

**RHODE ISLAND COMMUNITY
FOOD BANK ASSOCIATION**

**YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE FINANCIAL
INFORMATION FOR THE
YEAR ENDED JUNE 30, 2015)**



RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

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Independent Auditors' Report

Board of Directors
Rhode Island Community Food Bank Association
Cranston, Rhode Island

We have audited the accompanying financial statements of Rhode Island Community Food Bank Association (the Food Bank), which comprise the statement of financial position as of June 30, 2016, the related statements of activities and changes in net assets, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A Limited Liability Partnership

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Independent Auditors' Report (Continued)

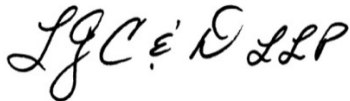
Board of Directors
Rhode Island Community Food Bank Association

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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Food Bank's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "LGC & D LLP". The letters are cursive and somewhat stylized.

Providence, Rhode Island
September 28, 2016

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016				2015
	Operations		Plant	Total	Total
	Unrestricted	Restricted			
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,180,494	\$ 171,195	\$ 20,998	\$ 1,372,687	\$ 1,328,293
Promises to give					1,000
Accounts receivable	154,220	52,750		206,970	177,802
Food inventory	321,662	201,603		523,265	746,688
Investments	833,129			833,129	835,259
Prepaid expenses	81,964			81,964	99,888
Total current assets	2,571,469	425,548	20,998	3,018,015	3,188,930
Property and equipment, net			6,432,600	6,432,600	6,515,617
Investments, less current portion	3,624,005		1,588	3,625,593	3,625,959
Total assets	\$ 6,195,474	\$ 425,548	\$ 6,455,186	\$ 13,076,208	\$ 13,330,506
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 19,029			\$ 19,029	\$ 44,279
Accrued expenses	372,494			372,494	267,558
Other current liability			\$ 5,789	5,789	10,397
Inventory held for Department of Human Services		\$ 1,995		1,995	78,400
Total current liabilities	391,523	1,995	5,789	399,307	400,634
Long-term liability					6,749
Total liabilities	391,523	1,995	5,789	399,307	407,383
Net assets:					
Unrestricted:					
Undesignated	2,179,946		16,797	2,196,743	2,262,452
Board-designated:					
Contingency reserve	3,624,005			3,624,005	3,624,371
Property and equipment			6,432,600	6,432,600	6,515,617
Total unrestricted net assets	5,803,951		6,449,397	12,253,348	12,402,440
Temporarily restricted		423,553		423,553	520,683
Total net assets	5,803,951	423,553	6,449,397	12,676,901	12,923,123
Total liabilities and net assets	\$ 6,195,474	\$ 425,548	\$ 6,455,186	\$ 13,076,208	\$ 13,330,506

See notes to financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016			2015
	Operations		Plant	Total
	Unrestricted	Restricted		
Changes in unrestricted net assets:				
Public support and revenue:				
Annual campaign/memberships	\$ 4,820,997			\$ 4,820,997
Shared maintenance	329,122			329,122
Cooperative buying program	711,865			711,865
Special events revenue, net of event expenses (2016, \$35,271; 2015, \$53,343)	149,350			149,350
Government grants and contracts	198,403			198,403
In-kind contributions	42,250			42,250
Promotion sales	342			342
Net investment income (loss)	(14,142)			(14,142)
Other	12,041		\$ 4,601	16,642
Total unrestricted public support and revenue	6,250,228		4,601	6,254,829
Net assets released from restrictions	9,221,627		131,082	9,352,709
Total unrestricted public support and revenue, and other support	15,471,855		135,683	15,607,538
Expenses:				
Program services:				
Food distribution and related services	13,361,165		311,157	13,672,322
Supporting services:				
Management and general	821,722		17,268	838,990
Fundraising and development	1,228,049		17,269	1,245,318
Total supporting services	2,049,771		34,537	2,084,308
Total expenses	15,410,936		345,694	15,756,630
Increase (decrease) in unrestricted net assets	60,919		(210,011)	(149,092)
Changes in temporarily restricted assets:				
Food contributions		\$ 7,370,623		7,370,623
Foundation grants		1,485,417	58,000	1,543,417
Government grants and contracts		341,539		341,539
Net assets released from restrictions		(9,221,627)	(131,082)	(9,352,709)
Decrease in temporarily restricted net assets		(24,048)	(73,082)	(97,130)
Increase (decrease) in net assets	60,919	(24,048)	(283,093)	(246,222)
Net assets, beginning of year	5,876,032	447,601	6,599,490	12,923,123
Transfers	(133,000)		133,000	-
Net assets, end of year	\$ 5,803,951	\$ 423,553	\$ 6,449,397	\$ 12,676,901

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Program services					Supporting services			2016	2015
	Food distribution	Nutrition education	Kids Café	Community Kitchen	Total program services	Management and general	Fundraising and development	Total supporting services	Total expenses	Total expenses
Salaries and related expenses:										
Salaries	\$ 1,335,705	\$ 102,366	\$ 83,120	\$ 181,664	\$ 1,702,855	\$ 447,663	\$ 543,417	\$ 991,080	\$ 2,693,935	\$ 2,531,994
Employees' health, retirement and fringe benefits	211,110	16,399	13,420	28,938	269,867	73,655	87,244	160,899	430,766	475,897
Payroll taxes	109,874	8,535	6,985	15,062	140,456	37,236	45,517	82,753	223,209	211,093
Total salaries and related expenses	1,656,689	127,300	103,525	225,664	2,113,178	558,554	676,178	1,234,732	3,347,910	3,218,984
Administrative and program expenses:										
Advertising and promotional	5,212	844		625	6,681	2,330	11,338	13,668	20,349	61,966
Agency shared maintenance credits	221,907				221,907				221,907	205,798
Bad debts						136		136	136	1,785
Bank and payroll services fees						58,277		58,277	58,277	54,688
Consultants	36,740	6,626	3,626	5,026	52,018	32,536	65,088	97,624	149,642	125,161
Direct mail							356,005	356,005	356,005	342,941
Dues and subscriptions	10,954			328	11,282	2,822	2,672	5,494	16,776	18,764
Equipment and maintenance	115,692	6,455	6,455	8,364	136,966	26,775	39,594	66,369	203,335	196,251
Food – donated food distributed	7,471,751				7,471,751				7,471,751	8,814,629
Food – commodity supplemental food program	145,476				145,476				145,476	
Food – cooperative buying program	686,710				686,710				686,710	605,058
Food – other food purchases	1,583,407	2,970	58,167	9,348	1,653,892				1,653,892	1,755,076
Freight and product processing	332,898				332,898				332,898	340,316
Grants to organizations	33,215				33,215				33,215	79,417
Insurance	27,078	319	319	956	28,672	10,075	1,593	11,668	40,340	44,456
Lobbying expenses, in-kind						25,000		25,000	25,000	25,000
Meetings, conferences and staff training	19,247	922		420	20,589	20,367	10,239	30,606	51,195	45,724
Mileage	8,252	1,970	521	944	11,687	297	1,200	1,497	13,184	12,359
Miscellaneous	843				843	3,236	103	3,339	4,182	10,125
Postage	2,189			852	3,041	3,540	19,230	22,770	25,811	27,598
Printing and publication	1,037	175	35		1,247	290	24,990	25,280	26,527	20,007
Professional fees						40,061		40,061	40,061	28,195
Site reimbursements										33,214
Student expenses				21,568	21,568				21,568	39,709
Supplies	89,089	7,517	4,164	9,439	110,209	9,345	9,345	18,690	128,899	91,676
Telephone	9,009	823	823	823	11,478	3,291	3,291	6,582	18,060	19,511
Temporary personnel	66,565				66,565	17,607		17,607	84,172	39,787
Transportation	79,570		4,188		83,758			83,758	83,758	102,252
Trash removal	19,879	280	3,640	1,400	25,199	1,400	1,400	2,800	27,999	21,884
Utilities	98,307	1,157	1,157	3,470	104,091	5,783	5,783	11,566	115,657	123,691
Volunteer expense	6,244				6,244				6,244	6,866
Total administrative and program expenses	11,071,271	30,058	83,095	63,563	11,247,987	263,168	551,871	815,039	12,063,026	13,293,904
Depreciation and interest expense	293,887	3,454	6,908	6,908	311,157	17,268	17,269	34,537	345,694	335,589
Total expenses	\$ 13,021,847	\$ 160,812	\$ 193,528	\$ 296,135	\$ 13,672,322	\$ 838,990	\$ 1,245,318	\$ 2,084,308	\$ 15,756,630	\$ 16,848,477

See notes to financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (246,222)	\$ 285,970
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	345,388	335,082
Net change in donated food inventory	99,597	199,766
Contribution restricted for purchase of property and equipment	(58,000)	(167,245)
Net (gain) loss on investments	75,925	(67,074)
Bad debt expense	136	1,785
Donated investment	(65,914)	
Changes in operating assets and liabilities:		
Promises to give	1,000	
Accounts receivable	(29,304)	34,415
Food inventory	123,826	76,347
Prepaid expenses	17,924	(6,933)
Accounts payable	(25,250)	(1,716)
Accrued expenses	104,936	(3,397)
Inventory held for Department of Human Services	(76,405)	(38,660)
Net cash provided by operating activities	<u>267,637</u>	<u>648,340</u>
Cash flows from investing activities:		
Proceeds from sale of investments	543,341	1,223,543
Purchases of investments	(550,856)	(1,580,259)
Purchases of property and equipment	(262,371)	(158,770)
Net cash used in investing activities	<u>(269,886)</u>	<u>(515,486)</u>
Cash flows from financing activities:		
Capital lease payments	(11,357)	(6,492)
Contribution restricted for purchase of property and equipment	58,000	167,245
Net cash provided by financing activities	<u>46,643</u>	<u>160,753</u>
Net increase in cash and cash equivalents	44,394	293,607
Cash and cash equivalents, beginning of year	<u>1,328,293</u>	<u>1,034,686</u>
Cash and cash equivalents, end of year	<u>\$ 1,372,687</u>	<u>\$ 1,328,293</u>

Supplemental disclosure, noncash transaction:

During the years ended June 30, 2016 and 2015, the Food Bank received approximately \$7,539,000 and \$8,615,000, respectively, of donated food. Donated food distributions for the years ended June 30, 2016 and 2015 totaled approximately \$7,617,000 and \$8,815,000, respectively.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

1. Description of organization and summary of significant accounting policies:

Description of organization:

The Rhode Island Community Food Bank Association (the Food Bank) is a not-for-profit entity organized under the general laws of the State of Rhode Island (State). 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.

Basis of financial statement presentation:

The Food Bank's net assets and activities that increase or decrease net assets are classified as either unrestricted, temporarily restricted or permanently restricted:

Unrestricted net assets are those without any donor-imposed restrictions as to their use and are available for the general operations of the Food Bank. The Board of Directors (Board) has designated certain unrestricted 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. In addition, net assets have been designated for the purchase of property and equipment.

Temporarily restricted net assets are those whose use by the Food Bank has been limited by donors to a specific time period or purpose. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets have been restricted by donors to be maintained by the Food Bank in perpetuity. The Food Bank had no permanently restricted net assets during the years ended June 30, 2016 and 2015.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

1. Description of organization and summary of significant accounting policies (continued):

Basis of financial statement presentation (continued):

In addition, the activities of the Food Bank are reported in self-balancing fund groups as follows:

Operations fund represents funds which are available for support of the Food Bank's programs and day-to-day activities.

Plant fund represents funds expended on property and equipment as well as resources designated for future property and equipment acquisitions.

Recent accounting pronouncements:

Revenue recognition:

Effective for the year ending June 30, 2020, the Food Bank will adopt the provisions of ASU 2014-09, "Revenue from Contracts with Customers," which will replace the current revenue recognition guidance pertaining to contracts with customers contained in accounting principles generally accepted in the United States of America. The effect of adopting ASU 2014-09 on the Food Bank's financial statements has not yet been determined.

Financial statement presentation:

Effective for the year ending June 30, 2019, the Food Bank will be required to adopt the requirements of recent accounting guidance which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

1. Description of organization and summary of significant accounting policies (continued):

Summarized financial information:

The accompanying financial statements include prior year summarized comparative information for 2015 expenses. Such information does not include sufficient detail to constitute a presentation of functional expenses in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Contributions and net assets released from restrictions:

The Food Bank records contribution revenue in the fiscal year in which the contribution is made. 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.

Contributions of cash, including collections of any unconditional promises to give, and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated asset.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported as such assets are depreciated.

Shared maintenance revenue:

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, 2016 and 2015 were \$0.10 and \$0.18 per pound of product for emergency and non-emergency providers, respectively.

Foundation grant revenue:

Foundation grant revenue is recognized when program expenditures are incurred or services are provided within programs guidelines. Grants are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which might arise as result of these audits is not considered by the Food Bank to be material.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

1. Description of organization and summary of significant accounting policies (continued):

Fair value measurements:

Accounting guidance pertaining to fair value measurements provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition, excluding cash invested in certain money market accounts, which are classified as “investments” for financial statement presentation purposes. Cash equivalents, which totaled \$1,408,924 and \$1,400,345 at June 30, 2016 and 2015, respectively, are not insured by the Federal Deposit Insurance Corporation.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. At June 30, 2016 and 2015, accounts receivable are reported net of 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 held for the Department of Human Services; a corresponding liability is reported in connection with this arrangement.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

1. Description of organization and summary of significant accounting policies (continued):

Food inventory (continued):

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 members 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 market.

Property and equipment:

Property and equipment is stated at cost, except for donated equipment which is capitalized at its fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

The Food Bank evaluates long-lived assets held and used by the Food Bank for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of an impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Food Bank did not record any impairment losses during the years ended June 30, 2016 or 2015.

Investments:

Investments, all of which are classified as "available for sale," are stated at fair value determined using Level 1 inputs. Investments sold are identified using the specific identification method.

The Food Bank invests in a professionally managed portfolio. Such investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

1. Description of organization and summary of significant accounting policies (continued):

Contributed services:

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. Donated materials are recorded at their fair value at the date of the gift.

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, as well as those noted above, are not reported as support and expenses in the statement of activities and changes in net assets since such services either do not require specialized skills or would not typically be purchased if not provided by donation.

During 2016 and 2015, 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 and changes in net assets at their estimated fair value of \$25,000.

Advertising:

Advertising costs are expensed as incurred.

Income taxes:

The Food Bank is an exempt organization under Section 501(c)3 of the Internal Revenue Code and is therefore not subject to income taxes.

Subsequent events:

The Food Bank has evaluated subsequent events through September 28, 2016, the date that the accompanying financial statements were available to be issued.

2. Program service accomplishments (unaudited):

During FY16, the unemployment rate in Rhode Island continued to decline, and there were many positive signs of an improving economy. This, however, masked the reality for many working poor families. Although more people are working, many continue to work in low-wage or part-time jobs, and still struggle to make ends meet each month. Our member agencies served over 59,000 people each month, with no relief in sight. With a high number of individuals and families needing food assistance across the state, our goal was to maintain distribution at 9.5-10 million pounds to provide some assistance to all those in need.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

2. Program service accomplishments (unaudited) (continued):

Program Accomplishments

During FY16, both acquisition and distribution were less than anticipated. We acquired 9,114,407 pounds of food. This was mainly due to an unexpected decline of 821,000 pounds in local donations/salvage from supermarkets and retail. While we made up for some of the loss by distributing surplus food remaining after FY15 and increasing our food purchasing, distribution fell short of our goal of 9.5-10 million pounds. Statewide, 9.2 million pounds was distributed.

Food sources for FY16 included:

36% purchased food (purchased and coop)

32% donated food from food companies, suppliers and community food drives

24% donated fresh produce from local and national growers

5% USDA

3% Commodity Supplemental Food Program (senior meal boxes)

Our new reality is increased food acquisition costs. During FY16, we continued to make up for the loss in donated food from the supermarket and food industry by acquiring over two million pounds of donated fresh produce from large, national and international growers (we pay the freight and a small processing fee to package the produce into useable quantities) and by purchasing over three million pounds of food from brokers, retailers and distributors. While these methods support our strategic goals of providing high quality, healthy food to our clients, they are more expensive than receiving donated food. As a result, we need to continue to raise additional funds to maintain our distribution and meet the continued high need.

The Food Bank is committed to distributing nutritious foods that individuals and families can use to make meals, such as fresh, frozen and canned fruits and vegetables, dairy, grains, and protein. In FY 16, 89% of all the food that was distributed was core, healthy food, exceeding our goal of 87%.

Direct Service Programs

Community Kitchen job training program- a full-time, 14-week culinary job training program that provides low-income adults with the culinary and life skills necessary to obtain and sustain entry-level, upwardly mobile food service industry jobs. As part of their training, students prepared approximately 375 nutritious meals weekly for distribution to our Providence and East Providence Kids Cafe locations. During FY16, the Food Bank conducted three classes (Classes 58-60) enrolling 39 students and graduating 30 students. In FY2016, we achieved a 77% retention rate to graduation, 83% of new graduates have secured employment to date and 93% received their ServSafe certificate.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

2. Program service accomplishments (unaudited) (continued):

Kids Cafe – serves wholesome evening meals to children at risk of hunger, supplementing school nutrition programs. In Fiscal Year 2016, the Food Bank operated three Kids Cafe sites, serving nearly 23,000 meals throughout the year to an average of 180 children a day (4 days a week). Sites were located at the East Providence Boys & Girls Club, West End Community Center in Providence and the Boys & Girls Club of Cumberland/Lincoln.

Community Cooking: Wholesome Eating on a Budget – Community Cooking is a nutrition education program for clients of member agencies. The Food Bank offers eight-week classes and one-time workshops featuring live cooking demonstrations and practical advice on how to shop, cook and eat with good health in mind, even with a limited budget. In FY16, Food Bank staff provided 152 direct outreach models to 2,987 participants, which included:

Program Type	Number Conducted	Number of Participants
8-week Workshops, Older Adult Workshops and Mission Nutrition for Kids	6	73
One-Time Lesson Plans	46	808
Quick-Pick Demonstrations	85	1,979
Train-the-Trainer Workshops	8	76
Agency Trainings	7	51
	152	2,987

Commodity Supplemental Food Program

Through this federal program, newly available in Rhode Island through the Division of Elderly Affairs, up to 2,000 low-income seniors are eligible to receive a box of USDA commodity food 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. During FY16, the Food Bank enrolled approximately 1,689 seniors in the program and we continue to work toward enrolling our full caseload of 2,000 a month.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

2. Program service accomplishments (unaudited) (continued):

School Pantries

The Food Bank supported eleven food pantries located throughout the state at local schools, including the Rhode Island School for the Deaf; Newport Community School; Rhode Island Back to School Celebration, Providence; Rhode Island Back to School Celebration, Pawtucket; Education in Action; Thornton Elementary School; Learning Community Charter School; Segue Institute for Learning; Sheila C. Skip Nowell Leadership Academy, Providence; Sheila C. Skip Nowell Leadership Academy, Central Falls; and Pawtucket Backpackers. The sites served an average of 700 children, providing access to nearly 91,000 pounds of healthy, nutritious food and snacks that students can eat at school or at home. School-based pantries are located on the grounds of the school to provide an easily accessible source of food assistance to low-income students and their families.

Volunteers

Volunteers are a critical component in meeting the labor requirements of the Food Bank's sorting and salvage operation. In FY16, approximately 950 volunteers (150 individual volunteers and 80 groups) contributed over 14,000 hours of service to the Food Bank. Volunteers also provided help with transportation, fundraising and administrative support.

Advocacy, Education and Outreach

The Food Bank provides leadership and expertise on local and national initiatives that lift low-income populations out of poverty, while educating the public and building awareness about the problem of hunger in the state and the potential solutions. Highlights during FY16 included:

- Status Report on Hunger: In November 2015, the Food Bank released its annual *Status Report on Hunger*, which compiles information documenting the extent of hunger and food insecurity in the state and highlights the Food Bank's efforts to advance solutions to the problem of hunger.
- Earned Income Tax Credit: In FY16, the Food Bank once again partnered with the Economic Progress Institute and other agencies to conduct a postcard campaign to state legislators to advocate for an increase in the state's Earned Income Tax Credit with a goal of increasing the credit to 20% of the federal tax credit. The Earned Income Tax Credit provides tax relief to the working poor and supports struggling working families. Over the past two years, due in part to these advocacy efforts, the EITC was raised from 10% to 15%.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

3. Investments:

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Certificate of deposit	\$ 1,588	\$ 1,588
Money market funds	<u>881,519</u>	<u>893,194</u>
Corporate and foreign bonds, rated:		
A+	27,229	54,930
A	264,032	340,952
A-	158,703	27,808
AA	29,005	80,379
AA-	53,007	27,915
BBB+	78,514	106,072
BBB	105,369	106,105
BBB-	<u>26,061</u>	<u>-</u>
	<u>741,920</u>	<u>744,161</u>
Equity securities:		
Consumer	160,788	186,200
Consumer staples	135,432	129,060
Energy	96,131	124,886
Financial	172,861	176,304
Health care	165,224	230,487
Industrial	116,658	115,962
Information	245,407	228,157
Materials	39,234	55,680
Telecommunication	29,871	28,294
Utilities	<u>33,534</u>	<u>37,151</u>
	<u>1,195,140</u>	<u>1,312,181</u>

(continued)

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

3. Investments (continued):

Carried forward:	<u>2016</u>	<u>2015</u>
Mutual funds:		
Domestic fixed income	\$ 277,968	\$ 203,347
International fixed income	83,053	97,712
Domestic equity	528,299	512,841
International equity	555,821	501,278
Other	<u>193,414</u>	<u>194,916</u>
	<u>1,638,555</u>	<u>1,510,094</u>
	<u>\$ 4,458,722</u>	<u>\$ 4,461,218</u>

Net investment income (loss) is comprised of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 86,644	\$ 85,671
Net gain (loss) on investments	(75,925)	67,074
Fees	<u>(24,861)</u>	<u>(24,438)</u>
	<u>\$ (14,142)</u>	<u>\$ 128,307</u>

4. Property and equipment:

	<u>2016</u>	<u>2015</u>
Land	\$ 308,000	\$ 308,000
Building	2,492,000	2,492,000
Building improvements	5,168,283	5,128,455
Motor vehicles	659,467	603,759
Equipment	1,055,349	923,327
Furniture and fixtures	<u>111,116</u>	<u>84,572</u>
	9,794,215	9,540,113
Less accumulated depreciation	<u>3,361,615</u>	<u>3,024,496</u>
	<u>\$ 6,432,600</u>	<u>\$ 6,515,617</u>

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

5. Temporarily restricted net assets:

Temporarily restricted net assets are restricted for the following purposes:

	2016		
	<u>Operations</u>	<u>Plant</u>	<u>Total</u>
Community Kitchen	\$ 55,000	\$ -	\$ 55,000
Food Acquisition/Distribution	87,750		87,750
Inventory	199,607		199,607
Healthy Kid Boxes	73,398		73,398
Produce Pilot	5,000		5,000
RI Community Farm	2,798		2,798
	<u>\$ 423,553</u>	<u>\$ -</u>	<u>\$ 423,553</u>
	2015		
	<u>Operations</u>	<u>Plant</u>	<u>Total</u>
Restricted for major capital improvements and fixed asset acquisition	\$ -	\$ 73,082	\$ 73,082
Community Cooking	5,000		5,000
Community Kitchen	84,209		84,209
Community Outreach	18,750		18,750
Food Acquisition/Distribution	24,075		24,075
Inventory	299,204		299,204
Kids Café / Summer Feeding	6,580		6,580
RI Community Farm	6,062		6,062
School Pantry	3,721		3,721
	<u>\$ 447,601</u>	<u>\$ 73,082</u>	<u>\$ 520,683</u>

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

6. Line of credit:

The Food Bank has a line of credit facility providing for borrowings up to \$1,000,000 with interest payable monthly at the London InterBank Offered Rate (LIBOR), which changes on the first of every month, (0.468% at June 30, 2016) plus 1.75%. The line of credit is secured by the Food Bank's cash and investment portfolio. No amounts were outstanding under the line of credit at June 30, 2016 or 2015.

7. Accrued expenses:

	<u>2016</u>	<u>2015</u>
Payroll, including compensated absences	\$ 277,699	\$ 223,381
Payroll taxes and withholding	8,871	6,667
Pension	13,553	12,647
Deferred revenue	47,082	
Other	25,289	24,863
	<u>\$ 372,494</u>	<u>\$ 267,558</u>

8. Pension plan:

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. Pension plan expense relating to the 401(k) plan for the years ended June 30, 2016 and 2015 was approximately \$49,600 and \$50,900, respectively.

The 403(b) plan is entirely funded by employee contributions.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

9. 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, 2016 and 2015, the Food Bank paid approximately \$10,200 and \$10,700, respectively, in membership dues.