



**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

**YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Greater Cleveland Food Bank and Subsidiary
Cleveland, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Greater Cleveland Food Bank and Subsidiary (Organization), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities and changes in net assets, 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 the Organization as of September 30, 2022, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Prior Period Financial Statements and Report on Summarized Comparative Information

The financial statements of Greater Cleveland Food Bank as of September 30, 2021 were audited by other auditors whose report dated June 15, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Consolidated 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 the Organization's 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 the Organization's 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.

This report is intended solely for the information and use of the Board of Directors of the Organization; management of the Organization; Truist Community Capital, LLC; CNMIF II #30, LLC; Western Reserve DF Affiliate XVII, LLC; TCDE 93, LLC; TCB Sub CDE XXVII LLC; Truist Bank; PNC Bank; and the Bank of America Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Barnes Wendling CPAs

Sheffield Village, Ohio
May 26, 2023

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Consolidated Statements of Financial Position

	September 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 26,170,815	\$ 21,099,875
Restricted cash:		
Capital campaign	4,050,744	8,191,585
Reserved funds	7,880,595	-0-
Special purpose	-0-	7,500,000
Receivables:		
Agency receivables, net	417,118	280,779
Government administrative fees and reimbursements	542,695	1,581,365
Other receivables	-0-	172,333
Pledges receivable, net	16,232,714	8,112,353
Inventory, net	6,729,385	8,296,618
Prepaid expenses and other deposits	2,411,833	388,528
Custodial cash	86,711	169,733
Investments	10,237,342	8,123,985
Beneficial interest in community foundation	12,667,703	16,259,234
Property and equipment, net	49,534,261	19,101,081
Notes receivable	17,989,400	-0-
Software, net	41,254	82,763
	\$ 154,992,570	\$ 99,360,232
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 3,409,992	\$ 4,379,609
Accrued expenses	4,666,465	1,578,664
Harvest for Hunger credits	1,061,990	1,873,991
Deferred revenue	-0-	97,612
Custodial liabilities	86,711	169,733
Agency grant commitments	340,184	531,061
Notes payable, net of unamortized debt issuance costs	31,744,934	-0-
Total Liabilities	41,310,276	8,630,670
Net Assets		
Without Donor Restrictions		
Available for operations	33,406,517	36,660,945
Net investment in property, equipment and software	17,830,581	19,183,844
Total undesignated net assets	51,237,098	55,844,789
Board designated for endowment	12,565,695	16,136,619
	63,802,793	71,981,408
With Donor Restrictions		
Capital campaign	49,007,530	18,131,281
Purpose and time restricted	769,963	494,258
Endowment	102,008	122,615
	49,879,501	18,748,154
Total Net Assets	113,682,294	90,729,562
	\$ 154,992,570	\$ 99,360,232

See Notes to Financial Statements

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Consolidated Statements of Activities and Changes in Net Assets Year Ended September 30, 2022 with Summarized Comparative Financial Information for Year Ended September 30, 2021

	Year Ended September 30,			2021 Total
	Without Donor Restrictions	With Donor Restrictions	2022 Total	
Revenues				
Food Programs Revenue				
Value of food received:				
Value of food donated	\$ 36,523,993		\$ 36,523,993	\$ 34,784,853
Value of USDA and OFPP food received	30,290,801		30,290,801	44,431,798
	<u>66,814,794</u>	<u>\$ -0-</u>	<u>66,814,794</u>	<u>79,216,651</u>
Food distribution revenue:				
Purchased food program	2,989,001		2,989,001	3,164,569
Total food programs revenue	<u>69,803,795</u>	<u>-0-</u>	<u>69,803,795</u>	<u>82,381,220</u>
Operating Revenue				
Kitchen fees	3,955,559		3,955,559	3,570,408
Member agency delivery fees	707,228		707,228	880,764
Government reimbursements and administrative fees	5,328,826		5,328,826	4,762,379
Contributions and grants	20,135,980	2,999,070	23,135,050	55,374,113
Capital campaign contributions	-0-	30,876,249	30,876,249	13,219,265
Special events	608,245		608,245	-0-
Gifts in-kind	326,843		326,843	3,180,109
Other	884,414		884,414	470,984
Net assets released from restrictions	2,721,365	(2,721,365)	-0-	-0-
Total operating revenue	<u>34,668,460</u>	<u>31,153,954</u>	<u>65,822,414</u>	<u>81,458,022</u>
Total revenue	<u>104,472,255</u>	<u>31,153,954</u>	<u>135,626,209</u>	<u>163,839,242</u>
Expenses				
Program expense	97,494,693		97,494,693	107,021,758
Support services	10,739,790		10,739,790	7,138,482
Total expenses	<u>108,234,483</u>		<u>108,234,483</u>	<u>114,160,240</u>
Changes in net assets from operations	(3,762,228)	31,153,954	27,391,726	49,679,002
Other changes in net assets				
Paycheck Protection Program loan forgiveness			-0-	1,668,100
Change in beneficial interest	(2,644,077)	(22,607)	(2,666,684)	520,796
Investment return, net	(1,772,310)		(1,772,310)	1,293,991
	<u>(4,416,387)</u>	<u>(22,607)</u>	<u>(4,438,994)</u>	<u>3,482,887</u>
Changes in net assets	(8,178,615)	31,131,347	22,952,732	53,161,889
Net assets, beginning of year	<u>71,981,408</u>	<u>18,748,154</u>	<u>90,729,562</u>	<u>37,567,673</u>
Net Assets, end of year	<u>\$ 63,802,793</u>	<u>\$ 49,879,501</u>	<u>\$ 113,682,294</u>	<u>\$ 90,729,562</u>

See Notes to Financial Statements

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Consolidated Statement of Functional Expenses Year Ended September 30, 2022 with Summarized Comparative Financial Information for Year Ended September 30, 2021

	Program Expenses			Supporting Services			Total	2021 Total	
	Operations	Greater Cleveland Food Bank Kitchen	Community and Government Programming	Total Program Expenses	Fundraising	Administration			Total Support Services
Food Programs Expense									
Value of food distributed, including scrap:									
Value of donated food distributed	\$ 35,593,891			\$ 35,593,891			\$ -0-	\$ 35,593,891	\$ 34,138,634
Value of USDA and OFPP food distributed	33,153,780			33,153,780			-0-	33,153,780	42,113,998
Food cost of goods sold, including scrap:									
Purchased food program	8,667,070	\$ 12,038	\$ 422	8,679,530			-0-	8,679,530	8,283,343
Harvest for Hunger food purchases and grants	92,985			92,985		\$ 1,061,990	1,061,990	1,154,975	1,405,068
Total food program expenses	<u>77,507,726</u>	<u>12,038</u>	<u>422</u>	<u>77,520,186</u>	<u>\$ -0-</u>	<u>1,061,990</u>	<u>1,061,990</u>	<u>78,582,176</u>	<u>85,941,043</u>
Operating Expense									
Salaries and wages	5,379,630	477,327	1,355,370	7,212,327	1,688,106	1,320,155	3,008,261	10,220,588	9,878,178
Employee benefits	1,432,159	209,523	285,521	1,927,203	315,260	191,740	507,000	2,434,203	2,317,259
Total salaries and related expenses	<u>6,811,789</u>	<u>686,850</u>	<u>1,640,891</u>	<u>9,139,530</u>	<u>2,003,366</u>	<u>1,511,895</u>	<u>3,515,261</u>	<u>12,654,791</u>	<u>12,195,437</u>
Professional services	117,117	-0-	3,550	120,667	1,026,069	1,162,742	2,188,811	2,309,478	1,817,153
Office expense and services	246,954	42,743	56,242	345,939	297,690	13,467	311,157	657,096	779,491
Food and supplies - Kitchen	129,617	3,124,629	-0-	3,254,246	-0-	82	82	3,254,328	2,925,172
Occupancy costs and warehouse maintenance	1,540,145	35,918	105,770	1,681,833	32,913	271,018	303,931	1,985,764	1,345,652
Fuel, fleet costs, inbound freight, net	1,081,694	71,230	17,405	1,170,329	-0-	-0-	-0-	1,170,329	1,142,804
Direct mail, fundraising, and communications	23,779	-0-	41,789	65,568	1,261,952	61,282	1,323,234	1,388,802	1,075,881
Agency support	3,598,136	3,922	2,629	3,604,687	-0-	1,624,652	1,624,652	5,229,339	5,877,997
Miscellaneous	19,673	28,627	65,382	113,682	-0-	244,405	244,405	358,087	401,537
Total operating expenses before depreciation	<u>13,568,904</u>	<u>3,993,919</u>	<u>1,933,658</u>	<u>19,496,481</u>	<u>4,621,990</u>	<u>4,889,543</u>	<u>9,511,533</u>	<u>29,008,014</u>	<u>27,561,124</u>
Depreciation and amortization	450,388	27,638		478,026	58,100	108,167	166,267	644,293	658,073
Total operating expenses	<u>14,019,292</u>	<u>4,021,557</u>	<u>1,933,658</u>	<u>19,974,507</u>	<u>4,680,090</u>	<u>4,997,710</u>	<u>9,677,800</u>	<u>29,652,307</u>	<u>28,219,197</u>
Total Functional Expenses	<u>\$ 91,527,018</u>	<u>\$ 4,033,595</u>	<u>\$ 1,934,080</u>	<u>\$ 97,494,693</u>	<u>\$ 4,680,090</u>	<u>\$ 6,059,700</u>	<u>\$ 10,739,790</u>	<u>\$ 108,234,483</u>	<u>\$ 114,160,240</u>

See Notes to Financial Statements

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Years Ended September 30,	
	2022	2021
Cash Flows From Operating Activities		
Changes in net assets	\$ 22,952,732	\$ 53,161,889
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	644,293	658,073
Donation of land	-0-	(2,700,000)
Paycheck Protection Program loan forgiveness	-0-	(1,668,100)
Increase in allowance for uncollectible agency and pledges receivable	1,035,776	22,457
Increase in provision for present value discount on pledges receivable	878,789	-0-
Realized and unrealized (gain) loss on investments	1,973,655	(1,159,677)
Change in value of beneficial interest in community foundation	2,666,684	(520,796)
Contributions restricted for capital campaign	(32,787,496)	(13,233,959)
Change in contributed and government inventory	2,236,235	4,118,549
(Increase) decrease in:		
Agency receivables	(139,657)	101,475
Government administration fees/reimbursements	1,038,670	376,603
Pledges receivable - operating	(92,258)	542,610
Other receivables	172,333	(138,057)
Purchased food program inventory	(669,002)	(6,662,874)
Prepaid expenses and other deposits	(619,655)	492,517
Increase (decrease) in:		
Accounts payable	(3,158,596)	(128,928)
Accrued expenses	(42,509)	(39,677)
Harvest for Hunger credits	(812,001)	257,437
Agency grant commitments	(190,877)	(131,521)
Deferred revenue	(97,612)	97,612
Net cash provided by (used in) operating activities	(5,010,496)	33,445,633
Cash Flows From Investing Activities		
Issuance of notes receivable	(17,989,400)	-0-
Purchase of property and equipment	(27,120,325)	(5,078,621)
Capitalized software costs	-0-	(35,568)
Proceeds from sale of investments	1,769,493	-0-
Purchase of investments	(5,856,505)	(102,299)
Proceeds from sale of beneficial interest in community foundation	926,847	107,015
Purchases of beneficial interest in community foundation	(2,000)	(13,612,215)
Net cash used in investing activities	(48,271,890)	(18,721,688)
Cash Flows From Financing Activities		
Proceeds from notes payable	37,057,500	-0-
Repayment on notes payable	(4,488,263)	-0-
Acquisition of debt issuance costs	(824,303)	-0-
Proceeds from capital campaign	22,848,146	5,137,462
Net cash provided by financing activities	54,593,080	5,137,462
Net increase in cash, cash equivalents, and restricted cash	1,310,694	19,861,407
Cash, cash equivalents, and restricted cash at beginning of year	36,791,460	16,930,053
Cash, cash equivalents, and restricted cash at end of year	\$ 38,102,154	\$ 36,791,460
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 233,841	\$ 383
Supplemental Disclosure of Noncash Activities:		
Property and equipment purchases included in accounts payable	\$ 2,188,979	\$ 3,057,024
Property and equipment purchases included in accrued expenses	\$ 1,726,660	\$ -0-
Prepaid expenses and other deposits included in accrued expenses	\$ 1,403,650	\$ -0-

See Notes to Financial Statements

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Greater Cleveland Food Bank (Food Bank) is incorporated under the laws of the State of Ohio as a not-for-profit corporation. The function of the Food Bank is to collect, warehouse, and distribute food and grocery products to nonprofit partners who serve struggling families and seniors in the Northeast Ohio area. The Food Bank uses the state system Ohio Benefit software to help low-income clients apply for the public benefits they are eligible for including Supplemental Nutrition Assistance Program (SNAP). Clients can call the Food Bank's Help Center for assistance or meet with the Food Bank outreach workers in the community. The Food Bank also connects clients to community partners focused on employment, housing, and healthcare. The Food Bank's major sources of revenue are food donations, contributions, foundation grants, fee income and government contracts. Greater Cleveland Food Bank Real Estate Holding Company (Holding Company) is a 501(c)(3) organization organized and operating exclusively for the benefit of the Food Bank. The Holding Company primarily holds the real property of the Food Bank located on Coit Road, in Cleveland Ohio.

Principles of Consolidation

The consolidated financial statements include the accounts of the Food Bank and the Holding Company (collectively, the Organization). The Holding Company is consolidated because the Food Bank has both an economic interest in the Holding Company and control of the organization, as sole member of the Holding Company. All intercompany transactions and balances are eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Entities* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions

Net assets not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

In September 2020, the FASB issued Accounting Standards Update (ASU) *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancement to presentation and disclosure. The ASU requires contributed nonfinancial assets to be presented as a separate line item on the statements of activities and changes in net assets, apart from cash and other financial asset contributions. This ASU also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. The Organization adopted the ASU in the year ended September 30, 2022 using a full retrospective method of application. The result of adopting the ASU using the retrospective approach had no impact on the financial position, changes in net assets, cash flows, business processes, controls, or systems of the Organization. The adoption of the ASU resulted in expanded disclosures to the financial statements relating to contributed nonfinancial assets.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all unrestricted, highly liquid investments with an initial maturity date of three months or less to be cash equivalents. Cash, cash equivalents, and restricted cash exclude any cash or cash equivalents maintained in a professionally managed investment account. Cash balances are insured by the Federal Deposit Insurance Corporation. The Organization's cash balances may exceed the insured limits from time to time.

The Organization is party to New Market Tax Credit Agreement (Agreement) as further described in Note K. As required under the Agreements, initial cash reserve funds were established to fund all fees the Organization will incur under the terms of the Agreement and for construction of a new facility. In addition, the Organization has received cash limited in use to payment of costs of constructing and operating a new facility, related to the Organization's capital campaign.

Cash, cash equivalents, and restricted cash consist of the following:

	September 30,	
	2022	2021
Cash and cash equivalents	\$ 26,170,815	\$ 21,099,875
Restricted cash:		
Capital campaign	4,050,744	8,191,585
Reserve funds	7,880,595	-0-
Special purpose	-0-	7,500,000
Total cash, cash equivalents, and restricted cash in the consolidated statements of cash flows	<u>\$ 38,102,154</u>	<u>\$ 36,791,460</u>

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Receivables

Agency receivables consist of shared maintenance fees due from partner charities. Shared maintenance and delivery fees are due on the 30th day of the month following billing and bear no interest on the unpaid balance. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Accounts receivable consists of the following:

	September 30,		October 1,
	2022	2021	2020
Agency receivables	\$ 465,015	\$ 325,358	\$ 412,154
Allowance for doubtful accounts	(47,897)	(44,579)	(22,137)
	<u>\$ 417,118</u>	<u>\$ 280,779</u>	<u>\$ 390,017</u>

Management individually reviews all outstanding accounts receivable balances. Accounts are written off when deemed uncollectible. Bad debt expense on agency receivable was \$3,318 and \$22,457 for the years ended September 30, 2022 and 2021.

Government Administrative Fees and Reimbursements Receivable

The Organization reports government fees and reimbursements receivable at their net realizable value. The fees and reimbursements represent payments from federal, state, and county contracts. The fees and reimbursements are recorded as revenue at the time the service is complete, and the monthly billing is submitted to the appropriate government agency. The Ohio Association of Foodbanks is a pass-through entity to the Organization for the State Food Program Administrative fees and food.

Pledges Receivable

Pledges receivable represent unconditional promises to give. Pledges receivable are recognized as revenues in the period promised. Management used a conservative 5.6% average allowance for potentially uncollectible pledges. During the years ended September 30, 2022 and 2021, the Organization recognized \$1,032,458 and \$14,969 of bad pledge expense, respectively. Pledges receivable expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk adjusted discount rate applicable to the years in which the promises are received. The Organization's discount rate was 4.26% as of September 30, 2022 and 2021.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of food, personal hygiene products, and cooking and cleaning supplies contributed to the Organization or purchased by the Organization to supplement donations. Inventory is valued at the purchase price or the per pound value provided by the grantor at the time of donation. If the value is not provided, inventory is recorded per pound value, as further described in Note E. The annual per pound value used in the accompanying consolidated financial statements were determined by independent agreed-upon procedures engagements performed as of December 31, 2021 and 2020 by firms engaged by Feeding America and independent from the Organization (Feeding America Product Valuation Survey). Their reports dated June 23, 2022 and June 30, 2021, respectively, outlined the procedures used in determining the per pound values. Items are distributed on a FIFO basis.

Custodial Cash

The Food Bank entered into a Fiscal Agency Agreement effective April 1, 2019 with the City of Cleveland (the City), a political subdivision described in Internal Revenue Code Section 70c(1), to serve as the fiscal agent for the Mayor's Food Basket Program. The City operates this program, exclusively for the public benefit, to collect contributions and use those contributions to purchase, assemble, and distribute food baskets to residents of the City of Cleveland in need. The Organization is the custodian of the funds and is responsible for the deposit and disbursement of the funds as directed by the City. As of September 30, 2022 and 2021, the undistributed balance of \$86,711 and \$169,733, respectively, was included in the custodial cash with a corresponding liability in the accompanying consolidated statements of financial position. Custodial cash is held for the City's programming and is not available for debts or creditors of the Organization.

Investments

Investments are reported at their fair values in the consolidated statements of financial position. The components of investment income include interest and dividends, realized gains and losses, unrealized appreciation (depreciation) and is net of investment expense. Such income is reported investment income on the statements of activities and changes in net assets. See Note F for discussion of fair value measurements.

Beneficial Interest in Community Foundation

The Organization's beneficial interest in community foundation represents funds held by the local community foundation for the benefit of the Organization. Income from the community foundation's pooled funds is included in change in beneficial interest in community foundation on the statements of activities and changes in net assets.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is recorded at cost at the date of acquisition or fair value at the date of donation. The Food Bank capitalizes all expenditures for property and equipment equal to or greater than \$2,500. Depreciation is computed on a straight-line method over the estimated useful lives of the respective assets, which range from three to forty years. Depreciation expense was \$602,784 and \$621,740 for the years ended September 30, 2022 and 2021, respectively. Routine expenditures for repairs and maintenance are expensed as incurred.

Harvest for Hunger Credits

Harvest for Hunger credits represent money set aside from the funds raised during the annual Harvest for Hunger campaign to apply as grants to member agencies based on their annual service statistics and standing, to purchase product made available to agencies at reduced prices, to purchase produce at no charge for the agencies, and to cover the costs of delivery fees. Once the grants are set-up on the agency's account, invoices will draw down on the grant until it has been exhausted. The related expense is shown as Harvest for Hunger food purchases and grants on the consolidated statements of activities.

Revenue Recognition

Food Program Revenue

The Organization recognizes revenue on contributed nonfinancial assets of food and products at the time the contribution is received, at a value based on Feeding America's product Valuation Survey as discussed above. The related cost is recognized at the time the products are distributed to agencies and clients in the community, also based on these values. The difference between the revenue and cost recognized is reflective of the change in contributed inventory and is incorporated in the change in net assets.

Purchased Food

The Organization sells food purchased by the Organization to various agency partners at the cost of the product. The sole performance obligation for purchased food income is the distribution of the purchased food. The transaction price for the purchased food income is the price that the Organization has established for the food (cost plus a set mark-up). There is no variable consideration. All invoices are to be paid in full 30 days after the invoice date. Revenue is recognized at the point in time when the purchased food is distributed to the agency partners.

Contribution Revenue

Contributions and grants of cash and other are reported as revenue when received or pledged. Contributions and grants with donor-imposed time or purpose restrictions are reported as restricted revenue in net assets with donor restriction. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contribution Revenue (Continued)

A portion of the Food Bank's program and grants revenue is derived from cost-reimbursable federal grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no amounts received prior to incurring qualifying expenses as of September 30, 2022 and 2021.

Pass-through funds received from the Harvest for Hunger campaign and other cause related marketing activities are treated as a reduction in contributions and grants. For the year ended September 30, 2021, the amount of such pass-through funds amounted to \$344,247. For the year ended September 30, 2022, such pass-through funds were treated as Harvest for Hunger food purchases and grants and agency support expenses.

Kitchen Fees

The Organization provides meals to various individuals as stated within the WRAAA contract. There is a series of deliveries, and each delivery is a separate performance obligation. The transaction price for the WRAAA contract is the price per meal stated in the contract. There is no variable consideration. Although there is a series of performance obligations, each delivery has a set price and therefore there is no need to allocate the transaction price. The revenue is recognized at a point in time when the meals are delivered to the various individuals.

Member Agency Delivery Fees

The Organization earns delivery fee income which is charged to various agencies based on a set fee per pounds of food delivered. The fee is a flat fee of \$45 for up to 750 pounds. For those in excess of 750 pounds, the price is \$45 plus \$0.06/lb. per pounds in excess of the 750 lbs. Delivery income has one performance obligation that is the delivery of food. The transaction price for the delivery fee income is the price that the Organization has established based on the price per pound. There is no variable consideration. All invoices are to be paid in full 30 days after invoice date. Revenue is recognized at the point in time when the food is delivered.

Gifts in-kind

In-kind donations are recorded as contributions at the estimated fair value on the date received. During the years ended September 30, 2022 and 2021, the value of contributed goods and services meeting the requirements for recognition in the consolidated financial statements was \$326,843 and \$480,109, respectively. In-kind donations included promotional material and goods and legal services. The value of these contributions is included in fundraising and administration in the consolidated statements of activities and changes in net assets.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Gifts in-kind (Continued)

During the year ending September 30, 2021, land was donated to the Organization which was used to construct a new building, as further described in Note G. The value of the land was estimated at \$2,700,000 and is included as gifts in-kind consolidated statements of activities and changes in net assets for the year ended September 30, 2021. Contributed land was valued using like-kind methodology for similar size lots in the Cleveland region. There was no donated property and equipment for the year ended September 30, 2022.

In addition to the in-kind donations described above, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization benefited from more than 87,264 and 75,861 volunteer hours in the years ended September 30, 2022 and 2021, respectively, representing a dollar value of approximately \$2,613,557 and \$2,165,073, respectively, in volunteer services for the respective fiscal years based on the *Bureau of Labor Statistics Dollar Value of a Volunteer Hour*, for each respective year.

Income Tax Status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization evaluates at each statement of financial position date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Organization's policy is to record interest and penalties on uncertain tax provisions as income tax expense when invoiced. As of September 30, 2022 and 2021, the Organization had no accrued taxes, interest, or penalties related to uncertain tax positions. The Organization has determined there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional Expense

Expenses are charged to functional areas based on specific identification and functional area of the Food Bank. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. The Organization allocates a portion of the administrative cost across to other functional areas. Various management payroll costs are allocated to other functional areas based on time and effort. Certain information technology payroll costs are allocated to other functional areas as support based on the number of users of our various systems. Employee-related expenses (403b plan expenses, software licenses for payroll system and payroll processing costs) are allocated to other functional areas based on the number of employees.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, investments, and beneficial interest in community foundation. The Organization maintains its cash and cash equivalents with several of the country's largest banks and at times invested amounts exceed FDIC insured limits. Investments and beneficial interest in community foundation are exposed to various risks such as interest rate, market volatility, and credit. Due to the level of risk associated with certain investments, it is possible that a change in the value of these investments could occur in the near term and that such a change could be material. The Organization believes it has placed these temporary cash investments with high credit quality financial institution and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

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 affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the 2022 reporting presentation. The reclassification did not have any effect on previously reported assets, liabilities, net assets, or changes in net assets.

Subsequent Events

Subsequent events have been evaluated through May 26, 2023, which is the date these consolidated financial statements were available to be issued, see Note P for further details.

Accounting Pronouncement to be Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GMP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022 (the Organization's fiscal year ending September 30, 2023). Early adoption of ASU 2016-02 is permitted. The Organization will be evaluating the potential impact of adopting this guidance on our consolidated financial statements.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE B - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization's board of directors has designated a portion of its resources without donor restriction as a board designated endowment fund. While the Organization does not intend to spend the board designated endowment fund for purposes other than those identified, the board designated endowment fund could be made available with board approval for current operations, if necessary.

The Organization regularly monitors the availability of resources required to meet its operating needs while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing programs and support services to be general expenditures during the years ended September 30, 2022 and 2021. The Organization also has access to two lines of credit, making up to \$3,000,000 available for immediate cash needs, see Note J for further details.

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	September 30,	
	2022	2021
Financial assets at year end:		
Cash, cash equivalents, and restricted cash	\$ 38,102,154	\$ 36,791,460
Agency receivables, net	417,118	280,779
Government administrative fees and reimbursements	542,695	1,581,365
Other receivables	-0-	172,333
Pledges receivable, net	7,169,915	8,112,353
Investments	10,237,341	8,123,985
Beneficial interest in community foundation	12,667,703	16,259,234
Total financial assets	<u>69,136,926</u>	<u>71,321,509</u>
Less amounts not available to be used within one year:		
Donor restricted funds - capital campaign	(49,007,530)	(18,131,281)
Add back: amount included in property and equipment	37,909,679	2,700,000
Donor restricted funds - purpose and time	(769,963)	(494,258)
Board and donor restricted endowment funds	(12,667,703)	(16,259,234)
Contractual restriction for NMTC	(7,880,595)	-0-
Financial assets not available to be used within one year	<u>(32,416,112)</u>	<u>(32,184,773)</u>
Financial assets available to meet the cash needs for general expenditures within one year	<u>\$ 36,720,814</u>	<u>\$ 39,136,736</u>

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE C - GOVERNMENT ADMINISTRATIVE FEES & REIMBURSEMENT RECEIVABLE

Reimbursements shown on the statements of financial position are as follows:

	September 30,	
	2022	2021
U.S. Department of Agriculture administrative fee	\$ 123,135	\$ 793,398
Child and Adult Care Food Program reimbursement	92,606	96,740
Food and Nutrition Service reimbursement	81,284	64,964
State Food Program administrative fee	245,670	116,754
County reimbursement	-0-	460,038
Commodity Supplemental Food Program reimbursement	-0-	49,471
	<u>\$ 542,695</u>	<u>\$ 1,581,365</u>

NOTE D - PLEDGES RECEIVABLE

Pledges receivable for capital campaign represent promises to give that have been made by donors but have not been received by the Organization. Pledges receivable pledges are as follows:

	Capital Campaign	General Operating	September 30,	
			2022	2021
Pledges receivable less than one year	\$ 7,375,894	\$ 122,808	\$ 7,498,702	\$ 2,082,548
Pledges receivable one to five years	10,659,955		10,659,955	6,044,774
Total pledges receivable	18,035,849	122,808	18,158,657	8,127,322
Less allowance for doubtful pledges receivable	1,047,154		1,047,154	-0-
Less allowance for present value discount	878,789		878,789	14,969
	<u>\$ 16,109,906</u>	<u>\$ 122,808</u>	<u>\$ 16,232,714</u>	<u>\$ 8,112,353</u>

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE E - INVENTORY

Inventory is comprised of the following:

	September 30,	
	2022	2021
Contributed	\$ 3,446,147	\$ 2,345,688
U.S. Department of Agriculture	958,663	4,044,563
Ohio Food Purchase Program	441,521	692,315
Purchased Food Program	1,179,349	733,726
Kitchen purchased food	703,705	480,326
	<u>\$ 6,729,385</u>	<u>\$ 8,296,618</u>

Management uses the Feeding America Product Valuation Survey as a basis for the valuation of contributed inventory. The average wholesale value of contributed items was \$1.92 and \$1.79 per pound as of September 30, 2022 and 2021, respectively. As of September 30, 2022 and 2021, the Organization had 1,794,868 and 1,310,440 pounds of contributed items, respectively.

U.S. Department of Agriculture (USDA) inventories represent commodities (bulk food products) received under federal government programs for distribution. In accordance with the USDA Food Distribution Policy FD-104, as revised on December 2, 2016, food items are valued at the average wholesale value of food items only and exclude non-food items. In accordance with the Feeding America Product Valuation Survey, the average wholesale value of food only was \$1.53 and \$1.70 per pound as of September 30, 2022 and 2021, respectively. As of September 30, 2022 and 2021, the Organization had 626,577 and 2,379,137 pounds of USDA food commodities, respectively.

Ohio Food Purchase Program inventories represent commodities (bulk food products) received under the state government programs for distribution. Ohio Food inventories are valued at the average wholesale value of food items only and exclude non-food items. In accordance with the Feeding America Product Valuation Survey, the average wholesale value of food only was \$1.53 and \$1.70 per pound as of September 30, 2022 and 2021, respectively. As of September 30, 2022 and 2021, the Organization had 288,576 and 407,244 pounds of Ohio Food Purchase Program food commodities, respectively.

Purchased Food Program inventories represent food purchased. Kitchen purchased food inventories represent food purchased for use by the Greater Cleveland Food Bank Kitchen for prepared meals for distribution. Purchased Food Program inventories and Kitchen purchased food inventories are stated at the lower of cost or market on a FIFO basis.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE F - FAIR VALUE MEASUREMENTS

Financial and nonfinancial assets and liabilities are required to be re-measured on an annual basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 - Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets not sufficiently active to qualify as Level 1, other observable inputs, or inputs corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Organization's investments accounted at fair value as of September 30, 2022 are summarized below:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments:			
Money market funds	\$ 1,973,204		\$ 1,973,204
Common stocks	1,760,325		1,760,325
Mutual funds	6,503,813		6,503,813
Total Investments	<u>\$ 10,237,342</u>	<u>\$ -0-</u>	<u>\$ 10,237,342</u>
Beneficial interest in community foundation	<u>\$ -0-</u>	<u>\$ 12,667,703</u>	<u>\$ 12,667,703</u>

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization's investments accounted at fair value as of September 30, 2021 are summarized below:

	Level 1	Level 3	Total
Investments:			
Money market funds	\$ 658,617		\$ 658,617
Common stocks	1,359,389		1,359,389
Mutual funds	6,105,979		6,105,979
Total Investments	<u>\$ 8,123,985</u>	<u>\$ -0-</u>	<u>\$ 8,123,985</u>
Beneficial interest in community foundation	<u>\$ -0-</u>	<u>\$ 16,259,234</u>	<u>\$ 16,259,234</u>

Changes in assets measured using Level 3 inputs is as follows:

	Beneficial Interest in Community Foundation
Balance at October 1, 2020	\$ 2,233,238
Funds transferred to (withdrawn from) community foundation, net	13,505,200
Change in value of beneficial interest in community foundation	520,796
Balance at September 30, 2021	16,259,234
Funds transferred to (withdrawn from) community foundation, net	(924,847)
Change in value of beneficial interest in community foundation	(2,666,684)
Balance at September 30, 2022	<u>\$ 12,667,703</u>

The methods described below may produce a fair value calculation not indicative of net realizable value 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 as of the reporting date.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value as of September 30, 2022 and 2021. There have been no changes in the methodologies used during the years ended September 30, 2022 and 2021.

Money market funds, common stocks, and mutual funds are valued using quoted market prices at the net asset value of shares held by the Organization at year end.

The beneficial interest in community foundation (CF) relates to funds invested at The Cleveland Foundation. The CF is included in three investment pools at the Cleveland Foundation, the Flagship Pool, The Socially Responsible Investment Pool, and The Racial Equity Investment Pool. The CF is valued at the Organization's proportionate interest in the fair value of the CF's underlying pooled investments. The Flagship Pool's stated objective is to allow participating donor funds access to investment managers and products that traditionally require a very high initial investment. The Flagship Pool is primarily comprised of large cap, small cap, and international equity investments. The Socially Responsible Investment Pool's invests in U.S. public and private companies screened for social and environmental responsibility, gender diversity, and a place-based emphasis on Cleveland. The Racial Equity Investment Pool is focused on investing in U.S. public and private companies that (1) are inclusive of Black, Indigenous, and people of color (BIPOC) representation on their boards (targeting 50% more representation than the Russell 3000 Index), (2) have a history of fostering an inclusive, equitable and diverse workplace culture, and (3) have a stated commitment to racial equity. Outside the U.S., the pool invests with BIPOC owned (>50%) investment firms to help equalize the diversity imbalance in investment management.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30,	
	2022	2021
Building and improvements	\$ 10,305,991	\$ 10,305,991
Office and computer equipment	1,561,763	1,642,104
Warehouse machinery and equipment	2,306,381	2,296,783
Vehicles	751,799	613,683
Land and land improvements	3,867,755	3,867,755
	<u>18,793,689</u>	<u>18,726,316</u>
Less accumulated depreciation	8,176,109	7,573,325
	<u>10,617,580</u>	<u>11,152,991</u>
Construction in progress	38,916,681	7,948,090
	<u>\$ 49,534,261</u>	<u>\$ 19,101,081</u>

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE G - PROPERTY AND EQUIPMENT (CONTINUED)

In October 2022, the Organization opened a 198,000 square foot facility to serve as its new main warehouse and distribution center. The Organization built its new facility on an 18-acre piece of land on Coit Road on the edges of the Collinwood and Glenville neighborhoods. Once the new distribution center opened during 2022, the current location began renovations to turn it into a client-serving location for the Organization, as well as other partner agencies. The majority of the funding for the new building came from donations, as well as equity from new market tax credits, as further described in Note I. Capital donations in the amount of \$30,876,249 and \$13,219,265 have been committed for the years ending September 30, 2022 and 2021, respectively. These are included as restricted capital campaign donations in the statement of activities.

NOTE H - CAPITALIZED SOFTWARE

Capitalized software costs consist of the following:

	September 30,	
	2022	2021
Capitalized software	\$ 897,160	\$ 897,160
Less accumulated amortization	855,906	814,397
	<u>\$ 41,254</u>	<u>\$ 82,763</u>

Amortization expense was \$41,509 and \$36,333 for the years ended September 30, 2022 and 2021, respectively.

NOTE I - NEW MARKET TAX CREDIT PROGRAM AND NOTE RECEIVABLE

In February 2022, the Holding Company participated in a New Market Tax Credit (NMTC) program. The goal of the NMTC program is to spur revitalization of low-income and impoverished communities across the United States and its territories by providing tax credit incentives to investors in certified community development entities. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven-year period. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities.

NMTC financing allows organizations such as the Holding Company to receive low-interest loans or investment capital from CDEs, primarily financial institutions, which will allow their investors to receive tax credits. As a result of participation in the NMTC program, the Holding Company has obtained the low-interest loans described in Note J.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE I - NEW MARKET TAX CREDIT PROGRAM AND NOTE RECEIVABLE (CONTINUED)

In connection with the NMTC program, the Holding Company entered into an Option Agreement (Agreement) with Truist Community Capital, LLC (Truist) which holds 100% of the membership interest in GCFB Cleveland Investment Fund, LLC (the Fund). Under the terms of the Agreement, the Holding Company granted Truist an option to sell its membership interest to the Holding Company which may be exercised any time during 180 days from February 2030 (Put Option Period). The value of the put option will be an amount equal to \$1,000 plus the certain costs as defined in the Agreement. If Truist does not exercise its put option, the Holding Company shall have the right to exercise a call option to purchase the membership interest. The call option may be exercised any time during 180 days following the expiration of the Put Option Period. The purchase price will be equal to the fair market value of the membership interest as determined by a third party appraisal.

The Holding Company entered into a leveraged loan agreement (Note Receivable) with the Fund in the amount of \$17,989,400. The monies advanced to the Fund were used to make a qualified equity investment in the Fund's Sub-CDE which was then used for funding for the construction of the new main warehouse and distribution center of the Holding Company on Coit Road. The Note Receivable mirrors the terms of the Qualified Low-Income Community Investment (QLICI) Notes Payable A1, A2, A3, and A4 further described in Note J. Quarterly interest payments are required for the first seven years at a rate of 1.00%. Beginning March 2030, principal and interest payments will be due based on a 23 year loan amortization. The note matures in February 2052. The balance of the note receivable as of September 30, 2022 was \$17,989,400.

NOTE J - CREDIT FACILITIES

Lines of Credit

The Organization holds an unsecured line of credit agreement with PNC Bank with maximum borrowings of \$1,500,000 for working capital and general corporate purposes. The interest rate is a variable interest rate based on LIBOR (4.52% as of September 30, 2022) plus 1.50%. The line of credit matures on August 2023. There were no outstanding borrowings against the line of credit as of September 30, 2022 and 2021.

The Food Bank has a revolving line of credit agreement with Bank of America with maximum borrowings of \$1,500,000 for working capital and general corporate purposes. The interest rate is BSBY Daily Floating rate (5.17% as of September 30, 2022) plus 2%. The line of credit matures on August 2023. There were no outstanding borrowings against the line of credit as of September 30, 2022 and 2021.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE J - CREDIT FACILITIES (CONTINUED)

Notes Payable

Notes payable consist of the following:

	September 30,	
	2022	2021
New Market Tax Credits - notes payable secured by property and equipment with interest only payments through February 2030 and then principal and interest payments until maturity in February 2052. Interest rate is 1.00%.		
QLICI note payable A1 with CNMIF II #30, LLC	\$ 6,919,000	
QLICI note payable B1 with CNMIF II #30, LLC	2,581,000	
QLICI note payable A2 with Western Reserve DF Affiliate XVII,	3,459,500	
QLICI note payable B2 with Western Reserve DF Affiliate XVII,	1,290,500	
QLICI note payable A3 with TCDE 93, LLC	2,767,600	
QLICI note payable B3 with TCDE 93, LLC	1,232,400	
QLICI note payable A4 with TCB Sub CDE XXVII LLC	4,843,300	
QLICI note payable B4 with TCB Sub CDE XXVII LLC	1,964,200	
	<u>25,057,500</u>	<u>\$ -0-</u>
Note payable to a bank secured by substantially all assets of the Organization with interest only payments through maturity in February 2026. Interest rate is 4.99%	7,511,736	
	<u>32,569,236</u>	<u>-0-</u>
Less unamortized debt issuance costs	824,302	
	<u>\$ 31,744,934</u>	<u>\$ -0-</u>

Annual maturities of the note payable outstanding at September 30, 2022 are as follows:

Year Ending September 30,	Maturities	Loan Fees	Net
2023	\$ -0-	(\$ 43,112)	(\$ 43,112)
2024	-0-	(43,112)	(43,112)
2025	-0-	(43,112)	(43,112)
2026	7,511,736	(43,112)	7,468,624
2027	-0-	(43,112)	(43,112)
Thereafter	<u>25,057,500</u>	<u>(608,742)</u>	<u>24,448,758</u>
	<u>\$ 32,569,236</u>	<u>(\$ 824,302)</u>	<u>\$ 31,744,934</u>

Interest expense for the years ended September 30, 2022 and 2021 was \$139,179 and \$192,340, respectively.

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE K - ENDOWMENTS

The Organization's endowment consists of individual funds established for a variety of purposes. 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 to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization believes that absent explicit donor stipulations to the contrary, fiduciary standards require the preservation of the "historic dollar value" of donor-restricted endowment funds. "Historic dollar value" as to any donor-restricted endowment fund means the aggregate fair value of (a) the original value of gifts donated to such fund, (b) the original value of subsequent gifts to such fund, and (c) accumulations to such fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, the Organization classifies the historic dollar value of a donor-restricted endowment fund as net assets with donor restrictions (a time restriction in perpetuity). The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (a time restriction in perpetuity) is classified as net assets with donor restriction (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in Unified Prudent Management of Institutional Funds Act (UPMIFA) requirements.

In accordance with UPMIFA, 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 various funds; (2) the purposes of the donor-restricted endowment funds; (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; and (7) the Organization's investment policies.

Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives

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

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

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE K - ENDOWMENTS (CONTINUED)

Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives (Continued)

Under the Organization's endowment policy, endowed assets without donor restrictions and the income thereon (interest, dividends, and capital appreciation) may be appropriated for expenditure once the fund balance reaches \$1,500,000. The Organization has a policy of appropriation for distribution each year 5% of the September 30 balance using a trailing average over the prior three years. During the years ended September 30, 2022 and 2021, the fund balance exceeded \$1,500,000, and as such, \$926,847 and \$107,015 was appropriated, respectively.

Endowment net asset composition by type of fund as of September 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 12,565,695		\$ 12,565,695
Donor-restricted endowment funds			
Original donor-restricted gift		\$ 96,800	96,800
Accumulated investment gains		5,208	5,208
	<u>\$ 12,565,695</u>	<u>\$ 102,008</u>	<u>\$ 12,667,703</u>

Change in endowment net assets for the fiscal year ended September 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 16,136,619	\$ 122,615	\$ 16,259,234
Investment return, net	(2,644,077)	(22,607)	(2,666,684)
Contributions		2,000	2,000
Appropriations	(926,847)		(926,847)
Endowment net assets, end of year	<u>\$ 12,565,695</u>	<u>\$ 102,008</u>	<u>\$ 12,667,703</u>

Endowment net asset composition by type of fund as of September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 16,136,619		\$ 16,136,619
Donor-restricted endowment funds			
Original donor-restricted gift		\$ 94,800	94,800
Accumulated investment gains		27,815	27,815
	<u>\$ 16,136,619</u>	<u>\$ 122,615</u>	<u>\$ 16,259,234</u>

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE K - ENDOWMENTS (CONTINUED)

Change in endowment net assets for the fiscal year ended September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,113,485	\$ 119,753	\$ 2,233,238
Investment return, net	519,934	862	520,796
Contributions	13,610,215	2,000	13,612,215
Appropriations	(107,015)	-0-	(107,015)
Endowment net assets, end of year	<u>\$ 16,136,619</u>	<u>\$ 122,615</u>	<u>\$ 16,259,234</u>

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are available for the following purposes:

	September 30,	
	2022	2021
Capital campaign	\$ 49,007,530	\$ 18,131,281
Purpose and time restricted:		
Agency grants	243,100	21,395
Senior initiative	175,000	50,000
Food stamp initiative	100,000	73,247
Food as medicine initiative	94,055	248,000
Child nutrition initiative	-0-	75,375
General operating support - future periods	122,808	-0-
Other	35,000	26,241
	<u>769,963</u>	<u>494,258</u>
Endowment (Note K)	102,008	122,615
Total net assets with donor restrictions	<u>\$ 49,879,501</u>	<u>\$ 18,748,154</u>

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	September 30,	
	2022	2021
Disaster relief	\$ 1,067,500	\$ 2,325,926
Agency grants	43,728	87,216
Senior initiative	105,833	-0-
Food stamp initiative	278,747	81,753
Food as medicine initiative	220,527	50,000
Child nutrition initiative	249,375	76,458
Fresh product initiative	598,100	-0-
General operating - strategic plan	-0-	231,750
Other	157,555	342,650
	<u>\$ 2,721,365</u>	<u>\$ 3,195,753</u>

NOTE M - LEASES

As of September 30, 2022, the Organization leases various office equipment, trucks, and pantry space under operating leases. These leases expire at various times through 2028. Lease expense was \$692,095 and \$694,475 for the years ended September 30, 2022 and 2021, respectively.

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

September 30,	Amount
2023	\$ 585,831
2024	394,798
2025	309,374
2026	269,410
2027	191,376
Thereafter	94,356
	<u>\$ 1,845,145</u>

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended September 30, 2022 and 2021

NOTE N - RETIREMENT PLAN

The Organization maintains a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code, which covers substantially all of its employees. Discretionary employer contributions to the plan amounted to \$293,947 and \$294,669 for the years ended September 30, 2022 and 2021, respectively.

NOTE O - BENEFICIAL INTEREST IN IRREVOCABLE TRUST

The Organization was named as a 50% beneficiary of an irrevocable trust, established by a donor. Under the terms of the related trust agreement, upon the donor's death, the balance of the trust estate will be distributed 50% to the Organization, and 50% to another nonprofit entity.

The Trustees of the trust are authorized to pay premiums on life insurance policies intended to fund the trust at the donor's death, however, if at any time there are insufficient assets in the Trust to pay such premiums, the Trustee, after notification to the donor of the premiums due, has the right to allow the related insurance to lapse without notice to the beneficiaries, to select any option available under such policies including conversion to paid up insurance or surrendering for cash value or to terminate the trust. Accordingly, the Organization's interest in the related trust has not been recorded in the accompany consolidated financial statements, as management is unable to determine the value of the related benefit as of September 30, 2022 and 2021.

NOTE P - SUBSEQUENT EVENT

In March 2023, a new entity was created, Greater Cleveland Foodbank Waterloo Real Estate Holding Company (Waterloo Holding Company). Waterloo Holding Company is a 501(c)(3) organization organized and operating exclusively for the benefit of the Food Bank. The Holding Company primarily holds the real property of the Food Bank located on Waterloo Road, in Cleveland Ohio.

In April 2023, the Waterloo Holding Company entered into a NMTC transaction to receive funding for renovations of the building on Waterloo Road. The Waterloo Holding Company entered into a leveraged loan agreement with the GCFB2 Cleveland Investment Fund, LLC in the amount of \$6,332,200. The monies advanced to the Fund were used to make a qualified equity investment in the GCFB2 Cleveland Investment Fund, LLC's Sub-CDE which was then used for funding for the renovations of the building on Waterloo Road. The Note Receivable mirrors the terms of the Qualified Low-Income Community Investment (QLICI) Notes Payable. Quarterly interest payments are required for the first seven years at a rate of 1.00%. Beginning April 2031, principal and interest payments will be due based on a 23 year loan amortization. The note matures in April 2053.

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

The Board of Directors
Greater Cleveland Food Bank and Subsidiary
Cleveland, OH

We have audited the consolidated financial statements of Greater Cleveland Food Bank and Subsidiary as of and for the year ended September 30, 2022, and our report thereon dated May 26, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 - 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 30 - 31 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position and changes in net assets of the individual entities. The consolidating 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. Such 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Barnes Wendling CPAs

Sheffield Village, Ohio
May 26, 2023

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Consolidating Statement of Financial Position September 30, 2022

	Greater Cleveland Food Bank	Greater Cleveland Food Bank Real Estate Holding Company	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 22,775,900	\$ 3,394,915		\$ 26,170,815
Restricted cash:				
Capital campaign	4,050,744			4,050,744
Reserved funds		7,880,595		7,880,595
Receivables:				
Agency receivables, net	417,118			417,118
Government administrative fees and reimbursements	542,695			542,695
Pledges receivable, net	16,232,714			16,232,714
Intercompany receivable	9,306,838		(\$ 9,306,838)	-0-
Inventory, net	6,729,385			6,729,385
Prepaid expenses and other deposits	2,411,833			2,411,833
Custodial cash	86,711			86,711
Investments	10,237,342			10,237,342
Investment in subsidiary	18,817,175		(18,817,175)	-0-
Beneficial interest in community foundation	12,667,703			12,667,703
Property and equipment, net	8,454,796	41,079,465		49,534,261
Notes receivable	17,989,400			17,989,400
Software, net	41,254			41,254
TOTAL ASSETS	\$ 130,761,608	\$ 52,354,975	(\$ 28,124,013)	\$ 154,992,570
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 3,409,992			\$ 3,409,992
Accrued expenses	4,666,465			4,666,465
Intercompany payable		\$ 9,306,838	(\$ 9,306,838)	-0-
Harvest for Hunger credits	1,061,990			1,061,990
Custodial liabilities	86,711			86,711
Agency grant commitments	340,184			340,184
Notes payable, net of unamortized debt issuance costs	7,511,736	24,233,198		31,744,934
Total liabilities	17,077,078	33,540,036	(9,306,838)	41,310,276
Net Assets				
Without Donor Restrictions	63,805,029	18,814,939	(18,817,175)	63,802,793
With Donor Restrictions	49,879,501			49,879,501
Total Net Assets	113,684,530	18,814,939	(18,817,175)	113,682,294
TOTAL LIABILITIES AND NET ASSETS	\$ 130,761,608	\$ 52,354,975	(\$ 28,124,013)	\$ 154,992,570

See Independent Auditors' Report on Supplementary Information

GREATER CLEVELAND FOOD BANK AND SUBSIDIARY

Consolidating Statement of Activities and Changes in Net Assets Year Ended September 30, 2022

	Greater Cleveland Food Bank	Greater Cleveland Food Bank Real Estate Holding Company	Eliminations	Consolidated
Revenues				
Food Programs Revenue				
Value of food received:				
Value of food donated	\$ 36,523,993			\$ 36,523,993
Value of USDA and OFPP food received	30,290,801			30,290,801
	<u>66,814,794</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>66,814,794</u>
Food distribution revenue				
Purchased food program	2,989,001			2,989,001
Total food programs revenue	<u>69,803,795</u>	<u>-0-</u>	<u>-0-</u>	<u>69,803,795</u>
Operating Revenue				
Kitchen fees	3,955,559			3,955,559
Member agency delivery fees	707,228			707,228
Government reimbursements and administrative fees	5,328,826			5,328,826
Contributions and grants	23,135,050			23,135,050
Capital campaign contributions	30,876,249			30,876,249
Special events	608,245			608,245
Gifts in-kind	326,843			326,843
Other	884,414			884,414
Total operating revenue	<u>65,822,414</u>	<u>-0-</u>	<u>-0-</u>	<u>65,822,414</u>
Total revenue	<u>135,626,209</u>	<u>-0-</u>	<u>-0-</u>	<u>135,626,209</u>
Expenses				
Program expense	97,494,693			97,494,693
Support services	10,737,554	2,236		10,739,790
Total expenses	<u>108,232,247</u>	<u>2,236</u>	<u>-0-</u>	<u>108,234,483</u>
Changes in net assets from operations	27,393,962	(2,236)	-0-	27,391,726
Other changes in net assets				
Change in beneficial interest	(2,666,684)			(2,666,684)
Investment return, net	(1,772,310)			(1,772,310)
Member contribution		18,817,175	(18,817,175)	-0-
	<u>(4,438,994)</u>	<u>18,817,175</u>	<u>(18,817,175)</u>	<u>(4,438,994)</u>
Changes in net assets	22,954,968	18,814,939	(18,817,175)	22,952,732
Net assets, beginning of year	<u>90,729,562</u>	<u>-0-</u>	<u>-0-</u>	<u>90,729,562</u>
Net Assets, end of year	<u>\$ 113,684,530</u>	<u>\$ 18,814,939</u>	<u>(\$ 18,817,175)</u>	<u>\$ 113,682,294</u>

See Independent Auditors' Report on Supplementary Information