

**RHODE ISLAND COMMUNITY
FOOD BANK ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL
INFORMATION FOR THE
YEAR ENDED JUNE 30, 2017)**

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rhode Island Community Food Bank Association
Providence, 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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2018, 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

We have previously audited the Food Bank's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
October 24, 2018

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2017)

	2018				2017
	Operations		Plant	Total	Total
	Unrestricted	Restricted			
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 298,301	\$ 474,487	\$ 38,397	\$ 811,185	\$ 1,232,402
Promises to give	-	-	-	-	1,000
Accounts receivable, net	100,091	93,000	-	193,091	161,332
Food inventory	365,971	377,547	-	743,518	550,625
Investments	979,290	-	-	979,290	833,408
Prepaid expenses	<u>100,153</u>	<u>-</u>	<u>-</u>	<u>100,153</u>	<u>110,631</u>
Total current assets	1,843,806	945,034	38,397	2,827,237	2,889,398
Property and equipment, net	-	-	6,042,543	6,042,543	6,324,858
Investments, less current portion	<u>4,915,398</u>	<u>-</u>	<u>-</u>	<u>4,915,398</u>	<u>4,045,194</u>
TOTAL ASSETS	<u>\$ 6,759,204</u>	<u>\$ 945,034</u>	<u>\$ 6,080,940</u>	<u>\$ 13,785,178</u>	<u>\$ 13,259,450</u>
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities, all current:					
Accounts payable	\$ 55,914	\$ 27,985	\$ -	\$ 83,899	\$ 29,600
Accrued expenses	386,956	-	-	386,956	388,032
Inventory held for Department of Human Services	<u>-</u>	<u>84,630</u>	<u>-</u>	<u>84,630</u>	<u>5,211</u>
Total liabilities	<u>442,870</u>	<u>112,615</u>	<u>-</u>	<u>555,485</u>	<u>422,843</u>
Net assets:					
Unrestricted:					
Undesignated	1,400,936	-	18,122	1,419,058	2,056,859
Board-designated:					
Contingency reserve	4,915,398	-	-	4,915,398	4,043,605
Property and equipment	<u>-</u>	<u>-</u>	<u>6,042,543</u>	<u>6,042,543</u>	<u>6,324,858</u>
Total unrestricted net assets	6,316,334	-	6,060,665	12,376,999	12,425,322
Temporarily restricted	<u>-</u>	<u>832,419</u>	<u>20,275</u>	<u>852,694</u>	<u>411,285</u>
Total net assets	<u>6,316,334</u>	<u>832,419</u>	<u>6,080,940</u>	<u>13,229,693</u>	<u>12,836,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,759,204</u>	<u>\$ 945,034</u>	<u>\$ 6,080,940</u>	<u>\$ 13,785,178</u>	<u>\$ 13,259,450</u>

See accompanying notes to financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED
JUNE 30, 2017)

	2018				2017
	Operations		Plant	Total	Total
	Unrestricted	Restricted			
Changes in unrestricted net assets:					
Public support and revenue:					
Contributions	\$ 4,886,452	\$ -	\$ -	\$ 4,886,452	\$ 4,549,238
Shared maintenance	319,365	-	-	319,365	313,977
Cooperative buying program	632,231	-	-	632,231	610,179
Special events revenue, net of direct benefit to donors (2018, \$67,639; 2017, \$70,836)	258,441	-	-	258,441	267,737
Government grants and contracts	127,290	-	-	127,290	167,215
In-kind contributions	25,000	-	-	25,000	25,000
Promotion sales	3,014	-	-	3,014	2,773
Net investment income	344,051	-	-	344,051	419,739
Other	<u>11,941</u>	<u>-</u>	<u>9,150</u>	<u>21,091</u>	<u>13,700</u>
Total unrestricted public support and revenue	6,607,785	-	9,150	6,616,935	6,369,558
Net assets released from restrictions	<u>11,946,544</u>	<u>-</u>	<u>73,725</u>	<u>12,020,269</u>	<u>10,076,694</u>
Total unrestricted public support and revenue, and other support	<u>18,554,329</u>	<u>-</u>	<u>82,875</u>	<u>18,637,204</u>	<u>16,446,252</u>
Expenses:					
Program services:					
Food distribution and related services	<u>16,057,014</u>	<u>-</u>	<u>337,674</u>	<u>16,394,688</u>	<u>14,128,625</u>
Supporting services:					
Management and general	921,877	-	18,760	940,637	873,245
Fundraising and development	<u>1,331,442</u>	<u>-</u>	<u>18,760</u>	<u>1,350,202</u>	<u>1,272,408</u>
Total supporting services	<u>2,253,319</u>	<u>-</u>	<u>37,520</u>	<u>2,290,839</u>	<u>2,145,653</u>
Total expenses	<u>18,310,333</u>	<u>-</u>	<u>375,194</u>	<u>18,685,527</u>	<u>16,274,278</u>
Increase (decrease) in unrestricted net assets	<u>243,996</u>	<u>-</u>	<u>(292,319)</u>	<u>(48,323)</u>	<u>171,974</u>
Changes in temporarily restricted assets:					
Food contributions	-	9,405,923	-	9,405,923	7,828,993
Grants	-	2,196,572	94,000	2,290,572	1,702,385
Special events revenue, net of direct benefit to donors (2018, \$65,924)	-	192,786	-	192,786	-
Government grants and contracts	-	572,397	-	572,397	533,048
Net assets released from restrictions	<u>-</u>	<u>(11,946,544)</u>	<u>(73,725)</u>	<u>(12,020,269)</u>	<u>(10,076,694)</u>
Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>421,134</u>	<u>20,275</u>	<u>441,409</u>	<u>(12,268)</u>
Change in net assets	243,996	421,134	(272,044)	393,086	159,706
Net assets - beginning	6,096,826	411,285	6,328,496	12,836,607	12,676,901
Transfers	<u>(24,488)</u>	<u>-</u>	<u>24,488</u>	<u>-</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ 6,316,334</u>	<u>\$ 832,419</u>	<u>\$ 6,080,940</u>	<u>\$ 13,229,693</u>	<u>\$ 12,836,607</u>

See accompanying notes to financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	Program services					Supporting services			2018	2017
	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	\$ 1,614,895	\$ 65,371	\$ 75,145	\$ 182,473	\$ 1,937,884	\$ 523,984	\$ 620,128	\$ 1,144,112	\$ 3,081,996	\$ 2,909,405
Employees' health, retirement and fringe benefits	292,842	11,855	13,628	33,088	351,413	95,018	112,451	207,469	558,882	476,700
Payroll taxes	128,652	5,208	5,986	14,537	154,383	41,744	49,403	91,147	245,530	235,518
Total salaries and related expenses	<u>2,036,389</u>	<u>82,434</u>	<u>94,759</u>	<u>230,098</u>	<u>2,443,680</u>	<u>660,746</u>	<u>781,982</u>	<u>1,442,728</u>	<u>3,886,408</u>	<u>3,621,623</u>
Administrative and program expenses:										
Advertising and promotional	1,095	-	-	625	1,720	3,511	32,568	36,079	37,799	46,170
Agency shared maintenance credits	140,104	-	-	-	140,104	-	-	-	140,104	190,897
Bad debts	-	-	-	-	-	-	-	-	-	223
Bank and payroll services fees	-	-	-	-	-	68,497	-	68,497	68,497	62,197
Consultants	59,908	8,652	3,922	3,922	76,404	33,232	45,513	78,745	155,149	121,934
Direct mail	-	-	-	-	-	-	334,037	334,037	334,037	360,193
Dues and subscriptions	23,179	207	-	220	23,606	8,320	10,372	18,692	42,298	17,970
Equipment and maintenance	109,997	3,479	3,479	5,648	122,603	19,009	51,243	70,252	192,855	189,322
Food – donated food distributed	9,356,071	-	-	-	9,356,071	-	-	-	9,356,071	7,794,962
Food – commodity supplemental food program	359,123	-	-	-	359,123	-	-	-	359,123	334,859
Food – cooperative buying program	632,483	-	-	-	632,483	-	-	-	632,483	610,891
Food – other food purchases	1,650,038	9,871	38,210	9,739	1,707,858	-	-	-	1,707,858	1,493,763
Freight and product processing	342,524	-	-	-	342,524	-	-	-	342,524	358,842
Grants to organizations	277,078	-	-	-	277,078	-	-	-	277,078	43,439
Insurance	32,225	379	379	1,137	34,120	9,919	1,896	11,815	45,935	43,120
Lobbying expenses, in-kind	-	-	-	-	-	25,000	-	25,000	25,000	25,000
Meetings, conferences and staff training	18,175	2,626	-	7,614	28,415	14,076	5,432	19,508	47,923	44,310
Mileage	7,157	1,000	148	1,244	9,549	351	1,714	2,065	11,614	10,723
Miscellaneous	705	-	-	90	795	2,488	75	2,563	3,358	5,835
Postage	4,128	-	-	782	4,910	3,593	20,376	23,969	28,879	28,956
Printing and publication	6,769	-	-	286	7,055	-	23,212	23,212	30,267	21,860
Professional fees	-	-	-	-	-	50,117	-	50,117	50,117	47,931
Student expenses	-	-	-	30,402	30,402	-	-	-	30,402	23,720
Supplies	163,315	8,938	4,592	8,704	185,549	11,647	11,651	23,298	208,847	122,212
Telephone	8,466	868	868	868	11,070	3,472	3,472	6,944	18,014	18,402
Temporary personnel	8,712	-	-	-	8,712	-	-	-	8,712	22,375
Transportation	98,279	-	5,173	-	103,452	-	-	-	103,452	92,386
Trash removal	17,123	241	3,135	1,206	21,705	1,206	1,206	2,412	24,117	29,082
Utilities	115,132	1,339	1,339	4,016	121,826	6,693	6,693	13,386	135,212	116,436
Volunteer expense	6,200	-	-	-	6,200	-	-	-	6,200	5,802
Total administrative and program expenses	<u>13,437,986</u>	<u>37,600</u>	<u>61,245</u>	<u>76,503</u>	<u>13,613,334</u>	<u>261,131</u>	<u>549,460</u>	<u>810,591</u>	<u>14,423,925</u>	<u>12,283,812</u>
Depreciation and interest expense	<u>318,914</u>	<u>3,752</u>	<u>7,504</u>	<u>7,504</u>	<u>337,674</u>	<u>18,760</u>	<u>18,760</u>	<u>37,520</u>	<u>375,194</u>	<u>368,843</u>
TOTAL EXPENSES	<u>\$ 15,793,289</u>	<u>\$ 123,786</u>	<u>\$ 163,508</u>	<u>\$ 314,105</u>	<u>\$ 16,394,688</u>	<u>\$ 940,637</u>	<u>\$ 1,350,202</u>	<u>\$ 2,290,839</u>	<u>\$ 18,685,527</u>	<u>\$ 16,274,278</u>

See accompanying notes to financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED
JUNE 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 393,086	\$ 159,706
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	375,194	368,800
Net change in donated food inventory	(58,939)	(34,370)
Contribution restricted for purchase of property and equipment	(94,000)	(166,306)
Net gain on investments	(268,983)	(352,167)
Bad debt expense	-	223
Donated investment	(105,878)	(96,454)
Changes in operating assets and liabilities:		
Promises to give	1,000	(1,000)
Accounts receivable	(31,759)	45,415
Food inventory	(133,954)	7,010
Prepaid expenses	10,478	(28,667)
Accounts payable	54,299	10,571
Accrued expenses	(1,076)	15,538
Inventory held for Department of Human Services	79,419	3,216
Net cash provided by (used in) operating activities	218,887	(68,485)
Cash flows from investing activities:		
Proceeds from sale of investments	1,689,103	2,587,212
Purchases of investments	(2,330,328)	(2,558,471)
Purchases of property and equipment	(92,879)	(261,058)
Net cash used in investing activities	(734,104)	(232,317)
Cash flows from financing activities:		
Capital lease payments	-	(5,789)
Contribution restricted for purchase of property and equipment	94,000	166,306
Net cash provided by financing activities	94,000	160,517
Net decrease in cash and cash equivalents	(421,217)	(140,285)
Cash and cash equivalents - beginning	1,232,402	1,372,687
CASH AND CASH EQUIVALENTS - ENDING	\$ 811,185	\$ 1,232,402

Supplemental disclosure, noncash transaction:

During the years ended June 30, 2018 and 2017, the Food Bank received approximately \$9,774,000 and \$8,164,000, respectively, of donated food. Donated food distributions for the years ended June 30, 2018 and 2017, totaled approximately \$9,715,000 and \$8,130,000, respectively.

See accompanying notes to financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

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 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, 2018 or 2017.

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, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

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 the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. 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 amends the standards for the presentation and accompanying disclosures of financial statements of nonprofit organizations. The ASU is effective for years beginning after December 15, 2017, and will be applied on a retrospective basis. After the adoption of ASU 2016-14, the Food Bank's financial statements will report two classes of net assets, distinguishing between net assets with donor restrictions and those without donor restrictions. The financial statements will also include an analysis of expenses by function and nature, and provide enhanced disclosures about the Food Bank's liquidity and availability of its resources, and donor restrictions and designations of its net assets.

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.

Contributions

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Food Bank is evaluating the effect that ASU 2018-08 will have on its financial statements and related disclosures.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

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

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, 2017, 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 or unconditionally promised. 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.

Revenue recognition

Contributions

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

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

Revenue recognition (continued)

Grant revenue

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, 2018 and 2017, 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 reported 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 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.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

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

Fair value measurements (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 \$737,269 and \$1,396,085 at June 30, 2018 and 2017, respectively, are not insured by the Federal Deposit Insurance Corporation.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect. 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, 2018 and 2017, 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.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

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

Food inventory (continued)

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 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 member agencies in the normal course of business or, if requested by the donor, free of charge.

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

Property and equipment

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, 2018 or 2017.

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

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

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.

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 since such services either do not require specialized skills or would not typically be purchased if not provided by donation.

During 2018 and 2017, the Food Bank engaged the services of a pro-bono lobbyist to help secure funding from the State. These services are reported as support and expenses in the statement of activities at their estimated fair value of \$25,000.

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 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 these financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

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

Subsequent events

The Food Bank has evaluated subsequent events through October 24, 2018, 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, Rhode Island still has the highest rate of poverty in New England. Nearly thirteen percent of all Rhode Islanders are living with incomes below the poverty level, which is \$24,300 for a family of four. Poverty leads to hunger and food insecurity. According to the USDA, one in eight Rhode Island households cannot afford adequate food and nearly half of these food insecure households report that they regularly miss meals and experience hunger. When food runs out, they seek help at one of the Food Bank's food pantries or meal sites.

Our statewide network of 158 member agencies provided food assistance to 53,000 people each month. More than half are children and senior adults, our most vulnerable populations.

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 10,600,000 pounds of food to our member agencies during FY18. 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, 88% of all the food that was distributed was core, healthy food.

Community Kitchen

Community Kitchen is a culinary job-training program for low-income and unemployed adults. Each class trains students in the cooking, food safety and life skills needed for employment in the food and hospitality industry. As part of their training, students prepared nutritious meals each week for distribution to our Providence and East Providence Kids Cafe locations. During FY18, the Food Bank conducted three classes (Classes 64-66) enrolling 35 students and graduating 29 students. In FY18, we achieved an 83% retention rate to graduation; 86% of graduates have secured employment to date and 69% received their ServSafe certificate.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

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

Program accomplishments (continued)

Kids Cafe

Kids Cafe serves wholesome evening meals to children at risk of hunger, supplementing school nutrition programs. In FY18, the Food Bank operated two Kids Cafe sites, serving 14,568 meals. Sites were located at the East Providence Boys & Girls Club and the West End Community Center in Providence.

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 2,455 people participated in the program last year, including 348 children, 1,373 adults and 734 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 FY18, the Food Bank distributed approximately 1,486 boxes each month.

School-Based Programs

The Food Bank supports fourteen school-based programs located throughout the State, serving an average of 930 young people and their families each month during the school year. During FY18, these programs distributed 189,526 pounds of healthy, nutritious food and snacks that students can eat at school or at home.

Volunteers

Volunteers are a critical component in the Food Bank's sorting and salvage operation. In FY18, approximately 1,383 volunteers (223 individual volunteers and 116 groups with an average of 10 per group) contributed over 18,500 hours of service to the Food Bank. Volunteers also provided help with transportation, fundraising and administrative support.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

NOTE 3. INVESTMENTS

Assets measured at fair value are based on one or more of the following valuation techniques:

- (a) *Market approach*: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach*: Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach*: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The fair value of investments at June 30, 2018, consists of the following:

	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Valuation Technique</u>
Money market funds	\$ <u>1,196,131</u>	\$ <u>1,196,131</u>	\$ -	\$ -	(a)
Corporate and foreign bonds, rated:					
A+	75,566	75,566	-	-	(a)
A	152,396	152,396	-	-	(a)
A-	97,944	97,944	-	-	(a)
AA+	49,995	49,995	-	-	(a)
AA-	25,788	25,788	-	-	(a)
BB+	25,073	25,073	-	-	(a)
BBB+	24,507	24,507	-	-	(a)
BBB	<u>25,791</u>	<u>25,791</u>	<u>-</u>	<u>-</u>	(a)
	<u>477,060</u>	<u>477,060</u>	<u>-</u>	<u>-</u>	
Equity securities:					
Consumer	116,555	116,555	-	-	(a)
Consumer staples	61,626	61,626	-	-	(a)
Energy	61,064	61,064	-	-	(a)
Financial	114,897	114,897	-	-	(a)
Health care	117,779	117,779	-	-	(a)
Industrial	81,890	81,890	-	-	(a)
Information	246,982	246,982	-	-	(a)
Materials	27,876	27,876	-	-	(a)
Real estate	14,561	14,561	-	-	(a)
Telecommunication	17,106	17,106	-	-	(a)
Utilities	<u>18,250</u>	<u>18,250</u>	<u>-</u>	<u>-</u>	(a)
	<u>878,586</u>	<u>878,586</u>	<u>-</u>	<u>-</u>	
Mutual funds:					
Domestic fixed income	1,117,095	1,117,095	-	-	(a)
Domestic equity	1,356,501	1,356,501	-	-	(a)
International equity	791,494	791,494	-	-	(a)
Other	<u>77,821</u>	<u>77,821</u>	<u>-</u>	<u>-</u>	(a)
	<u>3,342,911</u>	<u>3,342,911</u>	<u>-</u>	<u>-</u>	
	<u>\$ 5,894,688</u>	<u>\$ 5,894,688</u>	<u>\$ -</u>	<u>\$ -</u>	

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2017)

NOTE 3. INVESTMENTS (CONTINUED)

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

	Total fair value	Level 1	Level 2	Level 3	Valuation Technique
Certificate of deposit	\$ 1,589	\$ 1,589	\$ -	\$ -	(a)
Money market funds	864,708	864,708	-	-	(a)
Corporate and foreign bonds, rated:					
A+	53,542	53,542	-	-	(a)
A	233,135	233,135	-	-	(a)
A-	180,805	180,805	-	-	(a)
AA+	52,014	52,014	-	-	(a)
AA-	26,843	26,843	-	-	(a)
BB+	26,313	26,313	-	-	(a)
BB-	24,860	24,860	-	-	(a)
BBB+	51,237	51,237	-	-	(a)
BBB	26,963	26,963	-	-	(a)
BBB-	50,769	50,769	-	-	(a)
	<u>726,481</u>	<u>726,481</u>	<u>-</u>	<u>-</u>	
Equity securities:					
Consumer	98,208	98,208	-	-	(a)
Consumer staples	76,155	76,155	-	-	(a)
Energy	55,286	55,286	-	-	(a)
Financial	103,437	103,437	-	-	(a)
Health care	110,000	110,000	-	-	(a)
Industrial	87,781	87,781	-	-	(a)
Information	167,631	167,631	-	-	(a)
Materials	31,603	31,603	-	-	(a)
Real estate	5,245	5,245	-	-	(a)
Telecommunication	13,536	13,536	-	-	(a)
Utilities	17,688	17,688	-	-	(a)
	<u>766,570</u>	<u>766,570</u>	<u>-</u>	<u>-</u>	
Mutual funds:					
Domestic fixed income	560,509	560,509	-	-	(a)
International fixed income	30,045	30,045	-	-	(a)
Domestic equity	1,103,531	1,103,531	-	-	(a)
International equity	719,574	719,574	-	-	(a)
Other	105,595	105,595	-	-	(a)
	<u>2,519,254</u>	<u>2,519,254</u>	<u>-</u>	<u>-</u>	
	<u>\$ 4,878,602</u>	<u>\$ 4,878,602</u>	<u>\$ -</u>	<u>\$ -</u>	

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 3. INVESTMENTS (CONTINUED)

Included in money market funds in the tables above is \$979,290 and \$833,408 as of June 30, 2018 and 2017, respectively, that is classified as short-term investments in the accompanying financial statements.

Net investment income is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 99,905	\$ 93,368
Net gain on investments	268,983	352,167
Fees	<u>(24,837)</u>	<u>(25,796)</u>
	<u>\$ 344,051</u>	<u>\$ 419,739</u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 308,000	\$ 308,000
Building	2,492,000	2,492,000
Building improvements	5,193,157	5,168,283
Motor vehicles	704,738	782,768
Equipment	1,156,443	1,131,249
Furniture and fixtures	<u>111,116</u>	<u>113,616</u>
	9,965,454	9,995,916
Less: accumulated depreciation	<u>(3,922,911)</u>	<u>(3,671,058)</u>
	<u>\$ 6,042,543</u>	<u>\$ 6,324,858</u>

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

	<u>2018</u>		
	<u>Operations</u>	<u>Plant</u>	<u>Total</u>
Grants to Member Agencies	\$ 145,000	\$ -	\$ 145,000
Community Kitchen	182,365	-	182,365
Fresh Start	135,000	-	135,000
Food Acquisition/Distribution	25,500	-	25,500
Inventory	292,917	-	292,917
Healthy Kid Boxes	50,410	-	50,410
RI Community Farm	1,227	-	1,227
Capital Improvements	<u>-</u>	<u>20,275</u>	<u>20,275</u>
	<u>\$ 832,419</u>	<u>\$ 20,275</u>	<u>\$ 852,694</u>

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 5. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	<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>

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 (2.10% at June 30, 2018) 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, 2018 or 2017.

NOTE 7. ACCRUED EXPENSES

Accrued expenses as of June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Payroll, including compensated absences	\$ 311,503	\$ 296,271
Payroll taxes and withholding	9,789	11,377
Pension	14,226	13,995
Deferred revenue	24,750	40,500
Other	<u>26,688</u>	<u>25,889</u>
	<u>\$ 386,956</u>	<u>\$ 388,032</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, 2018 and 2017, was approximately \$68,800 and \$58,400, respectively. The 403(b) plan is entirely funded by employee contributions.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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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, 2018 and 2017, the Food Bank paid approximately \$9,500 and \$10,000 respectively, in membership dues.