

**RHODE ISLAND COMMUNITY FOOD BANK
ASSOCIATION**

Financial Statements

Years Ended June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Rhode Island Community Food Bank Association (a non-profit organization) (the Food Bank), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kahn, Litwin, Renya & Co., Ltd.

October 28, 2020

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019



	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,196,264	\$ 1,885,611
Accounts and grants receivable, net	531,661	521,810
Food inventory	1,185,813	1,089,867
Prepaid expenses and other assets	102,107	134,396
Total current assets	9,015,845	3,631,684
Property and Equipment, net	5,974,434	6,056,276
Investments	4,958,827	4,996,004
Total Assets	\$ 19,949,106	\$ 14,683,964
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 81,118	\$ 167,674
Accrued expenses	507,358	444,757
Total current liabilities	588,476	612,431
Net Assets:		
Without donor restrictions	18,234,777	13,060,865
With donor restrictions	1,125,853	1,010,668
Total net assets	19,360,630	14,071,533
Total Liabilities and Net Assets	\$ 19,949,106	\$ 14,683,964

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019



	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions	\$ 11,246,044	\$ 9,965,076	\$ 21,211,120	\$ 6,055,139	\$ 9,257,921	\$ 15,313,060
Grants and contracts	674,302	5,539,206	6,213,508	465,172	3,204,613	3,669,785
Cooperative buying program, net	367,249	-	367,249	664,168	-	664,168
Shared maintenance, net	88,825	-	88,825	135,005	-	135,005
Special events, net of expenses of \$23,933 and \$67,500, respectively	128,221	-	128,221	300,558	-	300,558
Investment return, net	150,529	-	150,529	240,078	-	240,078
In-kind contributions	198,944	5,805	204,749	157,569	-	157,569
Other income	181,381	-	181,381	12,152	-	12,152
Net assets released from restrictions	15,394,902	(15,394,902)	-	12,304,560	(12,304,560)	-
Total revenue and support	28,430,397	115,185	28,545,582	20,334,401	157,974	20,492,375
Expenses:						
Program services	20,534,010	-	20,534,010	17,069,286	-	17,069,286
Management and general	1,162,389	-	1,162,389	976,893	-	976,893
Fundraising and development	1,560,086	-	1,560,086	1,604,356	-	1,604,356
Total expenses	23,256,485	-	23,256,485	19,650,535	-	19,650,535
Change in Total Net Assets	5,173,912	115,185	5,289,097	683,866	157,974	841,840
Net Assets, beginning of year	13,060,865	1,010,668	14,071,533	12,376,999	852,694	13,229,693
Net Assets, end of year	\$ 18,234,777	\$ 1,125,853	\$ 19,360,630	\$ 13,060,865	\$ 1,010,668	\$ 14,071,533

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020



	Program Services				Management and General	Fundraising and Development	Total	
	Food Distribution	Nutrition Education	Kids Café	Community Kitchen				Total Program Services
Salaries and related expenses:								
Salaries and wages	\$ 1,983,071	\$ 83,360	\$ 80,222	\$ 213,837	\$ 2,360,490	\$ 594,965	\$ 744,086	\$ 3,699,541
Employee benefits	384,664	16,170	15,561	41,479	457,874	115,408	144,334	717,616
Payroll taxes	152,855	6,425	6,184	16,483	181,947	45,860	57,354	285,161
Total salaries and related expenses	2,520,590	105,955	101,967	271,799	3,000,311	756,233	945,774	4,702,318
Advertising and promotion	1,212	-	-	-	1,212	5,561	15,582	22,355
Assistance to others	142,578	-	-	-	142,578	-	-	142,578
Bad debt expense	-	-	-	-	-	500	-	500
Conferences, staff training, and meals	12,388	1,410	-	372	14,170	8,814	2,034	25,018
Depreciation	316,268	3,721	7,442	7,442	334,873	18,604	18,604	372,081
Direct mail	-	-	-	-	-	-	397,815	397,815
Dues and subscriptions	22,363	-	-	283	22,646	7,233	16,353	46,232
Food - cooperative buying program	671,268	-	-	-	671,268	-	-	671,268
Food - acquisition	1,828,294	4,747	27,734	9,511	1,870,286	-	-	1,870,286
Food - donated food distributed	13,678,803	-	-	-	13,678,803	-	-	13,678,803
Information technology expenses	55,860	9,537	2,725	9,537	77,659	27,623	73,483	178,765
Insurance	26,114	307	307	1,457	28,185	12,426	1,536	42,147
Occupancy expenses	224,280	2,614	2,614	7,841	237,349	25,226	13,069	275,644
Office expenses	43,029	4,460	1,274	4,701	53,464	158,397	59,627	271,488
Other expenses	5,385	-	-	-	5,385	3,878	75	9,338
Professional fees	61,512	3,050	-	300	64,862	121,560	10,452	196,874
Student expenses	-	-	-	43,903	43,903	-	-	43,903
Supplies	106,318	4,771	1,671	6,379	119,139	10,375	2,272	131,786
Temporary personnel	35,460	-	-	-	35,460	2,219	-	37,679
Transportation	92,100	-	4,847	-	96,947	-	-	96,947
Trash removal	21,400	301	3,918	1,507	27,126	1,507	1,507	30,140
Travel	7,021	1,118	81	164	8,384	2,233	1,903	12,520
Total expenses	\$ 19,872,243	\$ 141,991	\$ 154,580	\$ 365,196	\$ 20,534,010	\$ 1,162,389	\$ 1,560,086	\$ 23,256,485

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



	Program Services					Management and General	Fundraising and Development	Total
	Food Distribution	Nutrition Education	Kids Café	Community Kitchen	Total Program Services			
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
Total salaries and related expenses	2,078,914	93,026	97,125	237,205	2,506,270	693,926	979,380	4,179,576
Advertising and promotion	2,110	-	-	625	2,735	5,838	83,200	91,773
Assistance to others	271,044	-	-	-	271,044	-	-	271,044
Conferences, staff training, and meals	15,963	131	-	72	16,166	10,779	6,439	33,384
Depreciation	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	10,880,624	-	-	-	10,880,624	-	-	10,880,624
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
Total expenses	\$ 16,405,262	\$ 132,034	\$ 141,261	\$ 390,729	\$ 17,069,286	\$ 976,893	\$ 1,604,356	\$ 19,650,535

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019



	2020	2019
Cash Flows from Operating Activities:		
Cash received from:		
Contributions	\$ 12,755,121	\$ 7,214,025
Grants and contracts	848,026	193,547
Cooperative buying program	367,249	664,168
Shared maintenance	140,450	131,574
Special events, net of expenses	91,221	322,808
Interest and dividends	112,497	100,117
Other income	183,011	12,152
Total receipts	14,497,575	8,638,391
Cash paid for:		
Salaries and related expenses	(4,602,717)	(4,144,025)
Food expenditures	(2,531,959)	(2,234,779)
Occupancy expenses	(275,644)	(249,679)
Assistance to others	(142,578)	(271,044)
Direct mail	(397,815)	(348,904)
Professional fees	(196,874)	(211,979)
Other expense	(1,003,085)	(962,495)
Total expenditures	(9,150,672)	(8,422,905)
Net cash provided by operating activities	5,346,903	215,486
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	3,000	-
Purchase of property and equipment	(294,869)	(310,696)
Proceeds from sale of investments	1,839,326	1,108,289
Purchase of investments	(1,583,707)	(917,943)
Net cash used by investing activities	(36,250)	(120,350)
Net Increase in Cash and Cash Equivalents	5,310,653	95,136
Cash and Cash Equivalents, beginning of year	1,885,611	1,790,475
Cash and Cash Equivalents, end of year	\$ 7,196,264	\$ 1,885,611

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020 and 2019

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 June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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. Effective July 1, 2019, the Food Bank adopted ASU 2018-08. The adoption of ASU 2018-08 did not have a significant effect on the Food Bank's financial statements.

Effective July 1, 2019, the Food Bank adopted ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The standard provides guidance on the classification of certain transactions in the statement of cash flows. The adoption did not have a significant effect on the Food Bank's financial statements.

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.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020 and 2019

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 consist 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.

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 accompanying statements 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, 2020 and 2019, the Food Bank had an allowance for doubtful accounts of approximately \$2,000 and \$1,500, respectively.

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.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020 and 2019

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 statements 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
Year Ended June 30, 2020 and 2019

The Food Bank reports its 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 statements of activities. 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.

Interest and dividends on investments are reported as part of investment return. 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, net of discounts, 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
Year Ended June 30, 2020 and 2019

Shared Maintenance - Shared maintenance revenue is recognized, net of discounts, 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, 2020 and 2019, 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
Year Ended June 30, 2020 and 2019

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, 2021.

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, 2023, with early adoption permitted.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets other than contributed services. The standard will be effective for the Food Bank's year ending June 30, 2023, with early adoption permitted.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020 and 2019

Reclassification

Certain 2019 balances were reclassified to conform to the 2020 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through October 28, 2020, which the date these financial statements were available to be issued.

3. Program Service Accomplishments (Unaudited)

During the first nine months of 2020, the Food Bank distributed approximately one million pounds of food per month to feed 53,000 people seeking assistance. Then in March 2020, the coronavirus pandemic ruptured the Rhode Island economy. The shuttering of businesses caused the unemployment rate to skyrocket from 3.4% in February 2020 to 17% in April 2020. Consequently, the demand for food assistance increased dramatically. In April 2020, the number of people served by the Food Bank grew to 67,000.

In response to the crisis, the Food Bank mobilized rapidly to keep food on the table for seniors, children and families across the community. The Food Bank increased the volume of the food distributed and provided more frequent deliveries to food pantries. During the four month period, March to June 2020, the Food Bank distributed 45% more food than in the same time period during 2019.

The Food Bank's ability to distribute more food was due to their partnership with the Federal Emergency Management Agency (FEMA). By coordinating with emergency management on a federal, state, and local level, the Food Bank was able to distribute 180,000 Meals, Ready to Eat (MREs). Many of these meals were distributed through emergency distribution sites aimed at reaching underserved populations, such as undocumented individuals, homebound senior adults, and newly unemployed families with children. The Food Bank also received and distributed more than 20,000 FEMA family boxes, consisting of non-perishable food items with approximately ten meals per box.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020 and 2019

The pandemic shuttered schools in March for the remainder of the school year. This left many children at risk of hunger. While school districts developed “grab and go” meal sites, less than 20% of the children that normally receive free or reduced-price school meals participated. To ensure that children were protected from hunger, the Food Bank distributed over 20,000 Meals4Kids boxes to families with children.

It is important to note that the Food Bank’s statewide network of 168 member agencies faced many challenges due to the pandemic. Some agencies closed at the beginning of the crisis to keep elderly staff and volunteers safe from the coronavirus. To fill in the gap, other agencies ramped up efforts, distributing food to double and triple the number of people normally served. Distribution methods also changed from allowing clients to select food items off shelves to supplying them with pre-packed bags and boxes. To assist the Food Bank’s agencies financially during the crisis, the Food Bank began to eliminate shared maintenance and cooperative buying program fees in March 2020 and for the remainder of 2020.

In response to the crisis, the Food Bank received many generous donations of funds from individuals, corporations, foundations, and Feeding America. These funds enabled the Food Bank to increase food purchases to help meet the increased need as a result of the pandemic.

The pandemic also affected Food Bank programs. The Food Bank suspended the Healthy Habits, Kids Cafe, and Community Kitchen programs. All program outcomes listed below are for the first nine-months of 2020. Both Healthy Habits and Kids Cafe programming will re-start in 2021. Because of the decimated restaurant industry, the Community Kitchen culinary job training program will remain closed through 2021.

Food Distribution - The Food Bank distributed 13,810,334 pounds of food to its member agencies during the year ended June 30, 2020. This includes donated food from the food industry and community food drives; perishable food rescue; fresh produce donated by growers; The United States Department of Agriculture (USDA) nutrition programs; FEMA meals; and food purchases.

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

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Community Kitchen (from 07/01/2019 to 02/29/2020) - 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 our Providence and East Providence Kids Cafe locations. During 2020, the Food Bank enrolled three classes (Classes 71-73) and completed two classes prior to the coronavirus crisis (Classes 71-72). Statistics for the two completed classes include an 87% graduation rate and 62% secured employment after graduating.

Kids Café (from 07/01/2019 to 02/29/2020) - Kids Cafe serves wholesome evening meals to children at risk of hunger, supplementing school nutrition programs. In 2020, the Food Bank operated two Kids Cafe sites, serving an average 154 children a day. Sites were located at the East Providence Boys & Girls Club and the Pawtucket YMCA (the YMCA began serving meals in December 2019). A total of 15,224 meals were provided to the two sites.

Healthy Habits (from 07/01/2019 to 02/29/2020) - 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. Last year, 1,630 people participated in the program.

Commodity Supplemental Food Program - The Commodity Supplemental Food Program is a federal program that provides a box of USDA commodities to 1,660 low-income 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 (from 07/01/2019 to 02/29/2020) - The Food Bank supports school-based programs located throughout the state, serving 7,064 young people and their families each month during the school year. During fiscal year 2020, these programs distributed over 115,000 pounds of healthy, nutritious food and snacks. Most of these programs were closed during the health crisis, but some remained open to ensure at-risk children had access to food.

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Volunteers (from 07/01/2019 to 02/29/2020) - Volunteers are a critical component in the Food Bank’s sorting and salvage operation. In 2020, approximately 1,398 volunteers (330 individual volunteers and 106 groups with an average of 10 people per group) contributed over 13,330 hours of service to the Food Bank. Volunteers also provided help with transportation, fundraising, and administration.

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, 2020:

Financial assets:	
Cash and cash equivalents	\$ 7,196,264
Accounts and grants receivable	531,661
Financial assets, end of year	7,727,925
Less those unavailable for general expenditure within one year due to:	
Time and purpose restrictions	1,125,853
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,602,072

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 accompanying statements of financial position. In addition, the Board, at its discretion, could expend the board designated funds reserved for contingencies of \$4,958,827 (Note 8) in the event of an emergency.

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5. Investments

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

	2020	2019
Money market funds	\$ 145,390	\$ 187,210
Corporate bonds	213,300	436,368
Equity securities:		
Consumer	78,252	77,004
Consumer staples	53,347	56,234
Energy	22,514	39,159
Financial	80,955	94,325
Healthcare	110,093	103,976
Industrial	67,461	77,589
Information technology	248,875	166,478
Materials	14,341	16,741
Real estate	17,330	13,698
Telecommunications	84,182	83,487
Utilities	19,050	20,629
Total equity securities	796,400	749,320
Mutual funds:		
Domestic fixed income	1,765,896	1,397,445
Domestic equity	1,325,261	1,310,956
International equity	649,949	836,112
Other	62,631	78,593
Total mutual funds	3,803,737	3,623,106
Total investments	\$ 4,958,827	\$ 4,996,004

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

	2020	2019
Interest and dividend income	\$ 135,445	\$ 122,949
Net gain on investments	38,032	139,961
Fees	(22,948)	(22,832)
Investment return, net	\$ 150,529	\$ 240,078

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6. Property and Equipment

Property and equipment consisted of the following:

	2020	2019
Land	\$ 308,000	\$ 308,000
Building	2,492,000	2,492,000
Building improvements	5,478,235	5,478,035
Motor vehicles	704,738	704,738
Equipment	1,267,951	1,098,902
Furniture and fixtures	183,298	104,145
	10,434,222	10,185,820
Less: accumulated depreciation	(4,459,788)	(4,129,544)
	\$ 5,974,434	\$ 6,056,276

During the year ended June 30, 2020, the Food Bank disposed of property and equipment with a net book value of \$4,630. Proceeds from disposal were \$3,000, resulting in a net loss of \$1,630, which is included in other income on the accompanying statements of activities.

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 has a revolving line of credit with a local bank providing for maximum borrowings up to \$1,000,000. The line of credit is due on demand with interest payable at the LIBOR rate (0.16% and 2.40% at June 30, 2020 and 2019, respectively) plus 1.50%. The line is secured by the investment portfolio balance. No amount was outstanding under the line of credit at June 30, 2020 and 2019.

In addition, the line of credit agreement contains various covenants and restrictions. At year-end, management believes the Food Bank was in compliance with their covenants.

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8. Net Assets

A summary of net assets is as follows:

	2020	2019
Net Assets Without Donor Restrictions		
Undesignated	\$ 7,301,516	\$ 2,008,585
Invested in property and equipment	5,974,434	6,056,276
Board designated for contingency reserve	4,958,827	4,996,004
Total net assets without donor restrictions	18,234,777	13,060,865
Net Assets With Donor Restrictions		
Food inventory	794,397	688,856
Restricted due to time	170,505	115,500
Healthy Habits	55,500	-
Healthy Kid Boxes	35,904	65,365
Kids Café	27,500	-
Community Kitchen	19,348	63,891
Capital improvements	10,500	42,517
Hunger study	-	25,500
Other miscellaneous	12,199	9,039
Total net assets with donor restrictions	1,125,853	1,010,668
Total net assets	\$ 19,360,630	\$ 14,071,533

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.

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

	2020	2019
Vehicles	\$ 21,344	\$ 35,714
Donated stock	180,410	121,855
Donated property and equipment	2,995	-
In-kind Contributions	\$ 204,749	\$ 157,569

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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, 2020 and 2019 was approximately \$78,700 and \$68,900, respectively. The 403(b) plan is entirely funded by employee contributions.

11. Commitments and Contingencies

Operating Leases

The Food Bank leases various office equipment under operating leases with monthly payments ranging from \$147 to \$450, expiring through February 2023.

For the years ended June 30, 2020 and 2019, lease expense was approximately \$12,800 and \$11,000, respectively.

Approximate future payments are as follows:

<u>Year Ending</u>	
June 30, 2021	\$ 10,600
June 30, 2022	10,600
June 30, 2023	<u>4,800</u>
Total	<u>\$ 26,000</u>

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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

In August 2019, 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. For the year ending June 30, 2020, the Food Bank received \$165,000 in rental income, which is included in other income on the accompanying statements of activities.

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

<u>Year Ending</u>	
June 30, 2021	\$ 180,000
June 30, 2022	180,000
June 30, 2023	180,000
June 30, 2024	180,000
June 30, 2025	<u>15,000</u>
Total	<u><u>\$ 735,000</u></u>

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, 2020 and 2019, the Food Bank paid approximately \$7,400 and \$9,900, respectively, in membership dues.

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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, accounts and grants receivable and investments.

The Food Bank maintains its cash in three financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. The Food Bank had balances in excess of federally insured limits. Cash balances in excess of \$250,000 are generally uninsured.

At June 30, 2020, 69% of the accounts and grants receivable balance was due from three donors. At June 30, 2019, 68% of the accounts and grants receivable balance was due from two donors. At year end, management believes the credit risk associated with its accounts receivables is minimal and that the allowances established is adequate.

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, 2020 and 2019, the Food Bank received approximately \$13,784,000 and \$11,277,000, respectively, of donated food. Donated food distributions for the years ended June 30, 2020 and 2019 totaled approximately \$13,679,000 and \$10,881,000, respectively.

For the year ended June 30, 2019, the Food Bank had property and equipment purchases included in accounts payable at year-end of \$70,475.