

**REGIONAL FOOD BANK OF
NORTHEASTERN NEW YORK, INC.
FINANCIAL REPORT
DECEMBER 31, 2019**

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, 2019, 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, 2019, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2019, Regional Food Bank of Northeastern New York, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*; ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; and ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash (Topic 230)*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Regional Food Bank of Northeastern New York, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 12, 2020, 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 12, 2020

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 5,892,357	\$ 6,759,140
Investments	1,080,788	659,631
Accounts receivable		
Grants/contracts	1,312,170	859,440
Trade/customers, net allowance of \$8,500 and \$10,000	188,912	215,634
Contributions, net of allowance of \$2,500 and \$-0-	615,825	704,280
Other	-	108,064
Inventories	1,308,952	1,375,760
Prepaid expenses	116,094	126,697
Custodial cash and cash equivalents	1,836,696	1,417,807
Property and equipment, net	7,203,749	7,370,228
TOTAL ASSETS	\$ 19,555,543	\$ 19,596,681

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 710,506	\$ 649,044
Grants payable - agency rebate program	350,000	350,000
Deferred revenue	102,553	837,366
Custodial cash and cash equivalents	1,836,696	1,417,807
Customer deposits and other liabilities	38,677	40,369
Total Liabilities	3,038,432	3,294,586
Commitments and Contingent Liabilities		
Net Assets		
Without donor restrictions	16,130,044	16,044,568
With donor restrictions	387,067	257,527
Total Net Assets	16,517,111	16,302,095
TOTAL LIABILITIES AND NET ASSETS	\$ 19,555,543	\$ 19,596,681

See accompanying notes to financial statements.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Revenues and Support:		
Operating:		
Contributions	\$ 2,044,244	\$ 2,456,603
Fundraising appeals	1,740,279	1,778,722
Special events	1,041,432	966,014
Grants/contracts	500,636	489,722
Shared maintenance revenue	793,296	843,275
Shared maintenance revenue, HPNAP	286,510	307,895
Administrative, HPNAP	817,078	777,062
NYSOGS commodities contract	1,300,057	699,225
Purchased food sales	4,524,592	4,794,866
Purchased food sales, HPNAP	3,016,696	3,304,869
Farm revenue	116,730	135,255
United Way contributions	41,849	53,045
Interest and dividends, net of investment fees	69,432	42,212
Other revenue	62,514	67,526
Net assets released from restrictions	110,454	250,486
Total Operating	<u>16,465,799</u>	<u>16,966,777</u>
Hunger Prevention Nutrition Assistance Program (HPNAP):		
Government contracts	<u>803,716</u>	<u>965,106</u>
Property and Equipment:		
Gain (loss) on sale of property and equipment	<u>(26,693)</u>	<u>29,732</u>
Total Revenues and Support	<u>17,242,822</u>	<u>17,961,615</u>
Expenses		
Program Services	15,188,166	15,332,269
Management Services	1,077,757	1,009,329
Fundraising	1,039,125	967,681
Total Expenses	<u>17,305,048</u>	<u>17,309,279</u>
Change in net assets without donor restrictions before other gains (losses)	(62,226)	652,336
Other Gains (Losses)		
Gain (loss) on investments, net	<u>147,702</u>	<u>(46,037)</u>
Change in Net Assets Without Donor Restrictions	<u>85,476</u>	<u>606,299</u>
Net Assets With Donor Restrictions		
Contributions and grants	239,994	104,850
Net assets released from restrictions	<u>(110,454)</u>	<u>(250,486)</u>
Change in Net Assets With Donor Restrictions	<u>129,540</u>	<u>(145,636)</u>
Change in Net Assets	215,016	460,663
Net Assets, Beginning of Year	<u>16,302,095</u>	<u>15,841,432</u>
Net Assets, End of Year	<u>\$ 16,517,111</u>	<u>\$ 16,302,095</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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019				2018
	Program Services	Management Services	Fundraising	Total	Total
Operating Expenses:					
Salaries and wages	\$ 3,553,034	\$ 532,955	\$ 355,303	\$ 4,441,292	\$ 4,129,706
Payroll taxes and employee benefits	1,182,240	177,336	118,224	1,477,800	1,340,292
Total Personnel Services	<u>4,735,274</u>	<u>710,291</u>	<u>473,527</u>	<u>5,919,092</u>	<u>5,469,998</u>
Buildings operation expense	113,314	3,578	2,386	119,278	122,606
Conference fees	-	20,166	-	20,166	11,124
Consulting and professional fees	-	110,139	-	110,139	105,338
Equipment expenses/maintenance	191,749	6,055	4,037	201,841	186,847
Feeding America membership	-	20,652	-	20,652	20,486
Fundraising appeals expense	-	-	293,081	293,081	280,763
Grants - agency rebate	350,000	-	-	350,000	350,000
Insurance	115,983	58,618	-	174,601	167,704
Membership fees	-	15,904	-	15,904	13,589
Printing and publications	36,600	5,490	3,660	45,750	46,826
Postage	34,394	5,159	3,439	42,992	47,314
Purchased food distributed	6,864,612	-	-	6,864,612	7,352,677
Special events expenses	-	-	229,349	229,349	217,370
Staff travel	9,019	200	802	10,021	14,012
Supplies	233,538	27,585	4,793	265,916	219,724
Telephone	33,580	5,037	3,358	41,975	31,439
Transportation - commercial	38,300	-	-	38,300	22,720
Utilities	231,323	7,305	4,870	243,498	247,813
Vehicle expenses	509,975	-	-	509,975	451,315
Waste disposal	229,974	7,262	4,842	242,078	215,364
Miscellaneous	37,209	56,644	-	93,853	107,026
Total Expenses, Operating	<u>13,764,844</u>	<u>1,060,085</u>	<u>1,028,144</u>	<u>15,853,073</u>	<u>15,702,055</u>
Hunger Prevention Nutrition Assistance Program (HPNAP):					
Operation support grants	585,316	-	-	585,316	595,168
Subcontracts	-	-	-	-	66,157
Sanitation supplies	9,604	-	-	9,604	9,656
Transportation, net of reimbursements	185,054	-	-	185,054	261,677
Nutrition education project	15,660	-	-	15,660	24,651
Miscellaneous	8,082	-	-	8,082	7,797
Total Expenses, HPNAP	<u>803,716</u>	<u>-</u>	<u>-</u>	<u>803,716</u>	<u>965,106</u>
Property and Equipment:					
Depreciation	619,606	17,672	10,981	648,259	642,118
Total Expenses	<u>\$ 15,188,166</u>	<u>\$ 1,077,757</u>	<u>\$ 1,039,125</u>	<u>\$ 17,305,048</u>	<u>\$ 17,309,279</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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 215,016	\$ 460,663
Adjustments to reconcile change in net assets to cash provided from operating activities:		
Depreciation	648,259	642,118
Loss (Gain) on sale of property and equipment	26,693	(29,732)
(Gain) Loss on investments, net	(147,702)	46,037
Changes in operating assets and liabilities		
Accounts receivable	(229,489)	(354,226)
Inventories	66,808	613,400
Prepaid expenses	10,603	(81,439)
Accounts payable and accrued expenses	61,462	(105,109)
Deferred revenue	(734,813)	125,392
Custodial cash and cash equivalents	418,889	212,699
Customer deposits and other liabilities	(1,692)	4,369
Cash Provided From Operating Activities	<u>334,034</u>	<u>1,534,172</u>
Cash Flows From Investing Activities		
Acquisitions of property and equipment	(521,173)	(690,731)
Proceeds from sale of property and equipment	12,700	34,500
Purchases of investments	(585,513)	(397,069)
Proceeds from sales of investments	312,058	187,478
Cash (Used For) Investment Activities	<u>(781,928)</u>	<u>(865,822)</u>
Increase (Decrease) in Cash and Cash Equivalents	(447,894)	668,350
Cash and Cash Equivalents, Beginning of Year	<u>8,176,947</u>	<u>7,508,597</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,729,053</u>	<u>\$ 8,176,947</u>
Components of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 5,892,357	\$ 6,759,140
Custodial cash and cash equivalents	1,836,696	1,417,807
Total	<u>\$ 7,729,053</u>	<u>\$ 8,176,947</u>
Supplemental Information:		
Donated stocks immediately sold	<u>\$ 15,302</u>	<u>\$ 9,544</u>

See accompanying notes to financial statements.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. ORGANIZATION, INCOME TAXES, AND BASIS OF ACCOUNTING AND 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.

Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition in generally accepted accounting principles. The ASU became effective for the Food Bank for the year ended December 31, 2019. The Food Bank's adoption of the ASU using the full retrospective method did not materially change the timing or amount of revenue recognized by the Food Bank.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance, and 2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the Food Bank for the year ended December 31, 2019. The Food Bank's adoption of the ASU on a modified prospective basis did not have a material effect on its financial statements.

ASU 2016-18, *Statement of Cash Flows, Restricted Cash (Topic 230)*, was issued by the FASB in November 2016. This standard requires that the statement of cash flows explain the change during the period in total cash, cash equivalents, restricted cash and restricted cash equivalents. Additionally, a disclosure describing the nature of the restrictions and a reconciliation of total cash to the amounts of cash and cash equivalents presented on the statement of financial position is required. This implementation did not have a material impact on the financial statements. The statement of cash flows includes the reconciliation of total cash and cash equivalents to the statement of financial position.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. ORGANIZATION, INCOME TAXES, AND BASIS OF ACCOUNTING AND PRESENTATION

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.

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 \$3,868,725 at December 31, 2019. 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 \$860,253 at December 31, 2019.

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 \$3,819,687 at December 31, 2019.

c. Custodial Cash

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

d. Investments

Investments consist of equity and fixed income 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. However, investments are exposed to different risks such as interest rate, credit and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Food Bank's account balances and amounts reported in the statement of financial position.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 an \$8,500 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.

At December 31, 2019, inventories consisted of purchased food totaling \$1,308,952.

g. Property and Equipment

Property and equipment is 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, 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. 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.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized upon receipt at fair value and 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. Conditional promises to give are not recognized until the conditions on which they depend are met.

Special Events

The Food Bank records special events revenue when the event takes place.

Revenue from Contracts with Customers

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration the Food Bank expects to be entitled in exchange for those goods or services (i.e., the transaction price). The Food Bank performs an assessment of the customer's ability to pay and determined that there are no implicit price concessions provided. Performance obligations are provided and consumed at a point in time, not over time, and therefore these types of fees are not left unsatisfied at the end of the reporting period. Revenue from contracts with customers includes shared maintenance revenue, purchased food sales, and farm revenue.

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.

Government Contracts

Revenue from government contracts, which are generally considered nonreciprocal transactions restricted for certain purposes, is recognized as revenue when eligible qualifying expenditures are incurred and conditions under the agreements are met. The Food Bank has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Accounts receivable are recorded at the amount management expects to collect. Cash received on the contracts in advance of being earned is recorded as deferred revenue.

During the year ended December 31, 2019, conditional awards from government contracts for the Hunger Prevention Nutrition Assistance Program of \$2,600,112 were received but not recognized. Conditional awards will be recorded when they become unconditional.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. Revenue Recognition

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 70,000 volunteer hours from 17,000 individuals during 2019. 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 37,884,230 pounds of food donations during 2019. Donated pounds of food distributed totaled 32,090,542 during 2019.

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, miscellaneous, HPNAP expenses, and depreciation.

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

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

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.

l. Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 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, 2018 from which the summarized information was derived.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31, 2019:

Receivables due in less than one year	\$ 529,725
Receivables due in one to three years	<u>88,600</u>
	618,325
Allowance for doubtful accounts	<u>(2,500)</u>
	<u>\$ 615,825</u>

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	\$ 162,994
Farm Irrigation and Seeds/Soil Amendments	34,386
Increase Produce Donations from Local Farms	80,000
Direct Delivery Program	57,000
Other Use/Time Restricted	<u>52,687</u>
	<u>\$ 387,067</u>

5. INVESTMENTS

A summary of the Food Bank's investments at December 31, 2019 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Exchange Traded Products:		
Equity	\$ 321,730	\$ 377,747
Fixed Income	44,796	44,816
Other	<u>12,603</u>	<u>14,501</u>
Total Exchange Traded Products	379,129	437,064
Common Stocks	270,770	361,655
Corporate Bonds	40,414	40,711
United States Treasury Notes	<u>239,464</u>	<u>241,358</u>
	<u>\$ 929,777</u>	<u>\$ 1,080,788</u>

Investment income for the year ended December 31, 2019 is as follows:

Interest on Cash	\$ 64,003
Dividends and Interest from Investments	12,547
Investment Fees	(7,118)
Gain on Investments, Net	<u>147,702</u>
	<u>\$ 217,134</u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. PROPERTY AND EQUIPMENT

At December 31, 2019, property and equipment consisted of:

Land	\$ 640,216
Building and Improvements	7,937,711
Furniture, Fixtures and Equipment	1,987,896
Vehicles	<u>3,795,132</u>
	14,360,955
Less Accumulated Depreciation	<u>7,187,370</u>
Net Depreciated Value	7,173,585
Construction in Process	<u>30,164</u>
	<u>\$ 7,203,749</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, 2019 are as follows:

New York State Contracts	<u>\$ 4,924,000</u>
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The program covers the following expenses:

Shared Maintenance Costs	\$ 286,510
Administrative Costs	817,078
Wholesale Food Purchases	3,016,696
Operation Support Grants	585,316
Sanitation Supplies	9,604
Transportation, Net of Reimbursements	185,054
Nutrition Education Project	15,660
Miscellaneous	<u>8,082</u>
	<u>\$ 4,924,000</u>

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 2019 was 5% to 6% depending on years of service. Total retirement expense for the year ended December 31, 2019 was \$202,670.

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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, 2019 totaled \$44,018.

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, 2019. The line of credit carried an interest rate (4.75% at December 31, 2019) 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 three-tier hierarchy that prioritizes inputs to valuation techniques used to measure fair value as follows:

Level 1 Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs, other than quoted prices in active markets, that are observable either directly or indirectly;

Level 3 Unobservable inputs in which there is little or no market data

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. There have been no changes in the fair value methodologies used during the year ended December 31, 2019.

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10. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis recognized in the statement of financial position at December 31, 2019, and the level within the fair value hierarchy follows:

Cash Equivalents	<u>\$ 3,868,725</u>	Level 1
Investments:		
Exchange Traded Products	437,064	Level 1
Common Stocks	361,655	Level 1
Corporate Bonds	40,711	Level 2
United States Treasury Notes	<u>241,358</u>	Level 2
	<u>1,080,788</u>	
	<u>\$ 4,949,513</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	\$ 5,892,357
Investments	1,080,788
Grants/contracts accounts receivable	1,312,170
Trade/customers accounts receivable, net	188,912
Contributions receivable due in less than one year, net	<u>527,225</u>
	9,001,452
Less net assets with donor restrictions	<u>(387,067)</u>
	<u>\$ 8,614,385</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, money market accounts and investments. To help manage unanticipated liquidity needs, the Food Bank has a line of credit in the amount of \$100,000 which it could draw upon (Note 9).

12. SUBSEQUENT EVENTS

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Food Bank and its future results and financial position is not presently determinable. An adverse impact is not anticipated.

Management has evaluated subsequent events for possible adjustment or disclosure through May 12, 2020, the date on which the financial statements were available to be issued. Except as described above, there were no subsequent events requiring recording or disclosure.

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13. FUTURE ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which was effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Subsequently, in November 2019, the FASB issued ASU 2019-10 extending the effective date to fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The standard requires a change in the way the Food Bank will account for its leases, eliminating operating leases and requiring lease obligations to be recorded as a liability on the statement of financial position with a corresponding right to use asset. The Food Bank is currently evaluating the impact this standard will have on its financial statements and related disclosures.