Bureau of Labor Statistics Dollar Value of a Volunteer Hour.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Revenue recognition on contributed products*

The Food Bank recognizes revenue on contributed food and products at the time the contribution is received, at a value based on Feeding America's Product Valuation Survey as discussed above. The related cost is recognized at the time the products are distributed to agencies and clients in the community, also based on these values. Contributed food was recorded as revenue at \$1.68 per pound, while USDA and Ohio food was recorded as revenue at \$1.57 per pound as of September 30, 2018. Contributed food and Ohio food were recorded as revenue at \$1.73 per pound, while USDA food was recorded as revenue at \$1.52 per pound as of September 30, 2017 as discussed above. The difference between the revenue and cost recognized is reflective of the change in contributed inventory and is incorporated in the change in net assets.

### *Income tax status*

The Food Bank is organized as a not-for-profit organization exempt from income tax under 501(c)(3) of the Internal Revenue Code. Income taxes on unrelated business income, if any, are provided at the applicable rates on income for financial reporting purposes.

Accounting principles generally accepted in the United States of America require the Food Bank's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Food Bank has taken a position that is uncertain. As uncertain position is defined as one in which there is a 50% or greater likelihood that the position will not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Food Bank and has concluded that, as of September 30, 2018, there are no uncertain tax positions taken or expect to be taken. The Food Bank's income tax filings are subject to audit by various taxing authorities. In evaluating the Food Bank's activities, management believes its position of tax-exempt status is appropriate based on current facts and circumstances. Management has assessed that there are no activities unrelated to the charitable purpose of the Food Bank and therefore no tax is to be recognized.

It is the policy of the Food Bank to include in operating expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in operating expenses for the years ended September 30, 2018 and 2017.

### *Concentrations of credit risk*

Financial instruments that potentially subject the Food Bank to credit risk at September 30, 2018 and 2017, consist primarily of cash and cash equivalents, investments, and receivables. The Food Bank maintains its cash and cash equivalents with several of the country's largest banks and at times invested amounts exceed FDIC insured limits. The investments are exposed to various risks such as interest rate, market volatility and credit. Due to the level of risk associated with certain investments, it is possible that a change in the value of these investments could occur in the near term and that such a change could be material. The Food Bank believes it has placed these temporary cash investments with high credit quality financial institution and does not believe it is exposed to any significant credit risk on its cash and cash equivalents. As of September 30, 2018, 68% of outstanding operating pledges were attributable to four foundations. The Organization receives government funding which amounted to 18% and 17% of the Organizations total revenue and support for the years ended September 30, 2018 and 2017, respectively.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported on the financial statements and those disclosed in the footnotes. Accordingly, actual results could differ from those estimates.

### *Reclassifications*

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation. These reclassifications have no effect on the total changes in net assets

### *Recent accounting pronouncements*

#### *Presentation of Financial Statement of Not-for-Profit Entities*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Food Bank's financial statements for fiscal years beginning after December 15, 2017 (the Organization's fiscal year ending September 30, 2019). The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Food Bank until annual periods beginning after December 15, 2018 (the Organization's fiscal year ending September 30, 2020). Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

### *Not-for-Profit Entities (topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the Food Bank serves as the resource recipient to annual periods beginning after December 15, 2018 (the Organization's fiscal year ending September 30, 2020). Management is currently evaluating the impact of this ASU on its financial statements.

### *Leases*

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020 (the Organization's fiscal year ending September 30, 2021). Early adoption of ASU 2016-02 is permitted. The Food Bank will be evaluating the potential impact of adopting this guidance on our financial statements.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Miscellaneous expenses*

In the statement of functional expenses, miscellaneous expenses are comprised of the following:

<i>September 30,</i>	2018	2017
Bank fees	\$ 162,820	\$ 144,447
Dues and member fees	69,830	69,253
Travel, mileage, conference and meals	143,622	187,129
Advertising	61,175	51,125
Allowance for doubtful accounts/pledges	15,526	24,194
Other expense	57,657	73,542
	<b>\$ 510,630</b>	<b>\$ 549,690</b>

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### *Evaluation of subsequent events*

The Food Bank has evaluated subsequent events through December 12, 2018, which is the date the financial statements were available to be issued, and has determined, with the exception of the matter discussed in Note 5, that there were no subsequent events that have occurred through that date to recognize or disclose in these financial statements.

## 2. Fair Value Measurements

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable input be used when available. Observable inputs are those that market participants would use in measuring investments at fair value based on market data obtained from sources independent of the Food Bank. Unobservable inputs reflect the Food Bank's assumptions about the inputs market participants would use in measuring investments at fair value based on the best information available in the circumstances. Investments are measured and disclosed in one of three levels based on the reliability of inputs:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Food Bank has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.



# Greater Cleveland Food Bank

## Notes to Financial Statements

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Level 3: Inputs to the valuation methodology are unobservable and significant for the fair value measurements. The Food Bank holds no level 3 assets at September 30, 2018 and 2017.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2018 and 2017.

### *Cash equivalents*

Cash equivalents, comprised of overnight money market accounts, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

### *Common Stocks*

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

### *Mutual Funds*

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Food Bank are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Food Bank are deemed to be actively traded.

### *Cleveland Foundation Pooled Funds*

The fair value of the Cleveland Foundation Pooled Funds (the Pool) is based on the number of units held at year end as determined by a third party pricing service. The stated objective of the Pool is to provide nonprofit organizations access to money managers that traditionally require very high initial investment, and enable the individual funds of the Pool to achieve broader diversification and access to multiple managers with specific skill sets. The Pool is comprised of large cap, small cap, international, fixed income and absolute return equity investments. Although these investments include marketable securities and fixed income securities, they are pooled investments and have been classified within Level 2 as they are not traded in an active market and are subject to liquidity restrictions. The investment in the Pool is classified as a noncurrent asset due to the intent of management to hold the investment for endowed purposes.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Food Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Greater Cleveland Food Bank

## Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Food Bank's assets at fair value as of September 30, 2018 and 2017:

<i>Year Ended September 30, 2018</i>	Level 1	Level 2	Total at September 30, 2018
Cash equivalents	\$ 768,813	\$ -	\$ 768,813
Common stocks	417,626	-	417,626
Mutual funds:			
Term bonds	971,274	-	971,274
Inflation protection bonds	100,050	-	100,050
Small cap	96,281	-	96,281
Growth	499,522	-	499,522
Mid cap	241,904	-	241,904
Foreign	217,024	-	217,024
Value	467,197	-	467,197
Emerging markets	203,700	-	203,700
Nontraditional bonds	173,621	-	173,621
Large blend	784,411	-	784,411
Infrastructure	98,480	-	98,480
Cleveland Foundation			
Investment Pool	-	2,178,294	2,178,294
<b>Total Investments</b>	<b>\$ 5,039,903</b>	<b>\$ 2,178,294</b>	<b>\$ 7,218,197</b>

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# Greater Cleveland Food Bank

## Notes to Financial Statements

<i>Year Ended September 30, 2017</i>	Level 1	Level 2	Total at September 30, 2017
Cash equivalents	\$ 349,899	\$ -	\$ 349,899
Common stocks	212,616	-	212,616
Mutual funds:			
Term bonds	803,979	-	803,979
Inflation protection bonds	99,769	-	99,769
Small cap	291,472	-	291,472
Growth	375,641	-	375,641
Mid cap	440,001	-	440,001
Foreign	497,112	-	497,112
Value	476,391	-	476,391
Emerging markets	213,275	-	213,275
Nontraditional bonds	176,866	-	176,866
Large blend	763,343	-	763,343
Cleveland Foundation			
Investment Pool	-	2,037,220	2,037,220
Total Investments	\$ 4,700,364	\$ 2,037,220	\$ 6,737,584

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# Greater Cleveland Food Bank

## Notes to Financial Statements

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The income and gain from investments is comprised of the following:

<i>Years Ended September 30,</i>	2018	2017
Realized and unrealized gain on investments, net	\$ 207,633	\$ 408,485
Interest and dividends	342,463	369,371
	<b>\$ 550,096</b>	<b>\$ 777,856</b>

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Investment expense for the years ended September 30, 2018 and 2017 were \$41,282 and \$36,186, respectively, which are included as a component of miscellaneous expenses in the accompanying statement of functional expenses.

### 3. Property and Equipment

Property and equipment consisted of the following:

<i>September 30,</i>	2018	2017
Building and improvements	\$10,255,615	\$ 10,255,615
Office, computer equipment, and Artwork	1,427,580	1,416,555
Warehouse machinery and equipment	1,934,729	1,907,752
Vehicles	265,475	227,172
Land and land improvements	1,167,755	1,167,755
	15,051,154	14,974,849
Less accumulated depreciation	(6,009,105)	(5,534,738)
	<b>\$ 9,042,049</b>	<b>\$ 9,440,111</b>

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Depreciation expense was \$474,367 and \$478,785 for the years ended September 30, 2018 and 2017, respectively.

### 4. Capitalized Software

Capitalized software costs consist of the following:

<i>September 30,</i>	2018	2017
Capitalized software	\$ 796,373	\$ 675,630
Less accumulated amortization	(631,382)	(522,240)
	<b>\$ 164,991</b>	<b>\$ 153,390</b>

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Amortization expense was \$109,142 and \$96,469 for the years ended September 30, 2018 and 2017, respectively.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### 5. Credit Facilities

The Food Bank holds an unsecured line of credit agreement with PNC Bank with maximum borrowings of \$1,500,000 for working capital and general corporate purposes. The interest rate is a variable interest rate based on prime (4.5% as of September 30, 2018). The line of credit matures on March 31, 2019. There were no outstanding borrowings against the line of credit as of September 30, 2018. As of the reporting date the outstanding balance was \$0.

The Food Bank has a revolving line of credit agreement with Bank of America with maximum borrowings of \$1,500,000 for working capital and general corporate purposes. The interest rate is a variable rate based on the LIBOR Daily Floating Rate plus 2.0% (4.24% as of September 30, 2018). The line of credit matures on June 1, 2019. There were \$997,686 outstanding borrowings against the line of credit as of September 30, 2018. As of the reporting date the outstanding balance was \$1,297,686 (unaudited).

Interest expense related to the lines of credit was \$35,947 and \$28,719 for the years ended September 30, 2018 and 2017.

### 6. Endowments

The Food Bank's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. 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 Food Bank believes that absent explicit donor stipulations to the contrary, fiduciary standards require the preservation of the "historic dollar value" of donor-restricted endowment funds.

"Historic dollar value" as to any donor-restricted endowment fund means the aggregate fair value of (a) the original value of gifts donated to such fund, (b) the original value of subsequent gifts to the such fund, and (c) accumulations to such fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, the Food Bank classifies the historic dollar value of a donor-restricted endowment fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until it is appropriated for expenditure by the Food Bank in a manner consistent with the standard of prudence prescribed in Ohio UPMIFA requirements.

Notwithstanding the foregoing accounting classifications, unless the gift instrument creating a donor-restricted endowment fund expressly provides otherwise, the Board may, as provided in Ohio UPMIFA, from time to time, appropriate for expenditure such portion of the permanently restricted net assets as the Board determines is prudent, after application of the factors set forth below:

# Greater Cleveland Food Bank

## Notes to Financial Statements

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- The duration and preservation of the funds.
- The purposes of the Food Bank 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 Food Bank.
- The investment policies of the Food Bank.

### *Return objectives, risk parameters, and strategies employed for achieving objectives*

The Food Bank follows investment policies that attempt to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Food Bank must hold in perpetuity or for a donor-specified period, as well as unrestricted bequests which the Board has designated as endowment.

The endowment assets are invested in The Cleveland Foundation Flagship Pool, the composition of which is described in Note 2.

Under the Food Bank's board designated endowment policy, endowed assets and the income thereon (interest, dividends, and capital appreciation) may be appropriated for expenditure once the fund balance reaches \$1,500,000. The Organization has a policy of appropriation for distribution each year 5% of the September 30 balance using a trailing average over the prior three years. During fiscal 2018, the fund balance exceeded the \$1,500,000 threshold and as such, \$79,979 was appropriated during the fiscal year ended September 30, 2018. During fiscal 2017, the fund balance exceeded the \$1,500,000 threshold and as such, \$92,314 was appropriated during the fiscal year ended September 30, 2017.

Endowment net asset composition by type of fund as:

<i>Year Ended September 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 26,305	\$ 92,800	\$ 119,105
Board designated funds	2,059,189	-	-	2,059,189
	2,059,189	\$ 26,305	\$ 92,800	\$2,178,294

<i>Year Ended September 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 21,483	\$ 92,800	\$ 114,283
Board designated funds	1,944,419	-	-	1,944,419
	\$ 1,944,419	\$ 21,483	\$ 92,800	\$ 2,058,702

# Greater Cleveland Food Bank

## Notes to Financial Statements

Change in endowment net assets for the fiscal year ended September 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2016	\$ 1,756,986	\$ 13,272	\$ 82,800	\$ 1,853,058
Investment return	232,031	8,211	-	240,242
Contributions	47,716	-	10,000	57,716
Appropriations	(92,314)	-	-	(92,314)
Endowment net assets, September 30, 2017	1,944,419	21,483	92,800	2,058,702
Investment return	163,351	4,822	-	168,173
Contributions	31,398	-	-	31,398
Appropriations	(79,979)	-	-	(79,979)
Endowment net assets, September 30, 2018	\$ 2,059,189	\$ 26,305	\$ 92,800	\$ 2,178,294

### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

<i>September 30,</i>	2018	2017
Nature of restriction:		
Time restricted pledges	\$ 780,831	\$ 692,732
State of Ohio Joint Use Agreement	32,862	65,729
Endowment earnings	26,305	21,483
Agency grants	13,239	50,000
Food stamp outreach	75,633	150,000
	<b>\$ 928,870</b>	<b>\$ 979,944</b>

# Greater Cleveland Food Bank

## Notes to Financial Statements

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

<i>September 30,</i>	2018	2017
State of Ohio Joint Use Agreement	\$ 32,867	\$ 32,867
Agency grants	55,764	10,298
Children's nutrition initiative	5,833	69,266
Food stamp initiative	75,000	91,533
Senior Initiative	104,200	35,213
Food as Medicine Initiative	95,250	-
General operating-strategic plan	350,000	350,000
Miscellaneous	30,565	11,955
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	\$ 749,479	\$ 601,132

### 8. Retirement Plan

The Food Bank maintains a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code, which covers substantially all of its employees. Discretionary employer contributions to the plan amounted to \$209,057 and \$165,536 for the years ended September 30, 2018 and 2017, respectively.

### 9. Leases

As of September 30, 2018, the Food Bank leases various office equipment and seventeen trucks under operating leases. These leases expire at various times through 2023.

Future minimum lease payments for noncancellable operating leases having an initial term in excess of one year at September 30, 2018 are as follows:

<i>Year Ended September 30,</i>	
2019	\$ 340,359
2020	311,904
2021	233,304
2022	154,536
2023	82,670
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	\$ 1,122,773

Lease expense was \$520,149 and \$485,458 for the years ended September 30, 2018 and 2017, respectively.