

**RHODE ISLAND COMMUNITY FOOD BANK  
ASSOCIATION**

**Financial Statements  
and Supplementary Information**

**Years Ended June 30, 2019 and 2018**

**(With Independent Auditors' Report Thereon)**

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Years Ended June 30, 2019 and 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Rhode Island Community Food Bank Association:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rhode Island Community Food Bank Association (a non-profit organization) (the Food Bank), which comprise the statement of financial position as of June 30, 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.

#### ***Auditors' 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Food Bank'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 Food Bank'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 2019 financial statements referred to above present fairly, in all material respects, the financial position of Rhode Island Community Food Bank Association as of June 30, 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.

**Prior Period Financial Statements**

The financial statements of Rhode Island Community Food Bank Association as of June 30, 2018, were audited by other auditors whose report dated October 24, 2018, expressed an unmodified opinion on those statements.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019, on our consideration of the Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

**Emphasis of Matter**

As of June 30, 2019, the Food Bank adopted Financial Accounting Standards Board Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. The changes in the ASU have been applied on a retrospective basis for the year ended June 30, 2018. However, the Food Bank has exercised the permitted option to omit disclosures about liquidity and availability of resources for the year ended June 30, 2018.

October 23, 2019

*Kahn, Litwin, Renya & Co., Ltd.*

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2019 and 2018**



|  | <b>2019</b>          | <b>2018</b>          |
|--|----------------------|----------------------|
| <b>Assets</b>                                      |                      |                      |
| Current Assets:                                    |                      |                      |
| Cash and cash equivalents                          | \$ 1,885,611         | \$ 1,790,475         |
| Accounts and grants receivable, net                | 521,810              | 183,955              |
| Food inventory                                     | 1,089,867            | 743,518              |
| Prepaid expenses and other assets                  | 134,396              | 100,153              |
| <b>Total current assets</b>                        | <b>3,631,684</b>     | <b>2,818,101</b>     |
| Property and Equipment, net                        | 6,056,276            | 6,042,543            |
| Investments  | 4,996,004            | 4,924,534            |
| <b>Total Assets</b>                                | <b>\$ 14,683,964</b> | <b>\$ 13,785,178</b> |
| <b>Liabilities and Net Assets</b>                  |                      |                      |
| Current Liabilities:                               |                      |                      |
| Accounts payable                                   | \$ 167,674           | \$ 83,899            |
| Accrued expenses                                   | 444,757              | 386,956              |
| Inventory held for Department<br>of Human Services | -                    | 84,630               |
| <b>Total current liabilities</b>                   | <b>612,431</b>       | <b>555,485</b>       |
| Net Assets:  |                      |                      |
| Without donor restrictions                         | 13,060,865           | 12,376,999           |
| With donor restrictions                            | 1,010,668            | 852,694              |
| <b>Total net assets</b>                            | <b>14,071,533</b>    | <b>13,229,693</b>    |
| <b>Total Liabilities and Net Assets</b>            | <b>\$ 14,683,964</b> | <b>\$ 13,785,178</b> |

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2019 and 2018**



|  | 2019                          |                            |                      | 2018                          |                            |                      |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Revenue and support:   |                               |                            |                      |                               |                            |                      |
| Contributions  | \$ 6,055,139                  | \$ 9,506,943               | \$ 15,562,082        | \$ 5,570,497                  | \$ 11,090,995              | \$ 16,661,492        |
| Grants and contracts   | 465,172                       | 3,204,613                  | 3,669,785            | 127,290                       | 368,210                    | 495,500              |
| Cooperative buying program   | 678,625                       | -                          | 678,625              | 632,231                       | -                          | 632,231              |
| Shared maintenance   | 219,887                       | -                          | 219,887              | 319,365                       | -                          | 319,365              |
| Special events, net of expenses of<br>\$67,500 and \$133,563, respectively | 300,558                       | -                          | 300,558              | 258,441                       | 192,786                    | 451,227              |
| Investment return, net   | 240,078                       | -                          | 240,078              | 344,051                       | -                          | 344,051              |
| In-kind contributions  | 157,569                       | -                          | 157,569              | 150,642                       | -                          | 150,642              |
| Other income   | 12,152                        | -                          | 12,152               | 24,105                        | -                          | 24,105               |
| Net assets released from restrictions                                      | 12,553,582                    | (12,553,582)               | -                    | 11,210,582                    | (11,210,582)               | -                    |
| <b>Total revenue and support</b>   | <b>20,682,762</b>             | <b>157,974</b>             | <b>20,840,736</b>    | <b>18,637,204</b>             | <b>441,409</b>             | <b>19,078,613</b>    |
| Expenses:  |                               |                            |                      |                               |                            |                      |
| Program services   | 17,417,647                    | -                          | 17,417,647           | 16,394,688                    | -                          | 16,394,688           |
| Management and general   | 976,893                       | -                          | 976,893              | 940,637                       | -                          | 940,637              |
| Fundraising and development  | 1,604,356                     | -                          | 1,604,356            | 1,350,202                     | -                          | 1,350,202            |
| <b>Total expenses</b>  | <b>19,998,896</b>             | <b>-</b>                   | <b>19,998,896</b>    | <b>18,685,527</b>             | <b>-</b>                   | <b>18,685,527</b>    |
| <b>Change in Total Net Assets</b>  | <b>683,866</b>                | <b>157,974</b>             | <b>841,840</b>       | <b>(48,323)</b>               | <b>441,409</b>             | <b>393,086</b>       |
| <b>Net Assets, beginning of year</b>                                       | <b>12,376,999</b>             | <b>852,694</b>             | <b>13,229,693</b>    | <b>12,425,322</b>             | <b>411,285</b>             | <b>12,836,607</b>    |
| <b>Net Assets, end of year</b>   | <b>\$ 13,060,865</b>          | <b>\$ 1,010,668</b>        | <b>\$ 14,071,533</b> | <b>\$ 12,376,999</b>          | <b>\$ 852,694</b>          | <b>\$ 13,229,693</b> |

See accompanying notes to the financial statements and independent auditors' report.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2019



|  | <b>Program Services</b>  |                            |                   |                          |                               | <b>Management and General</b> | <b>Fundraising and Development</b> | <b>Total</b>         |
|--|--------------------------|----------------------------|-------------------|--------------------------|-------------------------------|-------------------------------|------------------------------------|----------------------|
|  | <b>Food Distribution</b> | <b>Nutrition Education</b> | <b>Kids Café</b>  | <b>Community Kitchen</b> | <b>Total Program Services</b> |                               |                                    |                      |
| Salaries and related expenses:             |                          |                            |                   |                          |                               |                               |                                    |                      |
| Salaries and wages                         | \$ 1,645,765             | \$ 73,643                  | \$ 76,888         | \$ 187,783               | \$ 1,984,079                  | \$ 549,344                    | \$ 775,323                         | \$ 3,308,746         |
| Employee benefits                          | 301,815                  | 13,506                     | 14,101            | 34,437                   | 363,859                       | 100,744                       | 142,186                            | 606,789              |
| Payroll taxes                              | 131,334                  | 5,877                      | 6,136             | 14,985                   | 158,332                       | 43,838                        | 61,871                             | 264,041              |
| <b>Total salaries and related expenses</b> | <b>2,078,914</b>         | <b>93,026</b>              | <b>97,125</b>     | <b>237,205</b>           | <b>2,506,270</b>              | <b>693,926</b>                | <b>979,380</b>                     | <b>4,179,576</b>     |
| Advertising and promotion                  | 2,110                    | -                          | -                 | 625                      | 2,735                         | 5,838                         | 83,200                             | 91,773               |
| Assistance to others                       | 370,383                  | -                          | -                 | -                        | 370,383                       | -                             | -                                  | 370,383              |
| Conferences, staff training, and meals     | 15,963                   | 131                        | -                 | 72                       | 16,166                        | 10,779                        | 6,439                              | 33,384               |
| Depreciation and amortization              | 312,322                  | 7,349                      | 3,674             | 7,349                    | 330,694                       | 18,372                        | 18,372                             | 367,438              |
| Direct mail                                | -                        | -                          | -                 | -                        | -                             | -                             | 348,904                            | 348,904              |
| Dues and subscriptions                     | 22,923                   | -                          | -                 | 337                      | 23,260                        | 10,190                        | 12,280                             | 45,730               |
| Food - cooperative buying program          | 679,017                  | -                          | -                 | -                        | 679,017                       | -                             | -                                  | 679,017              |
| Food - acquisition                         | 1,475,366                | 9,450                      | 23,590            | 12,316                   | 1,520,722                     | -                             | -                                  | 1,520,722            |
| Food - donated food distributed            | 11,129,646               | -                          | -                 | -                        | 11,129,646                    | -                             | -                                  | 11,129,646           |
| Information technology expenses            | 41,849                   | 5,230                      | 2,093             | 7,323                    | 56,495                        | 23,060                        | 58,656                             | 138,211              |
| Insurance                                  | 23,369                   | 275                        | 275               | 1,360                    | 25,279                        | 9,387                         | 1,375                              | 36,041               |
| Occupancy expenses                         | 212,546                  | 2,475                      | 2,475             | 7,427                    | 224,923                       | 12,378                        | 12,378                             | 249,679              |
| Office expenses                            | 42,605                   | 4,283                      | 1,365             | 5,810                    | 54,063                        | 81,201                        | 54,283                             | 189,547              |
| Other expenses                             | 10,116                   | -                          | -                 | 149                      | 10,265                        | 3,374                         | 67                                 | 13,706               |
| Professional fees                          | 83,394                   | 1,500                      | -                 | -                        | 84,894                        | 102,958                       | 24,127                             | 211,979              |
| Student expenses                           | -                        | -                          | -                 | 85,972                   | 85,972                        | -                             | -                                  | 85,972               |
| Supplies                                   | 78,780                   | 7,024                      | 1,674             | 23,034                   | 110,512                       | -                             | -                                  | 110,512              |
| Temporary personnel                        | 52,863                   | -                          | -                 | -                        | 52,863                        | 874                           | -                                  | 53,737               |
| Transportation                             | 90,482                   | -                          | 4,762             | -                        | 95,244                        | -                             | -                                  | 95,244               |
| Trash removal                              | 22,246                   | 313                        | 4,073             | 1,567                    | 28,199                        | 1,567                         | 1,567                              | 31,333               |
| Travel                                     | 8,729                    | 978                        | 155               | 183                      | 10,045                        | 2,989                         | 3,328                              | 16,362               |
| <b>Total expenses</b>                      | <b>\$ 16,753,623</b>     | <b>\$ 132,034</b>          | <b>\$ 141,261</b> | <b>\$ 390,729</b>        | <b>\$ 17,417,647</b>          | <b>\$ 976,893</b>             | <b>\$ 1,604,356</b>                | <b>\$ 19,998,896</b> |

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2018



|  | <b>Program Services</b>  |                            |                   |                          |                               | <b>Management and General</b> | <b>Fundraising and Development</b> | <b>Total</b>         |
|--|--------------------------|----------------------------|-------------------|--------------------------|-------------------------------|-------------------------------|------------------------------------|----------------------|
|  | <b>Food Distribution</b> | <b>Nutrition Education</b> | <b>Kids Café</b>  | <b>Community Kitchen</b> | <b>Total Program Services</b> |                               |                                    |                      |
| Salaries and related expenses:             |                          |                            |                   |                          |                               |                               |                                    |                      |
| Salaries and wages                         | \$ 1,614,895             | \$ 65,371                  | \$ 75,145         | \$ 182,473               | \$ 1,937,884                  | \$ 523,984                    | \$ 620,128                         | \$ 3,081,996         |
| Employee benefits                          | 292,842                  | 11,855                     | 13,628            | 33,088                   | 351,413                       | 95,018                        | 112,451                            | 558,882              |
| Payroll taxes                              | 128,652                  | 5,208                      | 5,986             | 14,537                   | 154,383                       | 41,744                        | 49,403                             | 245,530              |
| <b>Total salaries and related expenses</b> | <b>2,036,389</b>         | <b>82,434</b>              | <b>94,759</b>     | <b>230,098</b>           | <b>2,443,680</b>              | <b>660,746</b>                | <b>781,982</b>                     | <b>3,886,408</b>     |
| Advertising and promotion                  | 1,095                    | -                          | -                 | 625                      | 1,720                         | 3,511                         | 32,568                             | 37,799               |
| Assistance to others                       | 417,182                  | -                          | -                 | -                        | 417,182                       | -                             | -                                  | 417,182              |
| Conferences, staff training, and meals     | 17,567                   | 1,648                      | -                 | 7,614                    | 26,829                        | 11,873                        | 5,409                              | 44,111               |
| Depreciation and amortization              | 318,914                  | 3,752                      | 7,504             | 7,504                    | 337,674                       | 18,760                        | 18,760                             | 375,194              |
| Direct mail                                | -                        | -                          | -                 | -                        | -                             | -                             | 334,037                            | 334,037              |
| Dues and subscriptions                     | 23,179                   | 207                        | -                 | 220                      | 23,606                        | 8,320                         | 10,372                             | 42,298               |
| Food - cooperative buying program          | 632,483                  | -                          | -                 | -                        | 632,483                       | -                             | -                                  | 632,483              |
| Food - acquisition                         | 1,992,562                | 9,871                      | 38,210            | 9,739                    | 2,050,382                     | -                             | -                                  | 2,050,382            |
| Food - donated food distributed            | 9,715,194                | -                          | -                 | -                        | 9,715,194                     | -                             | -                                  | 9,715,194            |
| Information technology expenses            | 30,653                   | 5,409                      | 5,409             | 5,409                    | 46,880                        | 25,647                        | 57,881                             | 130,408              |
| Insurance                                  | 32,225                   | 379                        | 379               | 1,137                    | 34,120                        | 9,919                         | 1,896                              | 45,935               |
| Occupancy expenses                         | 211,561                  | 2,424                      | 2,424             | 7,270                    | 223,679                       | 12,116                        | 12,116                             | 247,911              |
| Office expenses                            | 41,011                   | 4,688                      | 4,688             | 5,756                    | 56,143                        | 90,838                        | 62,340                             | 209,321              |
| Other expenses                             | 6,905                    | -                          | -                 | 90                       | 6,995                         | 2,488                         | 75                                 | 9,558                |
| Professional fees                          | 37,681                   | 4,730                      | -                 | -                        | 42,411                        | 92,659                        | 29,823                             | 164,893              |
| Student expenses                           | -                        | -                          | -                 | 30,402                   | 30,402                        | -                             | -                                  | 30,402               |
| Supplies                                   | 146,809                  | 6,025                      | 1,679             | 5,791                    | 160,304                       | -                             | -                                  | 160,304              |
| Temporary personnel                        | 8,712                    | -                          | -                 | -                        | 8,712                         | -                             | -                                  | 8,712                |
| Transportation                             | 98,279                   | -                          | 5,173             | -                        | 103,452                       | -                             | -                                  | 103,452              |
| Trash removal                              | 17,123                   | 241                        | 3,135             | 1,206                    | 21,705                        | 1,206                         | 1,206                              | 24,117               |
| Travel                                     | 7,765                    | 1,978                      | 148               | 1,244                    | 11,135                        | 2,554                         | 1,737                              | 15,426               |
| <b>Total expenses</b>                      | <b>\$ 15,793,289</b>     | <b>\$ 123,786</b>          | <b>\$ 163,508</b> | <b>\$ 314,105</b>        | <b>\$ 16,394,688</b>          | <b>\$ 940,637</b>             | <b>\$ 1,350,202</b>                | <b>\$ 18,685,527</b> |

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2019 and 2018**



|   | <u>2019</u>                       | <u>2018</u>                       |
|---|-----------------------------------|-----------------------------------|
| Cash Flows from Operating Activities:                   |                                   |                                   |
| Cash received from:                                     |                                   |                                   |
| Contributions   | \$ 7,214,025                      | \$ 7,225,746                      |
| Grants and contracts                                    | 193,547                           | 133,983                           |
| Cooperative buying program                              | 678,625                           | 632,231                           |
| Shared maintenance                                      | 216,456                           | 326,624                           |
| Special events, net of expenses                         | 322,808                           | 435,477                           |
| Interest and dividends                                  | 100,117                           | 75,068                            |
| Other income  | 12,152                            | 28,792                            |
| <b>Total receipts</b>                                   | <u><b>8,737,730</b></u>           | <u><b>8,857,921</b></u>           |
| Cash paid for:  |                                   |                                   |
| Salaries and related expenses                           | (4,144,025)                       | (3,871,734)                       |
| Food expenditures                                       | (2,234,779)                       | (2,737,400)                       |
| Occupancy expenses                                      | (249,679)                         | (247,911)                         |
| Assistance to others                                    | (370,383)                         | (417,182)                         |
| Direct mail   | (348,904)                         | (334,037)                         |
| Professional fees                                       | (211,979)                         | (139,893)                         |
| Other expense   | (962,495)                         | (796,843)                         |
| <b>Total expenditures</b>                               | <u><b>(8,522,244)</b></u>         | <u><b>(8,545,000)</b></u>         |
| <b>Net cash provided by operating activities:</b>       | <u><b>215,486</b></u>             | <u><b>312,921</b></u>             |
| Cash Flows from Investing Activities                    |                                   |                                   |
| Purchase of property and equipment                      | (310,696)                         | (92,879)                          |
| Proceeds from sale of investments                       | 1,108,289                         | 1,689,103                         |
| Purchase of investments                                 | (917,943)                         | (1,352,438)                       |
| <b>Net cash provided (used) by investing activities</b> | <u><b>(120,350)</b></u>           | <u><b>243,786</b></u>             |
| <b>Net Increase in Cash and Cash Equivalents</b>        | <b>95,136</b>                     | <b>556,707</b>                    |
| <b>Cash and Cash Equivalents, beginning of year</b>     | <u><b>1,790,475</b></u>           | <u><b>1,233,768</b></u>           |
| <b>Cash and Cash Equivalents, end of year</b>           | <u><u><b>\$ 1,885,611</b></u></u> | <u><u><b>\$ 1,790,475</b></u></u> |

See accompanying notes to the financial statements and independent auditors' report.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

**1. Nature of Operations**

The Rhode Island Community Food Bank Association (the Food Bank) is a non-profit entity organized under the general laws of the State of Rhode Island. The Food Bank's mission is to improve the quality of life for all Rhode Islanders by advancing solutions to the problem of hunger. The Food Bank is a member of Feeding America, a national network of food banks and food-rescue organizations. The Food Bank acquires and distributes donated and purchased food to member agencies; primarily food pantries, soup kitchens and shelters. These agencies provide the food to individuals in need of food assistance.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Food Bank is presented to assist the reader in understanding the Food Bank's financial statements. The financial statements and notes are representations of the Food Bank's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Accounting Pronouncements Adopted***

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity and availability of resources, financial performance, and cash flows. Upon adoption, net assets were reduced to two classes (with and without donor restriction).

The Food Bank adopted the provisions of this new standard in 2019 and applied it retrospectively to the 2018 presentation.

***Basis of Presentation***

The Food Bank prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. The Board has designated certain net assets as a contingency reserve, which consists of funds set aside to protect the programs of the Food Bank in the event of economic downturn, unforeseen expenditures, or catastrophic events which might prevent or inhibit the Food Bank from accomplishing its mission.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

***Cash and Cash Equivalents***

The Food Bank considers all balances and highly liquid investments with maturities of three months or less to be cash and cash equivalents.

***Accounts and Grants Receivable***

The Food Bank carries its accounts and grants receivable at net realizable value. On a periodic basis, the Food Bank evaluates its accounts and grants receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions.

The Food Bank does not accrue interest on accounts and grants receivable. A receivable is considered past due if payment has not been received within stated terms. The Food Bank will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged against the allowance for doubtful accounts. As of June 30, 2019 and 2018, the Food Bank had an allowance for doubtful accounts of approximately \$1,500.

***Food Inventory***

The majority of the food distributed by the Food Bank is donated. Donated food is recorded as contribution revenue using per-pound values established by Feeding America, the national food bank network. The Food Bank values inventory using an average cost for each category of donated inventory, as opposed to one average for all categories combined.

Food inventory includes restricted inventory for the Commodity Supplemental Food Program (CSFP) and The Emergency Food Assistance Program (TEFAP). The Food Bank values CSFP and TEFAP food based on the value per unit provided by the United States Department of Agriculture.

Food inventory includes restricted inventory held for the Department of Human Services; a corresponding liability is reported in connection with this arrangement. This program ended June 30, 2018.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

The Food Bank supplements its donated food supply by purchasing nutritious food items not normally donated to the Food Bank. Purchases made using the Food Bank's unrestricted funds are either distributed free of charge, through shared maintenance or are sold at a small percentage above the Food Bank's cost. Purchases made using restricted grant funds are distributed to member agencies in the normal course of business or, if requested by the donor, free of charge.

Purchased food inventory on hand at year-end is recorded in the accompanying statement of financial position at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

***Property and Equipment***

All expenditures for property and equipment in excess of \$3,000 are capitalized at cost; except for donated property and equipment which is capitalized at its fair value in excess of \$5,000 at the date of the donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets ranging from 3 to 40 years.

***Investments and Fair Value Measurements***

The Food Bank reports its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Food Bank has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Food Bank's own data.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

The Food Bank reports investments at fair value on a recurring basis. These investments are classified as level 1 within the fair value hierarchy.

Level 1 investments owned by the Food Bank and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Realized and unrealized gains and losses are included in investment return in the statement of activities. Interest and dividends on investments, net of fees, also are reported as part of investment return.

Gains and losses on investments are reported as changes in net assets without donor restrictions, unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis of accounting. Purchases and sales of securities are recorded on the trade date. In determining the gains (losses) realized on the sales of securities, the cost of securities sold has been determined on a specific identification basis.

***Support and Revenue Recognition***

***Contributions*** - The Food Bank records contribution revenue in the fiscal year in which the contribution is made or unconditionally promised. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions are recorded either as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor imposed restrictions. If the contribution is made in assets other than cash, the amount of the contribution is measured at the fair value of the asset contributed at the date the contribution or unconditional promise to give is made by the donor.

Gifts of long-lived assets such as land, buildings, or equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions.

***Grant and Contract Revenue*** - Grant and contract revenue is recognized when program expenditures are incurred or services are provided within program guidelines.

***Cooperative Buying Program*** - Revenue consists of fees charged to member agencies to offset the cost of food purchases, which is recognized when food is delivered to member agencies.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

***Shared Maintenance*** - Shared maintenance revenue is recognized when food is delivered to member agencies. Shared maintenance revenue arises from a per pound fee charged to member agencies for the Food Bank's product and is used to help defray operating costs. Member agencies provide assistance to those in need, including pantries, meal sites, group homes, shelters, and transitional housing facilities. Shared maintenance fees for the years ended June 30, 2019 and 2018, were \$0.10 and \$0.18 per pound of product for emergency and non-emergency providers, respectively.

***Special Events*** - The Food Bank recognizes special event revenue when services have been rendered and/or contractual obligations have been met.

***In-kind Contributions*** - Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Accounting principles generally accepted in the United States of America state that certain in-kind contributions are not eligible for recording in the financial statements. Accordingly, the value of these services has not been recognized in the accompanying financial statements.

***Income Taxes***

The Food Bank is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Food Bank operates in a manner consistent with its tax-exempt status at both the state and federal level.

The Food Bank annually files IRS Form 990 - *Return of Organization Exempt From Income Tax* reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Food Bank currently has no tax examinations in progress.

***Advertising Costs***

Advertising costs are expended as incurred.

***Allocation of Expenses***

The Food Bank's operating costs have been allocated between program services, management and general, and fundraising and development expenses based on direct identification when possible, and allocation if an expenditure benefits more than one program or function. Personnel and related costs are allocated based on time and effort. Occupancy costs are allocated based on square footage of the building. All other indirect expenses are allocated by personnel.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

***Estimates and Assumptions***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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. Accordingly, actual results could differ from those estimates.

***Recent Accounting Pronouncements***

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Food Bank. The Food Bank is currently in the process of evaluating the impact of adoption on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, followed by subsequent accounting pronouncements which either clarified or revised guidance set forth in ASU 2014-09. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This standard will be effective for the Food Bank's year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2020. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Food Bank's year ending June 30, 2022, with early adoption permitted.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on the classification of certain transactions in the statement of cash flows. When adopted, the new guidance will be applied retrospectively. This standard will be effective for the Food Bank's year ending June 30, 2020, with early adoption permitted.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determining whether a contribution is conditional and the simultaneous release option. This standard will be effective for the Food Bank's year ending June 30, 2020.

***Reclassification***

Certain 2018 balances were reclassified to conform to the 2019 financial statement presentation.

***Subsequent Events***

Management has evaluated subsequent events through October 23, 2019, which the date these financial statements were available to be issued.

**3. Program Service Accomplishments (Unaudited)**

Rhode Island still has one of the highest poverty rates in New England, with nearly twelve percent of the population living below the federal poverty level. Poverty leads to hunger and food insecurity. According to the U.S. Department of Agriculture (USDA), one in eight Rhode Island households cannot afford adequate food and nearly half of these food insecure households report that they regularly miss meals and experience hunger.

At Food Bank member agencies, the demand for food assistance remains high, particularly among working-poor individuals and their families, disabled individuals and senior adults living on fixed incomes. These individuals and families struggle to keep up with the rising costs of rent, utilities and other basic needs, including food. When food runs out, they seek help at one of the Food Bank's food pantries or meal sites. The Food Bank's statewide network of 168 member agencies provided food assistance to 53,000 people each month, a number that has remained at the same high rate for the past two years. More than half of those served are children and senior adults, it's most vulnerable populations.

***Program Accomplishments***

*Food Distribution* - The Food Bank distributed 11,615,817 pounds of food to its member agencies during the year ended June 30, 2019. This includes donated food from the food industry and community food drives; perishable food rescue; fresh produce donated by growers; USDA nutrition programs; and food purchases. In July 2018, the Food Bank began administering TEFAP for the state. TEFAP brought in approximately 3.2 million pounds of USDA food during the year, helping the Food Bank exceed the goal of 10.5 million pounds. The federal government expanded TEFAP this year with trade mitigation funding.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

Food purchases were limited to food items that complement what was received through donation, including peanut butter, canned tuna, rice and healthy breakfast cereal. The Food Bank is committed to acquiring and distributing nutritious foods that individuals and families can use to make meals, what they call core food, such as fresh, frozen and canned fruits and vegetables, dairy, grains, and protein. This year, 88% of all the food that was distributed was core, healthy food.

*Community Kitchen* - Community Kitchen is a culinary job-training program for low-income and unemployed adults. Each class trains students in the cooking, food safety and life skills needed for employment in the food and hospitality industry. As part of their training, students prepared nutritious meals each week for distribution to its Providence and East Providence Kids Cafe locations. During 2019, the Food Bank conducted four classes (Classes 67-70) enrolling 43 students and graduating 33 students. In 2019, the Food Bank achieved a 77% graduation rate. 39 students took the ServSafe exam and 26 students (67%) received their ServSafe certificate. Among its graduates, 73% secured employment.

*Kids Cafe* - Kids Cafe serves wholesome evening meals to children at risk of hunger, supplementing school nutrition programs. In 2019, the Food Bank operated two Kids Cafe sites, serving on average 70 children a day. Sites were located at the East Providence Boys & Girls Club and the West End Community Center in Providence.

*Healthy Habits* - During 2019, the Community Cooking nutrition education program was re-branded to the Healthy Habits: Eating Well on a Budget program to better reflect the Food Bank's focus on nutrition and healthy eating. Healthy Habits is a nutrition education program for clients of member agencies. The Food Bank offers six-week classes and workshops featuring cooking demonstrations and practical advice on how to shop, cook and eat with good health in mind, even on a limited budget. Nearly 2,600 people participated in the program last year, including 262 children, 1,533 adults and 786 senior adults.

*Commodity Supplemental Food Program* - The Commodity Supplemental Food Program is a federal program that provides a box of USDA commodities to 1,593 frail seniors each month. Boxes are distributed by the Food Bank at food pantries and senior housing facilities. Information on cooking and nutrition are included in the packages.

*School-Based Programs* - The Food Bank supports fourteen school-based programs located throughout the state, serving an average of 894 young people and their families each month during the school year. During 2019 these programs distributed 148,934 pounds of healthy, nutritious food and snacks that students can eat at school or at home.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

*Volunteers* - Volunteers are a critical component in the Food Bank's sorting and salvage operation. In 2019, approximately 1,640 volunteers (330 individual volunteers and 131 groups with an average of 10 people per group) contributed over 19,000 hours of service to the Food Bank. Volunteers also provided help with transportation, fundraising and administrative support.

**4. Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

Financial assets:

|   |              |
|---|--------------|
| Cash and cash equivalents   | \$ 1,885,611 |
| Accounts and grants receivable  | 521,810      |
| Financial assets available to meet general expenditures within one year | \$ 2,407,421 |

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. To help manage unanticipated liquidity needs, the Food Bank has a line of credit with a local bank for \$1,000,000 (Note 7). As part of its liquidity plan, excess cash is invested in money market accounts, which are included in cash and cash equivalents on the statement of financial position. In addition, the Board, at its discretion, could expend the board designated funds reserved for contingencies of \$4,996,004 (Note 8) in the event of an emergency.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**



**5. Investments**

Investments are presented in the financial statements at their aggregate fair value and consisted of the following level one investments:

|                         | <u>2019</u>         | <u>2018</u>         |
|-------------------------|---------------------|---------------------|
| Money market funds      | \$ 187,210          | \$ 225,977          |
| Corporate bonds         | 436,368             | 477,060             |
| Equity securities:      |                     |                     |
| Consumer                | 77,004              | 116,555             |
| Consumer staples        | 56,234              | 61,626              |
| Energy                  | 39,159              | 61,064              |
| Financial               | 94,325              | 114,897             |
| Healthcare              | 103,976             | 117,779             |
| Industrial              | 77,589              | 81,890              |
| Information technology  | 166,478             | 246,982             |
| Materials               | 16,741              | 27,876              |
| Real estate             | 13,698              | 14,561              |
| Telecommunications      | 83,487              | 17,106              |
| Utilities               | 20,629              | 18,250              |
| Total equity securities | <u>749,320</u>      | <u>878,586</u>      |
| Mutual funds:           |                     |                     |
| Domestic fixed income   | 1,397,445           | 1,117,095           |
| Domestic equity         | 1,310,956           | 1,356,501           |
| International equity    | 836,112             | 791,494             |
| Other                   | 78,593              | 77,821              |
| Total mutual funds      | <u>3,623,106</u>    | <u>3,342,911</u>    |
| Total investments       | <u>\$ 4,996,004</u> | <u>\$ 4,924,534</u> |

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

The composition of investment return on all investments is as follows:

|                              | 2019       | 2018       |
|------------------------------|------------|------------|
| Interest and dividend income | \$ 122,949 | \$ 99,905  |
| Net gain on investments      | 139,961    | 268,983    |
| Fees                         | (22,832)   | (24,837)   |
| Investment return, net       | \$ 240,078 | \$ 344,051 |

**6. Property and Equipment**

Property and equipment consisted of the following:

|                                | 2019         | 2018         |
|--------------------------------|--------------|--------------|
| Land                           | \$ 308,000   | \$ 308,000   |
| Building                       | 2,492,000    | 2,492,000    |
| Building improvements          | 5,478,035    | 5,193,157    |
| Motor vehicles                 | 704,738      | 704,738      |
| Equipment                      | 1,098,902    | 1,156,443    |
| Furniture and fixtures         | 104,145      | 111,116      |
|                                | 10,185,820   | 9,965,454    |
| Less: accumulated depreciation | (4,129,544)  | (3,922,911)  |
| Property and equipment, net    | \$ 6,056,276 | \$ 6,042,543 |

During the year ended June 30, 2019, the Food Bank disposed of fully depreciated property and equipment in the amount of \$160,805.

**7. Line of Credit**

The Food Bank had a line of credit facility which provided for maximum borrowings up to \$1,000,000 until it was closed in March 2019. Interest on the line was payable monthly at the LIBOR rate (2.09% at June 30, 2018) plus 1.75%. The line was secured by the Food Bank's investment portfolio balance. No amount was outstanding under the line of credit at June 30, 2018.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

In March 2019, the Food Bank obtained a new revolving line of credit with a local bank providing for maximum borrowings up to \$1,000,000. The line is due on demand with interest payable at the LIBOR rate (2.40% at June 30, 2019) plus 1.50%. The line is secured by the investment portfolio. No amount was outstanding under the line of credit at June 30, 2019.

**8. Net Assets**

A summary of net assets is as follows:

|   | 2019          | 2018          |
|---|---------------|---------------|
| Net Assets Without Donor Restrictions       |               |               |
| Undesignated                                | \$ 2,008,585  | \$ 1,409,922  |
| Invested in property and equipment, net     | 6,056,276     | 6,042,543     |
| Board designated for contingency reserve    | 4,996,004     | 4,924,534     |
| Total net assets without donor restrictions | 13,060,865    | 12,376,999    |
| Net Assets With Donor Restrictions          |               |               |
| Food inventory                              | 688,856       | 292,917       |
| Restricted due to time                      | 115,500       | 25,500        |
| Healthy Kid Boxes                           | 65,365        | 50,410        |
| Community Kitchen                           | 63,891        | 182,365       |
| Capital improvements                        | 42,517        | 20,275        |
| Hunger study                                | 25,500        | -             |
| Food acquisition/distribution               | 7,500         | -             |
| RI Community Farm                           | 1,539         | 1,227         |
| Grants to member agencies                   | -             | 145,000       |
| Fresh Start                                 | -             | 135,000       |
| Total net assets with donor restrictions    | 1,010,668     | 852,694       |
| Total net assets                            | \$ 14,071,533 | \$ 13,229,693 |

**9. In-kind Contributions**

The Food Bank actively solicits and receives support from the community and local businesses in the form of contributed goods and services related to its efforts in responding to local needs, fundraising and administrative functions.

During 2018, the Food Bank engaged the services of a pro-bono lobbyist to help secure funding from the State. These services are reported as support and expenses in the statement of activities at their estimated fair value of \$25,000.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

The fair value of in-kind contributions are recorded in the accompanying statements of activities as follows:

|                                | 2019       | 2018       |
|--------------------------------|------------|------------|
| Vehicles                       | \$ 35,714  | \$ 20,820  |
| Donated stock                  | 121,855    | 104,822    |
| Professional lobbyist services | -          | 25,000     |
|                                | \$ 157,569 | \$ 150,642 |

In addition, a substantial number of volunteers have made significant contributions of their time to assist in providing quality program services to the Food Bank; such contributed services consisted primarily of food sorting and salvage operations. These services are not reported as support and expenses in the statement of activities since such services either do not require specialized skills or would not typically be purchased if not provided by donation.

Note 15 discusses noncash transactions of donated food inventory.

**10. Retirement Plans**

The Food Bank provides a 401(k) plan and a 403(b) employee contribution plan. Under the 401(k) plan, employees become eligible upon employment, with the employer match beginning the first quarter after the employee completes three months of service. There is also a discretionary employer contribution determined by the Board for all employees with at least three months of service and at least 1,000 hours of service during the year of eligibility. Retirement plan expense relating to the 401(k) plan for the years ended June 30, 2019 and 2018, was approximately \$68,900 and \$68,800, respectively. The 403(b) plan is entirely funded by employee contributions.

**11. Commitments and Contingencies**

Operating Leases

The Food Bank leases office equipment under an operating lease with a monthly payment of approximately \$450, expiring in January 2023.

The Food Bank also leased various equipment under an operating lease agreement with quarterly payments of approximately \$1,305 that expired in 2018, at which point the leases became month-to-month.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**



For the years ended June 30, 2019 and 2018, lease expense was approximately \$11,000 and \$15,100, respectively.

Approximate future payments are as follows:

| <u>Year Ending</u> |                  |
|--------------------|------------------|
| June 30, 2020      | \$ 5,400         |
| June 30, 2021      | 5,400            |
| June 30, 2022      | 5,400            |
| June 30, 2023      | <u>2,700</u>     |
| Total              | <u>\$ 18,900</u> |

Legal Contingencies

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Food Bank’s financial statements.

**12. Rental Income**

Subsequent to year end, the Food Bank entered into an operating lease agreement with an unrelated third party to lease certain long term parking spaces. The agreement expires in July 2024, with two options to extend an additional six years each, and provides for monthly rental income payments of \$15,000.

The approximate minimum future rental income under this lease agreement is as follows:

| <u>Year Ending</u> |                   |
|--------------------|-------------------|
| June 30, 2020      | \$ 165,000        |
| June 30, 2021      | 180,000           |
| June 30, 2022      | 180,000           |
| June 30, 2023      | 180,000           |
| June 30, 2024      | 180,000           |
| Thereafter         | <u>15,000</u>     |
| Total              | <u>\$ 900,000</u> |

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended June 30, 2019 and 2018**

**13. Membership Dues**

The Food Bank is a member of Feeding America, the nation's largest domestic hunger relief organization. As a member, the Food Bank is required to distribute all of the food donations received during the fiscal year to other tax-exempt organizations. Membership dues charged by Feeding America consist of two components: the first component is a flat rate charged to all member food banks; the second component is an incremental fee calculated using the Food Bank's goal factor. The goal factor is determined by comparing the poverty population rate in the member Food Bank's service area to the total poverty rate in the United States. During the years ended June 30, 2019 and 2018, the Food Bank paid approximately \$9,900 and \$9,500, respectively, in membership dues.

**14. Concentrations of Credit Risk**

Financial instruments that potentially subject the Food Bank to concentrations of credit risk consist principally of cash and cash equivalents and investments.

The Food Bank maintains its cash in two financial institutions insured by the Federal Deposit Insurance Corporation up to specific limits. The account balances, at times, may exceed the federally insured limits, but management believes that the Food Bank is not exposed to any significant credit risk related to these accounts.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such change could materially affect investment balances and activity included in the financial statements.

**15. Supplemental Disclosure of Cash Flow Information**

During the years ended June 30, 2019 and 2018, the Food Bank received approximately \$11,526,000 and \$9,774,000, respectively, of donated food. Donated food distributions for the years ended June 30, 2019 and 2018, totaled approximately \$11,130,000 and \$9,715,000, respectively.

The Food Bank had property and equipment purchases included in accounts payable at year end of \$70,475.

**Rhode Island Community Food Bank Association**

Reports Required by  
*Government Auditing Standards –*  
Title 2 U.S. *Code of Federal Regulations*  
Part 200 – *Uniform Administration*  
*Requirements, Cost Principles,*  
*and Audit Requirements for Federal Awards*

Year Ended June 30, 2019

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2019



| Program Title   | CFDA<br>Number | Award<br>Number | Federal<br>Expenditures    | Amount<br>Provided to<br>Subrecipients |
|---|----------------|-----------------|----------------------------|--|
| <u>U.S. Department of Agriculture</u>   |                |                 |                            |  |
| Food Distribution Cluster   |                |                 |                            |  |
| <i>Passed through from the State of Rhode Island, Department of Human Services,<br/>Division of Elderly Affairs</i> |                |                 |                            |  |
| Commodity Supplemental Food Program   | 10.565         | 2018-24471272   | \$ 511,272                 | \$ -                                   |
| <i>Passed through from the State of Rhode Island, Department of Human Services</i>                                  |                |                 |                            |  |
| Emergency Food Assistance Program (Administrative Costs)  | 10.568         | TEFAP 19-01     | 349,047                    | -                                      |
| Emergency Food Assistance Program (Food Commodities)  | 10.569         | TEFAP 19-01     | 2,625,224                  | -                                      |
| <b>Total U.S. Department of Agriculture Food Distribution Cluster</b>   |                |                 | <u><b>3,485,543</b></u>    | <u><b>-</b></u>                        |
| <u>U.S. Department of Health and Human Services</u>   |                |                 |                            |  |
| <i>Passed through from the State of Rhode Island, Department of Human Services</i>                                  |                |                 |                            |  |
| Community Service Block Grant   | 93.569         | TEFAP 19-01     | 17,000                     | -                                      |
| <b>Total U.S. Department of Health and Human Services</b>   |                |                 | <u><b>17,000</b></u>       | <u><b>-</b></u>                        |
| <b>Total Expenditures of Federal Awards</b>   |                |                 | <u><b>\$ 3,502,543</b></u> | <u><b>\$ -</b></u>                     |

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Rhode Island Community Food Bank Association (the Food Bank) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Food Bank.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The Food Bank does not have a federally approved negotiated indirect cost rate agreement and, therefore, is subject to the 10-percent de minimis indirect cost rate under the Uniform Guidance.

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

To the Board of Directors of  
Rhode Island Community Food Bank Association:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Rhode Island Community Food Bank Association (a non-profit organization) (the Food Bank), which comprise the statement of financial position as of June 30, 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, and have issued our report thereon dated October 23, 2019.

**Internal Control over Financial Reporting**

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

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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, (Continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Kahn, Litwin, Renya & Co., Ltd.*

October 23, 2019

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

To the Board of Directors of  
Rhode Island Community Food Bank Association:

**Report on Compliance for Each Major Federal Program**

We have audited the Rhode Island Community Food Bank Association's (the Food Bank) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended June 30, 2019. The Food Bank's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE *UNIFORM GUIDANCE*, (Continued)**

***Opinion on Each Major Federal Program***

In our opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Internal Control Over Compliance**

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

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

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

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

*Kahn, Litwin, Renya & Co., Ltd.*

October 23, 2019

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes X none reported
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes X none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes X none reported

***Federal Awards:***

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes X none reported
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes X none reported

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? \_\_\_\_\_ yes X no

Identification of major program:

|                    |                                |
|--------------------|--------------------------------|
| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| Cluster Program*   | Food Distribution Cluster      |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee \_\_\_\_\_ yes X No\*\*

\*See Schedule of Expenditures of Federal Awards for a complete listing of the food distribution cluster programs and their related CFDA numbers.

\*\*The Food Bank did not meet the threshold for a single audit for the previous two audit cycles; therefore did not qualify as a low-risk auditee for the June 30, 2019 audit year.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

CURRENT YEAR FINDINGS: None noted.

PRIOR YEAR FINDINGS: None noted.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

CURRENT YEAR FINDINGS: None noted.

PRIOR YEAR FINDINGS: None noted.