

**REGIONAL FOOD BANK OF
NORTHEASTERN NEW YORK, INC.
FINANCIAL REPORT
DECEMBER 31, 2018**

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Regional Food Bank of Northeastern New York, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Regional Food Bank of Northeastern New York, Inc. (Food Bank) (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 judgement, 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 above present fairly, in all material respects, the financial position of the Regional Food Bank of Northeastern New York, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, Regional Food Bank of Northeastern New York, Inc. adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Regional Food Bank of Northeastern New York, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019, on our consideration of the Regional Food Bank of Northeastern New York, Inc.'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 the Regional Food Bank of Northeastern New York, Inc.'s internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY

May 24, 2019

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 6,759,140	\$ 6,303,489
Investments	659,631	496,077
Accounts receivable		
Grants/contracts	859,440	878,620
Trade/customers, net allowance of \$10,000	215,634	297,828
Contributions	704,280	332,965
Other	108,064	23,779
Inventories	1,375,760	1,989,160
Prepaid expenses	126,697	45,258
Custodial cash and cash equivalents	1,417,807	1,205,108
Property and equipment, net	<u>7,370,228</u>	<u>7,326,383</u>
TOTAL ASSETS	<u><u>\$ 19,596,681</u></u>	<u><u>\$ 18,898,667</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 649,044	\$ 754,153
Grants payable - agency rebate program	350,000	350,000
Deferred revenue	837,366	711,974
Custodial cash and cash equivalents	1,417,807	1,205,108
Customer deposits and other liabilities	<u>40,369</u>	<u>36,000</u>
Total Liabilities	<u>3,294,586</u>	<u>3,057,235</u>

Commitments and Contingent Liabilities

Net Assets		
Without donor restrictions	16,044,568	15,438,269
With donor restrictions	<u>257,527</u>	<u>403,163</u>
Total Net Assets	<u>16,302,095</u>	<u>15,841,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 19,596,681</u></u>	<u><u>\$ 18,898,667</u></u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
Net Assets Without Donor Restrictions		
Revenues and Support:		
Operating:		
Contributions	\$ 2,456,603	\$ 2,099,678
Fundraising appeals	1,778,722	1,779,439
Special events	966,014	881,446
Grants/contracts	489,722	622,791
Shared maintenance revenue	843,275	764,282
Shared maintenance revenue, HPNAP	307,895	389,990
Administrative, HPNAP	777,062	751,649
NYSOGS commodities contract	699,225	597,019
Purchased food sales	4,796,786	4,685,011
Purchased food sales, HPNAP	3,304,869	3,334,304
Community supported agriculture	133,335	136,710
United Way contributions	53,045	46,368
Interest and dividends, net of investment fees	42,212	41,572
Other revenue	67,526	69,936
Net assets released from restrictions	250,486	201,911
Total Operating	<u>16,966,777</u>	<u>16,402,106</u>
 Hunger Prevention Nutrition Assistance Program (HPNAP):		
Government contracts	<u>965,106</u>	<u>620,048</u>
 Property and Equipment:		
Gain on sale of property and equipment	<u>29,732</u>	<u>1,200</u>
Total Property and Equipment	<u>29,732</u>	<u>1,200</u>
Total Revenues and Support	<u>17,961,615</u>	<u>17,023,354</u>
 Expenses		
Program Services	15,332,269	14,390,581
Management Services	1,009,329	1,170,820
Fundraising	<u>967,681</u>	<u>859,075</u>
Total Expenses	<u>17,309,279</u>	<u>16,420,476</u>
 Change in net assets without donor restrictions before other gains (losses)	652,336	602,878
 Other Gains (Losses)		
Gain (loss) on investments, net	<u>(46,037)</u>	<u>54,044</u>
 Change in Net Assets Without Donor Restrictions	<u>606,299</u>	<u>656,922</u>
 Net Assets With Donor Restrictions		
Contributions and grants	104,850	356,753
Net assets released from restrictions	<u>(250,486)</u>	<u>(201,911)</u>
 Change in Net Assets With Donor Restrictions	<u>(145,636)</u>	<u>154,842</u>
 Change in Net Assets	460,663	811,764
 Net Assets, Beginning of Year	<u>15,841,432</u>	<u>15,029,668</u>
 Net Assets, End of Year	<u><u>\$ 16,302,095</u></u>	<u><u>\$ 15,841,432</u></u>

See accompanying notes to financial statements.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017
	<u>Program Services</u>	<u>Management Services</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Operating Expenses:					
Salaries and wages	\$ 3,221,170	\$ 578,159	\$ 330,377	\$ 4,129,706	\$ 3,918,622
Payroll taxes and employee benefits	1,091,748	153,292	95,252	1,340,292	1,242,110
Total Personnel Services	<u>4,312,918</u>	<u>731,451</u>	<u>425,629</u>	<u>5,469,998</u>	<u>5,160,732</u>
Buildings operation expense	116,476	3,678	2,452	122,606	76,688
Conference fees	4,713	4,879	1,532	11,124	9,367
Consulting and professional fees	4,812	100,526	-	105,338	99,015
Equipment expenses/maintenance	177,505	5,605	3,737	186,847	173,469
Feeding America membership	-	20,486	-	20,486	20,186
Fundraising appeals expense	-	-	280,763	280,763	276,940
Grants - agency rebate	350,000	-	-	350,000	350,000
Insurance	160,884	5,796	1,024	167,704	157,880
Membership fees	-	13,589	-	13,589	14,259
Printing and publications	36,524	6,556	3,746	46,826	46,850
Postage	36,905	6,624	3,785	47,314	48,427
Purchased food distributed	7,352,677	-	-	7,352,677	7,256,228
Special events expenses	-	-	217,370	217,370	189,820
Staff travel	9,341	1,475	3,196	14,012	13,530
Supplies	198,672	15,788	5,264	219,724	205,478
Telephone	24,523	4,401	2,515	31,439	27,817
Transporation - commercial	22,720	-	-	22,720	42,721
Utilities	235,423	7,434	4,956	247,813	245,785
Vehicle expenses	451,315	-	-	451,315	435,516
Waste disposal	215,364	-	-	215,364	201,118
Miscellaneous	44,044	62,672	310	107,026	121,392
Total Expenses, Operating	<u>13,754,816</u>	<u>990,960</u>	<u>956,279</u>	<u>15,702,055</u>	<u>15,173,218</u>
Hunger Prevention Nutrition Assistance Program (HPNAP):					
Operation support grants	595,168	-	-	595,168	195,560
Subcontracts	66,157	-	-	66,157	86,560
Sanitation supplies	9,656	-	-	9,656	12,129
Transporation, net of reimbursements	261,677	-	-	261,677	290,000
Nutrition education project	24,651	-	-	24,651	29,175
Miscellaneous	7,797	-	-	7,797	6,624
Total Expenses, HPNAP	<u>965,106</u>	<u>-</u>	<u>-</u>	<u>965,106</u>	<u>620,048</u>
Property and Equipment:					
Depreciation	612,347	18,369	11,402	642,118	627,210
Total Expenses	<u><u>\$ 15,332,269</u></u>	<u><u>\$ 1,009,329</u></u>	<u><u>\$ 967,681</u></u>	<u><u>\$ 17,309,279</u></u>	<u><u>\$ 16,420,476</u></u>

See accompanying notes to financial statements.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 460,663	\$ 811,764
Adjustments to reconcile change in net assets to cash provided from operating activities:		
Depreciation	642,118	627,210
(Gain) on sale of property and equipment	(29,732)	(1,200)
Loss (Gain) on investments, net	46,037	(54,044)
Changes in operating assets and liabilities		
Accounts receivable	(354,226)	(49,019)
Inventories	613,400	(221,631)
Prepaid expenses	(81,439)	56,683
Accounts payable and accrued expenses	(105,109)	(206,383)
Deferred revenue	125,392	287,489
Customer deposits and other liabilities	4,369	(10,000)
Cash Provided From Operating Activities	<u>1,321,473</u>	<u>1,240,869</u>
Cash Flows From Investing Activities		
Acquisitions of property and equipment	(690,731)	(1,282,202)
Proceeds from sale of property and equipment	34,500	1,200
Purchases of investments	(397,069)	(83,117)
Proceeds from sales of investments	187,478	61,430
Cash (Used For) Investment Activities	<u>(865,822)</u>	<u>(1,302,689)</u>
Increase (Decrease) in Cash and Cash Equivalents	455,651	(61,820)
Cash and Cash Equivalents, Beginning of Year	<u>6,303,489</u>	<u>6,365,309</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,759,140</u></u>	<u><u>\$ 6,303,489</u></u>
Supplemental Information:		
Donated stocks immediately sold	<u><u>\$ 9,544</u></u>	<u><u>\$ 4,767</u></u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. ORGANIZATION, INCOME TAXES AND BASIS OF PRESENTATION

Regional Food Bank of Northeastern New York, Inc. ("Food Bank") is a not-for-profit organization incorporated under the laws of the State of New York in April 1983 and is the registered agent and sole member of Food Bank Ventures, LLC, a New York domestic limited-liability company filed September 2015. The financial statements include the accounts of the Food Bank and Food Bank Ventures, LLC. The Food Bank's mission is to alleviate hunger and prevent food waste. The Food Bank annually provides more than 35 million pounds of food to over 1,000 charitable agencies in 23 counties of northeastern New York. The majority of Food Bank revenues and support are derived from government contracts and food sales.

The Food Bank qualifies as a tax exempt organization described in Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law, and has been classified as a publicly supported organization that is not a private foundation. Management is not aware of any events that could jeopardize tax-exempt status and has determined the Food Bank does not have uncertain tax positions. Therefore, no provision for income taxes has been made in the accompanying financial statements. For tax purposes, Food Bank Ventures, LLC is considered the same entity as the Food Bank.

For the year ended December 31, 2018, the Food Bank adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

The financial statements are prepared on the accrual basis of accounting. The Food Bank reports financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Cash and Cash Equivalents

The Food Bank considers all highly liquid investments, such as a cash management plan and brokerage money market account, with an initial maturity of three months or less, to be cash equivalents. Cash equivalents totaled \$6,960,080 at December 31, 2018. The Food Bank maintains its cash and cash equivalents with financial institutions in accounts which at times may exceed insured limits. The Food Bank has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash and cash equivalents. Cash in banks in excess of federal depository insurance coverage totaled \$622,667 at December 31, 2018.

A cash management plan with a bank includes a repurchase agreement which is not insured by federal deposit insurance coverage. The Food Bank is provided a perfected security interest in direct obligations of the United States of America, or one or more agencies thereof, that are held by the bank as collateral. The repurchase agreement totaled \$6,896,268 at December 31, 2018.

c. Custodial Cash

Custodial cash is cash held for the benefit of Food Bank clients.

d. Investments

Investments consist of exchange traded products, common stocks, corporate bonds, and US treasury notes. The Food Bank reports investments at fair value with gains and losses charged to net assets without donor restrictions unless a donor or law restricts their use. Fair value is determined based upon information obtained from the Food Bank's broker. When an investment is sold or matures, the realized gain or loss is charged to net assets.

Investments do not represent a significant concentration of market risk. The Food Bank's investment portfolio is diversified.

e. Accounts Receivable - Trade/Customer

Accounts receivable are reflected at the current amount due. Finance charges are not assessed on past due balances. The Food Bank provides a \$10,000 allowance for doubtful accounts receivable based on collection history and a review of open accounts by management. The risk of loss with respect to trade/customer accounts receivable is generally limited due to the number and diversity of the Food Bank's customer base and the areas and markets in which the customers are located. The Food Bank does not require collateral from its customers.

f. Inventories

As of the beginning of 2017, the Food Bank began stating inventories prospectively at the lower of FIFO cost and net realizable value. Net realizable value is based on selling price.

Donated food items that pass through the Food Bank to charitable organizations are not recorded in the accompanying financial statements since the Food Bank serves only as an agent for the donors.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f. Inventories

At December 31, 2018, inventories consisted of:

Purchased food	\$ <u>1,375,760</u>
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g. Property and Equipment

Property and equipment are stated at cost if purchased or fair value if contributed. The Food Bank's policy is to capitalize property and equipment with a unit value greater than \$2,500 and a useful life greater than one year. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	3-40 years
Vehicles	3-10 years
Furniture, fixtures and equipment	3-20 years

Property and equipment purchased with a reversionary interest, if any, and routine repairs and maintenance, are expensed as incurred.

The Food Bank reports contributions of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the contributed assets are to be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that are to be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long-lived assets are to be maintained, the Food Bank reports expirations of donor restrictions when the contributed or acquired long-lived assets are placed in service.

h. Grants Payable

Grants authorized but unpaid at year end are reported as a liability in accordance with FASB "Accounting Standards Codification 720". Grants payable are measured and reported at fair value which equals net realizable value. The Food Bank expects to make payment in one year or less.

i. Deferred Revenue

Deferred revenue represents payments received which will be earned during future periods when the service is performed or the related expenses are incurred.

j. Revenue Recognition

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. Contributions required to be reported as support with donor restrictions are then reclassified to net assets without donor restrictions upon expiration of the restrictions. It is Food Bank policy to record contributions with donor restrictions that are received and expended in the same fiscal year as contributions without donor restrictions.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. Revenue Recognition
Purchased Food Sales

Revenue from sale of purchased food is recorded when ownership is transferred to the customers, which is when shipment is made. In specific cases, returns are accepted, however, the Food Bank has not experienced any significant amounts of such returns. Revenue is presented net of returns.

Shipping and Handling Costs

The Food Bank includes shipping and handling billings, if any, within expenses. Freight costs incurred for product shipment are a cost of revenues. Freight costs during the year ended December 31, 2018 are included within program services expenses.

Government Contracts

Revenue from government contracts is recognized when eligible expenses relative to the contracts are incurred (cost reimbursement) or in the period earned (fee for service). Cash received on the contracts in advance of being earned is recorded as deferred revenue.

Donated Services and Materials

The Food Bank receives significant donated services from unpaid volunteers who assist in fund raising and various projects. The Food Bank received approximately 68,000 volunteer hours from 17,000 individuals during 2018. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Donated food and food related items have not been recognized in these financial statements since the Food Bank acts as an agent and distributes the food to beneficiaries who meet specified requirements. The Food Bank received 33,922,559 pounds of food donations during 2018. Donated pounds of food distributed totaled 28,325,959 during 2018.

k. Functional Expenses

Expenses are charged directly to program or supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributable to more than one program or supporting service. Therefore, those expenses require allocation on a reasonable basis consistently applied. The method used to allocate expenses and the significant expenses allocated are as follows:

Assigned directly based on purpose: Conference fees, consulting and professional fees, fundraising appeals expense, grants, insurance, purchased food, special events, supplies, vehicle expenses, waste disposal, miscellaneous, HPNAP expenses, and depreciation.

Allocated based on estimates of time and effort: Salaries and wages, payroll taxes and employee benefits, printing and publications, and postage.

Allocated based on use of space in square feet: Buildings operation expense, equipment expenses/maintenance, and utilities.

Management expenses include those expenses that are not directly identifiable with any specific function, but provide for the overall support and direction of the Food Bank.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

l. Reclassifications

Certain 2017 amounts have been reclassified to conform with the 2018 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

m. Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31, 2018:

Receivables due in less than one year	\$ 559,030
Receivables due in one to four years	<u>145,250</u>
	<u>\$ 704,280</u>

Management believes all amounts will be received when due, therefore, no allowance for uncollectible contributions has been provided. Contributions receivable were recognized at the promised amount because management believes the difference between the promised amount and the fair value of the promise is immaterial.

4. RESTRICTIONS/LIMITATIONS ON NET ASSETS

Net assets with temporary donor restrictions are available for the following purposes:

Backpack Program	\$ 20,116
Farm Irrigation and Seeds/Soil Amendments	53,788
Increase Produce Donations from Local Farms	80,000
Other Use Restricted	79,623
General Support January 1, 2019 to September 30, 2020	<u>24,000</u>
	<u>\$ 257,527</u>

5. INVESTMENTS

A summary of the Food Bank's investments at December 31, 2018 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Exchange Traded Products	\$ 148,103	\$ 148,497
Common Stocks	244,726	268,472
Corporate Bonds	19,885	19,832
United States Treasury Notes	<u>223,313</u>	<u>222,830</u>
	<u>\$ 636,027</u>	<u>\$ 659,631</u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. INVESTMENTS

Investment income for the year ended December 31, 2018 is as follows:

Interest on Cash	\$ 37,148
Dividends and Interest from Investments	10,411
Investment Fees	(5,347)
(Loss) on Investments, Net	<u>(46,037)</u>
	<u>\$ (3,825)</u>

6. PROPERTY AND EQUIPMENT

At December 31, 2018, property and equipment consisted of:

Land	\$ 640,216
Building and Improvements	7,880,720
Furniture, Fixtures and Equipment	1,868,756
Vehicles	<u>3,634,013</u>
	14,023,705
Less Accumulated Depreciation	<u>6,719,984</u>
Net Depreciated Value	7,303,721
Construction in Process	<u>66,507</u>
	<u>\$ 7,370,228</u>

7. HUNGER PREVENTION NUTRITION ASSISTANCE PROGRAM

The Food Bank has Hunger Prevention Nutrition Assistance Program (HPNAP) contracts with the New York State Department of Health to provide food and nutrition to needy persons. The Food Bank administers the program and is reimbursed for its services and food by HPNAP.

Revenues from the program during the year ended December 31, 2018 are as follows:

New York State Contracts	<u>\$ 5,354,932</u>
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The program covers the following expenses:

Shared Maintenance Costs	\$ 307,895
Administrative Costs	777,062
Wholesale Food Purchases	3,304,869
Operation Support Grants	595,168
Subcontracts	66,157
Sanitation Supplies	9,656
Transportation, Net of Reimbursements	261,677
Nutrition Education Project	24,651
Miscellaneous	<u>7,797</u>
	<u>\$ 5,354,932</u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. RETIREMENT PLAN

The Food Bank sponsors a defined contribution 401(k) retirement plan covering substantially all employees with at least one year of service. Contributions to the plan are a percentage of annual salary. The approved contribution percentage during 2018 was 5% to 6% depending on years of service. Total retirement expense for the year ended December 31, 2018 was \$171,708.

9. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Public Warehousing

The Food Bank rents warehouse space in its building located in Latham, New York under informal operating arrangements. Public warehousing revenue for the year ended December 31, 2018 totaled \$51,174.

Line of Credit

The Food Bank maintains a line of credit with a bank to provide short-term borrowings up to \$100,000. There was no principal balance outstanding under this line of credit at December 31, 2018. The line of credit carried an interest rate (5.5% at December 31, 2018) equal to the lending bank's prime rate and was collateralized by accounts receivable, inventories, machinery, equipment, furniture and fixtures

The line of credit is a business commitment subject to continued creditworthiness and review by the lending bank. It is anticipated that a similar line of credit will be maintained in the future.

Grant/Contract Programs

The Food Bank participates in grant and assistance programs. These programs are subject to financial and compliance audits by the grantors. The Food Bank's compliance with grant and contract requirements may be established at a future date. The amount of expenditures or funding which may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

Litigation

In the normal course of business, the Food Bank is subject to litigation. There can be no assurance as to the eventual outcome of litigation in which the Food Bank has been named as a defendant or otherwise have possible exposure. It is management's opinion, after considering all relevant facts, that the potential claim resulting from such litigation is adequately covered by insurance or is not likely to have a material adverse effect on the Food Bank's financial position or results of operations.

10. FAIR VALUE MEASUREMENTS

FASB "Accounting Standards Codification 820" establishes a framework for measuring fair value. That framework provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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10. FAIR VALUE MEASUREMENTS

The asset or liabilities 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.

Assets and liabilities measured at fair value on a recurring basis recognized in the statement of financial position at December 31, 2018, and the level within the fair value hierarchy follows:

Cash Equivalents	<u>\$ 6,960,080</u>	Level 1
Investments:		
Exchange Traded Products	148,497	Level 1
Common Stocks	268,472	Level 1
Corporate Bonds	19,832	Level 1
United States Treasury Notes	<u>222,830</u>	Level 1
	<u>659,631</u>	
	<u>\$ 7,619,711</u>	

Cash, accounts receivable, and liabilities - carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

11. AVAILABILITY OF FINANCIAL ASSETS

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

Cash and cash equivalents	\$ 6,759,140
Investments	659,631
Grants/contracts accounts receivable	859,440
Trade/customers accounts receivable	215,634
Contributions receivable due in less than one year	559,030
Other receivables	<u>108,064</u>
	9,160,939
Less net assets with donor restrictions	<u>(257,527)</u>
	<u>\$ 8,903,412</u>

As part of the Food Bank's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Food Bank invests cash in excess of daily requirements in an interest bearing cash management plan and investments. To help manage unanticipated liquidity needs, the Food Bank has committed a line of credit in the amount of \$100,000 which it could draw upon (Note 9).

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events for possible adjustment or disclosure through May 24, 2019, the date on which the financial statements were available to be issued. There were no events requiring recording or disclosure.