

**RHODE ISLAND COMMUNITY  
FOOD BANK ASSOCIATION  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE FINANCIAL  
INFORMATION FOR THE  
YEAR ENDED JUNE 30, 2016)**

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION  
FOR THE YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016)**

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## INDEPENDENT AUDITOR'S REPORT

To the 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, 2017, and 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

## 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, 2017, 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 Comparative Information

The comparative information as of and for the year ended June 30, 2016, has been derived from the Food Bank's 2016 financial statements. Those financial statements were audited by other auditors, whose report, dated September 28, 2016, expressed an unmodified opinion on those financial statements. We have not performed any audit procedures on the 2016 comparative information; accordingly, we do not express an opinion on such information.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island  
October 20, 2017

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**  
**(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017			2016	
	Operations		Plant	Total	Total
	Unrestricted	Restricted			
<b><u>ASSETS</u></b>					
Current assets:					
Cash and cash equivalents	\$ 1,095,817	\$ 136,536	\$ 49	\$ 1,232,402	\$ 1,372,687
Promises to give	1,000	-	-	1,000	-
Accounts receivable	116,832	42,500	2,000	161,332	206,970
Food inventory	311,436	239,189	-	550,625	523,265
Investments	833,408	-	-	833,408	833,129
Prepaid expenses	<u>110,631</u>	<u>-</u>	<u>-</u>	<u>110,631</u>	<u>81,964</u>
Total current assets	2,469,124	418,225	2,049	2,889,398	3,018,015
Property and equipment, net	-	-	6,324,858	6,324,858	6,432,600
Investments, less current portion	<u>4,043,605</u>	<u>-</u>	<u>1,589</u>	<u>4,045,194</u>	<u>3,625,593</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,512,729</u></b>	<b><u>\$ 418,225</u></b>	<b><u>\$ 6,328,496</u></b>	<b><u>\$ 13,259,450</u></b>	<b><u>\$ 13,076,208</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
Current liabilities:					
Accounts payable	\$ 27,871	\$ 1,729	\$ -	\$ 29,600	\$ 19,029
Accrued expenses	388,032	-	-	388,032	372,494
Other current liability	-	-	-	-	5,789
Inventory held for Department of Human Services	<u>-</u>	<u>5,211</u>	<u>-</u>	<u>5,211</u>	<u>1,995</u>
Total liabilities	<u>415,903</u>	<u>6,940</u>	<u>-</u>	<u>422,843</u>	<u>399,307</u>
Net assets:					
Unrestricted:					
Undesignated	2,053,221	-	3,638	2,056,859	2,196,743
Board-designated:					
Contingency reserve	4,043,605	-	-	4,043,605	3,624,005
Property and equipment	<u>-</u>	<u>-</u>	<u>6,324,858</u>	<u>6,324,858</u>	<u>6,432,600</u>
Total unrestricted net assets	6,096,826	-	6,328,496	12,425,322	12,253,348
Temporarily restricted	<u>-</u>	<u>411,285</u>	<u>-</u>	<u>411,285</u>	<u>423,553</u>
Total net assets	<u>6,096,826</u>	<u>411,285</u>	<u>6,328,496</u>	<u>12,836,607</u>	<u>12,676,901</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,512,729</u></b>	<b><u>\$ 418,225</u></b>	<b><u>\$ 6,328,496</u></b>	<b><u>\$ 13,259,450</u></b>	<b><u>\$ 13,076,208</u></b>

See accompanying notes to financial statements.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED**  
**JUNE 30, 2016)**

	2017				2016
	Operations		Plant	Total	Total
	Unrestricted	Restricted			
Changes in unrestricted net assets:					
Public support and revenue:					
Annual campaign/memberships	\$ 4,549,238	\$ -	\$ -	\$ 4,549,238	\$ 4,838,247
Shared maintenance	313,977	-	-	313,977	329,122
Cooperative buying program	610,179	-	-	610,179	711,865
Special events revenue, net of direct benefit to donors (2017, \$70,836; 2016, \$35,271)	267,737	-	-	267,737	149,350
Government grants and contracts	167,215	-	-	167,215	198,403
In-kind contributions	25,000	-	-	25,000	25,000
Promotion sales	2,773	-	-	2,773	342
Net investment income (loss)	419,739	-	-	419,739	(14,142)
Other	<u>18,064</u>	<u>-</u>	<u>(4,364)</u>	<u>13,700</u>	<u>16,642</u>
Total unrestricted public support and revenue	6,373,922	-	(4,364)	6,369,558	6,254,829
Net assets released from restrictions	<u>9,910,388</u>	<u>-</u>	<u>166,306</u>	<u>10,076,694</u>	<u>9,352,709</u>
Total unrestricted public support and revenue, and other support	<u>16,284,310</u>	<u>-</u>	<u>161,942</u>	<u>16,446,252</u>	<u>15,607,538</u>
Expenses:					
Program services:					
Food distribution and related services	<u>13,796,662</u>	<u>-</u>	<u>331,963</u>	<u>14,128,625</u>	<u>13,672,322</u>
Supporting services:					
Management and general	854,805	-	18,440	873,245	838,990
Fundraising and development	<u>1,253,968</u>	<u>-</u>	<u>18,440</u>	<u>1,272,408</u>	<u>1,245,318</u>
Total supporting services	<u>2,108,773</u>	<u>-</u>	<u>36,880</u>	<u>2,145,653</u>	<u>2,084,308</u>
Total expenses	<u>15,905,435</u>	<u>-</u>	<u>368,843</u>	<u>16,274,278</u>	<u>15,756,630</u>
Increase (decrease) in unrestricted net assets	<u>378,875</u>	<u>-</u>	<u>(206,901)</u>	<u>171,974</u>	<u>(149,092)</u>
Changes in temporarily restricted assets:					
Food contributions	-	7,828,993	-	7,828,993	7,370,623
Foundation grants	-	1,536,079	166,306	1,702,385	1,543,417
Government grants and contracts	-	533,048	-	533,048	341,539
Net assets released from restrictions	<u>-</u>	<u>(9,910,388)</u>	<u>(166,306)</u>	<u>(10,076,694)</u>	<u>(9,352,709)</u>
Decrease in temporarily restricted net assets	<u>-</u>	<u>(12,268)</u>	<u>-</u>	<u>(12,268)</u>	<u>(97,130)</u>
Changes in net assets	378,875	(12,268)	(206,901)	159,706	(246,222)
Net assets - beginning	5,803,951	423,553	6,449,397	12,676,901	12,923,123
Transfers	<u>(86,000)</u>	<u>-</u>	<u>86,000</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 6,096,826</u>	<u>\$ 411,285</u>	<u>\$ 6,328,496</u>	<u>\$ 12,836,607</u>	<u>\$ 12,676,901</u>

See accompanying notes to financial statements.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	Program services					Supporting services			2017	2016
	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	\$ 1,521,567	\$ 65,305	\$ 53,879	\$ 194,641	\$ 1,835,392	\$ 493,950	\$ 580,063	\$ 1,074,013	\$ 2,909,405	\$ 2,693,935
Employees' health, retirement and fringe benefits	247,666	10,703	8,938	31,541	298,848	81,887	95,965	177,852	476,700	430,766
Payroll taxes	122,362	5,288	4,416	15,583	147,649	40,456	47,413	87,869	235,518	223,209
Total salaries and related expenses	<u>1,891,595</u>	<u>81,296</u>	<u>67,233</u>	<u>241,765</u>	<u>2,281,889</u>	<u>616,293</u>	<u>723,441</u>	<u>1,339,734</u>	<u>3,621,623</u>	<u>3,347,910</u>
Administrative and program expenses:										
Advertising and promotional	4,712	-	-	-	4,712	4,226	37,232	41,458	46,170	20,349
Agency shared maintenance credits	190,897	-	-	-	190,897	-	-	-	190,897	221,907
Bad debts	-	-	-	-	-	223	-	223	223	136
Bank and payroll services fees	-	-	-	-	-	62,197	-	62,197	62,197	58,277
Consultants	56,281	3,737	3,737	5,737	69,492	25,735	26,707	52,442	121,934	149,642
Direct mail	-	-	-	-	-	-	360,193	360,193	360,193	356,005
Dues and subscriptions	11,235	-	-	274	11,509	3,531	2,930	6,461	17,970	16,776
Equipment and maintenance	112,712	6,460	6,460	8,217	133,849	21,278	34,195	55,473	189,322	203,335
Food – donated food distributed	7,794,962	-	-	-	7,794,962	-	-	-	7,794,962	7,471,751
Food – commodity supplemental food program	334,859	-	-	-	334,859	-	-	-	334,859	145,476
Food – cooperative buying program	610,891	-	-	-	610,891	-	-	-	610,891	686,710
Food – other food purchases	1,444,567	6,032	32,368	10,796	1,493,763	-	-	-	1,493,763	1,653,892
Freight and product processing	358,842	-	-	-	358,842	-	-	-	358,842	332,898
Grants to organizations	43,439	-	-	-	43,439	-	-	-	43,439	33,215
Insurance	29,811	351	351	1,052	31,565	9,801	1,754	11,555	43,120	40,340
Lobbying expenses, in-kind	-	-	-	-	-	25,000	-	25,000	25,000	25,000
Meetings, conferences and staff training	17,503	4,755	-	333	22,591	13,789	7,930	21,719	44,310	51,195
Mileage	7,878	863	158	524	9,423	168	1,132	1,300	10,723	13,184
Miscellaneous	2,379	-	-	-	2,379	3,456	-	3,456	5,835	4,182
Postage	4,227	-	-	715	4,942	3,597	20,417	24,014	28,956	25,811
Printing and publication	1,378	-	-	62	1,440	-	20,420	20,420	21,860	26,527
Professional fees	-	-	-	-	-	47,931	-	47,931	47,931	40,061
Student expenses	-	-	-	23,720	23,720	-	-	-	23,720	21,568
Supplies	93,550	4,596	2,882	7,156	108,184	7,014	7,014	14,028	122,212	128,899
Telephone	9,195	837	837	837	11,706	3,348	3,348	6,696	18,402	18,060
Temporary personnel	22,375	-	-	-	22,375	-	-	-	22,375	84,172
Transportation	87,766	-	4,620	-	92,386	-	-	-	92,386	83,758
Trash removal	20,648	291	3,781	1,454	26,174	1,454	1,454	2,908	29,082	27,999
Utilities	99,143	1,153	1,153	3,459	104,908	5,764	5,764	11,528	116,436	115,657
Volunteer expense	5,765	-	-	-	5,765	-	37	37	5,802	6,244
Total administrative and program expenses	<u>11,365,015</u>	<u>29,075</u>	<u>56,347</u>	<u>64,336</u>	<u>11,514,773</u>	<u>238,512</u>	<u>530,527</u>	<u>769,039</u>	<u>12,283,812</u>	<u>12,063,026</u>
Depreciation and interest expense	<u>313,523</u>	<u>3,688</u>	<u>7,376</u>	<u>7,376</u>	<u>331,963</u>	<u>18,440</u>	<u>18,440</u>	<u>36,880</u>	<u>368,843</u>	<u>345,694</u>
<b>TOTAL EXPENSES</b>	<u>\$ 13,570,133</u>	<u>\$ 114,059</u>	<u>\$ 130,956</u>	<u>\$ 313,477</u>	<u>\$ 14,128,625</u>	<u>\$ 873,245</u>	<u>\$ 1,272,408</u>	<u>\$ 2,145,653</u>	<u>\$ 16,274,278</u>	<u>\$ 15,756,630</u>

See accompanying notes to financial statements.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED**  
**JUNE 30, 2016)**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 159,706	\$ (246,222)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	368,800	345,388
Net change in donated food inventory	(34,370)	99,597
Contribution restricted for purchase of property and equipment	(166,306)	(58,000)
Net (gain) loss on investments	(352,167)	75,925
Bad debt expense	223	136
Donated investment	(96,454)	(65,914)
Changes in operating assets and liabilities:		
Promises to give	(1,000)	1,000
Accounts receivable	45,415	(29,304)
Food inventory	7,010	123,826
Prepaid expenses	(28,667)	17,924
Accounts payable	10,571	(25,250)
Accrued expenses	15,538	104,936
Inventory held for Department of Human Services	<u>3,216</u>	<u>(76,405)</u>
Net cash provided by (used in) operating activities	<u>(68,485)</u>	<u>267,637</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,587,212	543,341
Purchases of investments	(2,558,471)	(550,856)
Purchases of property and equipment	<u>(261,058)</u>	<u>(262,371)</u>
Net cash used in investing activities	<u>(232,317)</u>	<u>(269,886)</u>
Cash flows from financing activities:		
Capital lease payments	(5,789)	(11,357)
Contribution restricted for purchase of property and equipment	<u>166,306</u>	<u>58,000</u>
Net cash provided by financing activities	<u>160,517</u>	<u>46,643</u>
Net increase (decrease) in cash and cash equivalents	(140,285)	44,394
Cash and cash equivalents - beginning	<u>1,372,687</u>	<u>1,328,293</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 1,232,402</u></b>	<b><u>\$ 1,372,687</u></b>

Supplemental disclosure, noncash transaction:

During the years ended June 30, 2017 and 2016, the Food Bank received approximately \$8,164,000 and \$7,539,000, respectively, of donated food. Donated food distributions for the years ended June 30, 2017 and 2016, totaled approximately \$8,130,000 and \$7,617,000, respectively.

See accompanying notes to financial statements.



**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2016)**

**NOTE 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 (the "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 (the "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, 2017 or 2016.

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.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2016)**

**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently issued but not yet effective accounting pronouncements

*Revenue recognition*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America ("U.S. GAAP"), including industry-specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Food Bank is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

*Financial statement presentation*

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017. The effect of adopting ASU 2016-14 on the Food Bank's financial statements has not yet been determined.

*Presentation of restricted cash*

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows – Restricted Cash* ("ASU 2016-18"), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The update is effective for years beginning after December 15, 2018. The effect of adopting ASU 2016-18 on the Food Bank's financial statements has not yet been determined.

*Financial instruments*

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which changes the accounting for equity investments, and the presentation and disclosure for all financial instruments. The ASU is effective for years beginning after December 15, 2018. The effect of adopting ASU 2016-01 on the Food Bank's financial statements has not yet been determined.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2016)**

**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently issued but not yet effective accounting pronouncements (continued)

*Statement of cash flows*

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). The new standard provides guidance on the classification of certain transactions in the statement of cash flows. ASU 2016-15 is effective for years beginning after December 15, 2017. When adopted, the new guidance will be applied retrospectively. The Food Bank is currently evaluating the impact of its pending adoption of ASU 2016-15 on its financial statements.

Use of estimates

The preparation of financial statements in conformity with 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.

Summarized financial information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such summarized information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such summarized information should be read in conjunction with the Food Bank's financial statements for the year ended June 30, 2016, 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 assets.

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.

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2016)**

**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition

*Annual campaign/ memberships*

Annual campaign/membership revenue is recorded as received or unconditionally promised. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

*Foundation grant revenue*

Foundation grant revenue is recognized when program expenditures are incurred or services are provided within program 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 a result of these audits is not considered by the Food Bank to be material.

*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, 2017 and 2016, were \$0.10 and \$0.18 per pound of product for emergency and non-emergency providers, respectively.

*Cooperative buying program*

Revenue consists of fees charged to member agencies to offset the cost of food purchases. Food purchase expense is recorded in the accompanying statement of functional expenses.

Fair value measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

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**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash and cash equivalents

The Food Bank considers cash on hand, time and demand deposits and short-term investments with original maturities of three months or less to be cash and cash equivalents, excluding cash invested in certain money market accounts, which are classified as investments for financial statement presentation purposes. Cash equivalents, which totaled \$1,396,085 and \$1,408,924 at June 30, 2017 and 2016, 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, 2017 and 2016, 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 for the Commodity Supplemental Food Program ("CSFP"). The Food Bank values CSFP 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

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**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Services; a corresponding liability is reported in connection with this arrangement.

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. Cost is determined using the first-in, first-out method.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation, 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, which are as follows:

Building	30-40 years
Building improvements	5-40 years
Motor vehicles	7-10 years
Equipment	3-10 years
Furniture and fixtures	3-25 years

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, 2017 or 2016.

Investments

Investments are stated at fair value. 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.

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**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributed goods and 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 2017 and 2016, 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 qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As a not-for-profit entity, the Food Bank is subject to unrelated business income tax ("UBIT"), if applicable. In accordance with the FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*, the Food Bank applies the "more likely than not" threshold to the recognition and derecognition of tax positions for its financial statements. Management has evaluated the Food Bank's tax positions and has concluded that there were no uncertain tax positions that qualified for either recognition or disclosure in the accompanying financial statements.

Subsequent events

The Food Bank has evaluated subsequent events through October 20, 2017, the date that the accompanying financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

**NOTE 2. PROGRAM SERVICE ACCOMPLISHMENTS (UNAUDITED)**

Despite an improved economy, 11.8% of all Rhode Islanders (50,470 households) are food insecure ("USDA 2013-2015"); they do not have the resources to purchase adequate food. As a result, the Rhode Island Community Food Bank continues to experience a high need for food assistance across the state. Our member agencies are serving 59,000 people a month. More than half are children and senior adults, our most vulnerable populations.

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**NOTE 2. PROGRAM SERVICE ACCOMPLISHMENTS (UNAUDITED)**  
**(CONTINUED)**

As the economy improves, more people are working, but wages remain stagnant. Many working poor families are stuck in low-wage or part-time jobs, which do not enable them to make ends meet. At the same time, household expenses continue to skyrocket. More than two-thirds of our clients report regularly making the difficult choice between paying for food and paying for rent, utilities, medicine and transportation.

As the sole food bank in the State, the Rhode Island Community Food Bank continues to work tirelessly to meet the food assistance needs of Rhode Islanders.

Program accomplishments

*Food Distribution*

The Food Bank distributed 9,548,000 pounds of food to our statewide network of 160 member agencies during FY17. We are 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. This year, 89% of all the food that was distributed was core, healthy food, exceeding our goal of 88%.

*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 approximately 400 nutritious meals weekly for distribution to our Providence and East Providence Kids Cafe locations. During FY17, the Food Bank conducted three classes (Classes 61-63) enrolling 39 students and graduating 31 students. In FY17, we achieved a 79% retention rate to graduation, 61% of graduates have secured employment to date and 68% received their ServSafe certificate.

*Kids Cafe*

Kids Cafe serves wholesome evening meals to children at risk of hunger, supplementing school nutrition programs. In FY17, the Food Bank operated two Kids Cafe sites, serving over 13,000 meals throughout the year to an average of 106 children a day, 4 days a week. Sites were located at the East Providence Boys & Girls Club and the West End Community Center in Providence.



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**NOTE 2. PROGRAM SERVICE ACCOMPLISHMENTS (UNAUDITED)**  
**(CONTINUED)**

Program accomplishments (continued)

*Community Cooking*

Community Cooking is a nutrition education program for clients of member agencies. The Food Bank offers six-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 on a limited budget. Over 2,600 people participated in the program last year, which includes 208 children, 1,527 adults and 888 senior adults.

*Commodity Supplemental Food Program*

The Commodity Supplemental Food Program is a federal program for low-income seniors who 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 FY17, the Food Bank distributed approximately 1,542 boxes each month.

*Community Farms*

Community Farms grow fresh produce for hungry Rhode Islanders while preserving valuable land. During the 2016 growing season, community farms contributed more than 80,000 pounds of fresh produce.

*School Pantries*

The Food Bank supports thirteen school pantries located throughout the State, serving an average of 700 young people and their families each month—with highest participation being March 2017 when 1,437 unduplicated children were served. During FY17, school pantries distributed 114,551 pounds of healthy, nutritious food and snacks that students can eat at school or at home.

*Volunteers*

Volunteers are a critical component in meeting the labor requirements of the Food Bank's sorting and salvage operation. In FY17, approximately 1,063 volunteers (183 individual volunteers and 88 groups with an average of 10 per group) contributed over 16,512 hours of service to the Food Bank. Volunteers also provided help with transportation, fundraising and administrative support.

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**NOTE 3. INVESTMENTS**

The fair value of investments at June 30, 2017, consists of the following:

	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ <u>1,589</u>	\$ <u>1,589</u>	\$ <u>-</u>	\$ <u>-</u>
Money market funds	<u>864,708</u>	<u>864,708</u>	<u>-</u>	<u>-</u>
Corporate and foreign bonds, rated:				
A+	53,542	53,542	-	-
A	233,135	233,135	-	-
A-	180,805	180,805	-	-
AA+	52,014	52,014	-	-
AA-	26,843	26,843	-	-
BB+	26,313	26,313	-	-
BB-	24,860	24,860	-	-
BBB+	51,237	51,237	-	-
BBB	26,963	26,963	-	-
BBB-	<u>50,769</u>	<u>50,769</u>	<u>-</u>	<u>-</u>
	<u>726,481</u>	<u>726,481</u>	<u>-</u>	<u>-</u>
Equity securities:				
Consumer	98,208	98,208	-	-
Consumer staples	76,155	76,155	-	-
Energy	55,286	55,286	-	-
Financial	103,437	103,437	-	-
Health care	110,000	110,000	-	-
Industrial	87,781	87,781	-	-
Information	167,631	167,631	-	-
Materials	31,603	31,603	-	-
Real estate	2,202	2,202	-	-
Telecommunication	13,536	13,536	-	-
Utilities	<u>17,688</u>	<u>17,688</u>	<u>-</u>	<u>-</u>
	<u>763,527</u>	<u>763,527</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Domestic fixed income	560,509	560,509	-	-
International fixed income	30,045	30,045	-	-
Domestic equity	1,106,574	1,106,574	-	-
International equity	719,574	719,574	-	-
Other	<u>105,595</u>	<u>105,595</u>	<u>-</u>	<u>-</u>
	<u>2,522,297</u>	<u>2,522,297</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,878,602</u>	<u>\$ 4,878,602</u>	<u>\$ -</u>	<u>\$ -</u>

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**NOTE 3. INVESTMENTS (CONTINUED)**

The fair value of investments at June 30, 2016, consists of the following:

	Total fair value	Level 1	Level 2	Level 3
Certificate of deposit	\$ <u>1,588</u>	\$ <u>1,588</u>	\$ -	\$ -
Money market funds	<u>881,519</u>	<u>881,519</u>	-	-
Corporate and foreign bonds, rated:				
A+	27,229	27,229	-	-
A	264,032	264,032	-	-
A-	158,703	158,703	-	-
AA	29,005	29,005	-	-
AA-	53,007	53,007	-	-
BB+	-	-	-	-
BB-	-	-	-	-
BBB+	78,514	78,514	-	-
BBB	105,369	105,369	-	-
BBB-	<u>26,061</u>	<u>26,061</u>	-	-
	<u>741,920</u>	<u>741,920</u>	-	-
Equity securities:				
Consumer	160,788	160,788	-	-
Consumer staples	135,432	135,432	-	-
Energy	96,131	96,131	-	-
Financial	172,861	172,861	-	-
Health care	165,224	165,224	-	-
Industrial	116,658	116,658	-	-
Information	245,407	245,407	-	-
Materials	39,234	39,234	-	-
Real estate	-	-	-	-
Telecommunication	29,871	29,871	-	-
Utilities	<u>33,534</u>	<u>33,534</u>	-	-
	<u>1,195,140</u>	<u>1,195,140</u>	-	-
Mutual funds:				
Domestic fixed income	277,968	277,968	-	-
International fixed income	83,053	83,053	-	-
Domestic equity	528,299	528,299	-	-
International equity	555,821	555,821	-	-
Other	<u>193,414</u>	<u>193,414</u>	-	-
	<u>1,638,555</u>	<u>1,638,555</u>	-	-
	<u>\$ 4,458,722</u>	<u>\$ 4,458,722</u>	\$ -	\$ -

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**NOTE 3. INVESTMENTS (CONTINUED)**

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 93,368	\$ 86,644
Net gain (loss) on investments	352,167	(75,925)
Fees	<u>(25,796)</u>	<u>(24,861)</u>
	<u>\$ 419,739</u>	<u>\$ (14,142)</u>

**NOTE 4. PROPERTY AND EQUIPMENT**

	<u>2017</u>	<u>2016</u>
Land	\$ 308,000	\$ 308,000
Building	2,492,000	2,492,000
Building improvements	5,168,283	5,168,283
Motor vehicles	782,768	659,467
Equipment	1,131,249	1,055,349
Furniture and fixtures	<u>113,616</u>	<u>111,116</u>
	9,995,916	9,794,215
Less: accumulated depreciation	<u>(3,671,058)</u>	<u>(3,361,615)</u>
	<u>\$ 6,324,858</u>	<u>\$ 6,432,600</u>

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes:

	<u>2017</u>		
	<u>Operations</u>	<u>Plant</u>	<u>Total</u>
Community Kitchen	\$ 70,000	\$ -	\$ 70,000
Onleyville Food Center	23,041	-	23,041
Food Acquisition/Distribution	27,500	-	27,500
Inventory	233,978	-	233,978
Healthy Kid Boxes	47,638	-	47,638
RI Community Farm	<u>9,128</u>	<u>-</u>	<u>9,128</u>
	<u>\$ 411,285</u>	<u>\$ -</u>	<u>\$ 411,285</u>
	<u>2016</u>		
	<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	<u>2,798</u>	<u>-</u>	<u>2,798</u>
	<u>\$ 423,553</u>	<u>\$ -</u>	<u>\$ 423,553</u>

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**NOTE 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, (1.23% at June 30, 2017) 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, 2017 or 2016.

**NOTE 7. ACCRUED EXPENSES**

	<u>2017</u>	<u>2016</u>
Payroll, including compensated absences	\$ 296,271	\$ 277,699
Payroll taxes and withholding	11,377	8,871
Pension	13,995	13,553
Deferred revenue	40,500	47,082
Other	<u>25,889</u>	<u>25,289</u>
	<u>\$ 388,032</u>	<u>\$ 372,494</u>

**NOTE 8. PENSION 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. Pension plan expense relating to the 401(k) plan for the years ended June 30, 2017 and 2016, was approximately \$58,400 and \$49,600, respectively. The 403(b) plan is entirely funded by employee contributions.

**NOTE 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, 2017 and 2016, the Food Bank paid approximately \$10,000 and \$10,200 respectively, in membership dues.