



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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**For the Year Ended December 31, 2022
(With Prior Year Summarized Comparative Information)**



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AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Akron-Canton Regional Foodbank, Inc. and Affiliates (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Akron-Canton Regional Foodbank, Inc. and Affiliates as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, and consolidating statement of cash flows are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statement of financial position, consolidating statement of activities, and consolidating statement of cash flows are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Akron-Canton Regional Foodbank, Inc. and Affiliates' 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Sikich LLP

Akron, Ohio
August 31, 2023

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022

(with summarized comparative financial information at December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 19,372,737	\$ 17,117,298
Accounts receivable, net	181,167	37,117
Grants receivable	502,560	470,137
Pledges receivable, net	80,000	370,000
Leverage loan receivable	4,530,750	4,530,750
Prepaid expenses	14,629	20,439
Inventory	2,776,920	1,712,162
Investments	2,035,060	2,403,287
Pledges receivable restricted for long-lived assets, net	1,542,910	2,465,314
Land, building and equipment, net	12,872,703	13,267,990
Endowment investments	<u>2,293,029</u>	<u>2,834,827</u>
TOTAL ASSETS	<u>\$ 46,202,465</u>	<u>\$ 45,229,321</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 172,118	\$ 315,885
Accrued expenses	793,452	668,427
Refundable advances	618,231	500,000
Long-term debt, net	<u>6,876,482</u>	<u>6,859,982</u>
Total liabilities	<u>8,460,283</u>	<u>8,344,294</u>
NET ASSETS		
Without donor restrictions	32,792,542	30,205,962
With donor restrictions	<u>4,949,640</u>	<u>6,679,065</u>
Total net assets	<u>37,742,182</u>	<u>36,885,027</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,202,465</u>	<u>\$ 45,229,321</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
PUBLIC SUPPORT AND REVENUE				
PUBLIC SUPPORT				
Grants	\$ 1,303,676	\$ -	\$ 1,303,676	\$ 1,570,383
Distribution fees	1,566,434	-	1,566,434	1,545,312
Donated food, net	36,956,182	-	36,956,182	35,455,299
Contributions	9,831,165	394,330	10,225,495	12,798,820
Capital campaign contributions	-	77,700	77,700	750,325
Net assets released from restrictions	1,718,968	(1,718,968)	-	-
Total public support	<u>51,376,425</u>	<u>(1,246,938)</u>	<u>50,129,487</u>	<u>52,120,139</u>
REVENUE				
Fundraising events	306,420	-	306,420	208,506
Less: Direct benefit to donors	34,105	-	34,105	43,952
Fundraising events, net	272,315	-	272,315	164,554
Shared maintenance	529,959	-	529,959	53,525
Agency delivery fees	42,900	-	42,900	-
Freight income	24,100	-	24,100	15,500
Investment income	89,901	73,832	163,733	75,895
Interest income	71,740	-	71,740	71,740
Miscellaneous income	81,978	-	81,978	1,013,751
Total revenue	<u>1,112,893</u>	<u>73,832</u>	<u>1,186,725</u>	<u>1,394,965</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>52,489,318</u>	<u>(1,173,106)</u>	<u>51,316,212</u>	<u>53,515,104</u>
EXPENSES				
Program services	45,308,800	-	45,308,800	44,491,034
Supporting services:				
Management and general	1,684,952	-	1,684,952	1,462,769
Fundraising expenses	2,425,228	-	2,425,228	2,041,007
Total expenses	<u>49,418,980</u>	<u>-</u>	<u>49,418,980</u>	<u>47,994,810</u>
CHANGE IN NET ASSETS FROM OPERATIONS				
BEFORE GAINS AND LOSSES	3,070,338	(1,173,106)	1,897,232	5,520,294
GAINS AND LOSSES				
Net gain (loss) on investments	(483,758)	(556,319)	(1,040,077)	404,746
CHANGE IN NET ASSETS	2,586,580	(1,729,425)	857,155	5,925,040
NET ASSETS, BEGINNING OF YEAR	<u>30,205,962</u>	<u>6,679,065</u>	<u>36,885,027</u>	<u>30,959,987</u>
NET ASSETS, END OF YEAR	<u>\$ 32,792,542</u>	<u>\$ 4,949,640</u>	<u>\$ 37,742,182</u>	<u>\$ 36,885,027</u>

See accompanying notes to consolidated financial statements.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
SALARIES AND RELATED					
Administration salaries	\$ 1,866,754	\$ 815,685	\$ 1,330,098	\$ 4,012,537	\$ 3,696,989
Warehouse salaries	1,206,088	-	-	1,206,088	1,096,697
Payroll taxes	303,630	67,767	109,766	481,163	454,255
Health and life insurance	395,591	70,416	141,025	607,032	607,910
Retirement plan	75,709	20,978	36,836	133,523	142,131
	<u>3,847,772</u>	<u>974,846</u>	<u>1,617,725</u>	<u>6,440,343</u>	<u>5,997,982</u>
OFFICE					
Supplies	23,649	1,492	18,208	43,349	32,297
Telephone	17,706	-	-	17,706	20,171
Postage	6,703	1,589	-	8,292	7,035
Maintenance	-	3,094	104,528	107,622	70,303
Insurance	-	35,966	-	35,966	20,841
Payroll service	-	32,304	-	32,304	23,949
Professional fees	-	204,025	11,600	215,625	227,545
Bank service charges	-	92,764	-	92,764	104,131
	<u>48,058</u>	<u>371,234</u>	<u>134,336</u>	<u>553,628</u>	<u>506,272</u>
TRANSPORTATION					
Staff travel	10,160	-	-	10,160	5,955
Fuel	202,356	-	-	202,356	146,336
Vehicle maintenance	118,164	-	-	118,164	165,927
Insurance	41,719	-	-	41,719	48,483
Freight	140,177	-	-	140,177	113,463
Equipment fees	210,425	-	-	210,425	167,506
Supplies	6,115	-	-	6,115	14,070
	<u>729,116</u>	<u>-</u>	<u>-</u>	<u>729,116</u>	<u>661,740</u>

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AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year end December 31, 2021)

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
WAREHOUSE					
Utilities	\$ 141,192	\$ 19,253	\$ -	\$ 160,445	\$ 158,084
Trash	28,376	-	-	28,376	37,721
Security	19,348	-	-	19,348	6,910
Maintenance	233,569	-	-	233,569	306,250
Information technology	183,112	24,970	-	208,082	221,648
Supplies	155,005	-	-	155,005	99,450
Contract labor	163,580	-	-	163,580	112,915
Insurance	65,398	-	-	65,398	55,142
Real estate assessments	6,412	-	-	6,412	4,147
Pest control	24,291	-	-	24,291	27,128
	<u>1,020,283</u>	<u>44,223</u>	<u>-</u>	<u>1,064,506</u>	<u>1,029,395</u>
OTHER					
Grant expense, primarily purchased food distributed	2,268,881	-	-	2,268,881	2,837,597
Donated food distributed	36,168,607	-	-	36,168,607	35,414,173
Network and association fees	53,928	-	-	53,928	38,116
Public relations	15,170	99,513	6,636	121,319	94,771
Direct mail and other solicitations	-	-	666,531	666,531	427,613
Interest expense	-	71,750	-	71,750	68,720
Miscellaneous	217,320	60,150	-	277,470	289,749
	<u>38,723,906</u>	<u>231,413</u>	<u>673,167</u>	<u>39,628,486</u>	<u>39,170,739</u>
Total expenses before depreciation and amortization	44,369,135	1,621,716	2,425,228	48,416,079	47,366,128
DEPRECIATION AND AMORTIZATION	<u>939,665</u>	<u>63,236</u>	<u>-</u>	<u>1,002,901</u>	<u>628,682</u>
Total expenses	45,308,800	1,684,952	2,425,228	49,418,980	47,994,810
ADDITIONAL COSTS					
Fundraising event- food and beverage	-	-	34,105	34,105	43,952
TOTAL EXPENSE PLUS ADDITIONAL COSTS	<u>\$ 45,308,800</u>	<u>\$ 1,684,952</u>	<u>\$ 2,459,333</u>	<u>\$ 49,453,085</u>	<u>\$ 48,038,762</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from public support	\$ 13,694,817	\$ 16,140,257
Cash received from customers	535,867	964,679
Cash paid to suppliers and employees	(12,570,458)	(12,611,846)
Interest received	<u>235,473</u>	<u>147,635</u>
Net cash from operating activities	<u>1,895,699</u>	<u>4,640,725</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,536,436)	(2,586,270)
Proceeds from sale of investments	1,406,384	1,214,248
Proceeds from the sale of assets	-	(3,000)
Capital expenditures	<u>(592,347)</u>	<u>(4,778,726)</u>
Net cash used in investing activities	<u>(722,399)</u>	<u>(6,153,748)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	-	(987,856)
Proceeds from contributions for investment in plant, property, and equipment	<u>1,082,139</u>	<u>1,829,772</u>
Net cash from financing activities	<u>1,082,139</u>	<u>841,916</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,255,439	(671,107)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,117,298</u>	<u>17,788,405</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 19,372,737</u>	<u>\$ 17,117,298</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	<u>\$ 857,155</u>	<u>\$ 5,925,040</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Depreciation and amortization	986,401	628,682
Net loss (gain) on investments	1,040,077	(404,746)
Amortization of debt issuance costs	16,500	16,500
Change in donated inventory	(787,576)	(41,126)
Uncollectible pledge expense	-	5,000
Change in discount on pledges receivable	12,565	(6,238)
Loss on sale of fixed assets	2,933	77,806
Contributions restricted for investment in plant, property, and equipment	77,700	(750,325)
Changes in operating assets:		
Accounts receivable	(144,050)	321,743
Grants receivable	(32,423)	(80,080)
Endowment pledges receivable	40,000	40,000
Prepaid expenses	4,110	60,603
Inventory	(277,182)	495,398
Changes in operating liabilities:		
Accounts payable	(143,767)	(1,235,183)
Accrued expenses	125,025	37,651
Refundable advance	<u>118,231</u>	<u>(450,000)</u>
Total adjustments	<u>1,038,544</u>	<u>(1,284,315)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 1,895,699</u>	<u>\$ 4,640,725</u>
NON-CASH OPERATING ACTIVITIES:		
PPP loan forgiveness	<u>\$ -</u>	<u>\$ 950,000</u>

See accompanying notes to consolidated financial statements.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

1. NATURE OF ACTIVITIES

The Akron-Canton Regional Foodbank, Inc. (the Foodbank) is a nonprofit organization which primarily collects donations of surplus food and related items and then distributes them to eligible charities and food programs. The Akron-Canton Regional Foodbank Endowment (the Endowment), a nonprofit organization, was established in 1999 with the purpose of receiving and maintaining funds to support the Foodbank. A single-member domestic nonprofit limited liability company, 1365 Cherry LLC, was established in 2020, whose sole member is The Akron-Canton Regional Foodbank Endowment. The purpose of 1365 Cherry LLC is to hold the assets of the Foodbank's new Stark County warehouse distribution facility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Foodbank, the Endowment and 1365 Cherry LLC. The Foodbank, the Endowment, and 1365 Cherry LLC (collectively the "Organization") are related through common control. All significant intercompany transactions have been eliminated from the consolidated amounts.

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

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

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

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

Support and Revenue Recognition – The Organization's revenue is derived from the following sources:

Grants – All grants recorded in this category are considered to be non-exchange and therefore, follow contribution guidance.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Support and Revenue Recognition, Continued

Grants, continued – The Organization’s grant revenue is primarily derived from cost-reimbursable grants or grants which are conditioned upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred the expenditures in compliance with specific grant provisions. Amounts received prior to meeting specific grant provisions are reported as refundable advances in the consolidated statement of financial position. The Organization has approximately \$1,333,700 and \$1,033,100 of conditional grants awarded but not yet recognized as of December 31, 2022 and 2021, respectively, because full grant stipulations have not yet been met.

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

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

Fundraising Event Revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to The Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit.

The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the consolidated statement of activities. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Organization. Special event fees collected by the Organization in advance of its delivery are initially recognized as contract liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. There were no contract liabilities at December 31, 2022, 2021 and 2020.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Support and Revenue Recognition, Continued

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

Disaggregation of Revenue: All revenue from fundraising events, shared maintenance and distribution fees are recognized at a point in time.

Various economic factors affect revenue and cash flows. These economic factors consist of loss of employment and the overall economic state of the region.

Significant Judgments and Estimates: There are no significant judgments involved in the recognition of revenue, with the exception of the valuation of donated food.

Donated Food – The Organization recognizes contributions of food from various sources when the commodities are received as without donor restrictions support. Contributions received from the USDA and the Ohio Food Purchase Program are recorded at fair value as determined by these donors and agreed with by the Organization. All other contributions of food are valued at fair value using the approximate average wholesale value of one pound of donated product as determined at the national level and agreed with by the Organization. All income recorded in this category are considered to be non-exchange and therefore, follow contribution guidance.

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

Concentrations of Credit Risk – The Organization maintains cash balances with financial institutions which, at times, may exceed federally insured limits. At December 31, 2022 and 2021, the Organization's cash accounts exceeded federally insured limits by \$19,155,597 and \$16,468,671, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Accounts Receivable – The Organization provides surplus food and related items to many organizations, the majority of which are charities and food programs in northeastern Ohio. The Foodbank extends unsecured credit to these organizations in the ordinary course of its operations but mitigates the associated risk by actively pursuing past due accounts.

Trade accounts receivable are stated at the amount that management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to expense and a credit to an allowance for doubtful accounts based on its assessment of the current status of accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. Amounts are considered past due based upon contractual terms. In the opinion of management, there was no allowance necessary at December 31, 2022 and 2021.

Grants Receivable – Grants receivable include funds due from various funding sources. These amounts are stated at the amount management expects to collect from balances outstanding at year end. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. In the opinion of management, there was no allowance necessary at December 31, 2022 and 2021. All balances are expected to be collected within one year.

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

The Organization uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific pledges made. In the opinion of management, there was no allowance necessary at December 31, 2022 and 2021.

Leverage Loan Receivable (Note 8) – The Organization's credit quality indicators are performing and nonperforming. Performing loans are those with Organizations who are still operating while nonperforming loans are those Organizations who are no longer operating. Each note is evaluated for impairment individually. In the event that a note is subsequently determined to be uncollectible or the value is permanently impaired, the Organization may reduce the carrying value of the note by the uncollectible amount or record an impairment reserve. Losses noted as a result of reduction in carrying value are included in the consolidated statement of activities. As of December 31, 2022 and 2021, the Organization had no allowance for notes receivable due to no nonperformance.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Investments – Investments are stated at fair value in the consolidated statement of financial position. Gains and losses (realized and unrealized) on investments are recognized as changes in net assets in the period in which they occur and investment income is recognized as revenue in the period earned. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment income is reported net of external and direct internal investment expenses.

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

Inventory – The Organization values its inventory of purchased wholesale product at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method. Inventory donated by the USDA and the Ohio Food Purchase Program is recorded at fair value as determined by these donors and agreed with by the Organization.

All other food and supplies inventory (primarily donated by the general public) is valued using the approximate average wholesale value of one pound of donated product as determined at the national level.

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

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

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

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

Functional Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated between program services, supporting services, and fundraising expenses. Salaries and related expenses are allocated on the basis of estimated time and effort. Utilities and technology expenses are allocated on the basis of square footage used by each function. All other expenses are charged directly to the relating function when incurred.

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

Comparative Financial Information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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

Subsequent Events – Management has evaluated subsequent events through August 31, 2023, which is the date the consolidated financial statements were available to be issued, and determined there are no additional significant non-recognized subsequent events through that date.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Recently Adopted Accounting Guidance – In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. A not-for-profit is required to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the consolidated statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose additional qualitative information and policies regarding monetization or utilization of contributed nonfinancial assets; information about any donor-imposed restrictions; valuation techniques and inputs; and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. ASU No. 2020-07, is effective for fiscal years beginning after June 15, 2021 with early adoption permitted. The Organization adopted ASU No. 2020-07 in 2022. There was no material effect on the consolidated financial statements upon implementation of this new standard, with the exception of the increased disclosures. The accounting change has been retrospectively applied to the earliest periods presented in these consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), to increase transparency and comparability among organizations by requiring the recognition of right of use (ROU) assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities for lessees for those leases classified as operating leases. Under the standards, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard effective January 1, 2022 however, the Organization had no material leases as of and for the year ended December 31, 2022.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. This standard requires nonprofit organizations to change their measurement of credit losses on financial instruments to be based on forward-looking estimates. ASU 2016-13, as amended by ASU No. 2019-10, is effective for non-public entities for fiscal years beginning after December 31, 2022 and interim periods within fiscal years beginning after December 15, 2023. The Organization is currently assessing the impact of this new standard.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

3. DONATED FOOD

The Organization receives gifts-in-kind of donated food from both federal and state government programs and private donors for distribution to eligible charities and food programs. The Organization utilizes all donated food received for programming. Donated food that is determined to be unusable or unsafe for distribution is disposed of and the value is not recorded by the Organization. Donated food from government and state government programs is valued based on food prices provided by the USDA, and which reflects the average cost per pound provided by the USDA at the time the food is ordered. Food donated through private donors are valued using the average per pound wholesale value that would be received for selling similar products in the United States for each food category, as determined by the Feeding America Product Valuation Survey. This survey was subject to certain agreed upon procedures performed by an international CPA firm at the national level. None of the donations received in 2022 or 2021 were restricted by the donor and none of the donations received were monetized.

4. PLEDGES RECEIVABLE

Pledges receivable represent promises to give recorded at their present value of estimated future cash flows using a risk-adjusted interest rate of 5.55%.

Aggregate maturities of gross pledges receivable are as follows:

2023	\$	879,176
2024		490,264
2025		195,670
2026		<u>150,500</u>
		1,715,610
Less: Discounts to net present value		<u>92,700</u>
	\$	<u>1,622,910</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

5. LAND, BUILDING AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 921,697	\$ 921,697
Buildings and improvements	13,254,656	13,140,258
Furniture	674,971	637,519
Equipment	2,117,278	1,959,246
Vehicles	1,476,545	1,482,239
Leasehold improvements	130,898	128,325
Construction in progress	<u>269,689</u>	<u>37,420</u>
	18,845,734	18,306,704
Less accumulated depreciation	<u>5,973,031</u>	<u>5,038,714</u>
	<u>\$ 12,872,703</u>	<u>\$ 13,267,990</u>

Construction in progress at December 31, 2022 relates to costs associated with the preliminary costs of planned expansions to the Foodbank's main distribution center in Akron.

6. LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 19,372,737	\$ 17,117,298
Accounts receivable, net	181,167	37,117
Grants receivable	502,560	470,137
Pledges receivable, net	1,622,910	2,835,314
Investments	<u>4,328,089</u>	<u>5,238,114</u>
Total financial assets	<u>26,007,463</u>	<u>25,697,980</u>
Less: Investments of Foodbank not available to be used in one year	547,037	551,049
Less: Board designated funds functioning as endowment	-	5,491
Less: Net assets with donor restrictions (excluding construction-in-progress and pledges to be expended within a year)	<u>4,041,178</u>	<u>5,315,326</u>
Total financial assets liquid within one year	<u>\$ 21,419,248</u>	<u>\$ 19,826,114</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

6. LIQUIDITY, (Continued)

As described in Note 12, the Organization's endowment is subject to an annual spend rate of 5%. The Organization has a \$2,000,000 line of credit, which is collateralized by all assets, available to meet cash flow needs. Total financial assets that are liquid within one year contain COVID recovery activities, initiatives and programs budgeted for 2023 and future years.

7. FAIR VALUE MEASUREMENTS

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

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

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

Level 3 – Significant unobservable inputs.

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

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

Valuation Techniques – Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2022 and 2021.

Mutual Funds – Valued at the NAV of shares on the last trading day of the year.

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

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

7. FAIR VALUE MEASUREMENTS, (Continued)

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

	<u>2022</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds	\$ 2,883,106	\$ -	\$ 2,883,106
Corporate obligations (bonds)	<u>-</u>	<u>1,279,851</u>	<u>1,279,851</u>
Total assets at fair value	<u>\$ 2,883,106</u>	<u>\$ 1,279,851</u>	4,162,957
Investments in money market (a)			<u>165,132</u>
Total			<u>\$ 4,328,089</u>
	<u>2021</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds	\$ 3,474,301	\$ -	\$ 3,474,301
Corporate obligations (bonds)	<u>-</u>	<u>900,133</u>	<u>900,133</u>
Total assets at fair value	<u>\$ 3,474,301</u>	<u>\$ 900,133</u>	4,374,434
Investments in money market (a)			<u>863,680</u>
Total			<u>\$ 5,238,114</u>

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

8. NEW MARKETS TAX CREDIT

In April 2020, in conjunction with financing described below, the Organization entered into an agreement with an investor whereby the Organization loaned a wholly-owned entity of the investor (discussed below) an original principal amount of \$4,530,750. The loan agreement requires quarterly interest only payments for the first 7 years to the Organization at a fixed rate of 1.5834%. Beginning in April 2027, the agreement requires principal and interest payments for 23 years through April 2050. This receivable had an outstanding balance of \$4,530,750 at December 31, 2022 and 2021.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

8. NEW MARKETS TAX CREDIT, (Continued)

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

Capital One, N.A. established a special purpose entity called COCRF Investor 190, LLC (COCRF190) to raise the capital for the transaction. COCRF190 was funded with \$2,969,250 of equity from Capital One, N.A. and \$4,530,750 from the Foodbank, as mentioned above.

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

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

Aggregate maturities of long-term debt are as follows:

After 2027	<u>\$ 7,175,000</u>
	7,175,000
Less: Unamortized debt issuance costs	<u>298,518</u>
Long-term debt	<u>\$ 6,876,482</u>

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

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

8. NEW MARKETS TAX CREDIT, (Continued)

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

A summary of the Organization's new market tax credits net Leverage Loan receivable and Notes payable position included in the consolidated statement of financial position as of December 31, 2022 and 2021, is as follows:

Leverage Loan receivable	\$ 4,530,750
Note payable A1	(3,846,650)
Note payable B1	(2,328,350)
Note payable A2	(684,100)
Note payable B2	(315,900)
Unamortized debt issuance costs	<u>298,518</u>
Net amounts borrowed	<u>\$ (2,345,732)</u>

9. OTHER FINANCING ARRANGEMENTS

The Organization has a revolving line of credit with a bank, that has available borrowings of up to \$2,000,000. There were no outstanding balances at December 31, 2022 and 2021. Advances outstanding on the credit line are due on demand, with interest due monthly at the bank's prime rate plus .25% (prime 7.50% at December 31, 2022). The credit line matures in June 2024 and is collateralized by a blanket lien on all assets.

10. RETIREMENT PLAN

The Organization maintains a 403(b) tax deferred annuity retirement plan in which employees are eligible to participate on their first day of employment with the Organization. The plan requires the Organization to contribute 2% of eligible employees' compensation and match up to an additional 2% of employees' compensation on elective deferrals. Retirement plan expense was \$133,523 in 2022 and \$ 142,131 in 2021.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

11. NET ASSETS

As of December 31, net assets without donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Net investment in land, building and equipment	\$ 12,603,014	\$ 13,230,570
Board designated funds functioning as endowment	-	5,491
Operating surplus	<u>20,189,528</u>	<u>16,969,901</u>
	<u>\$ 32,792,542</u>	<u>\$ 30,205,962</u>

As of December 31, net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Children's meals	\$ 143,395	\$ 158,200
Direct distribution	4,479	138,220
Agency grants	81,817	58,870
Strategic Partnerships	28,217	137,988
Time restricted contributions	61,960	-
Transportation	17,500	-
Operating replacement	11,849	-
Capacity building	1,762	-
Capital projects – capital campaign	2,220,612	3,230,451
Endowment earnings – operations	247,807	661,731
Endowment earnings – children's food programs	42,609	211,087
Permanent Endowment	<u>2,087,633</u>	<u>2,082,518</u>
	<u>\$ 4,949,640</u>	<u>\$ 6,679,065</u>

Net assets with donor restrictions totaling \$1,718,968 and \$8,677,842 were released from donor restrictions during 2022 and 2021, respectively, by incurring expenses satisfying the restricted purposes.

12. ENDOWMENT

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

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

12. ENDOWMENT, (Continued)

Interpretation of Relevant Law – The Boards of Trustees of the Akron-Canton Regional Foodbank, Inc. and Affiliates have interpreted state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by state law. In accordance with state law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Classification by Type of Fund

	<u>2022</u>			
	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Restricted for Time/Purpose</u>	<u>Restricted for Perpetuity</u>		
Donor-restricted endowment funds	\$ 290,416	\$ 2,087,633		\$ 2,378,049
	<u>2021</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Restricted for Time/Purpose</u>	<u>Restricted for Perpetuity</u>	
Donor-restricted endowment funds	\$ -	\$ 872,818	\$ 2,082,518	\$ 2,955,336
Board-designated funds functioning as endowment	<u>5,491</u>	-	-	<u>5,491</u>
Total funds	<u>\$ 5,491</u>	<u>\$ 872,818</u>	<u>\$ 2,082,518</u>	<u>\$ 2,960,827</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

12. ENDOWMENT, (Continued)

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

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Time/Purpose</u>	<u>Restricted for Perpetuity</u>	
Endowment net assets, December 31, 2020	\$ 11,335	\$ 737,062	\$ 825,690	\$ 1,574,087
Contributions	-	-	1,256,828	1,256,828
Investment return:				
Investment income	248	30,654	-	30,902
Net gain	1,431	173,937	-	175,368
Total investment return	1,679	204,591	-	206,270
Appropriation of endowment assets for expenditure	(7,523)	(68,835)	-	(76,358)
Endowment net assets, December 31, 2021	5,491	872,818	2,082,518	2,960,827
Contributions	-	-	5,115	5,115
Investment return:				
Investment income	12,145	73,832	-	85,977
Net loss	(5,657)	(556,319)	-	(561,976)
Total investment return	6,488	(482,487)	-	(475,999)
Appropriation of endowment assets for expenditure	(11,979)	(99,915)	-	(111,894)
Endowment net assets, December 31, 2022	\$ -	\$ 290,416	\$ 2,087,633	\$ 2,378,049

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

12. ENDOWMENT, (Continued)

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

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

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

Endowment Fund Deficiency – From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of December 31, 2022 or December 31, 2021.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022

(with summarized comparative financial information at December 31, 2021)

	Akron-Canton Regional Foodbank, Inc.	Akron-Canton Regional Foodbank Endowment	1365 Cherry LLC	Consolidation Entries	2022 Consolidated Totals	2021 Consolidated Totals
ASSETS						
Cash and cash equivalents	\$ 19,162,943	\$ -	\$ 209,794	\$ -	\$ 19,372,737	\$ 17,117,298
Accounts receivable, net	181,167	5,020	-	(5,020)	181,167	37,117
Grants receivable	502,560	-	-	-	502,560	470,137
Pledges receivable, net	-	80,000	-	-	80,000	370,000
Leverage loan receivable	4,530,750	-	-	-	4,530,750	4,530,750
Prepaid expenses	1,029	-	13,600	-	14,629	20,439
Inventory	2,776,920	-	-	-	2,776,920	1,712,162
Investments	2,035,060	-	-	-	2,035,060	2,403,287
Pledges receivable restricted for long-lived assets, net	1,542,910	-	-	-	1,542,910	2,465,314
Land, building and equipment, net	5,163,419	-	7,709,284	-	12,872,703	13,267,990
Endowment investments	-	2,293,029	-	-	2,293,029	2,834,827
Interest in the net assets of the affiliates	3,434,245	1,056,196	-	(4,490,441)	-	-
TOTAL ASSETS	\$ 39,331,003	\$ 3,434,245	\$ 7,932,678	\$ (4,495,461)	\$ 46,202,465	\$ 45,229,321
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 177,138	\$ -	\$ -	\$ (5,020)	\$ 172,118	\$ 315,885
Accrued expenses	793,452	-	-	-	793,452	668,427
Refundable advances	618,231	-	-	-	618,231	500,000
Long-term debt	-	-	6,876,482	-	6,876,482	6,859,982
Total liabilities	<u>1,588,821</u>	<u>-</u>	<u>6,876,482</u>	<u>(5,020)</u>	<u>8,460,283</u>	<u>8,344,294</u>
NET ASSETS						
Without donor restrictions	32,792,542	1,056,196	1,056,196	(2,112,392)	32,792,542	30,205,962
With donor restrictions	<u>4,949,640</u>	<u>2,378,049</u>	<u>-</u>	<u>(2,378,049)</u>	<u>4,949,640</u>	<u>6,679,065</u>
Total net assets	<u>37,742,182</u>	<u>3,434,245</u>	<u>1,056,196</u>	<u>(4,490,441)</u>	<u>37,742,182</u>	<u>36,885,027</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 39,331,003	\$ 3,434,245	\$ 7,932,678	\$ (4,495,461)	\$ 46,202,465	\$ 45,229,321

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

	Akron-Canton Regional Foodbank, Inc.			Akron-Canton Regional Foodbank Endowment			1365 Cherry LLC	Consolidation Entries	2022 Consolidated Totals	2021 Consolidated Totals
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions			
PUBLIC SUPPORT AND REVENUE										
PUBLIC SUPPORT										
Grants	\$ 1,303,676	\$ -	\$ 1,303,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,303,676	\$ 1,570,383
Distribution fees	1,566,434	-	1,566,434	-	-	-	-	-	1,566,434	1,545,312
Donated food, net	36,956,182	-	36,956,182	-	-	-	-	-	36,956,182	35,455,299
Contributions	9,931,080	389,215	10,320,295	-	5,115	5,115	-	(99,915)	10,225,495	12,798,820
Capital campaign contributions	-	77,700	77,700	-	-	-	-	-	77,700	750,325
Net assets released from restrictions	1,619,053	(1,619,053)	-	99,915	(99,915)	-	-	-	-	-
Total public support	51,376,425	(1,152,138)	50,224,287	99,915	(94,800)	5,115	-	(99,915)	50,129,487	52,120,139
REVENUE										
Fundraising events	306,420	-	306,420	-	-	-	-	-	306,420	208,506
Less: direct benefit to donors	34,105	-	34,105	-	-	-	-	-	34,105	43,952
Fundraising events, net	272,315	-	272,315	-	-	-	-	-	272,315	164,554
Shared maintenance	529,959	-	529,959	-	-	-	-	-	529,959	53,525
Agency delivery fees	42,900	-	42,900	-	-	-	-	-	42,900	-
Freight income	24,100	-	24,100	-	-	-	-	-	24,100	15,500
Investment income	77,756	-	77,756	12,145	73,832	85,977	-	-	163,733	75,895
Interest income	71,740	-	71,740	-	-	-	-	-	71,740	71,740
Miscellaneous income	81,978	-	81,978	-	-	-	80,000	(80,000)	81,978	1,013,751
Total revenue	1,100,748	-	1,100,748	12,145	73,832	85,977	80,000	(80,000)	1,186,725	1,394,965
TOTAL PUBLIC SUPPORT AND REVENUE	52,477,173	(1,152,138)	51,325,035	112,060	(20,968)	91,092	80,000	(179,915)	51,316,212	53,515,104
EXPENSES										
Program services	45,122,490	-	45,122,490	99,915	-	99,915	266,310	(179,915)	45,308,800	44,491,034
Supporting services:										
Management and general	1,557,723	-	1,557,723	11,979	-	11,979	115,250	-	1,684,952	1,462,769
Fundraising expenses	2,425,228	-	2,425,228	-	-	-	-	-	2,425,228	2,041,007
Total expenses	49,105,441	-	49,105,441	111,894	-	111,894	381,560	(179,915)	49,418,980	47,994,810
CHANGE IN NET ASSETS FROM OPERATIONS BEFORE GAINS AND LOSSES	3,371,732	(1,152,138)	2,219,594	166	(20,968)	(20,802)	(301,560)	-	1,897,232	5,520,294
GAINS AND LOSSES										
Net gain (loss) on investments	(478,101)	-	(478,101)	(5,657)	(556,319)	(561,976)	-	-	(1,040,077)	404,746
Change in interest in net assets of affiliates	(307,051)	(577,287)	(884,338)	(301,560)	-	(301,560)	-	1,185,898	-	-
CHANGE IN NET ASSETS	2,586,580	(1,729,425)	857,155	(307,051)	(577,287)	(884,338)	(301,560)	1,185,898	857,155	5,925,040
NET ASSETS, BEGINNING OF YEAR	30,205,962	6,679,065	36,885,027	1,363,247	2,955,336	4,318,583	1,357,756	(5,676,339)	36,885,027	30,959,987
NET ASSETS, END OF YEAR	\$ 32,792,542	\$ 4,949,640	\$ 37,742,182	\$ 1,056,196	\$ 2,378,049	\$ 3,434,245	\$ 1,056,196	\$ (4,490,441)	\$ 37,742,182	\$ 36,885,027

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS

for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

	Akron-Canton Regional Foodbank, Inc.	Akron-Canton Regional Foodbank Endowment	1365 Cherry LLC	Consolidation Entries	2022 Consolidated Totals	2021 Consolidated Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from public support	\$ 13,748,637	\$ 46,095	\$ -	\$ (99,915)	\$ 13,694,817	\$ 16,140,257
Cash received from customers	535,867	-	80,000	(80,000)	535,867	964,679
Cash paid to suppliers and employees	(12,523,229)	(111,894)	(115,250)	179,915	(12,570,458)	(12,611,846)
Interest received	149,496	85,977	-	-	235,473	147,635
Net cash from operating activities	1,910,771	20,178	(35,250)	-	1,895,699	4,640,725
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(705,700)	(830,736)	-	-	(1,536,436)	(2,586,270)
Proceeds from sale of investments	595,826	810,558	-	-	1,406,384	1,214,248
Proceeds from the sale of assets	-	-	-	-	-	(3,000)
Capital expenditures	(592,347)	-	-	-	(592,347)	(4,778,726)
Net cash used in investing activities	(702,221)	(20,178)	-	-	(722,399)	(6,153,748)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of long-term debt	-	-	-	-	-	(987,856)
Capital campaign contributions received	1,082,139	-	-	-	1,082,139	1,829,772
Net cash from financing activities	1,082,139	-	-	-	1,082,139	841,916
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,290,689	-	(35,250)	-	2,255,439	(671,107)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,872,254	-	245,044	-	17,117,298	17,788,405
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,162,943	\$ -	\$ 209,794	\$ -	\$ 19,372,737	\$ 17,117,298

See independent auditor's report.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS, Continued
for the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

	Akron-Canton Regional Foodbank, Inc.	Akron-Canton Regional Foodbank Endowment	1365 Cherry LLC	Consolidation Entries	2022 Consolidated Totals	2021 Consolidated Totals
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH						
FROM OPERATING ACTIVITIES						
Change in net assets	\$ 857,155	\$ (884,338)	\$ (301,560)	\$ 1,185,898	\$ 857,155	\$ 5,925,040
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH						
FROM OPERATING ACTIVITIES						
Depreciation and amortization	736,591	-	249,810	-	986,401	628,682
Net loss (gain) on investments	478,101	561,976	-	-	1,040,077	(404,746)
Amortization of debt issuance costs	-	-	16,500	-	16,500	16,500
Change in donated inventory	(787,576)	-	-	-	(787,576)	(41,126)
Uncollectible pledge expense	-	-	-	-	-	5,000
Change in discount on pledges receivable	12,565	-	-	-	12,565	(6,238)
Loss on sale of fixed assets	2,933	-	-	-	2,933	77,806
Loss on interest in net assets of affiliates	884,338	301,560	-	(1,185,898)	-	-
Contributions restricted for long-lived assets	77,700	-	-	-	77,700	(750,325)
Changes in operating assets:						
Accounts receivable	(145,030)	980	-	-	(144,050)	321,743
Grants receivable	(32,423)	-	-	-	(32,423)	(80,080)
Endowment pledges receivable	-	40,000	-	-	40,000	40,000
Prepaid expenses	4,110	-	-	-	4,110	60,603
Inventory	(277,182)	-	-	-	(277,182)	495,398
Changes in operating liabilities:						
Accounts payable	(143,767)	-	-	-	(143,767)	(1,235,183)
Accrued expenses	125,025	-	-	-	125,025	37,651
Refundable advance	118,231	-	-	-	118,231	(450,000)
Total adjustments	<u>1,053,616</u>	<u>904,516</u>	<u>266,310</u>	<u>(1,185,898)</u>	<u>1,038,544</u>	<u>(1,284,315)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 1,910,771</u>	<u>\$ 20,178</u>	<u>\$ (35,250)</u>	<u>\$ -</u>	<u>\$ 1,895,699</u>	<u>\$ 4,640,725</u>

See independent auditor's report.