

**RHODE ISLAND COMMUNITY FOOD BANK
ASSOCIATION**

Financial Statements

Years Ended June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Rhode Island Community Food Bank Association (a non-profit organization) (the Food Bank), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Food Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rhode Island Community Food Bank Association as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kahn, Litwin, Renya & Co., Ltd.

October 28, 2021

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020



	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 11,865,059	\$ 7,185,764
Accounts and grants receivable, net	677,651	531,661
Food inventory	1,631,396	1,185,813
Prepaid expenses and other assets	151,285	102,107
Total current assets	14,325,391	9,005,345
Cash, restricted by donor for property and equipment, net	237,840	10,500
Property and Equipment, net	5,861,199	5,974,434
Investments	7,186,360	4,958,827
Total Assets	\$ 27,610,790	\$ 19,949,106
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 31,210	\$ 81,118
Accrued expenses	382,642	507,358
Total current liabilities	413,852	588,476
Net Assets:		
Without donor restrictions:		
Available for operations	7,420,438	7,301,516
Board designated for contingency reserve	5,000,000	-
Board designated for long-term investment	7,186,360	4,958,827
Invested in property and equipment	5,861,199	5,974,434
Total net assets without donor restrictions	25,467,997	18,234,777
With donor restrictions	1,728,941	1,125,853
Total net assets	27,196,938	19,360,630
Total Liabilities and Net Assets	\$ 27,610,790	\$ 19,949,106

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions	\$ 14,014,755	\$ 11,418,522	\$ 25,433,277	\$ 11,246,044	\$ 9,965,076	\$ 21,211,120
Grants and contracts	1,561,358	5,673,263	7,234,621	674,302	5,539,206	6,213,508
Cooperative buying program, net	26,080	-	26,080	367,249	-	367,249
Shared maintenance, net	-	-	-	88,825	-	88,825
Special events, net of expenses of \$0 and \$23,933, respectively	578	-	578	128,221	-	128,221
Investment return, net	1,225,595	-	1,225,595	150,529	-	150,529
In-kind contributions	395,371	4,873	400,244	198,944	5,805	204,749
Other income, net	181,642	-	181,642	181,381	-	181,381
Net assets released from restrictions:						
Satisfaction of program restrictions	16,476,120	(16,476,120)	-	15,263,570	(15,263,570)	-
Satisfaction of capital expenditure restrictions	17,450	(17,450)	-	131,332	(131,332)	-
Total revenue and support	33,898,949	603,088	34,502,037	28,430,397	115,185	28,545,582
Expenses:						
Program services	23,898,350	-	23,898,350	20,534,010	-	20,534,010
Management and general	1,126,948	-	1,126,948	1,162,389	-	1,162,389
Fundraising and development	1,640,431	-	1,640,431	1,560,086	-	1,560,086
Total expenses	26,665,729	-	26,665,729	23,256,485	-	23,256,485
Change in Net Assets	7,233,220	603,088	7,836,308	5,173,912	115,185	5,289,097
Net Assets, beginning of year	18,234,777	1,125,853	19,360,630	13,060,865	1,010,668	14,071,533
Net Assets, end of year	\$ 25,467,997	\$ 1,728,941	\$ 27,196,938	\$ 18,234,777	\$ 1,125,853	\$ 19,360,630

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services				Total Program Services	Management and General	Fundraising and Development	Total
	Food Distribution	Nutrition Education	Kids Café	Community Kitchen				
Salaries and related expenses:								
Salaries and wages	\$ 1,858,680	\$ 95,139	\$ 118,280	\$ 39,260	\$ 2,111,359	\$ 592,290	\$ 783,576	\$ 3,487,225
Employee benefits	297,987	15,254	18,962	6,294	338,497	94,957	125,624	559,078
Payroll taxes	139,970	7,165	8,907	2,957	158,999	44,603	59,008	262,610
Total salaries and related expenses	2,296,637	117,558	146,149	48,511	2,608,855	731,850	968,208	4,308,913
Advertising and promotion	1,374	-	-	-	1,374	12,034	13,478	26,886
Assistance to others	718,088	-	-	-	718,088	-	-	718,088
Conferences, staff training, and meals	3,220	1,283	-	-	4,503	2,639	6,450	13,592
Depreciation	344,794	4,056	12,169	4,056	365,075	20,282	20,282	405,639
Direct mail	-	-	-	-	-	-	425,540	425,540
Dues and subscriptions	16,905	27	228	-	17,160	13,536	18,622	49,318
Food - acquisition	4,120,435	2,009	48,260	1,786	4,172,490	-	-	4,172,490
Food - donated food distributed	15,152,869	-	-	-	15,152,869	-	-	15,152,869
Information technology expenses	52,705	9,460	6,757	2,703	71,625	35,166	82,084	188,875
Insurance	33,175	390	1,171	925	35,661	12,709	1,951	50,321
Occupancy expenses	233,958	2,728	8,186	2,728	247,600	13,643	13,643	274,886
Office expenses	37,290	3,902	2,566	1,117	44,875	201,958	70,950	317,783
Other expenses	1,300	-	-	-	1,300	3,611	54	4,965
Professional fees	45,715	-	-	-	45,715	78,292	17,430	141,437
Student expenses	-	-	-	21,779	21,779	-	-	21,779
Supplies	87,901	5,544	4,225	2,358	100,028	-	-	100,028
Temporary personnel	170,850	-	-	-	170,850	-	-	170,850
Transportation	94,808	-	-	-	94,808	-	-	94,808
Trash removal	18,423	246	3,439	-	22,108	1,228	1,228	24,564
Travel	1,587	-	-	-	1,587	-	511	2,098
Total expenses	\$ 23,432,034	\$ 147,203	\$ 233,150	\$ 85,963	\$ 23,898,350	\$ 1,126,948	\$ 1,640,431	\$ 26,665,729

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

	Program Services				Total Program Services	Management and General	Fundraising and Development	Total
	Food Distribution	Nutrition Education	Kids Café	Community Kitchen				
Salaries and related expenses:								
Salaries and wages	\$ 1,983,071	\$ 83,360	\$ 80,222	\$ 213,837	\$ 2,360,490	\$ 594,965	\$ 744,086	\$ 3,699,541
Employee benefits	384,664	16,170	15,561	41,479	457,874	115,408	144,334	717,616
Payroll taxes	152,855	6,425	6,184	16,483	181,947	45,860	57,354	285,161
Total salaries and related expenses	2,520,590	105,955	101,967	271,799	3,000,311	756,233	945,774	4,702,318
Advertising and promotion	1,212	-	-	-	1,212	5,561	15,582	22,355
Assistance to others	142,578	-	-	-	142,578	-	-	142,578
Bad debt expense	-	-	-	-	-	500	-	500
Conferences, staff training, and meals	12,388	1,410	-	372	14,170	8,814	2,034	25,018
Depreciation	316,268	3,721	7,442	7,442	334,873	18,604	18,604	372,081
Direct mail	-	-	-	-	-	-	397,815	397,815
Dues and subscriptions	22,363	-	-	283	22,646	7,233	16,353	46,232
Food - acquisition	2,499,562	4,747	27,734	9,511	2,541,554	-	-	2,541,554
Food - donated food distributed	13,678,803	-	-	-	13,678,803	-	-	13,678,803
Information technology expenses	55,860	9,537	2,725	9,537	77,659	27,623	73,483	178,765
Insurance	26,114	307	307	1,457	28,185	12,426	1,536	42,147
Occupancy expenses	224,280	2,614	2,614	7,841	237,349	25,226	13,069	275,644
Office expenses	43,029	4,460	1,274	4,701	53,464	158,397	59,627	271,488
Other expenses	5,385	-	-	-	5,385	3,878	75	9,338
Professional fees	61,512	3,050	-	300	64,862	121,560	10,452	196,874
Student expenses	-	-	-	43,903	43,903	-	-	43,903
Supplies	106,318	4,771	1,671	6,379	119,139	10,375	2,272	131,786
Temporary personnel	35,460	-	-	-	35,460	2,219	-	37,679
Transportation	92,100	-	4,847	-	96,947	-	-	96,947
Trash removal	21,400	301	3,918	1,507	27,126	1,507	1,507	30,140
Travel	7,021	1,118	81	164	8,384	2,233	1,903	12,520
Total expenses	\$ 19,872,243	\$ 141,991	\$ 154,580	\$ 365,196	\$ 20,534,010	\$ 1,162,389	\$ 1,560,086	\$ 23,256,485

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020



	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from:		
Contributions	\$ 15,806,423	\$ 12,655,806
Grants and contracts	1,352,352	848,026
Cooperative buying program	26,080	367,249
Shared maintenance	1,789	140,450
Interest and dividends	84,808	112,497
Special events	-	91,221
Other income	203,840	183,011
Total receipts	<u>17,475,292</u>	<u>14,398,260</u>
Cash paid for:		
Salaries and related expenses	(4,423,629)	(4,602,717)
Food expenditures	(4,254,144)	(2,531,959)
Occupancy expenses	(274,886)	(275,644)
Assistance to others	(718,088)	(142,578)
Direct mail	(425,540)	(397,815)
Professional fees	(141,437)	(196,874)
Special events expenses	(9,422)	-
Other expense	(1,164,953)	(1,003,085)
Total expenditures	<u>(11,412,099)</u>	<u>(9,150,672)</u>
Net cash provided by operating activities	<u>6,063,193</u>	<u>5,247,588</u>
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	-	3,000
Purchase of property and equipment	(314,602)	(294,869)
Proceeds from sale of investments	3,437,940	1,839,326
Purchase of investments	(4,524,686)	(1,583,707)
Net cash used by investing activities	<u>(1,401,348)</u>	<u>(36,250)</u>
Cash Flows from Financing Activities:		
Contributions restricted to capital expenditures	244,790	99,315
Net cash provided by financing activities	<u>244,790</u>	<u>99,315</u>
Net Increase in Cash, Cash Equivalents and Restricted Cash	4,906,635	5,310,653
Cash, Cash Equivalents and Restricted Cash, beginning of year	<u>7,196,264</u>	<u>1,885,611</u>
Cash, Cash Equivalents and Restricted Cash, end of year	<u>\$ 12,102,899</u>	<u>\$ 7,196,264</u>
Reconciliation to Statements of Financial Position:		
Cash and cash equivalents	\$ 11,865,059	\$ 7,185,764
Cash, restricted by donor for property and equipment, net	237,840	10,500
Cash, Cash Equivalents and Restricted Cash, end of year	<u>\$ 12,102,899</u>	<u>\$ 7,196,264</u>

See note 15 for supplemental cash flow information.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021 and 2020

1. Nature of Operations

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

2. Summary of Significant Accounting Policies

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

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, followed by subsequent accounting pronouncements which either clarified or revised guidance outlined in ASU 2014-09. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Effective July 1, 2020, the Food Bank adopted ASU 2014-09. The adoption of ASU 2014-09 did not have a significant effect on the Food Bank's financial statements and was retroactively applied to the year ended June 30, 2020.

Basis of Presentation

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021 and 2020

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

Cash and Cash Equivalents

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

Accounts and Grants Receivable

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

The Food Bank does not accrue interest on accounts and grants receivable. A receivable is considered past due if payment has not been received within stated terms. The Food Bank will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged against the allowance for doubtful accounts. As of June 30, 2021, the Food Bank had no allowance for doubtful accounts. As of June 30, 2020, the Food Bank had an allowance for doubtful accounts of approximately \$2,000.

Food Inventory

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

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021 and 2020

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

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

Property and Equipment

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

Investments and Fair Value Measurements

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

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

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

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

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021 and 2020

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

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

Realized and unrealized gains and losses are included in investment return in the statements of activities. Gains and losses on investments are reported as changes in net assets without donor restrictions unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Interest and dividends on investments are reported as part of investment return. Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis of accounting. Purchases and sales of securities are recorded on the trade date. In determining the gains (losses) realized on the sales of securities, the cost of securities sold is determined on a specific identification basis.

Support and Revenue Recognition

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

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

Grant and Contract Revenue - Grant and contract revenue is recognized at the point in time program expenditures are incurred or services are provided within program guidelines.

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021 and 2020

Shared Maintenance - Shared maintenance revenue is recognized, net of discounts, when food is delivered to member agencies. Shared maintenance revenue arises from a per pound fee charged to member agencies for the Food Bank's product and is used to help defray operating costs. Member agencies, who provide assistance to those in need, include pantries, meal sites, group homes, shelters, and transitional housing facilities. Shared maintenance fees for the year ended June 30, 2020 was \$0.10 per pound of product for emergency and non-emergency providers; shared maintenance fees were eliminated at the end of fiscal year 2020.

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

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

Income Taxes

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

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

Advertising Costs

Advertising costs are expensed as incurred.

Allocation of Expenses

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

Fundraising and development reported on the accompanying statements of activities consist of fundraising expenses.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021 and 2020

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

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

In February 2016, the FASB issued ASU 2016-02, *Leases*, which was later delayed to be effective for annual periods beginning after December 15, 2021. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Food Bank's year ending June 30, 2023, with early adoption permitted.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets. The standard will be effective for the Food Bank's year ending June 30, 2022, with early adoption permitted.

Reclassifications

Certain 2020 balances were reclassified to conform to the 2021 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through October 28, 2021, which is the date these financial statements were available to be issued.

3. Program Service Accomplishments (Unaudited)

During June 30, 2021, the Food Bank continued to feel the effects of the Coronavirus pandemic, including mass unemployment, pandemic restrictions, and high food insecurity. In February 2021, the COVID vaccine became widely available, and in May 2021, many of the statewide restrictions on masking, social distancing and building occupancies were lifted.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021 and 2020

The on-going pandemic resulted in a continued high rate of food insecurity across the state during the year ending June 30, 2021. The mid-pandemic Life Index survey, conducted by Blue Cross Blue Shield of RI and Brown University, showed that one in four RI households are now food insecure. Further, Black and Latinx households were disproportionately affected by the pandemic and experienced higher levels of food insecurity with one in three households not having enough food.

The high rate of food insecurity was evidenced at the Food Bank's member agencies. In the first six months of the fiscal year, July through December 2020, the Food Bank's agencies served more than 67,000 people each month, as compared to 53,000 served on average each month in the last pre-pandemic year (year ended June 30, 2019). In the second half of the fiscal year, January through June 2021, as the unemployment rate in Rhode Island decreased and more federal stimulus benefits were issued to households, the number of people served at member agencies began to return to pre-pandemic levels.

To help meet the high need, the Food Bank increased the volume of food distributed. During the year ended June 30, 2021, the Food Bank distributed 15.1 million pounds of food, the highest amount on record to date. This is 9% more than what was distributed in during the year ended June 30, 2020 (13.8 million pounds of food) and 30% more food than during the year ended June 30, 2019 (11.6 million pounds) prior to the pandemic.

In response to the crisis, the Food Bank continued to receive many generous donations of funds from individuals, corporations, foundations, and Feeding America. These funds enabled the Food Bank to increase food purchasing, hire new staff, pilot new programs, and help its agencies sustain their response.

Program Accomplishments

Food Distribution - The Food Bank distributed 15,100,000 pounds of food to its member agencies during the year ended June 30, 2021. This includes donated food from the food industry and community food drives; perishable food rescue; fresh produce donated by growers; USDA nutrition programs; FEMA meals; and food purchases.

During the pandemic, donations of food from the supermarket and food industry declined. As people cooked more at home and purchased extra items at the grocery store, there was little surplus left for donation. Donated food amounted to 24% of the Food Bank's overall food acquisition as compared to 31% during the year ended June 30, 2020.

To make up for the loss in donated food, the Food Bank increased food purchasing and purchased approximately 31% of its total food supply during the year ended June 30, 2021, as compared to 22% during the year ended June 30, 2020. Purchasing food required substantial resources as food costs have increased significantly during the pandemic. Indicators predict that these costs will remain high over the next several years, making it more difficult to secure enough food to meet the increased need in the community.

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The Food Bank is committed to acquiring and distributing core, healthy foods that individuals and families can use to make meals, such as fresh, frozen, and canned fruits and vegetables, dairy, grains, and protein. During the year ended June 30, 2021, 91% of all distributed food was core, healthy food.

Food Bank Programs - The pandemic and related health mandates also continued to affect Food Bank programs. In March 2021, the Food Bank made the difficult choice to permanently close the Community Kitchen program. The pandemic decimated the restaurant industry, and the Food Bank's food service partners were no longer able to offer on-the-job training experiences, which were a key component of the program.

The Food Bank's Kids Cafe and Healthy Habits programs were suspended during the year ended June 30, 2020, but they were able to restart during the year ended June 30, 2021, with some modifications.

Kids Café - Kids Cafe serves wholesome evening meals to children at risk of hunger, supplementing school nutrition programs. During the year ended June 30, 2021, the Food Bank operated two Kids Cafe sites, serving an average of 80 children a day. Sites were located at the East Providence Boys & Girls Club and the Pawtucket YMCA. A total of 18,452 meals were provided to the two sites. Kids Cafe meals were prepared by Food Bank chefs and Healthy Habits staff.

Healthy Habits: Eating Well on a Budget (from 1/1/2021 to 6/30/2021) - Healthy Habits is a nutrition education program for clients of member agencies. The Food Bank offers a series of classes and workshops featuring cooking demonstrations and practical advice on how to shop, cook, and eat with good health in mind, even on a limited budget. The Food Bank's nutrition educators modified the program during the pandemic by developing online classes and workshops that allowed individuals, families, children, and seniors to continue to receive nutrition education safely during the pandemic. These classes started in January 2021. Healthy Habits also provided nutrition education kits to children participating in Kids Cafe programs. The kits were provided bi-monthly and contained hands-on learning materials focused on creating healthy snacks at home. With easy-to-follow recipes and thoughtful and thorough handouts, children still had the chance to learn about nutrition and the importance of healthy eating, despite distance learning. During the year ended June 30, 2021, 85 people participated in virtual series classes and workshops. 4,170 people viewed the Healthy Habits videos on the Food Bank's website and YouTube page and 1,299 viewed the recipes on the Food Bank's website.

Meals4Kids Box Program - Meals4Kids boxes were originally intended to feed children during school vacation weeks and the week-long gap between the end of school meal programs and the beginning of the federal summer meal program. During the pandemic, Meals4Kids boxes became a program mainstay, as they were a safe, quick, and efficient way to get food to at-risk children. Each box contained five breakfasts, lunches, and snacks and acted as a communication tool to provide parents with information about important programs for low-income families. During the year ended June 30, 2021, the Food Bank distributed over 23,100 Meals4Kids boxes.

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Commodity Supplemental Food Program - The Commodity Supplemental Food Program is a federal program that provides a box of USDA commodities to 1,660 frail seniors each month. Boxes were distributed by the Food Bank at food pantries and senior housing facilities. Information on cooking and nutrition was included in the boxes.

School-Based Programs - The Food Bank supports school-based programs located throughout the state, serving approximately 9,000 young people and their families during the year ended June 30, 2021. These programs distributed nearly 169,000 pounds of healthy, nutritious food and snacks.

Volunteers - During the year ended June 30, 2021, the Food Bank remained closed to the public and the volunteer program was discontinued. Looking ahead, the Food Bank is revamping its volunteer program. Due to the decline in salvaged food received from the supermarket industry, the Food Bank no longer needs a large volume of volunteers. The Food Bank will continue to use smaller groups to help pack Meals4Kids boxes and boxes for seniors through the federal Commodity Supplemental Food Program. Moving forward, the Food Bank will focus on connecting volunteers to its member agencies.

4. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2021:

Current financial assets:	
Cash and cash equivalents	\$ 11,865,059
Accounts and grants receivable	<u>677,651</u>
Current financial assets, end of year	<u>12,542,710</u>
Less: financial assets unavailable for general expenditure:	
Subject to board designated for contingency reserve	5,000,000
Subject to expenditure for specific purpose	1,443,601
Subject to expenditure based on time	<u>47,500</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,051,609</u></u>

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As part of the Food Bank’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Food Bank has a line of credit with a local bank for \$1,000,000 (Note 7). As part of its liquidity plan, excess cash is invested in money market accounts, which are included in cash and cash equivalents on the accompanying statements of financial position. In addition, the Board, at its discretion, could expend the board designated funds for long-term investments of \$7,186,360 and the board designated funds for contingency reserve of \$5,000,000 in the event of an emergency.

5. Investments

Investments are presented in the financial statements at their aggregate fair value and consisted of the following level 1 investments:

	2021	2020
Money market funds	\$ 20,038	\$ 145,390
Corporate bonds	159,780	213,300
Equity securities:		
Consumer	104,619	78,252
Consumer staples	59,233	53,347
Energy	37,887	22,514
Financial	127,331	80,955
Healthcare	139,781	110,093
Industrial	104,763	67,461
Information technology	351,474	248,875
Materials	29,368	14,341
Real estate	23,323	17,330
Telecommunications	128,496	84,182
Utilities	18,978	19,050
Total equity securities	1,125,253	796,400
Mutual funds:		
Domestic fixed income	2,346,459	1,765,896
International fixed income	213,674	-
Domestic equity	2,209,543	1,325,261
International equity	1,042,357	649,949
Other	69,256	62,631
Total mutual funds	5,881,289	3,803,737
Total investments	\$ 7,186,360	\$ 4,958,827

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

	2021	2020
Interest and dividend income	\$ 111,979	\$ 135,445
Net gain on investments	1,140,787	38,032
Fees	(27,171)	(22,948)
Investment return, net	\$ 1,225,595	\$ 150,529

6. Property and Equipment

Property and equipment consisted of the following:

	2021	2020
Land	\$ 308,000	\$ 308,000
Building	2,492,000	2,492,000
Building improvements	5,567,859	5,478,235
Motor vehicles	704,738	704,738
Equipment	1,237,821	1,267,951
Furniture and fixtures	328,121	183,298
	10,638,539	10,434,222
Less: accumulated depreciation	(4,777,340)	(4,459,788)
Property and equipment, net	\$ 5,861,199	\$ 5,974,434

During the year ended June 30, 2021, the Food Bank disposed of property and equipment with a net book value of \$22,198, for no proceeds, resulting in a loss which is included in other income, net on the accompanying statements of activities.

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

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7. Line of Credit

The Food Bank has a revolving line of credit with a local bank providing for maximum borrowings up to \$1,000,000. The line of credit is due on demand with interest payable at the LIBOR rate (0.10% and 0.16% at June 30, 2021 and 2020, respectively) plus 1.50%. The line is secured by the investment portfolio balance. No amount was outstanding under the line of credit at June 30, 2021 and 2020.

In addition, the line of credit agreement contains various covenants and restrictions. At June 30, 2021, management believes the Food Bank was in compliance with the covenants.

8. Net Assets With Donor Restrictions

A summary of net assets with donor restriction is as follows:

	2021	2020
Net Assets With Donor Restrictions:		
Food inventory	\$ 1,158,325	\$ 794,397
Capital improvements	237,840	10,500
Healthy Kid Boxes	203,160	35,904
Restricted due to time	47,500	170,505
Healthy Habits	43,616	55,500
Kids Café	30,000	27,500
Other miscellaneous	8,500	12,199
Community Kitchen	-	19,348
	\$ 1,728,941	\$ 1,125,853
Total net assets with donor restrictions	\$ 1,728,941	\$ 1,125,853

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9. In-kind Contributions

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

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

	2021	2020
Vehicles	\$ 106,505	\$ 21,344
Donated stock	289,244	180,410
Donated property and equipment	4,495	2,995
In-kind contributions	\$ 400,244	\$ 204,749

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

In-kind donations include donations of vehicles which are immediately sold. The proceeds from these sales are used to support general operating of the Food Bank's food distribution program.

Note 15 discusses noncash transactions of donated food inventory.

10. Retirement Plans

The Food Bank provides a 401(k) plan and a 403(b) employee contribution plan. Under the 401(k) plan, employees become eligible upon employment, with the employer match beginning the first quarter after the employee completes three months of service. There is also a discretionary employer contribution determined by the Board for all employees with at least three months of service and at least 1,000 hours of service during the year of eligibility. Retirement plan expense relating to the 401(k) plan for the years ended June 30, 2021 and 2020 was approximately \$79,100 and \$78,700, respectively. The 403(b) plan is entirely funded by employee contributions.

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11. Commitments and Contingencies

Operating Leases

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

For the years ended June 30, 2021 and 2020, lease expense was approximately \$12,600 and \$12,800, respectively.

Approximate future payments are as follows:

<u>Year Ending</u>	
June 30, 2022	\$ 10,600
June 30, 2023	<u>4,800</u>
Total	<u>\$ 15,400</u>

Legal Contingencies

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

12. Rental Income

In August 2019, the Food Bank entered into an operating lease agreement with an unrelated third party to lease certain long-term parking spaces. The agreement expires in July 2024, with two options to extend an additional six years each. Each party has the option to terminate the lease in August 2022 upon providing written notice to the other party at least 90 days in advance of the termination date. The agreement provides for monthly rental income payments of \$15,000. For the years ended June 30, 2021 and 2020, the Food Bank received \$180,000 and \$165,000, respectively, in rental income, which is included in other income, net on the accompanying statements of activities.

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

<u>Year Ending</u>	
June 30, 2022	\$ 180,000
June 30, 2023	180,000
June 30, 2024	180,000
June 30, 2025	<u>15,000</u>
Total	<u>\$ 555,000</u>

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13. Membership Dues

The Food Bank is a member of Feeding America, the nation's largest domestic hunger relief organization. As a member, the Food Bank is required to distribute all of the food donations received during the fiscal year to other tax-exempt organizations. Membership dues charged by Feeding America consist of two components: the first component is a flat rate charged to all member food banks; the second component is an incremental fee calculated using the Food Bank's goal factor. The goal factor is determined by comparing the poverty population rate in the member Food Bank's service area to the total poverty rate in the United States. During the year ended June 30, 2021, Feeding America waived all membership dues. For the year ended June 30, 2020, the Food Bank paid approximately \$7,400 in membership dues

14. Concentrations of Risk

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

The Food Bank maintains its cash balances in four financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Food Bank's cash balances may exceed this limit. Cash balances in excess of \$250,000 are generally uninsured.

At June 30, 2021, 71% of the accounts and grants receivable balance was due from two donors. At June 30, 2020, 69% of the accounts and grants receivable balance was due from three donors. At year end, management believes the credit risk associated with its accounts receivable is minimal and that the allowances established is adequate.

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

15. Supplemental Disclosure of Cash Flow Information

During the years ended June 30, 2021 and 2020, the Food Bank received approximately \$15,517,000 and \$13,784,000, respectively, of donated food. Donated food distributions for the years ended June 30, 2021 and 2020 totaled approximately \$15,153,000 and \$13,679,000, respectively.