



# Greater Cleveland Food Bank

Financial Statements  
Years Ended September 30, 2020 and 2019

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of  
BDO International Limited, a UK company limited by guarantee.



# **Greater Cleveland Food Bank**

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Financial Statements  
Years Ended September 30, 2020 and 2019

# Greater Cleveland Food Bank

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## Independent Auditor's Report

Board of Directors  
Greater Cleveland Food Bank  
Cleveland, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of Greater Cleveland Food Bank (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

#### *Auditor's Responsibility*

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

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

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Cleveland Food Bank as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Cleveland, Ohio  
May 12, 2021

## Financial Statements

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# Greater Cleveland Food Bank

## Statements of Financial Position

September 30,	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,718,037	\$ 480,248
Cash and cash equivalents - capital campaign	2,212,016	-
Custodial cash	176,137	179,019
Investments, at fair value	6,862,009	5,203,439
Accounts receivable		
Agency receivables, net	390,017	384,512
Government administrative fees/reimbursements	1,957,968	1,278,497
Operating pledges - current portion, net	573,160	1,212,345
Other receivables	34,276	41,693
	2,955,421	2,917,047
Inventory		
Contributed (976,706 and 510,874 pounds, respectively)	1,699,468	827,618
Purchased Food Program (1,643,533 and 667,389 pounds, respectively)	1,275,484	447,328
U.S. Department of Agriculture (1,285,279 and 2,018,495 pounds, respectively)	1,915,066	3,068,112
Ohio Food Purchase Program (338,263 and 476,584 pounds, respectively)	504,012	724,408
Greater Cleveland Food Bank Kitchen Purchased Food (143,738 and 110,648 pounds, respectively)	358,263	137,940
	5,752,293	5,205,406
Prepaid expenses and other deposits	879,229	729,099
<b>Total Current Assets</b>	<b>33,555,142</b>	<b>14,714,258</b>
<b>Property and Equipment, Net</b>	<b>8,887,177</b>	<b>8,668,457</b>
<b>Noncurrent Assets</b>		
Investments - endowment, including board designated	2,233,238	2,167,881
Operating pledges - non-current	-	10,000
Software, net	83,527	105,730
Deposits	1,816	1,816
<b>Total Assets</b>	<b>\$ 44,760,900</b>	<b>\$ 25,668,142</b>

*See accompanying notes to financial statements.*

# Greater Cleveland Food Bank

## Statements of Financial Position

September 30,	2020	2019
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,451,513	\$ 1,018,847
Accrued expenses	1,618,341	1,420,877
Paycheck Protection Plan (PPP) loan - current portion	751,973	-
Custodial liabilities	176,137	179,019
Lines of credit	-	300,000
Harvest for Hunger credits	1,616,554	1,413,160
Agency grant commitments	662,582	845,329
Deferred revenue	-	38,447
<b>Total Current Liabilities</b>	<b>6,277,100</b>	<b>5,215,679</b>
<b>PPP loan - long term portion</b>	<b>916,127</b>	<b>-</b>
<b>Total Liabilities</b>	<b>7,193,227</b>	<b>5,215,679</b>
<b>Net Assets</b>		
<b>Without Donor Restrictions</b>		
Available for Operations	20,979,444	8,538,363
Net investment in property, equipment and software	8,970,704	8,774,187
Total undesignated net assets	29,950,148	17,312,550
Board designated for endowment	2,113,485	2,051,579
<b>Total without donor restrictions</b>	<b>32,063,633</b>	<b>19,364,129</b>
<b>With Donor Restrictions</b>		
Time restricted pledges	765,234	939,297
Disaster grants	2,325,926	-
Capital campaign	2,212,016	-
Other	81,111	32,735
Endowment	119,753	116,302
<b>Total with donor restrictions</b>	<b>5,504,040</b>	<b>1,088,334</b>
<b>Total Net Assets</b>	<b>37,567,673</b>	<b>20,452,463</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 44,760,900</b>	<b>\$ 25,668,142</b>

*See accompanying notes to financial statements.*

Greater Cleveland Food Bank

Statement of Activities

	Without Donor Restrictions	Board Designated Endowment	Total Without Donor Restrictions	With Donor Restrictions	2020 Total
<i>For the Year Ended September 30, 2020</i>					
<b>Food Programs Revenue</b>					
Value of food received					
Value of food donated (14,857,353 and 22,032,603 pounds, respectively)	\$ 25,851,794	\$ -	\$ 25,851,794	\$ -	\$ 25,851,794
Value of USDA and OFPP food received (26,639,406 and 22,285,344 pounds, respectively)	39,692,715	-	39,692,715	-	39,692,715
	65,544,509	-	65,544,509	-	65,544,509
Food distribution revenue					
Purchased Food Program (7,372,636 and 3,711,349 pounds, respectively)	3,699,446	-	3,699,446	-	3,699,446
	69,243,955	-	69,243,955	-	69,243,955
<b>Total food programs revenue</b>	<b>69,243,955</b>	<b>-</b>	<b>69,243,955</b>	<b>-</b>	<b>69,243,955</b>
<b>Operating Revenue</b>					
Greater Cleveland Food Bank Kitchen fees	3,843,296	-	3,843,296	-	3,843,296
Member agency handling fees	1,045,064	-	1,045,064	-	1,045,064
Federal, state, county government reimbursement and administrative fees	5,715,775	-	5,715,775	-	5,715,775
Contributions and grants	25,295,554	1,000	25,296,554	2,759,486	28,056,040
Capital Campaign	-	-	-	2,212,016	2,212,016
Other	124,508	-	124,508	-	124,508
Net assets released from restrictions	559,247	-	559,247	(559,247)	-
Transfers of board designated funds	104,243	(104,243)	-	-	-
<b>Total</b>	<b>36,687,687</b>	<b>(103,243)</b>	<b>36,584,444</b>	<b>4,412,255</b>	<b>40,996,699</b>
<b>Total Revenue from Food Programs and operations</b>	<b>105,931,642</b>	<b>(103,243)</b>	<b>105,828,399</b>	<b>4,412,255</b>	<b>110,240,654</b>
<b>Food Programs Expense</b>					
Value of food distributed					
Value of donated food distributed, including scrap (13,029,467 and 22,062,063 pounds, respectively)	24,979,943	-	24,979,943	-	24,979,943
Value of USDA and OFPP food distributed, including scrap (26,641,597 and 20,839,735 pounds, respectively)	41,066,157	-	41,066,157	-	41,066,157
	66,046,100	-	66,046,100	-	66,046,100
Food cost of goods sold					
Purchased Food Program, including scrap (6,396,492 and 3,793,628 pounds, respectively)	4,432,959	-	4,432,959	-	4,432,959
Harvest for Hunger food purchases and grants	1,400,004	-	1,400,004	-	1,400,004
<b>Total food programs expenses</b>	<b>71,879,063</b>	<b>-</b>	<b>71,879,063</b>	<b>-</b>	<b>71,879,063</b>

Greater Cleveland Food Bank

Statement of Activities

<i>For the Year Ended September 30, 2020</i>	Without Donor Restrictions	Board Designated Endowment	Total Without Donor Restrictions	With Donor Restrictions	2020 Total
<b>Operating Expenses</b>					
Program expenses					
Operations	10,957,971	-	10,957,971	-	10,957,971
Greater Cleveland Food Bank Kitchen	3,882,841	-	3,882,841	-	3,882,841
Community and government programming	1,133,332	-	1,133,332	-	1,133,332
Total program expenses	15,974,144	-	15,974,144	-	15,974,144
Support services					
Fundraising	3,430,147	-	3,430,147	-	3,430,147
Volunteer Service & Product Resource Development	284,608	-	284,608	-	284,608
Administration	2,030,976	-	2,030,976	-	2,030,976
Total support services	5,745,731	-	5,745,731	-	5,745,731
Total operating expenses	21,719,875	-	21,719,875	-	21,719,875
<b>Total Food Programs and Operating Expenses</b>	<b>93,598,938</b>	<b>-</b>	<b>93,598,938</b>	<b>-</b>	<b>93,598,938</b>
<b>Change in Net Assets from Operations</b>	<b>12,332,704</b>	<b>(103,243)</b>	<b>12,229,461</b>	<b>4,412,255</b>	<b>16,641,716</b>
<b>Other Revenue</b>					
Investment return, net	304,894	165,149	470,043	3,451	473,494
<b>Change in Net Assets</b>	<b>12,637,598</b>	<b>61,906</b>	<b>12,699,504</b>	<b>4,415,706</b>	<b>17,115,210</b>
<b>Net Assets, beginning of year</b>	<b>17,312,550</b>	<b>2,051,579</b>	<b>19,364,129</b>	<b>1,088,334</b>	<b>20,452,463</b>
<b>Net Assets, end of year</b>	<b>\$ 29,950,148</b>	<b>\$ 2,113,485</b>	<b>\$ 32,063,633</b>	<b>\$ 5,504,040</b>	<b>37,567,673</b>

# Greater Cleveland Food Bank

## Statement of Activities

<i>Year Ended September 30, 2019</i>	Without Donor Restrictions	Board Designated Endowment	Total Without Donor Restrictions	With Donor Restrictions	2019 Total
<b>Food Programs Revenue</b>					
Value of food received					
Value of food donated (22,032,603 pounds)	\$ 35,692,817	\$ -	\$ 35,692,817	\$ -	\$ 35,692,817
Value of USDA and OFPP food received (22,285,344 pounds)	33,873,723	-	33,873,723	-	33,873,723
	69,566,540	-	69,566,540	-	69,566,540
Food distribution revenue					
Purchased Food Program (3,711,349 pounds)	2,751,891	-	2,751,891	-	2,751,891
<b>Total food programs revenue</b>	<b>72,318,431</b>	<b>-</b>	<b>72,318,431</b>	<b>-</b>	<b>72,318,431</b>
<b>Operating Revenue</b>					
Greater Cleveland Food Bank Kitchen fees	3,199,902	-	3,199,902	-	3,199,902
Member agency handling fees	1,036,777	-	1,036,777	-	1,036,777
Federal, state, county government reimbursement and administrative fees	4,523,413	-	4,523,413	-	4,523,413
Contributions and grants	12,198,015	41,831	12,239,846	753,225	12,993,071
Other	113,908	-	113,908	-	113,908
Net assets released from restrictions	683,758	-	683,758	(683,758)	-
Transfers of board designated funds	93,651	(93,651)	-	-	-
<b>Total</b>	<b>21,849,424</b>	<b>(51,820)</b>	<b>21,797,604</b>	<b>69,467</b>	<b>21,867,071</b>
<b>Total Revenue from Food Programs and Operations</b>	<b>94,167,855</b>	<b>(51,820)</b>	<b>94,116,035</b>	<b>69,467</b>	<b>94,185,502</b>
<b>Food Programs Expenses</b>					
Value of food distributed					
Value of donated food distributed, including scrap (22,062,063 pounds)	35,772,806	-	35,772,806	-	35,772,806
Value of USDA and OFPP food distributed, including scrap (20,839,735 pounds)	31,728,869	-	31,728,869	-	31,728,869
	67,501,675	-	67,501,675	-	67,501,675
Food cost of goods sold					
Purchased Food Program, including scrap (3,793,628 pounds)	2,360,653	-	2,360,653	-	2,360,653
Harvest for Hunger food purchases and grants	1,400,004	-	1,400,004	-	1,400,004
<b>Total food programs expenses</b>	<b>71,262,332</b>	<b>-</b>	<b>71,262,332</b>	<b>-</b>	<b>71,262,332</b>

*See accompanying notes to financial statements.*

# Greater Cleveland Food Bank

## Statement of Activities

<i>Year Ended September 30, 2019</i>	Without Donor Restrictions	Board Designated Endowment	Total Without Donor Restrictions	With Donor Restrictions	2019 Total
<b>Operating Expenses</b>					
Program expenses					
Operations	11,856,263	-	11,856,263	-	11,856,263
Greater Cleveland Food Bank Kitchen	3,451,765	-	3,451,765	-	3,451,765
Community and government programming	505,643	-	505,643	-	505,643
Total program expenses	15,813,671	-	15,813,671	-	15,813,671
Support services					
Fundraising	2,614,499	-	2,614,499	-	2,614,499
Volunteer Service & Product Resource Development	313,465	-	313,465	-	313,465
Administration	1,537,496	-	1,537,496	-	1,537,496
Total support services	4,465,460	-	4,465,460	-	4,465,460
Total operating expenses	20,279,131	-	20,279,131	-	20,279,131
<b>Total Food Programs and Operating Expenses</b>	91,541,463	-	91,541,463	-	91,541,463
<b>Change in Net Assets from Operations</b>	2,626,392	(51,820)	2,574,572	69,467	2,644,039
<b>Other Revenue</b>					
Investment return, net	150,249	44,210	194,459	(2,803)	191,656
<b>Change in Net Assets</b>	2,776,641	(7,610)	2,769,031	66,664	2,835,695
<b>Net Assets, beginning of year</b>	14,535,909	2,059,189	16,595,098	1,021,670	17,616,768
<b>Net Assets, end of year</b>	\$ 17,312,550	\$ 2,051,579	\$ 19,364,129	\$ 1,088,334	\$ 20,452,463

*See accompanying notes to financial statements.*

Greater Cleveland Food Bank

Statement of Functional Expenses

	Program Expenses			Supporting Services			2020 Total Expenses
	Operations	Greater Cleveland Food Bank Kitchen	Community and Government Programming	Fundraising	Volunteer Service & Product Resource Development	Administration	
<i>For the Year Ended September 30, 2020</i>							
<b>Food Programs Expense</b>							
Value of food distributed, including scrap							
Value of donated food distributed	\$ 24,979,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,979,943
Value of USDA and OFPP food distributed	41,066,157	-	-	-	-	-	41,066,157
Food cost of goods sold, including scrap							
Purchased food program	4,432,959	-	-	-	-	-	4,432,959
Harvest for Hunger food purchases and grants	1,400,004	-	-	-	-	-	1,400,004
<b>Total food programs expense</b>	<b>\$ 71,879,063</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,879,063</b>
<b>Operating Expense</b>							
Salaries and wages	\$ 5,075,993	381,258	875,717	1,268,835	211,727	1,026,631	\$ 8,840,161
Employee benefits	769,466	131,323	154,310	227,350	33,814	269,080	1,585,343
<b>Total salaries and related expenses</b>	<b>5,845,459</b>	<b>512,581</b>	<b>1,030,027</b>	<b>1,496,185</b>	<b>245,541</b>	<b>1,295,711</b>	<b>10,425,504</b>
Professional services	79,219	-	-	343,354	-	209,598	632,171
Office expense and services	176,029	4,859	18,334	124,068	5,308	357,848	686,446
Food and supplies - Greater Cleveland Food Bank Kitchen	22,302	3,246,408	-	106	1,416	-	3,270,232
Occupancy costs and warehouse maintenance	1,203,557	(44,786)	39,448	12,528	771	27,979	1,239,497
Fuel, fleet costs, inbound freight (net)	815,986	85,476	11,410	22	38	9	912,941
Direct mail fundraising and communications	66,859	364	1,051	803,501	8,084	1,814	881,673
Agency support	2,100,005	989	-	-	-	-	2,100,994
Miscellaneous	248,270	35,943	33,062	630,961	22,135	73,590	1,043,961
<b>Total operating expenses before depreciation</b>	<b>10,557,686</b>	<b>3,841,834</b>	<b>1,133,332</b>	<b>3,410,725</b>	<b>283,293</b>	<b>1,966,549</b>	<b>21,193,419</b>
Depreciation and amortization	400,285	41,007	-	19,422	1,315	64,427	526,456
<b>Total operating expenses</b>	<b>10,957,971</b>	<b>3,882,841</b>	<b>1,133,332</b>	<b>3,430,147</b>	<b>284,608</b>	<b>2,030,976</b>	<b>21,719,875</b>
<b>Total Functional Expenses</b>	<b>\$ 82,837,034</b>	<b>\$ 3,882,841</b>	<b>\$ 1,133,332</b>	<b>\$ 3,430,147</b>	<b>\$ 284,608</b>	<b>\$ 2,030,976</b>	<b>\$ 93,598,938</b>

**Greater Cleveland Food Bank**

**Statement of Functional Expenses**

Year Ended September 30, 2019	Program Expenses			Supporting Services			2019 Total Expenses
	Operations	Greater Cleveland Food Bank Kitchen	Community and Government Programming	Fundraising	Volunteer Service & Product Resource Development	Administration	
<b>Food Programs Expense</b>							
Value of food distributed, including scrap							
Value of donated food distributed	\$ 35,772,806	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,772,806
Value of USDA and OFPP food distributed	31,728,869	-	-	-	-	-	31,728,869
Food cost of goods sold, including scrap							
Purchased food program	2,360,653	-	-	-	-	-	2,360,653
Harvest for Hunger food purchases and grants	1,400,004	-	-	-	-	-	1,400,004
<b>Total food programs expense</b>	<b>\$ 71,262,332</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,262,332</b>
<b>Operating Expense</b>							
Salaries and wages	\$ 4,976,095	441,180	376,466	1,062,870	227,232	906,615	\$ 7,990,458
Employee benefits	1,072,332	84,009	83,511	197,201	45,071	203,902	1,686,026
<b>Total salaries and related expenses</b>	<b>6,048,427</b>	<b>525,189</b>	<b>459,977</b>	<b>1,260,071</b>	<b>272,303</b>	<b>1,110,517</b>	<b>9,676,484</b>
Professional services	179,137	4,281	2,299	224,772	472	132,823	543,784
Office expense and services	316,390	15,360	19,145	146,399	18,380	66,248	581,922
Food and supplies - Greater Cleveland Food Bank Kitchen	87,787	2,691,965	-	-	-	-	2,779,752
Occupancy costs and warehouse maintenance	835,776	56,377	-	10,366	649	10,564	913,732
Fuel, fleet costs, inbound freight (net)	708,071	100,260	-	-	-	-	808,331
Direct mail fundraising and communications	3,395	-	12,797	764,245	8,000	2,504	790,941
Agency support	3,127,065	-	-	-	-	-	3,127,065
Miscellaneous	116,891	11,127	9,925	182,626	13,351	160,494	494,414
<b>Total operating expenses before depreciation</b>	<b>11,422,939</b>	<b>3,404,559</b>	<b>504,143</b>	<b>2,588,479</b>	<b>313,155</b>	<b>1,483,150</b>	<b>19,716,425</b>
Depreciation	433,324	47,206	1,500	26,020	310	54,346	562,706
<b>Total operating expenses</b>	<b>11,856,263</b>	<b>3,451,765</b>	<b>505,643</b>	<b>2,614,499</b>	<b>313,465</b>	<b>1,537,496</b>	<b>20,279,131</b>
<b>Total Functional Expenses</b>	<b>\$ 83,118,595</b>	<b>\$ 3,451,765</b>	<b>\$ 505,643</b>	<b>\$ 2,614,499</b>	<b>\$ 313,465</b>	<b>\$ 1,537,496</b>	<b>\$ 91,541,463</b>

*See accompanying notes to financial statements.*

# Greater Cleveland Food Bank

## Statements of Cash Flows

Years Ended September 30,	2020	2019
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 17,115,210	\$ 2,835,695
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	526,458	562,706
Realized and unrealized gain on investments	(218,586)	(24,446)
Proceeds from capital campaign	(2,212,016)	-
Uncollectible agency receivables and pledge write offs	2,848	22,498
Change in contributed and government inventory	501,592	(2,064,711)
(Increase) decrease in:		
Agency receivables	(8,353)	(37,029)
Government administration fees/reimbursements	(679,471)	(387,340)
Operating pledges	649,185	(725,187)
Other receivables	7,417	(38,723)
Purchased food program inventory	(1,048,479)	42,401
Prepaid expenses and other deposits	(150,130)	(18,856)
Increase (decrease) in:		
Accounts payable - operating	432,666	146,674
Accrued expenses	197,464	438,497
Harvest for Hunger credits	203,394	100,776
Agency grant commitments	(221,193)	86,762
<b>Net Cash and Cash Equivalents Provided by Operating Activities</b>	<b>15,098,006</b>	<b>939,717</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(692,437)	(95,173)
Capitalized software costs	(30,538)	(34,680)
Proceeds from sale of investments	104,243	93,651
Purchase of investments	(1,609,585)	(222,328)
<b>Net Cash and Cash Equivalents Used in Investing Activities</b>	<b>(2,228,317)</b>	<b>(258,530)</b>

*See accompanying notes to financial statements.*

# Greater Cleveland Food Bank

## Statements of Cash Flows

<i>Years Ended September 30,</i>	2020	2019
<b>Cash Flows from Financing Activities</b>		
Repayments on lines of credit	\$ (300,000)	\$ (697,686)
Proceeds from PPP loan	1,668,100	-
Proceeds from capital campaign	2,212,016	-
<b>Net Cash and Cash Equivalents Provided by (Used in) Financing Activities</b>	<b>3,580,116</b>	<b>(697,686)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>16,449,805</b>	<b>(16,499)</b>
Cash and Cash Equivalents, at beginning of year	480,248	496,747
Cash and Cash Equivalents, at end of year	\$ 16,930,053	\$ 480,248
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 3,352	\$ 25,533

*See accompanying notes to financial statements.*

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Nature of organization*

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

#### *Basis of presentation*

The financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP).

#### *Net Assets*

The Food Bank records unconditional promises to give (pledges) as receivables and contributions and distinguished for each net asset category in accordance with donor-imposed restrictions. Further, the resources of the Food Bank are classified into net asset categories according to donor-imposed restrictions. A description of these categories are as follows:

*Net Assets without Donor Restrictions:* Include the net assets that are free of donor-imposed restrictions.

*Net Assets Available for Operations* are free of donor imposed restrictions or funds not otherwise designated by the Board of Directors.

*Board Designated Funds* include Net Assets without Donor Restrictions voluntarily segregated by the Board of Directors for specific purposes.

*Net Investment in Property, Equipment and Software* relate to property, equipment and software used in general operations.

*Net Asset with Donor Restrictions:* Include the net assets from grants, contributions or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Food Bank. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions also includes net assets from contributions or other inflows where the donor does not allow original principal to be expended, but the earnings are available for use under a spending policy.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Revenue Recognition*

The Food Bank recognizes revenue on contributed food and products at the time the contribution is received, at a value based on Feeding America's Product Valuation Survey as discussed above. The related cost is recognized at the time the products are distributed to agencies and clients in the community, also based on these values. Contributed food was recorded as revenue at \$1.74 per pound, while USDA and Ohio food was recorded as revenue at \$1.49 per pound as of September 30, 2020. Contributed food and Ohio food were recorded as revenue at \$1.62 per pound, while USDA food was recorded as revenue at \$1.52 per pound as of September 30, 2019 as discussed above. The difference between the revenue and cost recognized is reflective of the change in contributed inventory and is incorporated in the change in net assets.

The Food Bank recognizes contributions and donors unconditional promises to give as revenue in the period the promises are made. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions support. However, if a restriction is fulfilled in the same period in which the contribution is received, the Food Bank reports the support as net assets without donor restrictions. Conditional promises to give - that is, 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.

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. As of September 30, 2020 and 2019 the amount of such pass-through funds amounted to \$259,772 and \$737,434, respectively.

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 Food Bank 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 statement of financial position. There were no amounts received prior to incurring qualifying expenses as of September 30, 2020 or 2019.

In-kind donations are recorded as contributions at the estimated fair value on the date received. During the years ended September 30, 2020 and 2019, the value of contributed goods and services meeting the requirements for recognition in the financial statements was \$87,340 and \$86,143, 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 statement of activities.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Food Bank, but these services do not meet the criteria for recognition as contributed services. The Food Bank benefited from more than 55,700 and 92,400 volunteer hours in the years ended September 30, 2020 and 2019, representing a dollar value of approximately \$1,516,318 and \$2,349,732 in volunteer services for the respective fiscal years based on the 2019 and 2018 *Bureau of Labor Statistics Dollar Value of a Volunteer Hour*.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Cash and cash equivalents*

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

### *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 Food Bank 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, 2020 and 2019, the undistributed balance of \$176,137 and \$179,019, respectively, were included in the custodial cash with a corresponding liability in the accompanying statement of financial position. Custodial cash is held for the City's programming and is not available for debts or creditors of Greater Cleveland Food Bank.

### *Investments*

Investments are reported at their fair values in the statement of financial position. The components of investment income includes interest and dividends, realized gains and losses, unrealized appreciation (depreciation) and net of investment expense. Such income is reported as other revenue in the statement of activities in the period in which the income is recognized that such income is not used in operations of the Food Bank. See Note 4 for discussion of fair value measurements.

### *Agency receivables*

The Food Bank reports agency receivables at net fair value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account as bad debt expense. The allowance was \$22,137 and \$31,382 at September 30, 2020 and 2019, respectively.

### *Inventory*

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 \$1.74 per pound as of September 30, 2020 and \$1.62 per pound as of September 30, 2019. Inventories are distributed on a First-In-First-Out (FIFO) basis.

USDA inventories represent commodities (bulk food products) received under federal government programs for distribution. In accordance with the USDA Food Distribution Policy FD-104 and revised on December 2, 2016, food items are valued at the average wholesale value of food items only and exclude non-food items. In accordance with the Feeding America Product Valuation Survey, the average wholesale value of food only was \$1.49 per pound as of September 30, 2020 and \$1.52 per pound as of September 30, 2019. Inventories are distributed on a FIFO basis.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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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 \$1.49 per pound as of September 30, 2020 and \$1.52 per pound as of September 30, 2019. Items are distributed on a FIFO basis.

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

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

### ***Property and equipment***

Property and equipment is recorded at cost at the date of acquisition or fair value at the date of donation. There was no donated property and equipment for years ended September 30, 2020 and 2019. The Food Bank capitalizes all expenditures for property and equipment equal to or greater than \$2,500. Depreciation is computed on a straight-line method over the estimated useful lives of the respective assets, which range from three to forty years. Routine expenditures for repairs and maintenance are expensed as incurred.

### ***Harvest for Hunger credits***

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

### ***Income tax status***

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

Accounting principles generally accepted in the United States of America (GAAP) require the Food Bank's management to evaluate tax positions taken by the Food Bank and recognize a tax liability (or asset) if the Food Bank has taken a position that is uncertain. As uncertain position is defined as one in which there is a 50% or greater likelihood that the position will not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Food Bank and has concluded that, as of September 30, 2020, there are no uncertain tax positions taken or expect to be taken. The Food Bank's income tax filings are subject to audit by various taxing authorities. In evaluating the Food Bank's activities, management believes its position of tax-exempt status is appropriate based on current facts and circumstances. Management has assessed that there are no activities unrelated to the charitable purpose of the Food Bank and therefore no tax is to be recognized.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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It is the policy of the Food Bank to include in operating expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in operating expenses for the years ended September 30, 2020 and 2019.

### ***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 Food Bank are reported as expenses of those functional areas. The Food Bank does allocation a portion of the Administrative cost across to other functional area. The President & CEO 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.

### ***Concentrations of credit risk***

Financial instruments that potentially subject the Food Bank to credit risk at September 30, 2020 and 2019, consist primarily of cash and cash equivalents, investments, and receivables. The Food Bank maintains its cash and cash equivalents with several of the country's largest banks and at times invested amounts exceed FDIC insured limits. The investments are exposed to various risks such as interest rate, market volatility and credit. Due to the level of risk associated with certain investments, it is possible that a change in the value of these investments could occur in the near term and that such a change could be material. The Food Bank believes it has placed these temporary cash investments with high credit quality financial institution and does not believe it is exposed to any significant credit risk on its cash and cash equivalents. As of September 30, 2020, 93% of outstanding operating pledges were attributable to one company. The Food Bank receives government funding which amounted to 41% of the Food Bank's total revenue and support for the years ended September 30, 2020 and 2019.

### ***Use of estimates***

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

### ***Accounting Pronouncements Adopted***

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

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which standardizes how grants and other contracts are classified across the sector resource recipients and resource providers. The standard assists these types of entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The amendment in this update is effective for nonpublic entities that are resource providers for annual reporting periods beginning after December 15, 2019.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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The Food Bank has adopted the portion of the ASU as related to a resource recipient and management is currently evaluating the impact of this ASU as related to a resource provider. Management will adopt the ASU as related to resource providers during the year ending September 30, 2021. Analysis of various provisions of this standard resulted in no significant changes in the way the Food Bank recognizes contribution revenue.

### ***Accounting Pronouncements to be adopted***

#### ***Revenue from Contracts with Customers***

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2020-05 that deferred the effective date for the Food Bank until annual periods beginning after December 15, 2019 (the Food Bank's fiscal year ending September 30, 2021). Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

#### ***Leases***

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021 (the Food Bank's fiscal year ending September 30, 2022). Early adoption of ASU 2016-02 is permitted. The Food Bank will be evaluating the potential impact of adopting this guidance on our financial statements.

#### ***Evaluation of subsequent events***

The Food Bank has evaluated subsequent events through May 12, 2021, which is the date the financial statements were available to be issued. There were no material subsequent event that required recognition or additional disclosure in these financial statements except for the disclosure in Note 7.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### 2. Government Administrative Fees & Reimbursement Receivable

The Food Bank reports government fees and reimbursements 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 Food Bank for the State Food Program Administrative fees and food. Government Administrative fees & Reimbursements shown on the statements of financial position are as follows:

<i>September 30,</i>	<b>2020</b>	<b>2019</b>
U.S. Department of Agriculture Administrative fee	\$ 1,457,934	\$ 575,482
Child and Adult Care Food Program Reimbursement	62,398	266,697
Food and Nutrition Service Reimbursement	67,978	128,360
State Food Program Administrative Fee	100,610	78,549
County Reimbursement	250,888	211,241
Commodity Supplemental Food Program Reimbursement	18,160	18,168
	<b>\$ 1,957,968</b>	<b>\$ 1,278,497</b>

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### 3. Operating Pledges Receivable

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

<i>September 30,</i>	<b>2020</b>	<b>2019</b>
Receivable in less than one year	\$ 573,160	\$ 1,212,345
Receivable in one to five year	-	10,000
	<b>\$ 573,160</b>	<b>\$ 1,222,345</b>

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As of September 30, 2020 and 2019 allowances for uncollectible pledges were \$14,696 and \$11,122, respectively, which is netted against the current operating pledge receivables.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### 4. Fair Value Measurements

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

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

Level 2: Inputs to the valuation methodology include:

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

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

Level 3: Inputs to the valuation methodology are unobservable and significant for the fair value measurements. The Food Bank holds no level 3 assets at September 30, 2020 and 2019.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020 and 2019.

#### ***Cash equivalents***

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

#### ***Common Stocks***

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

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Mutual Funds*

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

### *Cleveland Foundation Pooled Funds*

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

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

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# Greater Cleveland Food Bank

## Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Food Bank's assets at fair value as of September 30, 2020 and 2019:

<i>Year Ended September 30, 2020</i>	Level 1	Level 2	Total at September 30, 2020
Cash equivalents	\$ 2,042,657	\$ -	\$ 2,042,657
Common stocks	838,609	-	838,609
Mutual funds:			
Fixed income	1,186,576	-	1,361,723
Dividend growth	81,691	-	81,691
Small growth	100,157	-	100,157
Mid cap	149,016	-	149,016
Foreign	435,490	-	435,490
Value	387,623	-	387,623
Emerging markets	221,721	-	221,721
Nontraditional bonds	175,147	-	175,147
Large blend	1,085,261	-	1,085,261
Infrastructure	158,061	-	158,061
Cleveland Foundation			
Investment Pool	-	2,233,238	2,233,238
<b>Total Investments</b>	<b>\$ 6,862,009</b>	<b>\$ 2,233,238</b>	<b>\$ 9,095,247</b>

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# Greater Cleveland Food Bank

## Notes to Financial Statements

<i>Year Ended September 30, 2019</i>	Level 1	Level 2	Total at September 30, 2019
Cash equivalents	\$ 644,113	\$ -	\$ 644,113
Common stocks	366,061	-	366,061
Mutual funds:			
Term bonds	1,136,751	-	1,136,751
Small cap	85,290	-	85,290
Growth	453,796	-	453,796
Mid cap	244,166	-	244,166
Foreign	443,514	-	443,514
Value	483,492	-	483,492
Emerging markets	199,586	-	199,586
Nontraditional bonds	176,182	-	176,182
Large blend	796,451	-	796,451
Infrastructure	174,037	-	174,037
Cleveland Foundation Investment Pool	-	2,167,881	2,167,881
<b>Total Investments</b>	<b>\$ 5,203,439</b>	<b>\$ 2,167,881</b>	<b>\$ 7,371,320</b>

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

<i>Years Ended September 30,</i>	<b>2020</b>	<b>2019</b>
Realized and unrealized gain on investments, net	\$ 218,586	\$ 24,446
Interest and dividends, net of fees	254,908	167,210
<b></b>	<b>\$ 473,494</b>	<b>\$ 191,656</b>

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# Greater Cleveland Food Bank

## Notes to Financial Statements

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### 5. Property and Equipment

Property and equipment consisted of the following:

<i>September 30,</i>	2020	2019
Building and improvements	\$ 10,305,991	\$ 10,298,777
Office, computer equipment, and Artwork	1,517,746	1,458,122
Warehouse machinery and equipment	2,296,783	1,956,198
Vehicles	550,489	265,475
Land and land improvements	1,167,755	1,167,755
	15,838,764	15,146,327
Less accumulated depreciation	(6,951,587)	(6,477,870)
	<b>\$ 8,887,177</b>	<b>\$ 8,668,457</b>

Depreciation expense was \$473,717 and \$468,765 for the years ended September 30, 2020 and 2019, respectively.

### 6. Capitalized Software

Capitalized software costs consist of the following:

<i>September 30,</i>	2020	2019
Capitalized software	\$ 861,591	\$ 831,053
Less accumulated amortization	(778,064)	(725,323)
	<b>\$ 83,527</b>	<b>\$ 105,730</b>

Amortization expense was \$52,741 and \$93,941 for the years ended September 30, 2020 and 2019, respectively.

### 7. Credit Facilities

The Food Bank holds an unsecured line of credit agreement with PNC Bank with maximum borrowings of \$1,500,000 for working capital and general corporate purposes. The interest rate is a variable interest rate based on prime (3.25% as of September 30, 2020 and 4.0% at September 30, 2019). The line of credit matures on March 31, 2021. There were no outstanding borrowings against the line of credit as of September 30, 2019 and September 30, 2020.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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The Food Bank has a revolving line of credit agreement with Bank of America with maximum borrowings of \$1,500,000 for working capital and general corporate purposes. The interest rate is a variable rate based on the LIBOR Daily Floating Rate plus 2.0% however if the LIBOR rate is below 1.25% then the rate used for LIBOR will be 1.25% (3.25% as of September 30, 2020). The line of credit matures on June 1, 2021. There were no outstanding borrowings as of September 30, 2020 and \$300,000 outstanding borrowings against the line of credit as of September 30, 2019.

Interest expense related to the lines of credit was \$3,352 and \$25,533 for the years ended September 30, 2020 and 2019.

### ***Paycheck Protection Program Loan***

The CARES Act appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. On April 30, 2020, the Food Bank received funds under the Paycheck Protection Program in the amount of \$1,668,100. The Loan has an interest rate of 1.0% and matures on April 30, 2022 with principal and interest payments deferred for six months and interest accruing from the date of the loan. The Food Bank could qualify for the Loan forgiveness if certain criteria are met pursuant to Section 1106 of the CARES Act.

The application for these funds required the Food Bank to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Food Bank. This certification further requires the Food Bank to take into account the Food Bank's current business activity and management's ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business.

Future loan principal payments are as follows:

<i>Year Ending September 30,</i>	Amount
2021	\$ 751,973
2022	837,436
2023	78,691
	<hr/>
	\$ 1,668,100

Subsequent to year end the Food Bank was given notice that the loan was fully forgiven by the SBA and lender.

## **8. Endowments**

The Food Bank's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Interpretation of relevant law*

The Food Bank believes that absent explicit donor stipulations to the contrary, fiduciary standards require the preservation of the “historic dollar value” of donor-restricted endowment funds.

“Historic dollar value” as to any donor-restricted endowment fund means the aggregate fair value of (a) the original value of gifts donated to such fund, (b) the original value of subsequent gifts to the such fund, and (c) accumulations to such fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, the Food Bank classifies the historic dollar value of a donor-restricted endowment fund as 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 Food Bank in a manner consistent with the standard of prudence prescribed in Ohio UPMIFA requirements.

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

- The duration and preservation of the funds.
- The purposes of the Food Bank and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Food Bank.
- The investment policies of the Food Bank.

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

The Food Bank follows investment policies that attempt to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Food Bank must hold in perpetuity, 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 4.

Under the Food Bank’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 Food Bank has a policy of appropriation for distribution each year 5% of the September 30 balance using a trailing average over the prior three years. During fiscal 2020, the fund balance exceeded the \$1,500,000 threshold and as such, \$104,243 was appropriated during the fiscal year ended September 30, 2020. During fiscal 2019, the fund balance exceeded the \$1,500,000 threshold and as such, \$93,651 was appropriated during the fiscal year ended September 30, 2019.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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Endowment net asset composition by type of fund as:

<i>Year Ended September 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 119,753	\$ 119,753
Board designated endowment funds	2,113,485	-	2,113,485
	<b>\$2,113,485</b>	<b>\$ 119,753</b>	<b>\$2,233,238</b>

  

<i>Year Ended September 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 116,302	\$ 116,302
Board designated endowment funds	2,051,579	-	2,051,579
	<b>\$ 2,051,579</b>	<b>\$ 116,302</b>	<b>\$ 2,167,881</b>

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# Greater Cleveland Food Bank

## Notes to Financial Statements

Change in endowment net assets for the fiscal year ended September 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2018	\$ 2,059,189	\$ 119,105	\$ 2,178,294
Investment return, net	44,210	(2,803)	41,407
Contributions	41,831	-	41,831
Appropriations	(93,651)	-	(93,651)
Endowment net assets, September 30, 2019	\$ 2,051,579	\$ 116,302	\$ 2,167,881
Investment return, net	165,149	3,451	168,600
Contributions	1,000	-	1,000
Appropriations	(104,243)	-	(104,243)
Endowment net assets, September 30, 2020	\$ 2,113,485	\$ 119,753	\$ 2,233,238

### 9. Net Assets with Donor Restrictions

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

<i>September 30,</i>	2020	2019
Time restricted pledges	\$ 765,234	\$ 939,297
Disaster grants	2,325,926	-
Capital campaign	2,212,016	-
Agency grants	81,111	32,735
Total subject to expenditure for specified purpose or period:	5,384,287	972,032
Endowments subject to the Food Bank's spending policy and appropriation:		
Endowment	92,800	92,800
Accumulated earnings on endowment	26,953	23,502
Total Endowment	119,753	116,302
Total net assets with donor restrictions	\$ 5,504,040	\$ 1,088,334

# Greater Cleveland Food Bank

## Notes to Financial Statements

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

<i>September 30,</i>	<b>2020</b>	<b>2019</b>
State of Ohio Joint Use Agreement	\$ -	\$ 32,862
Agency grants	32,735	951
Children's nutrition initiative	30,000	45,833
Food stamp initiative	-	75,000
Senior Initiative	77,619	214,143
Food as Medicine Initiative	7,403	187,847
General operating-strategic plan	20,000	-
Miscellaneous	391,490	127,122
	<b>\$ 559,247</b>	<b>\$ 683,758</b>

### 10. Liquidity and Availability of Resources

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

<i>September 30,</i>	<b>2020</b>	<b>2019</b>
Cash and Cash Equivalents	\$ 16,930,053	\$ 480,248
Investments	6,862,009	5,203,439
Endowment	2,233,238	2,167,881
Agency Receivables - net	390,017	384,512
Government fees Receivables	1,957,968	1,278,497
Contributions Receivable - net	573,160	1,222,345
Other Receivables	34,276	41,693
<b>Total financial assets available within one year</b>	<b>28,980,721</b>	<b>10,778,615</b>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Unconditional promises to give beyond one year	-	(10,000)
Restricted by donors with purpose restrictions	(5,384,287)	(972,032)
Restricted by donors in perpetuity	(119,753)	(116,302)
<b>Total amounts unavailable for general expenditures within one year</b>	<b>(5,504,040)</b>	<b>(1,098,334)</b>
Amounts unavailable to management without Board's approval:		
Board funds designated for endowment	(2,113,485)	(2,051,579)
<b>Total financial assets available to management for general expenditure within one year</b>	<b>\$ 21,363,196</b>	<b>\$ 7,628,702</b>

# Greater Cleveland Food Bank

## Notes to Financial Statements

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### *Liquidity Management*

The Food Bank maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage liquidity needs, the Food Bank has two Lines of Credit as detailed in Note 7 under Credit Facilities totaling \$3 million. Additionally, the Food Bank has Board Funds designated for endowment without donor restrictions that, while the Food Bank does not intend to spend these for purposes other than those identified, the amounts could be made available with Board approval for current operations, if necessary.

### **11. Retirement Plan**

The Food Bank maintains a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code, which covers substantially all of its employees. Discretionary employer contributions to the plan amounted to \$222,054 and \$208,309 for the years ended September 30, 2020 and 2019, respectively

### **12. Miscellaneous Expenses**

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

<i>September 30,</i>	<b>2020</b>	<b>2019</b>
Bank fees	\$ 281,281	\$ 136,572
Dues and member fees	47,382	84,299
Travel, mileage, conference and meals	122,872	126,915
Advertising	106,674	36,875
Allowance for doubtful accounts/pledges	2,848	22,498
Donor stewardship/gifts	317,961	31,901
Other expense	164,943	55,354
	<b>\$1,043,961</b>	<b>\$ 494,414</b>

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# Greater Cleveland Food Bank

## Notes to Financial Statements

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### 13. Leases

As of September 30, 2020, the Food Bank leases various office equipment and seventeen trucks under operating leases. These leases expire at various times through 2026.

Future minimum lease payments for noncancellable operating leases having an initial term in excess of one year at September 30, 2020 are as follows:

<i>Year Ended September 30,</i>	
2021	\$ 401,532
2022	338,812
2023	244,159
2024	188,407
2025	118,441
Thereafter	85,128
	<hr/> \$ 1,376,479

Lease expense was \$604,507 and \$554,802 for the years ended September 30, 2020 and 2019, respectively.

### 14. Beneficial Interest in Irrevocable Trust

During the year ended September 30, 2020, Greater Cleveland Food Bank 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 Greater Cleveland Food Bank, 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, Greater Cleveland Food Bank's interest in the related trust has not been recorded in the accompany financial statements, as management is unable to determine the value of the related benefit as of September 30, 2020.

### 15. Risks and Uncertainties - COVID 19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

# Greater Cleveland Food Bank

## Notes to Financial Statements

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The outbreak may have an adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, this may negatively impact families' income which could result in reduced current and future donations and reduced the Food Bank's contributions revenue. In addition to individuals' donations, the Food Bank is also dependent upon donations from foundations and corporations. An economic downturn could result in reduced contribution revenue and delayed collection of pledged amounts.

The Food Bank continues to monitor operations and government health agency recommendations. The Food Bank has made modifications to the normal operations because of the COVID-19 outbreak. Operationally the Food Bank will continue to use a hybrid approach for staff working locations, where staff can work from home and/or in the office in order to maintain existing operations during fiscal year 2021. These changes were made during fiscal year 2020 to meet the safety guidelines and to maintain daily course of business that is as safe as possible.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" was signed in to law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

As detailed in Note 7, the Food Bank did receive a Paycheck Protection Program loan in fiscal year 2020 ("the Loan"). In September of 2020, the Food Bank submitted an application requesting forgiveness of 100% of the Loan amount. Forgiveness of the Loan was received in January 2021, will result in the funds being converted from a loan payable to a gain on debt extinguishment during the fiscal year ended September 30, 2021. The related gain on debt extinguishment will help offset any potential reduction in individual and corporate contribution revenue that may result from the impact of COVID-19 on fiscal year 2021 operating results. (See Note 7 and 10 for further detail about the status of forgiveness and Liquidity and Availability of Resources).