

WEST OHIO FOOD BANK
LIMA, OHIO

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

WEST OHIO FOOD BANK
LIMA, OHIO

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT -----	Page	3
STATEMENTS OF –		
FINANCIAL POSITION -----	EXHIBIT A	5
ACTIVITIES -----	EXHIBIT B	6
CASH FLOWS -----	EXHIBIT C	7
NOTES TO FINANCIAL STATEMENTS -----		8
SUPPLEMENTARY INFORMATION –		
SCHEDULES OF FUNCTIONAL EXPENSES -----	SCHEDULE #1	15
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -----	SCHEDULE #2	17
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLAINEE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> -----		18
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE -----		20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -----		22
SCHEDULE OF FINDINGS -----		23
SCHEDULE OF PRIOR AUDIT FINDINGS -----		25



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December 8, 2017

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
West Ohio Food Bank
Lima, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of West Ohio Food Bank (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flow 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to have above present fairly, in all material respects, the financial position of the West Ohio Food Bank as of June 30, 2017 and 2016, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2017, on our consideration of West Ohio Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Ohio Food Bank's internal control over financial reporting compliance.

A handwritten signature in red ink, appearing to read "E. J. Evans and Company", is located in the bottom right corner of the page.

WEST OHIO FOOD BANK
LIMA, OHIO

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2017	2016
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 876,870	\$ 604,499
Accounts Receivable - Note I	37,394	48,657
Inventory - Note J	935,373	551,127
Prepaid Expenses	12,214	10,714
Total Current Assets	1,861,851	1,214,997
<u>Property and Equipment:</u>		
Building and Land Improvements	1,578,424	1,562,196
Furniture and Equipment	197,520	202,515
Office Equipment	19,068	14,073
Vehicles	326,617	326,617
Total Property and Equipment	2,121,629	2,105,401
Less: Accumulated Depreciation	(860,042)	(777,996)
Net Property and Equipment - Note A	1,261,587	1,327,405
<u>Total Assets</u>	\$ 3,123,438	\$ 2,542,402

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts Payable	\$ 38,879	\$ 10,062
Accrued Payroll Liabilities	21,128	42,480
Deferred Revenue	14,748	14,840
Current Portion of Long-Term Liabilities	74,611	71,452
Total Current Liabilities	149,366	138,834
<u>Long-Term Liabilities:</u>		
Notes Payable - Note L	530,670	603,213
Less: Current Portion of Long-Term Liabilities	(74,611)	(71,452)
Total Long-Term Liabilities	456,059	531,761
<u>Total Liabilities</u>	605,425	670,595
<u>Net Assets:</u>		
Unrestricted	2,481,891	1,871,807
Temporarily Restricted	36,122	-
<u>Total Net Assets</u>	2,518,013	1,871,807
<u>Total Liabilities and Net Assets</u>	\$ 3,123,438	\$ 2,542,402

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

WEST OHIO FOOD BANK
LIMA, OHIO

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

	June 30,	
	<u>2017</u>	<u>2016</u>
<u>Revenues and Support:</u>		
Contributed Food	\$ 5,774,204	\$ 4,882,453
Donations and Grants	1,117,082	1,058,499
Shared Maintenance Fees	226,323	239,649
Wholesale Food Distribution	293,134	306,060
Special Events	-	18,175
Interest Income	1,672	442
Other Income	4,781	60,335
Total Revenues and Support	<u>\$ 7,417,196</u>	<u>\$ 6,565,613</u>
<u>Expenses - Schedule #1:</u>		
Program Expenses	\$ 6,639,909	\$ 6,538,089
Management and General	95,178	67,079
Fundraising	35,903	72,377
Total Expenses	<u>6,770,990</u>	<u>6,677,545</u>
Increase/(Decrease) in Net Assets	646,206	(111,932)
Net Assets - Beginning of Year	<u>1,871,807</u>	<u>1,983,739</u>
Net Assets - End of Year	<u>\$ 2,518,013</u>	<u>\$ 1,871,807</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

WEST OHIO FOOD BANK
LIMA, OHIO

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	June 30,	
	2017	2016
<u>Cash Flows from Operating Activities:</u>		
Increase/(Decrease) in Net Assets	\$ 646,206	\$ (111,932)
Adjustments to Reconcile Increase/(Decrease) in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
(Increase)/Decrease in Accounts Receivable	11,263	773
(Increase)/Decrease in Inventory	(384,246)	612
(Increase)/Decrease in Prepaid Expenses	(1,500)	258,323
Increase/(Decrease) in Accounts Payable	28,817	(5,085)
Increase/(Decrease) in Accrued Payroll Liabilities	(21,352)	(1,666)
Increase/(Decrease) in Deferred Revenue	(92)	(30,001)
Increase/(Decrease) in Other Accruals	-	(9,973)
Depreciation	82,046	93,667
Total Adjustments	(285,064)	306,650
Net Cash Provided/(Used) by Operating Activities	361,142	194,718
<u>Cash Flows from Financing Activities:</u>		
Payments on Notes Payable	(72,543)	(68,973)
Net Cash Provided/(Used) by Financing Activities	(72,543)	(68,973)
<u>Cash Flow from Investing Activities:</u>		
(Purchase)/Disposal of Property and Equipment	(16,228)	3,326
Net Cash Provided/(Used) by Investing Activities	(16,228)	3,326
<u>Net Increase/(Decrease) in Cash and Cash Equivalents</u>	272,371	129,071
Cash and Cash Equivalents at Beginning of Year	604,499	475,428
Cash and Cash Equivalents at End of Year	\$ 876,870	\$ 604,499
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash Paid During the Year for Interest	\$ 23,352	\$ 25,459

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

WEST OHIO FOOD BANK
LIMA, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note A – Summary of Significant Accounting Policies

Purpose of Organization

The West Ohio Food Bank is a non-profit organization that collects, stores, and distributes food to over one hundred charitable organizations feeding the hungry in an eleven-county area of West Central Ohio. The Food Bank is designed to stop the waste of wholesome food and redistribute it to church groups and service agencies that feed the hungry people of West Central Ohio. The West Ohio Food Bank is a certified affiliated member of Feeding America located in Chicago, Illinois. The Food Bank is supported primarily through donor contributions of food and cash.

Basis of Accounting

The West Ohio Food Bank prepares its financial statements in accordance with the generally accepted accounting principles (GAAP) of the United States of America.

Accounts and Pledges Receivable

The West Ohio Food Bank grants credit to qualifying agencies within their eleven-county service area. Substantially all of the accounts receivable is considered collectible. Accordingly, no allowance for doubtful accounts is required. Accounts are considered to be delinquent if there is no payment activity for six months.

Inventory

Inventory consists of food that the West Ohio Food Bank has in the warehouse and is available for distribution. At June 30, 2017 and 2016 donated inventory and inventory received from USDA is valued at \$1.67 per pound, which is based on the 2015 Feeding America Product Valuation Survey. Purchased inventory is valued at the purchase price.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows include checking accounts, savings accounts, petty cash, and gift cards.

WEST OHIO FOOD BANK
LIMA, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note A – Summary of Significant Accounting Policies – (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards No. 117), *Not-For-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

Unrestricted: Includes all resources over which the Organization's Board of Trustees has discretionary control to use in carrying on the operations of the Organization.

Temporarily Restricted: Includes all resources expendable only for operating purposes specified by the donor or grantor. Satisfaction of temporary restriction is made when revenue is expended for a project or when the revenue may be spent due to passage of a time restriction. At June 30, 2017, the Organization had temporarily restricted net assets of \$36,122.

Permanently Restricted: Includes all resources that are not expendable as specified by the donor or grantor. At June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Generally, expenditures for maintenance and repairs are charged against operations. Property and equipment with a cost of \$1,000 or more is capitalized and depreciated.

	June 30,	
	2017	2016
Property and Equipment	\$ 2,121,629	\$ 2,105,401
Accumulated Depreciation	<u>(860,042)</u>	<u>(777,996)</u>
Net Property and Equipment	<u>\$ 1,261,587</u>	<u>\$ 1,327,405</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$82,046 and \$93,667, respectively.

WEST OHIO FOOD BANK
LIMA, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note A – Summary of Significant Accounting Policies – (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B – Concentrations of Credit Risks

Financial instruments that potentially subject the Organization to credit risk include cash on deposit with a financial institution exceeding the \$250,000 ceiling insured by U.S. Federal Deposit Insurance Corporation. At June 30, 2017 and 2016, the Organization had deposits exceeding the insured amount by \$448,782 and \$351,416, respectively.

Note C – Contracts with Governmental Agencies

West Ohio Food Bank contracts with governmental agencies to provide food assistance as follows:

Commodity Supplemental Food Program: This program serves nutritionally at-risk, income-eligible participants with the goals of supplementing their diets and promoting self-sufficiency. The targeted participant population in the State of Ohio is the elderly, defined as individuals ages 60 and older.

Emergency Food Assistance Program: This program provides temporary food assistance to low-income persons to supplement their diets.

Temporary Assistance for Needy Families: This program provides temporary food assistance to needy families with children so that children can be cared for in their own homes.

Social Services: This program provides temporary food assistance to needy individuals in an effort to prevent dependency and increase the self-sufficiency of these individuals.

Note D – Noncompliance with Grantor Restrictions

Financial awards from federal, state and local governmental entities in the form of grants and contracts are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with contract restrictions. No provision has been made for any liabilities that may arise from such audits.

WEST OHIO FOOD BANK
LIMA, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note E – Commitment and Contingencies

The Organization is subject to other various claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management, all other such matters are adequately covered by insurance or by accruals and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Organization, if disposed of unfavorably.

Note F – Income Taxes

Federal Income Taxes

West Ohio Food Bank is a not for profit organization exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 as amended. It has been classified as an organization that is not a private foundation under Section 509(a)1 of the Internal Revenue Code. In addition, West Ohio Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

West Ohio Food Bank files an annual income tax return – Form 990 in the U.S. Federal jurisdiction and also annually files with the State of Ohio Attorney General under the Ohio Charitable Law section. The Organization's U.S. federal income tax returns for the years ended June 30, 2013 and prior are closed and are no longer subject to examination.

Note G – Donated Services

Numerous volunteers have donated significant amounts of time to the West Ohio Food Bank's fundraising efforts, special events, and program services. During the years ended June 30, 2017 and 2016, 355 and 648, respectively, volunteers donated approximately 7,482 and 5,912, respectively, hours of their time for the benefit of the Organization.

Note H – Retirement Plan

The Organization matches eligible employees' retirement contributions up to a maximum rate of 5% of their wages. For the years ended June 30, 2017 and 2016, this amount totaled \$12,448 and \$17,948, respectively.

WEST OHIO FOOD BANK
LIMA, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note I – Accounts Receivable

Accounts Receivable at June 30, 2017 and 2016 consisted of the following:

	June 30,	
	2017	2016
Member Agencies	\$ 6,606	\$ 24,851
USDA	12,132	12,164
CSFP	15,341	8,720
Miscellaneous	3,315	2,922
Total Accounts Receivable	\$ 37,394	\$ 48,657

Note J – Inventory

Food donated to the Organization is capitalized as inventory and recorded as an unrestricted contribution into the corresponding income account, depending on the source of the donation. Based on the 2015 Feeding America Product Valuation Survey, donated inventory and inventory received from USDA is valued at \$1.67 per pound. The Organization also maintains an inventory of food which was purchased by the Organization to be distributed. These items are recorded at their purchase price. Inventory at June 30, 2017 and 2016 consisted of the following:

	June 30,	
	2017	2016
Donated Food	\$ 546,170	\$ 240,908
USDA	186,797	144,312
OFP	166,604	85,188
CSFP	27,297	72,913
Purchased Inventory	8,505	5,291
Backpack	-	2,515
	\$ 935,373	\$ 551,127

WEST OHIO FOOD BANK
LIMA, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note K – Operating Leases

The Organization’s leasing activities consist principally of the leasing of various copiers and printers under operating leases that expire over the next five years.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2017:

Year Ending June 30,	
2018	\$ 16,763
2019	5,579
2020	<u>2,340</u>
	<u>\$ 24,682</u>

Lease expense paid during the year ended June 30, 2017 and 2016 was \$21,506 and \$19,439, respectively.

Note L – Long-Term Obligations

The Organization’s long-term obligations during fiscal year 2017 were as follows:

<u>Long-Term Debt</u>	<u>Balance at 6/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/17</u>	<u>Due Within One Year</u>
Mortgage Loan #1	\$ 318,427	\$ -	\$ 32,815	\$ 285,612	\$ 33,269
Mortgage Loan #2	229,328	-	22,833	206,495	23,872
Truck Loan	<u>55,458</u>	<u>-</u>	<u>16,895</u>	<u>38,563</u>	<u>17,470</u>
Total Long-Term Debt	<u>\$ 603,213</u>	<u>\$ -</u>	<u>\$ 72,543</u>	<u>\$ 530,670</u>	<u>\$ 74,611</u>

Mortgage Loan #1 – On November 17, 2009, the Organization entered into a promissory note at a variable rate of prime plus 3.25% for \$645,000 collateralized by their building located on East Kibby Street. The note matures on November 17, 2024.

Mortgage Loan #2 – On November 29, 2011, the Organization entered into a promissory note at a variable rate of prime plus 3.25% for \$330,000 collateralized by their building located on East Kibby Street. The note matures on November 29, 2024.

Truck Loan – On August 26, 2014, the Organization entered into a promissory note for \$85,007 at a fixed rate of 3.25% for the purchase of a 2015 Freightliner Straight Truck Model M2-106. The note matures on August 26, 2019.

WEST OHIO FOOD BANK
LIMA, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note L – Long-Term Obligations – (continued)

Interest expense paid during the years ended June 30, 2017 and 2016 was \$23,352 and \$25,459 respectively.

As of June 30, 2017, aggregate annual maturities of long-term obligations were as follows:

Year Ending June 30,	Debt Maturing
2018	\$ 74,611
2019	77,856
2020	65,649
2021	65,528
2022	68,590
2023-2025	<u>178,436</u>
Total	\$ <u>530,670</u>

Note M – Subsequent Events

Subsequent events have been evaluated through December 8, 2017, which is the date the financial statements were available to be issued. The Organization received \$36,122 from the Boyer Foundation in December 2016 and \$85,000 from PCS Administration, Inc. in September 2017. These funds will be used to purchase warehouse partitions quoted at a cost of \$59,027 and to upgrade the accounting software system and other warehouse equipment as defined by the donors.

WEST OHIO FOOD BANK
LIMA, OHIO

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Food	\$ 5,578,633	\$ -	\$ -	\$ 5,578,633
Personnel Costs:				
Salaries and Wages	447,001	19,648	24,561	491,210
Payroll Taxes	40,782	1,793	2,241	44,816
Employee Benefits	66,397	2,919	3,648	72,964
Total Personnel Costs	<u>554,180</u>	<u>24,360</u>	<u>30,450</u>	<u>608,990</u>
Transportation Costs:				
Transportation and Packaging Costs	26,900	-	-	26,900
Fuel	33,353	-	-	33,353
Repairs and Maintenance	37,494	-	-	37,494
Insurance and Other Costs	4,986	-	-	4,986
Total Transportation Costs	<u>102,733</u>	<u>-</u>	<u>-</u>	<u>102,733</u>
Building Costs:				
Utilities	56,260	2,344	-	58,604
Repairs and Maintenance	21,530	897	-	22,427
Equipment Rental and Supplies	35,777	-	-	35,777
Insurance and Other Costs	14,152	590	-	14,742
Total Building Costs	<u>127,719</u>	<u>3,831</u>	<u>-</u>	<u>131,550</u>
Administrative Costs:				
Professional Fees	63	51,523	-	51,586
Office Supplies	19,339	806	-	20,145
Telephone	5,226	218	-	5,444
Special Events	-	-	116	116
Postage and Shipping	97,135	4,270	5,337	106,742
Other Insurance	1,411	59	-	1,470
Equipment Rental and Maintenance	20,646	860	-	21,506
Licenses and Dues	14,836	-	-	14,836
Travel, Conferences, and Meetings	15,115	630	-	15,745
Other Taxes and Fees	-	4,335	-	4,335
Interest Expense	22,418	934	-	23,352
Miscellaneous Expense	1,691	70	-	1,761
Total Administrative Costs	<u>197,880</u>	<u>63,705</u>	<u>5,453</u>	<u>267,038</u>
Depreciation Expense	78,764	3,282	-	82,046
Total Functional Expenses	<u>\$ 6,639,909</u>	<u>\$ 95,178</u>	<u>\$ 35,903</u>	<u>\$ 6,770,990</u>

The accompanying notes are an integral part of these financial statements.

Schedule #1

WEST OHIO FOOD BANK
LIMA, OHIO

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Food	\$ 5,387,471	\$ -	\$ -	\$ 5,387,471
Personnel Costs:				
Salaries and Wages	578,369	25,423	31,778	635,570
Payroll Taxes	51,320	4,589	5,737	61,646
Employee Benefits	95,900	1,882	2,352	100,134
Total Personnel Costs	<u>725,589</u>	<u>31,894</u>	<u>39,867</u>	<u>797,350</u>
Transportation Costs:				
Transportation and Packaging Costs	12,279	-	-	12,279
Fuel	31,997	-	-	31,997
Repairs and Maintenance	12,169	-	-	12,169
Insurance and Other Costs	12,952	-	-	12,952
Total Transportation Costs	<u>69,397</u>	<u>-</u>	<u>-</u>	<u>69,397</u>
Building Costs:				
Utilities	60,228	2,510	-	62,738
Repairs and Maintenance	28,090	1,170	-	29,260
Equipment Rental and Supplies	12,742	-	-	12,742
Insurance and Other Costs	9,243	385	-	9,628
Total Building Costs	<u>110,303</u>	<u>4,065</u>	<u>-</u>	<u>114,368</u>
Administrative Costs:				
Professional Fees	716	15,629	-	16,345
Office Supplies	15,135	631	-	15,766
Telephone	4,797	200	-	4,997
Special Events	-	-	30,073	30,073
Postage and Shipping	44,356	1,950	2,437	48,743
Other Insurance	1,885	79	-	1,964
Equipment Rental and Maintenance	18,902	788	-	19,690
Licenses and Dues	13,500	-	-	13,500
Travel, Conferences, and Meetings	27,305	1,138	-	28,443
Other Taxes and Fees	-	5,758	-	5,758
Interest Expense	24,441	1,018	-	25,459
Miscellaneous Expense	4,372	182	-	4,554
Total Administrative Costs	<u>155,409</u>	<u>27,373</u>	<u>32,510</u>	<u>215,292</u>
Depreciation Expense	89,920	3,747	-	93,667
Total Functional Expenses	<u>\$ 6,538,089</u>	<u>\$ 67,079</u>	<u>\$ 72,377</u>	<u>\$ 6,677,545</u>

The accompanying notes are an integral part of these financial statements.

Schedule #1

WEST OHIO FOOD BANK
LIMA, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

<u>FEDERAL GRANTOR/Pass-Through Grantor/ Sub Grantee/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE/</u>			
Food Distribution Cluster:			
Commodity Supplemental Food Program (Food Commodities)	10.565	\$ -	\$ 377,867
<u>Ohio Department of Job & Family Services/</u> Commodity Supplemental Food Program (Administrative Costs)	10.565	-	102,360
<u>Shared Harvest Foodbank, Inc./</u> Emergency Food Assistance Program (Administrative Costs)	10.568	-	82,410
Emergency Food Assistance Program (Food Commodities)	10.569	747,976	831,934
Total Food Distribution Cluster		747,976	1,394,571
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/</u>			
<u>Ohio Department of Job & Family Services/</u> <u>Ohio Association of Foodbanks/</u> Temporary Assistance For Needy Families (Administrative Costs)	93.558	-	61,983
(Food Commodities)		305,843	476,433
Social Services Block Grant (Administrative Costs)	93.667	-	7,087
(Food Commodities)		40,945	63,783
Total Federal Expenditures		\$ 1,094,764	\$ 2,003,857

Note A - Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards reports West Ohio Food Bank's federal award programs' expenditures. The Schedule has been prepared on the accrual basis of accounting.

The Organization has not elected to use the ten percent de minimus indirect cost rate as allowed under the Uniform Guidance.

The accompanying notes are an integral part of these financial statements.

Schedule #2



E.S. Evans and Company

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December 8, 2017

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

Board of Trustees
West Ohio Food Bank
Lima, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of West Ohio Food Bank (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 8, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Ohio Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Ohio Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2017-001 and 2017-002.

Compliance and Other Matters

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

West Ohio Food Bank's Response to Findings

West Ohio Food Bank's responses to the findings identified in our audit are described in the accompanying schedule of findings. West Ohio Food Bank's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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





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December 8, 2017

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

Board of Trustees
West Ohio Food Bank
Lima, Ohio

Report on Compliance for Each Major Federal Program

We have audited West Ohio Food Bank's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. West Ohio Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on West Ohio Food Bank's compliance.

Opinion on Each Major Federal Program

In our opinion, West Ohio Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



WEST OHIO FOOD BANK
LIMA, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Report Issued on the Financial Statement prepared in accordance with GAAP –
Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? No
- Significant deficiency (ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal Control Over Major Federal Programs:

- Material weakness(es) identified? No
- Significant deficiency (ies) identified? None Reported

Type of Auditor’s Report Issued on Compliance for Major Federal Programs – Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR
200.513(a)? No

Identification of major federal programs:

CFDA Number #10.565 / 10.568 / 10.569 Food Distribution Cluster

Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$750,000

Auditee Qualified as Low-Risk Auditee? No

SECTION II – FINANCIAL STATEMENT FINDINGS

No Matters Reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Matters Reported

WEST OHIO FOOD BANK
LIMA, OHIO

SCHEDULE OF FINDINGS

June 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2017-001

Significant Deficiency:

During the course of the audit, we learned that no formal written policies and procedures have been implemented for the Organization's daily fiscal operations. Written policies and procedures put necessary controls into place and provide a basis on which to enforce.

Although it appears that some control procedures are being established and implemented, we recommend that written policies and procedures be developed and formalized to identify, correct, and prevent errors before they become increasingly detrimental to the Organization.

Organization's Response:

West Ohio Food Bank is in the final stages of editing its' written Financial Policy and Procedures Manual. The document will be completed, reviewed and voted on for approval and implementation at our Monday, January 22, 2018 Board meeting.

WEST OHIO FOOD BANK
LIMA, OHIO

SCHEDULE OF FINDINGS

June 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2017-002

Significant Deficiency:

The Organization operates on an accrual basis, which requires that the Organization perform an analysis of the timing of transactions and ensure that they are recorded in the proper period. During the course of the audit, we found approximately \$260,000 of adjustments related to errors concerning improper cut-off. These adjustments included:

- Donated inventory received on June 28, 2017 but not included in inventory at June 30, 2017.
- Invoices for fiscal year 2018 were recorded as payables at June 30, 2017.
- Prepaid expenses balance remained the same as the adjusted balance at June 30, 2016.
- Accounts receivable balances did not match supporting documentation at June 30, 2017.

We recommend that procedures be developed and implemented to ensure transactions are recorded in the correct period and that balances are reviewed at year-end to confirm the cut-off assertion has been properly applied.

Organization's Response:

Many of the deficiencies listed are due to timing issues of pre-ordered inventory. The donated product received, but not included in inventory, was scheduled to be delivered at the start of the new fiscal year, July 1, 2017, but arrived early. It was tagged for the new fiscal year but should have been included in the June 30, 2017 year-end inventory count as it was in our possession at that time. The Organization has updated their inventory procedures to properly account for all inventory on hand at year-end.

The Organization is currently in the process of purchasing a new software system that will be more user-friendly and provide better management of receivables and payables to be implemented effective July 1, 2018, the start of our new fiscal year. The Organization currently uses software that is antiquated and is a difficult system to navigate, even for the most advanced user. When the initial chart of accounts was established the agency cards, vendor cards and prepaid accounts were not properly aligned with the balance sheet and income statement, resulting in incorrect balances in accounts receivable, accounts payable and the prepaid account.

WEST OHIO FOOD BANK
LIMA, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Donated Food	Fully Corrected	
2016-002	Accuracy of Financial Reporting	Partially Corrected	Repeated as Finding 2017-002
2016-003	Policies and Procedures	Not Corrected	Repeated as Finding 2017-001
2016-004	Special Event Controls	Fully Corrected	