

**REGIONAL FOOD BANK OF
NORTHEASTERN NEW YORK, INC.
FINANCIAL REPORT
DECEMBER 31, 2021**

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-17

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Regional Food Bank of Northeastern New York, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Food Bank of Northeastern New York, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Regional Food Bank of Northeastern New York, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Regional Food Bank of Northeastern New York, Inc.'s 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 April 26, 2022, 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 solely 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 the effectiveness of Regional Food Bank of Northeastern New York, Inc.'s 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 Regional Food Bank of Northeastern New York, Inc.'s internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY

April 26, 2022

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 15,565,188	\$ 14,736,392
Investments	3,147,496	1,769,041
Accounts receivable		
Grants/contracts	4,017,845	1,961,138
Trade/customers, net allowance of \$6,200 and \$5,500, respectively	209,175	168,936
Contributions, net of allowance of \$5,000 and \$30,000, respectively	880,787	1,279,069
Inventories	3,633,353	1,913,871
Prepaid expenses	131,269	206,682
Custodial cash and cash equivalents	2,847,140	3,011,433
Property and equipment, net	<u>7,541,070</u>	<u>7,400,119</u>
TOTAL ASSETS	<u><u>\$ 37,973,323</u></u>	<u><u>\$ 32,446,681</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 435,730	\$ 670,663
Grants payable - agency rebate program	500,000	928,173
Deferred revenue	766,198	399,479
Custodial cash and cash equivalents	2,847,140	3,011,433
Customer deposits and other liabilities	<u>36,000</u>	<u>36,986</u>
Total Liabilities	<u>4,585,068</u>	<u>5,046,734</u>
Commitments and Contingent Liabilities		
Net Assets		
Without donor restrictions		
Undesignated	31,845,900	26,484,947
Designated	<u>500,000</u>	<u>500,000</u>
Total without donor restrictions	32,345,900	26,984,947
With donor restrictions	<u>1,042,355</u>	<u>415,000</u>
Total Net Assets	<u>33,388,255</u>	<u>27,399,947</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 37,973,323</u></u>	<u><u>\$ 32,446,681</u></u>

See accompanying notes to financial statements.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Revenues and Support:		
Operating:		
Contributions	\$ 5,957,744	\$ 9,527,454
Fundraising appeals	2,776,285	3,156,257
Special events	735,087	532,392
Grants/contracts	1,052,448	2,311,570
Administrative, HPNAP	800,981	748,293
NYSOGS commodities contract	1,557,111	3,064,562
Nourish New York, HPNAP	7,791,809	3,902,735
Restaurant resiliency, HPNAP	952,941	-
Shared maintenance revenue	788,918	916,794
Shared maintenance revenue, HPNAP	369,218	276,122
Purchased food sales	4,606,541	5,418,866
Purchased food sales, HPNAP	3,009,824	3,148,980
Other operating revenue	162,561	139,266
United Way contributions	49,563	52,914
Interest and dividends, net of investment fees	91,040	78,020
Other revenue	11,101	35,822
Net assets released from restrictions	260,106	132,772
Total Operating	<u>30,973,278</u>	<u>33,442,819</u>
Hunger Prevention Nutrition Assistance Program (HPNAP):		
Government contracts	<u>2,289,362</u>	<u>1,960,993</u>
Property and Equipment:		
Contributions and grants	-	35,833
Gain on sale of property and equipment	17,350	-
Total Property and Equipment	<u>17,350</u>	<u>35,833</u>
Total Revenues and Support	<u>33,279,990</u>	<u>35,439,645</u>
Expenses		
Program Services	25,866,458	22,604,178
Management Services	1,630,841	1,462,422
Fundraising	740,388	729,153
Total Expenses	<u>28,237,687</u>	<u>24,795,753</u>
Change in net assets without donor restrictions before other gains	5,042,303	10,643,892
Other Gains		
Gain on investments, net	<u>318,651</u>	<u>211,011</u>
Change in Net Assets Without Donor Restrictions	<u>5,360,954</u>	<u>10,854,903</u>
Net Assets With Donor Restrictions		
Contributions and grants	887,460	160,705
Net assets released from restrictions	<u>(260,106)</u>	<u>(132,772)</u>
Change in Net Assets With Donor Restrictions	<u>627,354</u>	<u>27,933</u>
Change in Net Assets	5,988,308	10,882,836
Net Assets, Beginning of Year	<u>27,399,947</u>	<u>16,517,111</u>
Net Assets, End of Year	<u>\$ 33,388,255</u>	<u>\$ 27,399,947</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, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>				<u>2020</u>
	<u>Program Services</u>	<u>Management Services</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Operating Expenses:					
Salaries and wages	\$ 4,275,566	\$ 748,224	\$ 320,667	\$ 5,344,457	\$ 4,861,475
Payroll taxes and employee benefits	1,352,479	236,684	101,436	1,690,599	1,547,226
Total Personnel Services	<u>5,628,045</u>	<u>984,908</u>	<u>422,103</u>	<u>7,035,056</u>	<u>6,408,701</u>
Buildings operation expense	288,491	9,110	6,073	303,674	221,642
Conference fees	-	7,128	-	7,128	1,952
Consulting and professional fees	14,016	152,816	-	166,832	117,795
Equipment expenses/maintenance	137,278	98,967	-	236,245	229,372
Feeding America membership	-	10,326	-	10,326	5,163
Fundraising appeals expense	-	-	141,166	141,166	190,320
Grants - agency rebate	500,000	-	-	500,000	1,000,000
Insurance	136,467	63,493	-	199,960	188,643
Membership fees	-	15,466	-	15,466	15,766
Printing and publications	47,239	8,267	3,543	59,049	44,511
Postage	39,027	6,830	2,927	48,784	56,899
Purchased food	14,445,735	-	-	14,445,735	11,806,328
Special events expenses	-	-	95,058	95,058	44,640
Staff travel	955	7,667	-	8,622	9,484
Supplies	315,837	124,167	-	440,004	389,249
Telephone	34,779	6,086	2,608	43,473	39,135
Transportation - commercial	88,545	-	-	88,545	50,871
Utilities	255,067	8,055	5,370	268,492	251,405
Vehicle expenses	565,105	-	-	565,105	538,741
Waste disposal	222,489	7,026	4,684	234,199	242,927
Miscellaneous	128,584	103,568	46,301	278,453	312,787
Total Expenses, Operating	<u>22,847,659</u>	<u>1,613,880</u>	<u>729,833</u>	<u>25,191,372</u>	<u>22,166,331</u>
Hunger Prevention Nutrition Assistance Program (HPNAP):					
Operation support grants	600,837	-	-	600,837	967,869
Subcontracts	1,527,169	-	-	1,527,169	730,414
Sanitation supplies	8,965	-	-	8,965	5,574
Transportation, net of reimbursements	128,342	-	-	128,342	234,887
Nutrition education project	17,070	-	-	17,070	15,488
Miscellaneous	6,979	-	-	6,979	6,761
Total Expenses, HPNAP	<u>2,289,362</u>	<u>-</u>	<u>-</u>	<u>2,289,362</u>	<u>1,960,993</u>
Property and Equipment:					
Depreciation	729,437	16,961	10,555	756,953	668,429
Total Expenses	<u>\$ 25,866,458</u>	<u>\$ 1,630,841</u>	<u>\$ 740,388</u>	<u>\$ 28,237,687</u>	<u>\$ 24,795,753</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, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 5,988,308	\$ 10,882,836
Adjustments to reconcile change in net assets to cash provided from operating activities:		
Depreciation	756,953	668,429
(Gain) on sale of property and equipment	(17,350)	-
(Gain) on investments, net	(318,651)	(211,011)
Changes in operating assets and liabilities		
Accounts receivable	(1,698,664)	(1,292,236)
Inventories	(1,719,482)	(604,919)
Prepaid expenses	75,413	(90,588)
Accounts payable and accrued expenses	(234,933)	(39,843)
Grants payable - agency rebate program	(428,173)	578,173
Deferred revenue	366,719	296,926
Custodial cash and cash equivalents	(164,293)	1,174,737
Customer deposits and other liabilities	(986)	(1,691)
Cash Provided From Operating Activities	<u>2,604,861</u>	<u>11,360,813</u>
Cash Flows From Investing Activities		
Acquisitions of property and equipment	(897,904)	(864,799)
Proceeds from sale of property and equipment	17,350	-
Purchases of investments	(3,729,621)	(684,467)
Proceeds from sales/redemptions of investments	2,669,817	207,225
Cash (Used For) Investment Activities	<u>(1,940,358)</u>	<u>(1,342,041)</u>
Increase (Decrease) in Cash and Cash Equivalents	664,503	10,018,772
Cash and Cash Equivalents, Beginning of Year	<u>17,747,825</u>	<u>7,729,053</u>
Cash and Cash Equivalents, End of Year	<u>\$ 18,412,328</u>	<u>\$ 17,747,825</u>
Components of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 15,565,188	\$ 14,736,392
Custodial cash and cash equivalents	2,847,140	3,011,433
Total	<u>\$ 18,412,328</u>	<u>\$ 17,747,825</u>
Supplemental Information:		
Donated stocks immediately sold	<u>\$ 62,466</u>	<u>\$ 92,096</u>

See accompanying notes to financial statements.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 40 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 public support (including governmental 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.

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 \$4,135,499 at December 31, 2021. 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 collateral and federal depository insurance coverage totaled \$1,566,911 at December 31, 2021.

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 \$4,090,544 at December 31, 2021.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, corporate bonds, and United States Treasury/Agency securities. 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 quoted market prices. 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.

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 \$6,200 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

The Food Bank states 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, 2021, inventories consisted of purchased food totaling \$3,633,353.

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

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g. Property and Equipment

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the term of the related lease.

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 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, 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 other operating revenue.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

Grants/Contracts

Revenue from grants/contracts, principally 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 Accounting Standards Update 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, 2021, conditional awards from grants/contracts for the Hunger Prevention Nutrition Assistance Program (\$5,956,598), to increase food donation through New York State food banks (\$40,540) and Get Fresh Orange Campaign (\$97,578) totaling \$6,094,716 were received but not recognized. Conditional awards will be recorded when they become unconditional.

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 56,000 volunteer hours from 16,000 individuals during 2021. 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 40,141,785 pounds of food donations during 2021. Donated pounds of food distributed totaled 36,741,642 during 2021.

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, equipment expenses/maintenance, 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.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

k. Functional Expenses

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 2020 amounts have been reclassified to conform with the 2021 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, 2020 from which the summarized information was derived.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31, 2021:

Receivables due in less than one year	\$ 815,787
Receivables due in one to four years	<u>70,000</u>
	885,787
Allowance for doubtful accounts	<u>(5,000)</u>
	<u>\$ 880,787</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. DESIGNATIONS/RESTRICTIONS/LIMITATIONS ON NET ASSETS

The Board has designated \$500,000 to be set aside for future capital purchases.

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

Backpack Program	\$ 120,559
Farm Irrigation and Seeds/Soil Amendments	33,421
Direct Delivery Program	28,284
Capital Campaign - Hudson Valley Building	599,875
Truck Sponsorship	190,000
Volunteer Services	15,500
Other Use/Time Restricted	<u>54,716</u>
	<u>\$1,042,355</u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. INVESTMENTS

A summary of the Food Bank's investments at December 31, 2021 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Exchange Traded Products:		
Equity	\$ 1,930,653	\$ 2,187,929
Fixed Income	<u>369,407</u>	<u>363,382</u>
Total Exchange Traded Products	<u>2,300,060</u>	<u>2,551,311</u>
Corporate Bonds	55,191	55,187
United States Treasury/Agency Securities	<u>538,992</u>	<u>540,998</u>
	<u>\$ 2,894,243</u>	<u>\$ 3,147,496</u>

Investment income for the year ended December 31, 2021 is as follows:

Interest on Cash	\$ 76,970
Dividends and Interest from Investments	29,790
Investment Fees	(15,720)
Gain on Investments, Net	<u>318,651</u>
	<u>\$ 409,691</u>

6. PROPERTY AND EQUIPMENT

At December 31, 2021, property and equipment consisted of:

Land	\$ 640,216
Building and Improvements	8,312,947
Leasehold Improvements	239,345
Furniture, Fixtures and Equipment	2,121,718
Vehicles	<u>4,666,998</u>
	15,981,224
Less Accumulated Depreciation	<u>8,476,911</u>
Net Depreciated Value	7,504,313
Construction in Process	<u>36,757</u>
	<u>\$ 7,541,070</u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021 are as follows:

New York State Contracts	<u>\$ 15,214,135</u>
--------------------------	----------------------

The program covers the following expenses:

Administrative Costs	\$ 800,981
Nourish New York	7,791,809
Restaurant Resiliency	952,941
Shared Maintenance Costs	369,218
Wholesale Food Purchases	3,009,824
Operation Support Grants	600,837
Subcontracts	1,527,169
Sanitation Supplies	8,965
Transportation, Net of Reimbursements	128,342
Nutrition Education Project	17,070
Miscellaneous	<u>6,979</u>
	<u>\$ 15,214,135</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 2021 was 5% to 6% depending on years of service. Total retirement expense for the year ended December 31, 2021 was \$232,624.

9. COMMITMENTS AND CONTINGENT LIABILITIES

Lease Commitments

The Food Bank leases warehouse space under a five-year lease that expires in October 2025. The lease requires base monthly rentals ranging from \$4,749 to \$5,141. The Food Bank has agreed to pay, as additional rent, tax and operating payments. The Food Bank also rented freezer space under a month-to-month lease agreement which ended May 2021. Rent expense for the year ended December 31, 2021 amounted to \$120,278 and is included within buildings operation expense in the financial statements.

Future annual minimum rentals for the warehouse lease at December 31, 2021 are as follows:

2022	\$ 58,327
2023	59,494
2024	60,684
2025	51,410

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

9. COMMITMENTS AND CONTINGENT LIABILITIES

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, 2021 totaled \$1,218.

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, 2021. The line of credit carried an interest rate (3.25% at December 31, 2021) 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 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, 2021.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, and the level within the fair value hierarchy follows:

Cash Equivalents	<u>\$ 4,135,499</u>	Level 1
Investments:		
Exchange Traded Products	2,551,311	Level 1
Corporate Bonds	55,187	Level 2
United States Treasury/Agency Securities	<u>540,998</u>	Level 2
	<u>3,147,496</u>	
	<u>\$ 7,282,995</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	\$ 15,565,188
Investments	3,147,496
Grants/contracts accounts receivable	4,017,845
Trade/customers accounts receivable, net	209,175
Contributions receivable due in less than one year, net	<u>815,787</u>
	23,755,491
Less unavailable for general expenditures within one year:	
Board designated net assets	(500,000)
Net assets with donor restrictions	<u>(1,042,355)</u>
	<u>\$ 22,213,136</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

During February 2022, the Food Bank sold its warehouse property located in Cornwall-on-Hudson, New York, for a selling price of \$1,600,000. The Food Bank has executed a lease agreement with the purchaser permitting it to use the property for a period terminating December 2023 (unless sooner) without rent while it pursues a new location.

Management has evaluated subsequent events for possible adjustment or disclosure through April 26, 2022, 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.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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. Subsequently, in June 2020, the FASB approved a deferral for implementation to 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.