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TOLEDO SEAGATE FOODBANK

FINANCIAL STATEMENTS

AND

AUDIT REPORTS

YEAR ENDED: SEPTEMBER 30, 2017

TOLEDO SEAGATE FOODBANK

TABLE OF CONTENTS

| | PAGE |
|--|------|
| Accountant's Report | 1 |
| Financial Statements | |
| Balance Sheets | 3 |
| Statement of Activities | 5 |
| Statement of Changes in Cash Flow | 7 |
| Statement of Functional Expenditures | |
| Program Services | 10 |
| Notes to Financial Statements | 12 |
| Schedule of Federal Financial Assistance | 26 |
| Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with government Auditing Standards | 30 |
| Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 32 |
| Schedule of Findings and Questioned Costs | 36 |

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Board of Directors
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INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

I have audited the accompanying financial statements of Toledo Seagate Foodbank, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Toledo Seagate Foodbank, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued my report dated February 19, 2018, on my consideration of Toledo Seagate Foodbank, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Toledo Seagate Foodbank, Inc.'s internal control over financial reporting and compliance.

Ronald W. Coon, Sr.

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Fellow, American College of Forensic Examiners Institute

February 19, 2018

TOLEDO SEAGATE FOODBANK
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

Current Assets

| | |
|------------------------------------|----------------|
| Cash and Cash Equivalents (Note 4) | \$ 359,172 |
| Cash Restricted (Note 8) | 2,711 |
| Cash - Short Term | 404,541 |
| Accounts Receivable | |
| (Gross/Net) | 16,119 |
| Grants Receivables | 83,564 |
| Interest Receivable | 425 |
| Other Receivables | 2,150 |
| Inventory (Note 3) | 542,334 |
| Grants Awarded | <u>389,159</u> |

Total Current Assets \$ 1,800,175

Non Current Assets

Investments (Note 7) 759,930

Property and Equipment (Note 5) 1,045,340

Other Assets

| | |
|------------------|------------|
| Prepaid Expenses | 27,817 |
| Deposits | <u>525</u> |

Total Other Assets 28,342

TOTAL ASSETS **\$ 3,633,787**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOLEDO SEAGATE FOODBANK

LIABILITIES & NET ASSETS

LIABILITIES

| | | |
|-----------------------------------|----|----------------|
| Current Liabilities | | |
| Accounts Payable | \$ | 7,782 |
| Bank Account Overdraft | | 0 |
| Taxes Payable | | 3,036 |
| Accrued Payroll | | 6,101 |
| Accrued Payroll Taxes | | 467 |
| Current Portion of Long-Term Debt | | 0 |
| Unearned Revenue | | <u>389,159</u> |
| Total Current Liabilities | \$ | 406,545 |
| Long-Term Liabilities | | <u>0</u> |
| TOTAL LIABILITIES | | 406,545 |

NET ASSETS

| | | |
|--------------------------------|----|-------------------------|
| Net Assets (Note 2) | | |
| Comprehensive Income | (| 13,884) |
| Permanently Restricted | | 2,711 |
| Temporarily Restricted | | 390,171 |
| Unrestricted | | <u>2,848,244</u> |
| TOTAL NET ASSETS | | <u>3,227,242</u> |
| TOTAL LIABILITIES & NET ASSETS | \$ | <u><u>3,633,787</u></u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOLEDO SEAGATE FOODBANK
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2017

UNRESTRICTED NET ASSETS

Support

| | |
|------------------------------|---------------|
| Donations | 191,116 |
| In-Kind Donations (Note 2) | 2,469,424 |
| Operational Grants | 56,367 |
| Fundraising (net of 0 costs) | 25,423 |
| Food Distributions (net) | 57,565 |
| Basket Distributions (net) | 121,839 |
| Other Revenue | 19,067 |
| Interest Income | <u>23,799</u> |

Total Unrestricted Support 2,964,600

Net Assets Released from Restrictions

| | |
|-----------------------------|----------------|
| Released by Payment | 29,913 |
| Released by Distributions | 2,769,996 |
| Released by Time Expiration | <u>530,622</u> |

Total Net Assets Released from Restrictions 3,330,531
6,295,131

Expenditures from Operations

| | |
|-----------------------------|-------------------------------|
| Cost of Distributions (net) | 5,276,902 |
| Supporting Services | |
| Interest | 3,644 |
| Depreciation | 74,999 |
| Capital Improvement Subsidy | 0 |
| Program & General | <u>1,126,111</u> (Schedule 1) |

Total Expenditures (6,481,656)

INCREASE IN UNRESTRICTED NET ASSETS (186,525)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOLEDO SEAGATE FOODBANK
STATEMENT OF ACTIVITIES (cont'd)
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2017

| | | |
|---|--------------------|---------------------|
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Support | | |
| CDBG | 29,913 | |
| Department of Agriculture | 530,622 | |
| Department of Agriculture-Product | 2,747,751 | |
| Net Assets Released from Restrictions | | |
| By Payment | (29,913) | |
| By Distribution | (2,769,996) | |
| By Time Limit Expiration | (<u>530,622</u>) | |
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | | (<u>22,245</u>) |
| PERMANENTLY RESTRICTED NET ASSETS | | |
| NONE | | |
| INCREASE IN PERMANENTLY RESTRICTED NET ASSETS | | (<u>0</u>) |
| DECREASE IN NET ASSETS | | (208,770) |
| CHANGE IN COMPREHENSIVE INCOME | | (13,864) |
| NET ASSETS AT OCTOBER 1, 2016 | | <u>3,449,876</u> |
| NET ASSETS AT SEPTEMBER 30, 2017 | | \$ <u>3,227,242</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOLEDO SEAGATE FOODBANK
STATEMENT OF CHANGES IN CASH FLOW
FOR YEAR ENDED SEPTEMBER 30, 2017

OPERATING ACTIVITIES

| | | | |
|--|------------------|---|---------|
| Cash Inflows | | | |
| From Donations | 191,116 | | |
| From Food & Basket Distributions | 179,799 | | |
| From Interest Income | 23,799 | | |
| Received from Other Revenue | 44,490 | | |
| From Grants | <u>602,555</u> | | |
| Total Cash Inflows | 1,041,759 | | |
| Cash Outflows | | | |
| Paid for Inventory | 137,134 | | |
| Paid Wages | 312,575 | | |
| Paid Interest | 3,644 | | |
| Paid Program Services | <u>614,289</u> | | |
| Total Cash Outflows | <u>1,067,642</u> | | |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | | (| 25,883) |

INVESTING ACTIVITIES

| | | | |
|--|----------|---|---------|
| Cash Inflows | | | |
| NONE | | | |
| Cash Outflows | | | |
| Asset Acquisition | 14,995 | | |
| Investment Purchases | <u>0</u> | | |
| Total Cash Outflows | 14,995 | | |
| TOTAL CASH FLOWS FROM INVESTING ACTIVITIES | | (| 14,995) |

FINANCING ACTIVITIES

| | | | |
|--|--|----------|---------|
| NONE | | | |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | <u>0</u> | |
| NET CASH FLOWS FROM ALL ACTIVITIES | | (| 40,878) |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOLEDO SEAGATE FOODBANK
STATEMENT OF CHANGES IN CASH FLOW (cont'd)
FOR YEAR ENDED SEPTEMBER 30, 2017

| | |
|------------------------------------|--------------------------|
| NET CASH FLOWS FROM ALL ACTIVITIES | (40,878) |
| BEGINNING CASH OCTOBER 1, 2016 | <u>807,302</u> |
| ENDING CASH SEPTEMBER 30, 2017 | \$ <u><u>766,424</u></u> |

NON-CASH TRANSACTIONS

| | |
|-----------------------------|----------------------------|
| Donated Inventory | 2,265,250 |
| Donated Wages (Note 2) | <u>204,174</u> |
| TOTAL NON-CASH TRANSACTIONS | \$ <u><u>2,469,424</u></u> |

RECONCILIATION

| | |
|--|-----------------------------|
| Decrease in Support Revenue/Expenditures | (222,634) |
| Change in Receivables | 8,444 |
| Change in Inventory | 103,240 |
| Change in Prepaid Expenditures | (1,406) |
| Change in Accounts Payable | 2,864 |
| Change in Payroll Taxes Payable | 697 |
| Change in Accruals | (7,082) |
| Change in Grants Awarded (net) | 0 |
| Add In Depreciation | <u>74,999</u> |
| | <u>181,756</u> |
| Net Cash Flow from Operations | \$ (<u><u>40,878</u></u>) |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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TOLEDO
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FOODBANK

TOLEDO SEAGATE FOODBANK
STATEMENT OF FUNCTIONAL EXPENDITURES - PROGRAM SERVICES
FOR YEAR ENDED SEPTEMBER 30, 2017
SCHEDULE 1

| FUNCTIONAL EXPENDITURES | PROGRAM SERVICES | ADMIN. | FUND- RAISING | TOTALS (Memo) |
|------------------------------|---------------------|---------------|------------------|------------------|
| Wages | 488,771 | 10,958 | 9,939 | 509,667 |
| Payroll Taxes | 36,864 | 826 | 750 | 38,440 |
| Supplies | 12,347 | 277 | 251 | 12,875 |
| Rent | 0 | 0 | 0 | 0 |
| Utilities | 56,291 | 1,262 | 1,145 | 58,698 |
| Telephone | 17,142 | 384 | 349 | 17,875 |
| Alarm Services | 1,423 | 32 | 29 | 1,484 |
| Real Estate Taxes | 4,060 | 91 | 83 | 4,234 |
| Advertising (Note 2) | 48,691 | 2,443 | 62,498 | 113,632 |
| Printing | 48 | 1 | 1 | 50 |
| Consultants | 46,576 | 1,044 | 947 | 48,567 |
| Dues & Publications | 2,994 | 67 | 61 | 3,122 |
| Professional Fees | 22,813 | 511 | 464 | 23,788 |
| Freight | 0 | 0 | 0 | 0 |
| Bank Charges | 1,583 | 35 | 32 | 1,651 |
| Bad Debts | 0 | 0 | 0 | 0 |
| Refuse Disposal | 6,280 | 141 | 128 | 6,549 |
| Insurance | 50,418 | 1,130 | 1,025 | 52,574 |
| Maintenance | 47,831 | 1,072 | 973 | 49,876 |
| Program Expenses | 45,295 | 1,015 | 921 | 47,231 |
| Office Supplies | 15,610 | 350 | 317 | 16,277 |
| Postage | 756 | 17 | 15 | 788 |
| Employee Benefits | 80,591 | 1,807 | 1,639 | 84,036 |
| Equipment Rental | 10,032 | 225 | 204 | 10,461 |
| Vehicle Expenses | <u>23,243</u> | <u>521</u> | <u>473</u> | <u>24,236</u> |
| TOTAL FUNCTIONAL EXP. | 1,019,659 | 24,211 | 82,241 | 1,126,111 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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TOLEDO
SEAGATE
FOODBANK

TOLEDO SEAGATE FOODBANK

NOTES TO FINANCIAL STATEMENTS

Note 1: **ORGANIZATION**

ORGANIZATION - The Toledo Seagate Foodbank (Organization) has been granted the status as a non-profit Corporation in the State of Ohio and 5739.02 (B)(12) of the Ohio Revised Code. The Organization was formed primarily for the purpose of charitable distribution of food for the needy.

NATURE OF BUSINESS - Toledo Seagate Foodbank activities include providing food and other products to those who are in need of food in Northwest Ohio. The Organization also provides outreach services, nutrition education and assistance to those in need.

Note 2: **SIGNIFICANT ACCOUNTING POLICIES**

BASIS OF ACCOUNTING - The financial statements of Toledo Seagate Foodbank have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

DEFERRED REVENUE - Income from grants is deferred and recognized over the periods to which the grants earned.

EXPENDITURE ALLOCATION - Expenditures are charged to programs and supporting services on the basis of periodic time and expenditure studies. Management and general expenditures include those expenditures that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

INCOME TAX STATUS - Toledo Seagate Foodbank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 2

Note 2: **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

INCOME TAX STATUS (cont'd) Management of the Organization is required to determine whether a tax position of the Organization is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management of the organization is not aware of any tax positions for which it is reasonably possible that the total amounts of the unrecognized tax benefits will significantly change in the next twelve months. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to , new tax laws, regulations, and administrative interpretations (including relevant court decisions). Big Brothers/Big Sisters of Northwest Ohio's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

DONATED GOODS - A number of Companies, Individuals and Organizations have contributed significant goods to the Organization. The value of these goods are determined at a weighted average price per pound of goods donated. (\$3,074,386). The financial statements do reflect a substantial portion of their value, since these goods are integral to the Organization fulfilling it's mission statement. Those goods donated that are missed would represent an immaterial portion with regard to the financial statements taken as a whole.

DONATED SERVICES - A number of people have contributed significant amounts of time to the activities of the Organization without compensation. The financial statements do reflect a substantial portion of their value (\$204,174 or 10,014 hours), since their services are integral to the Organization fulfilling it's mission statement. The value is based upon the "National Value of Volunteer Time" for the State of Ohio at the rate of \$22.99. The youth groups that donated time were valued at 49% of the Ohio rate in which it would be consistent with all of the National determination for Youth time values .

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 3

Note 2: SIGNIFICANT ACCOUNTING POLICIES(cont'd)

DONATED PROPERTY AND EQUIPMENT - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight line method.

FUND ACCOUNTING - In order to ensure observance of limitations and restrictions placed on the resources available to the Corporation, the internal accounts of the Organization are maintained on accordance with principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. Restricted funds maintained by the Organization and their objectives are as follows:

Community Development Block Grant (Toledo Subrecipient for Years 42 & 43) - Operating Grant used for the acquisition of food for the distribution for indigent households.

Ohio Department of Agriculture - Operating grant and Food distribution grant for operating expenditures and food distribution. To those eligible.

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 4

Note 2: SIGNIFICANT ACCOUNTING POLICIES(cont'd)

BASIS OF PRESENTATION - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards ASC 958-205-45-15, Financial Statements of Not-for-Profit Organizations. Under those provisions, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire with the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

ESTIMATES - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

UNCONDITIONAL PROMISES TO GIVE - The unconditional promises to give outstanding are to be received within one year period. The following are the unconditional promises to give as of September 30, 2017 and are treated as Grants awarded and deferred revenue on the financial statements. Department of Agriculture \$530,622; and Community Development Block Grant (CDBG) \$29,913; totaling \$ 560,535.

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 5

Note 2: **SIGNIFICANT ACCOUNTING POLICIES**(cont'd)

CONDITIONAL PROMISES TO GIVE - Conditional Promises to give, which depend on the occurrence of a specified future and certain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

RESTRICTED AND UNRESTRICTED REVENUE - Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a 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.

ADVERTISING - All advertising costs are expensed in the year in which incurred and no amounts have not been capitalized.

Note 3: **INVENTORY**

Substantially all of the Organization's inventory is either distributed or donated. Distributions from the Department of Agriculture amounted to \$2,747,752. An additional \$2,265,250 was donated through various food drives, area merchants and distributors. In relationship to the acquisition of inventory distributed, \$92,060 was purchased.

Inventories are stated at the lower of cost or market. These values were determined by both the retail cost method and the first-in, first-out method. The inventories that was distributed by the department of Agriculture (\$374,556) are computed on the first-in, first-out method. The inventories donated (\$167,777) were computed by the gross profit method.

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 6

Note 4: CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, all cash accounts are considered cash and cash equivalents.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeding the federally insured limits (\$250,000) totaled \$516,424.

Note 5: PROPERTY AND EQUIPMENT

The Property, Plant and Equipment for the organization are generally purchased with unrestricted net assets. Some of these assets are leased/purchased using restricted funding. Even though the funding agency may have the right to reclaim any assets so purchased with restricted funds, the funding agency treats leased assets as sunk costs. Since the Organization negotiates a favorable lease arrangement, the funding agency usually does not interfere with that arrangement.

Expenditures for property, equipment, and improvements are capitalized at cost. Equipment expenditures of \$1,000 or less are charged to expense. Ordinary repairs and maintenance are charged to expense when incurred. Donated assets are capitalized, and recorded as support, at their fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 7

Note 5: PROPERTY AND EQUIPMENT (cont'd)

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

| | Years |
|-----------------------|-------|
| Office Furniture | 5-7 |
| Equipment | 5-7 |
| Vehicles | 5-10 |
| Buildings | 40-60 |
| Building Improvements | 40-60 |
| Modular | 20-25 |

| | BASIS | ACC DEP'N | NET |
|-----------------------|-------------------------|-----------------------|-------------------------|
| Land | 25,960 | 0 | 25,960 |
| Building | 409,250 | 87,100 | 322,150 |
| Building Improvements | 493,397 | 177,711 | 315,686 |
| Modular | 115,786 | 31,075 | 84,711 |
| Furniture & Fixtures | 15,146 | 13,160 | 1,986 |
| Equipment | 257,133 | 110,862 | 146,271 |
| Software | 4,603 | 4,603 | 0 |
| Vehicles | <u>365,985</u> | <u>217,409</u> | <u>148,576</u> |
| TOTALS | <u>1,687,260</u> | <u>641,920</u> | <u>1,045,340</u> |

Depreciation for the period was \$74,999.

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 8

Note 6: THIRD PARTY REIMBURSEMENTS

The Organization receives funding from the City of Toledo Department of Housing and Neighborhood Revitalization which is directly funded by federal Community Development Block Grant monies, through the Department of Housing and Urban Development. In 2017, less than 0.475% of the total Organization's funding was through this program. This grant is awarded on an annual basis and not automatically renewed each year.

Note 7: INVESTMENT SECURITIES

The Organization adopted ASC 320, *Accounting for Certain Investments Held by Non-Profit Organizations*. Under ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Organization also adopted ASC 820, *Fair Value Measurements*. Under ASC 820, the establishment of a fair value hierarchy divided into three levels. As described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">▶ Quoted prices for similar assets or liabilities in active markets;▶ Quoted prices for identical or similar assets or liabilities in inactive markets; |

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 9

Note 7: **INVESTMENT SECURITIES** (cont'd)

- ▶ 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.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or or reflective of future fair values. Furthermore, while the Organization 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.

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

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 10

Note 7: INVESTMENT SECURITIES (cont'd)

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------|----------------|----------|----------|----------------|
| Mutual Funds | 0 | 0 | 0 | 0 |
| Common Stocks | 0 | 0 | 0 | 0 |
| Corporate Bonds | <u>759,930</u> | <u>0</u> | <u>0</u> | <u>759,930</u> |
| | <u>759,930</u> | <u>0</u> | <u>0</u> | <u>759,930</u> |

| | <u>COST</u> | <u>FAIR VALUE</u> | <u>UNREALIZED GAIN/LOSS</u> |
|---------------------|----------------|-----------------------|---------------------------------|
| Mutual Funds - Cash | 0 | 0 | 0 |
| Bonds - Long Term | <u>766,035</u> | <u>759,930</u> | <u>(6,105)</u> |
| TOTALS | <u>766,035</u> | <u>759,930</u> | <u>(6,105)</u> |

Management has elected to determine these investments as "Hold till Maturity" and therefore the maturities of the various bonds range from 2018 through 2020. Interest payments are made annually on anniversary dates.

The following amounts are used for the financial statements under the basis of the Lower of Cost or Market:

| | <u>COST</u> | <u>FINANCIAL STATEMENTS</u> | <u>UNREALIZED GAIN/LOSS</u> |
|---------------------|----------------|---------------------------------|---------------------------------|
| Mutual Funds - Cash | 0 | 0 | 0 |
| Bonds - Long Term | <u>766,035</u> | <u>759,930</u> | <u>(6,105)</u> |
| TOTALS | <u>766,035</u> | <u>759,930</u> | <u>(6,105)</u> |

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 11

Note 7: INVESTMENT SECURITIES (cont'd)

Net Unrealized Gain/Losses consist of the following:

| | |
|--|------------------|
| Net Unrealized Loss from other Investments | (<u>6,105</u>) |
| | (6,105) |

Investment return is summarized as follows:

| | |
|------------------------------|------------------|
| Dividend Income | 0 |
| Interest Income | 23,799 |
| Net Realized Gains/Losses | 0 |
| Net Unrealized Gains/Losses | (<u>6,105</u>) |
| NET INVESTMENT INCOME | 17,694 |

Note 8: RESTRICTED ACCOUNT

The Capital Projects Fund is properly classified as a Restricted Net Asset. There were no outstanding debts on this restriction. These funds were utilized for the completion of any current or future Capital Projects for the Organization.

Note 9: MEASURE OF OPERATIONS

In the statement of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment Income, including net realized and unrealized gains and losses, earned in excess of the Organization's aggregate authorized spending amount, and contributions to temporarily and permanently restricted net assets are recognized as nonoperating support revenues, gains, and losses.

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 12

Note 10: FUND-RAISING EXPENSES

The Organization allocates 1.95% of the overall expenses to fund-raising with the exception of Advertising, which is allocated at 55%. The Organization determined that 75% of the total fund-raising expenditures (\$61,681) would be for retention of funding. The balance (\$20,560) would be for true recruitment of additional funding.

Note 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 19, 2018, the date the financial statements. Subsequent Events are those events subsequent to the balance sheet date and audit report date that would materially affect the future fiscal condition of the Organization. There were no items that would qualify as a subsequent event.

Note 12: THIRD PARTY FUND-RAISING EVENTS

Certain area businesses have sponsored fund-raising for the Organization. These third-party businesses have paid for all of the expenses that generated these contributions, both cash and non-cash, which was not disclosed to the Organization. These events are:

TOLEDO SEAGATE FOODBANK
NOTES TO FINANCIAL STATEMENTS

Page 13

Note 12: THIRD PARTY FUND-RAISING EVENTS (cont'd)

| | Cash | Non-Cash |
|-------------------|--------------|---------------|
| Stuff the Truck | 4,134 | 20,310 |
| Letter Carriers | 0 | 6,178 |
| Project PJ | 755 | 0 |
| Milk Money | 1,773 | 0 |
| Mobile Market | 1,900 | 0 |
| No Show Gala | 2,375 | 0 |
| Jeans Jar | 1,091 | 0 |
| Scramble for Food | 10,800 | 0 |
| Pack the Pick-up | <u>2,595</u> | <u>22,585</u> |
| Totals | 25,423 | 49,073 |

The Organization treats these third party events as donations and the previous mentioned amounts were included in the Cash Donations and In-Kind Donations respectively..

NOTE 13: RETIREMENT PLANS

The Organization participates in a retirement plan under section 403(b) of the Internal Revenue Code. The plan covers substantially all employees who may make voluntary contributions in amounts not to exceed limitations imposed by the Internal Revenue Code. The Organization currently does not contribute to the plan for each participant.

NOTE 14: CAMPBELL SOUP DONATION

During the year, Campbell Soups provided an In-Kind Donation of food product in excess of \$190,000. This donation was greatly welcomed for the year and there is no guarantee that this sizable of an In-Kind donation would occur on a year after year basis.

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TOLEDO SEAGATE FOODBANK
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending SEPTEMBER 30, 2017

Federal Financial Assistance

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

| Program Title | CFDA # | Grant Amount | Current Year's Expenditures |
|--|--------|--------------|-----------------------------|
| CDBG 42 nd & 43 rd Year 2016-2017; 2017-2018 CFDA # 14.228 | 14.228 | 29,913 | 29,913 |

DEPARTMENT OF VETERANS AFFAIRS

| Program Title | CFDA # | Grant Amount | Current Year's Expenditures |
|--------------------------------------|--------|--------------|-----------------------------|
| Veterans Assistance CFDA # 64.110 | 64.110 | 113,484 | 114,374 |

DEPARTMENT OF AGRICULTURE

| Program Title | CFDA # | Grant Amount | Current Year's Expenditures |
|--|--------|---------------------|-----------------------------|
| <i>Passed through Ohio State Department of Job and Family Services (ODJFS)</i> | | | |
| TFAP | 10.568 | 171,508 | 171,508 |
| CSFP | 10.565 | 359,114 | 359,114 |
| Food Distributions: | | | |
| TFAP | 10.569 | 1,697,625 | 1,656,859 |
| CSFP | 10.565 | <u>1,050,127</u> | <u>1,113,137</u> |
| TOTAL CLUSTER | | <u>3,278,374</u> | <u>3,300,618</u> |
| TOTAL DEPT OF AGRICULTURE | | <u>3,278,374</u> | <u>3,300,618</u> |
| FEDERAL PROGRAM TOTALS | | \$ <u>3,421,771</u> | \$ <u>3,444,905</u> |

TOLEDO SEAGATE FOODBANK
NOTES TO FEDERAL FINANCIAL ASSISTANCE

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of activity of the Organization's federal award programs. The schedule has been prepared on the accrual basis of accounting.

Product Distributions are valued by the unit as per the price schedule issued by the Department Agriculture. Costs of the distributions are valued on the First-in, First-out basis and is valued at the lower of cost or market.

NOTE 2: MATCHING REQUIREMENTS

Certain Federal programs may require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Organization was not required to provide matching funds at this time. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE 3: RELEASE OF EXPENDITURES

The Organization determines the expenditure available for release from restrictions when the expenditure meets the following conditions: 1.) Creates an obligation for the Organization to pay; 2.) Has completed a specific purpose/objective through the grant provisions and 3.) The expenditure is in accordance with the agreed upon specifications or standard.

NOTE 4: DEPARTMENT OF VETERANS AFFAIRS

The amounts that are paid and granted from the Department of Veterans Affairs are included in the Schedule of Expenditures of Federal Awards for reporting under Circular A-133. In the Financial Statements, these are treated as Support for Basket Distributions and the respective costs are included in the Cost of Goods Sold.

**TOLEDO SEAGATE FOODBANK
NOTES TO FEDERAL FINANCIAL ASSISTANCE**

Page 2

NOTE 5: RECONCILIATION

| | | |
|--|------------|---------------------|
| Amounts Released from Restrictions (Pp5) | | \$ 3,330,531 |
| Department of Veterans Affairs | \$ 114,374 | |
| Restricted fund from Capital Projects | <u>0</u> | |
| Total Adjustments | | <u>114,374</u> |
| Total Federal Program Expenditures | | \$ <u>3,444,905</u> |

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

Board of Trustees
Toledo Seagate Foodbank
526 High St..
Toledo, Ohio 43609

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Toledo Seagate Foodbank (a nonprofit organization), which comprise of the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated February 19, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Toledo Seagate Foodbank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the effectiveness of the Toledo Seagate Foodbank's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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

Toledo Seagate Foodbank, Inc.
REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Toledo Seagate Foodbank's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

Ronald W. Coon, Sr.

Ronald W. Coon, Sr, MPPA.
Certified Public Accountant
Diplomate, American Board of Forensic Accounting
Certified Fraud Examiner
Fellow, American College of Forensic Examiners Institute

February 19, 2018

Board of Directors
Toledo Seagate Foodbank
526 High St.
Toledo, Ohio 43609

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

To the Board of Directors of
Toledo Seagate Foodbank

Report on Compliance for Each Major Federal Program

I have audited Toledo Seagate Foodbank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Toledo Seagate Foodbank's major federal programs for the year ended September 30, 2017. Toledo Seagate Foodbank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Toledo Seagate Foodbank's compliance.

Opinion on Each Major Federal Program

In my opinion, Toledo Seagate Foodbank, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which would be described in the accompanying schedule of findings and questioned costs.. My opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

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

Page 3

Toledo Seagate Foodbank

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM

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

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

Respectfully submitted,

Ronald W. Coon, Sr.

Ronald W. Coon, Sr, MPPA.

Certified Public Accountant

Diplomate, American Board of Forensic Accounting

Certified Fraud Examiner

Fellow, American College of Forensic Examiners Institute

February 19, 2018

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TOLEDO SEAGATE FOODBANK
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ending September 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Ohio Department of Agriculture-CFDA# 10-565, CFDA# 10.568 & CFDA# 10.569 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low risk Auditee? | Yes |

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