

**RHODE ISLAND COMMUNITY FOOD BANK
ASSOCIATION**

Financial Statements

Years Ended June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Rhode Island Community Food Bank Association (a not-for-profit organization) (the Food Bank), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Kahn, Litwin, Renya & Co, Ltd.

November 27, 2023

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022



	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,850,706	\$ 6,421,463
Accounts and grants receivable	1,016,115	699,886
Food inventory	852,916	1,077,484
Prepaid expenses and other assets	239,016	324,068
Total current assets	5,958,753	8,522,901
Right-of-Use Assets - Operating Leases	50,529	-
Cash, restricted by donor for capital improvements	112,161	140,218
Property and Equipment, net	5,737,346	5,740,673
Investments	11,325,924	10,432,110
Other assets	21,458	-
Total Assets	\$ 23,206,171	\$ 24,835,902
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 512,942	\$ 61,362
Accrued expenses	419,279	402,252
Current portion of operating leases payable	10,625	-
Total current liabilities	942,846	463,614
Operating leases payable, less current portion	39,904	-
Total liabilities	982,750	463,614
Net Assets:		
Without donor restrictions:		
Available for operations	4,487,455	6,916,014
Board designated for contingency reserve	4,756,888	4,381,486
Board designated for long-term investment	6,569,036	6,050,624
Invested in property and equipment	5,737,346	5,740,673
Total net assets without donor restrictions	21,550,725	23,088,797
With donor restrictions	672,696	1,283,491
Total net assets	22,223,421	24,372,288
Total Liabilities and Net Assets	\$ 23,206,171	\$ 24,835,902

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions	\$ 10,575,182	\$ 1,555,241	\$ 12,130,423	\$ 10,387,880	\$ 1,928,151	\$ 12,316,031
Food donations	-	13,449,179	13,449,179	-	11,765,882	11,765,882
Grants and contracts	1,369,806	-	1,369,806	882,429	-	882,429
Cooperative buying program, net	182,682	-	182,682	217,356	-	217,356
Special events, net of expenses of \$49,998 and \$45,843, respectively	194,207	-	194,207	201,072	-	201,072
Contributed non-financial assets	43,475	-	43,475	100,980	-	100,980
Donated stock	250,357	-	250,357	281,473	-	281,473
Investment return, net	1,016,229	-	1,016,229	(1,720,935)	-	(1,720,935)
Other income	226,233	-	226,233	190,495	-	190,495
Net assets released from restrictions:						
Satisfaction of program restrictions	15,450,190	(15,450,190)	-	13,741,861	(13,741,861)	-
Satisfaction of capital expenditure restrictions	165,025	(165,025)	-	397,622	(397,622)	-
Total revenue and support	29,473,386	(610,795)	28,862,591	24,680,233	(445,450)	24,234,783
Expenses:						
Program services	27,636,408	-	27,636,408	24,016,921	-	24,016,921
Management and general	1,341,422	-	1,341,422	1,202,577	-	1,202,577
Fundraising and development	2,033,628	-	2,033,628	1,839,935	-	1,839,935
Total expenses	31,011,458	-	31,011,458	27,059,433	-	27,059,433
Change in Net Assets	(1,538,072)	(610,795)	(2,148,867)	(2,379,200)	(445,450)	(2,824,650)
Net Assets, beginning of year	23,088,797	1,283,491	24,372,288	25,467,997	1,728,941	27,196,938
Net Assets, end of year	\$ 21,550,725	\$ 672,696	\$ 22,223,421	\$ 23,088,797	\$ 1,283,491	\$ 24,372,288

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, 2023



	Program Services			Total Program Services	Management and General	Fundraising and Development	Total
	Food Distribution	Nutrition Education	Kids Café				
Salaries and related expenses:							
Salaries and wages	\$ 2,491,971	\$ 129,384	\$ 191,198	\$ 2,812,553	\$ 730,072	\$ 887,108	\$ 4,429,733
Employee benefits	392,698	20,389	30,129	443,216	115,050	139,797	698,063
Payroll taxes	203,078	10,544	15,581	229,203	59,496	72,293	360,992
Total salaries and related expenses	3,087,747	160,317	236,908	3,484,972	904,618	1,099,198	5,488,788
Advertising and promotion	1,860	-	-	1,860	30,468	47,602	79,930
Assistance to others	1,161,801	-	-	1,161,801	-	-	1,161,801
Conferences, staff training, and meals	16,226	1,219	229	17,674	21,967	7,436	47,077
Depreciation	368,244	4,332	17,329	389,905	21,662	21,661	433,228
Direct mail	-	-	-	-	-	555,831	555,831
Dues and subscriptions	30,503	-	331	30,834	14,247	15,476	60,557
Food - acquisition	7,548,733	7,356	136,909	7,692,998	-	-	7,692,998
Food - donated food distributed	13,943,450	-	-	13,943,450	-	-	13,943,450
Information technology expenses	73,924	5,585	6,982	86,491	44,318	95,341	226,150
Insurance	42,955	505	2,021	45,481	12,062	2,527	60,070
Occupancy expenses	200,688	2,341	9,366	212,395	11,706	11,706	235,807
Office expenses	58,426	4,632	3,880	66,938	118,820	74,906	260,664
Other expenses	10,677	-	-	10,677	4,540	48	15,265
Professional fees	118,338	-	-	118,338	138,566	85,319	342,223
Supplies	100,144	5,344	23,754	129,242	-	12,875	142,117
Temporary personnel	80,397	-	-	80,397	14,736	-	95,133
Transportation	123,565	-	-	123,565	-	-	123,565
Trash removal	21,156	282	3,949	25,387	1,410	1,410	28,207
Travel	12,040	1,867	96	14,003	2,302	2,292	18,597
Total expenses	\$ 27,000,874	\$ 193,780	\$ 441,754	\$ 27,636,408	\$ 1,341,422	\$ 2,033,628	\$ 31,011,458

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, 2022



	<u>Program Services</u>			<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
	<u>Food Distribution</u>	<u>Nutrition Education</u>	<u>Kids Café</u>				
Salaries and related expenses:							
Salaries and wages	\$ 2,144,047	\$ 134,297	\$ 175,617	\$ 2,453,961	\$ 633,825	\$ 845,954	\$ 3,933,740
Employee benefits	356,832	22,351	29,229	408,412	105,488	140,791	654,691
Payroll taxes	178,916	11,207	14,655	204,778	52,891	70,593	328,262
Total salaries and related expenses	2,679,795	167,855	219,501	3,067,151	792,204	1,057,338	4,916,693
Advertising and promotion	316	-	-	316	26,986	9,387	36,689
Assistance to others	975,555	-	-	975,555	-	-	975,555
Conferences, staff training, and meals	8,492	1,300	75	9,867	5,359	1,369	16,595
Depreciation	355,122	4,178	16,712	376,012	20,890	20,890	417,792
Direct mail	-	-	-	-	-	487,001	487,001
Dues and subscriptions	30,375	-	228	30,603	13,601	18,557	62,761
Food - acquisition	6,425,540	5,063	88,754	6,519,357	-	-	6,519,357
Food - donated food distributed	12,102,083	-	-	12,102,083	-	-	12,102,083
Information technology expenses	72,428	9,587	4,109	86,124	37,749	110,300	234,173
Insurance	36,574	430	1,721	38,725	12,102	2,151	52,978
Occupancy expenses	239,317	2,785	11,140	253,242	42,475	13,925	309,642
Office expenses	50,174	4,736	1,819	56,729	136,742	79,391	272,862
Other expenses	1,229	-	-	1,229	5,700	211	7,140
Professional fees	102,989	1,956	-	104,945	95,537	36,107	236,589
Supplies	111,070	7,772	11,698	130,540	-	1,151	131,691
Temporary personnel	117,959	-	-	117,959	11,800	-	129,759
Transportation	114,463	-	-	114,463	-	-	114,463
Trash removal	20,730	276	3,870	24,876	1,382	1,382	27,640
Travel	6,460	685	-	7,145	50	775	7,970
Total expenses	\$ 23,450,671	\$ 206,623	\$ 359,627	\$ 24,016,921	\$ 1,202,577	\$ 1,839,935	\$ 27,059,433

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

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022



	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash received from:		
Contributions	\$ 12,166,032	\$ 12,564,358
Grants and contracts	1,157,840	728,167
Cooperative buying program	177,059	204,056
Interest and dividends	356,041	191,170
Special events	244,205	218,725
Other income	245,391	196,628
Total receipts	<u>14,346,568</u>	<u>14,103,104</u>
Cash paid for:		
Salaries and related expenses	(5,444,326)	(4,897,083)
Food expenditures	(7,962,701)	(6,301,646)
Occupancy expenses	(235,807)	(309,642)
Assistance to others	(1,161,801)	(975,555)
Direct mail	(555,831)	(487,001)
Professional fees	(342,223)	(236,589)
Special events expenses	(49,998)	(45,843)
Other expense	(669,593)	(1,229,709)
Total expenditures	<u>(16,422,280)</u>	<u>(14,483,068)</u>
Net cash used by operating activities	<u>(2,075,712)</u>	<u>(379,964)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(429,901)	(303,399)
Proceeds from sale of investments	6,279,728	4,404,649
Purchase of investments	(6,509,897)	(9,562,504)
Net cash used by investing activities	<u>(660,070)</u>	<u>(5,461,254)</u>
Cash Flows from Financing Activities:		
Contributions restricted to capital expenditures	136,968	300,000
Net cash provided by financing activities	<u>136,968</u>	<u>300,000</u>
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(2,598,814)	(5,541,218)
Cash, Cash Equivalents and Restricted Cash, beginning of year	<u>6,561,681</u>	<u>12,102,899</u>
Cash, Cash Equivalents and Restricted Cash, end of year	<u>\$ 3,962,867</u>	<u>\$ 6,561,681</u>
Reconciliation to Statements of Financial Position:		
Cash and cash equivalents	\$ 3,850,706	\$ 6,421,463
Cash, restricted by donor for capital improvements	112,161	140,218
Cash, Cash Equivalents and Restricted Cash, end of year	<u>\$ 3,962,867</u>	<u>\$ 6,561,681</u>

See note 15 for supplemental cash flow information.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

1. Nature of Operations

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 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 Pronouncement Adopted

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. The most significant change in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under ASU 2016-02, disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Food Bank adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance.

The Food Bank elected the available practical expedients to account for existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The adoption of ASU 2016-02 did not have a significant impact on the Food Bank's financial position, results of operations or cash flows.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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.

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, 2023 and 2022, the Food Bank had no allowance for doubtful accounts.

Food Inventory

Approximately one third of the food distributed by the Food Bank is donated. Donated food is recorded as contribution revenue at fair value 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 THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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.

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 distributed free of charge. Non-food items such as health and beauty and household supplies are sold at the Food Bank's cost. Purchases made using restricted grant funds are distributed to member agencies in the normal course of business.

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.

Leases

The Food Bank leases office equipment and copiers. The Food Bank determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current operating lease liabilities, and operating lease liabilities on the accompanying statements of financial position.

ROU assets represent the Food Bank's right to use an underlying asset for the lease term and lease liabilities represent the Food Bank's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If a lease does not provide an implicit rate, the Food Bank uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Food Bank's lease terms include options to extend or terminate the lease when it is reasonably certain the Food Bank will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Food Bank's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Food Bank has elected to apply the short-term lease exemption to certain leases that are short-term in nature. The short-term lease cost for those leases in 2023 was \$7,477. No remaining lease payments are due in 2023.

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.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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 inputs are unobservable 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.

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.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

Support and Revenue Recognition

Contributions - The Food Bank records contribution revenue in the fiscal year in which the contribution is made or unconditionally promised. Contributions of food are recorded at fair value on the date of donation. 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 sales to member agencies, at the cost of non-food purchases, which is recognized when products are delivered to member agencies.

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

Donated Stock – Contributions of donated stock are recorded at fair value on the date received. The Food Bank sells donated stock immediately after it is received; any difference between the fair value on the date of receipt and the date of sale is included in investment return in the accompanying statements of activities.

Contributed Non-financial Assets – 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.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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 consists of fundraising expenses.

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.

Subsequent Events

Management has evaluated subsequent events through November 27, 2023, which is the date these financial statements were available to be issued.

3. Program Service Accomplishments (Unaudited)

During the year ended June 30, 2023, food insecurity in Rhode Island grew due to inflation and the high costs of gas, food and utilities. The 2022 Rhode Island Life Index Survey conducted by Blue Cross and Blue Shield of Rhode Island and Brown University in summer 2022 showed that food insecurity rose from 18% of households to 31% of households. The rates were even higher for households with children, 41%, and people of color. Among communities of color, 43% of Black households, 47% of Latino households and 43% of other non-white households reported being food insecure, as compared to 26% of white households.

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In February 2023, the pandemic-era emergency Supplemental Nutrition Assistance Program (SNAP) allotment ended, and families saw a reduction to their benefits of \$153 per month, on average. The Food Bank immediately saw the dramatic impact this had on families and by May 2023, the number of people served at Food Bank food pantries climbed more than 20% to 80,000 people served per month.

During the year ended June 30, 2023, the Food Bank continued to make strides towards improving equitable access to emergency food in the state of Rhode Island. The Food Bank completed a Community Needs Assessment in December 2022, which showed that stocking more fresh produce and culturally relevant food products at food pantries was of vital importance to the diverse populations in Rhode Island. In response, during the year ended June 30, 2023, the Food Bank doubled the amount of culturally relevant food distributed to more than 2,800,000 pounds of food. The Food Bank also increased the amount of fresh produce distributed to approximately 3,670,000 pounds.

Additionally during the year ended June 30, 2023, the Food Bank added several new organizations to their member agency network to better reach immigrants and refugees, unhoused individuals, and seniors, allowing the Food Bank to provide food assistance directly to specific populations within their own communities, while overcoming language and/or cultural barriers.

During the year ended June 30, 2023, the Food Bank invested over \$1,000,000 to continue to strengthen their member agency network so the organizations can continue to accommodate the increasing number of people seeking assistance. Some project examples include purchasing trucks to help agencies acquire and distribute more food, and purchasing freezers and coolers so that member agencies can store greater quantities of non-perishable food. The Food Bank purchased shelving and other supplies for member agencies to return to Shopper's Choice model pantries post-pandemic. The Food Bank also assisted agencies in translating materials into various languages, to better meet the needs of the people they serve.

Food Distribution - The Food Bank distributed approximately 16,200,000 pounds of food to member agencies during the year ended June 30, 2023. Donations of non-perishable foods from supermarkets and the food industry continue to be limited due to improved efficiencies and supply chain issues. Community food drives provide a small amount of non-perishable food. Fortunately, the Food Bank's Retail Rescue program remains strong with agencies receiving approximately 1,780,000 pounds of donated perishable food items from grocery stores and supermarkets. The Food Bank also receives donated fresh produce from growers and wholesalers. Donated food made up approximately 31% of the Food Bank's food supply during the year ended June 30, 2023.

The United States Department of Agriculture (USDA) commodity food received through TEFAP declined during the year ended June 30, 2023. Pandemic-era emergency funds to support farmers and the food industry have ended and the Food Bank is already seeing TEFAP pounds return to much lower pre-pandemic levels. USDA commodities including TEFAP and CSFP made up approximately 26% of the Food Bank's food supply during the year ended June 30, 2023.

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The Food Bank purchased approximately 43% of their food supply during the year ended June 30, 2023. Food acquisition costs for nearly all categories of food were more expensive compared to prior year, from meats (ground beef increased \$0.90 per pound) to eggs (increase \$0.80 per pound), to rice (increased \$0.33 per pound). The average food purchasing cost for the year ended June 30, 2023 was \$0.99 per pound. While purchasing food is more expensive, the Food Bank is committed to acquiring healthy staples, more fresh produce and a variety of culturally relevant food products for member agencies.

Kids Café - Kids Café serves wholesome evening meals to children at risk of hunger, supplementing school nutrition programs. During the year ended June 30, 2023, the Food Bank operated four Kids Café sites, serving an average of 400 children a day. Sites were located at the East Providence Boys and Girls Club, the Pawtucket YMCA, the Pawtucket Boys and Girls Club, and the Segue Institute for Learning in Central Falls. Nearly 70,000 meals were provided to the four sites during the year ended June 30, 2023. Kids Café meals were prepared by Food Bank chefs and Healthy Habits staff.

Healthy Habits: Eating Well on a Budget - Healthy Habits is a nutrition education program that works to bridge the gap between food insecurity and health for guests of member agencies by providing a combination of relevant, science-based community nutrition and culinary education. The Food Bank offers classes over 4-6 weeks, one-time workshops and demonstrations of healthy recipes and healthy eating habits. The Food Bank's nutrition educators conduct in-person classes that allowed individuals, families, children and seniors to learn about healthy eating. During the year ended June 30, 2023, nearly 140 people participated in fourteen 4-6 week series classes; 336 participated in one-time workshops; and 1,790 participated in in-person Healthy Bites and food demonstrations.

Healthy Habits also developed the Healthy Chefs Academy for children participating in the Food Bank's Kids Café program. The curriculum focuses on developing practical age-appropriate kitchen skills with basic recipes. Each new kitchen skill is paired with a related nutrition lesson that instills healthy eating behaviors. This curriculum was provided at Kids Café sites every other month during the year ended June 30, 2023.

Meals4Kids Box Program - Meals4Kids boxes are a safe, quick and efficient way to get food to at risk children. Each box contains five breakfasts, lunches and snacks, and acts as a communication tool to provide parents with information about important programs for low-income families. During the year ended June 30, 2023, the Food Bank distributed approximately 12,476 Meals4Kids boxes.

To-Go Bags for Unhoused Populations - The Food Bank distributes Grab-and-Go string backpacks that include shelf-stable, calorie-dense meals and snacks for distribution to unhoused populations seeking assistance at food pantries or meal sites. The included foods do not require cooking or refrigeration. Each bag contains seven light meals and sixteen snacks, in addition to water and milk. During the year ended June 30, 2023, the Food Bank distributed approximately 4,092 to-go bags.

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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 low-income seniors each month. The Food Bank distributed 22,168 boxes to seniors at food pantries and senior housing facilities during the year ended June 30, 2023. Information on cooking and nutrition was included in the boxes.

School-Based Programs - The Food Bank supports school-based backpack and school pantry programs located throughout the state of Rhode Island, serving approximately 11,492 young people and their families during the year ended June 30, 2023. These programs distributed 273,490 pounds of healthy, nutritious food and snacks.

Volunteers - The Food Bank offers volunteer shifts to corporate groups who help pack Meals4Kids Boxes, CSFP boxes for seniors, and To-Go string backpacks for unhoused populations. During the year ended June 30, 2023, 1,774 volunteers provided 5,089 hours.

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, comprised of the following at June 30, 2023 and 2022:

	2023	2022
Current financial assets:		
Cash and cash equivalents	\$ 3,850,706	\$ 6,421,463
Accounts and grants receivable	1,016,115	699,886
Current financial assets, end of year	4,866,821	7,121,349
Less: financial assets unavailable for general expenditure:		
Subject to expenditure for specific purpose	205,180	168,649
Subject to expenditure based on time	27,500	152,500
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,634,141	\$ 6,800,200

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 for \$4,000,000 at June 30, 2023 (Note 8). 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 \$6,569,036 and the board designated funds for contingency reserve of \$4,756,888 in the event of an emergency.

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5. Investments

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

	2023	2022
Money market funds	\$ 1,333,115	\$ 455,140
Corporate bonds	2,379,805	124,768
Equity securities:		
Consumer	102,056	119,503
Consumer staples	79,104	107,845
Energy	91,646	106,805
Financial	214,385	175,243
Healthcare	204,240	276,111
Industrial	127,340	153,663
Information technology	353,794	360,795
Materials	35,716	34,647
Real estate	-	38,042
Telecommunications	131,518	156,039
Utilities	36,311	58,577
Total equity securities	1,376,110	1,587,270
Mutual funds:		
Domestic fixed income	567,019	2,761,136
International fixed income	210,725	299,900
Domestic equity	4,127,615	3,438,850
International equity	1,331,535	1,765,046
Total mutual funds	6,236,894	8,264,932
Total investments	\$ 11,325,924	\$ 10,432,110

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

	2023	2022
Interest and dividend income	\$ 399,298	\$ 233,333
Net gain (loss) on investments	663,645	(1,912,105)
Fees	(46,714)	(42,163)
Investment return, net	\$ 1,016,229	\$ (1,720,935)

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6. Right-of-Use Assets and Leases Payable

The Food Bank has operating leases for office equipment and copiers expiring at various dates through June 2028. The related cost of the ROU assets and accumulated amortization at June 30, 2023 was as follows:

Right-of-use assets – operating leases:	
Office equipment	\$ 26,255
Copiers	27,865
	<hr/> 54,120
Less: accumulated amortization	<hr/> (3,591)
	<hr/> \$ 50,529

The components of lease expense for the year ended June 30, 2023 were as follows:

Operating lease cost	\$ 4,880
Short-term lease cost	<hr/> 7,477
Total lease cost	<hr/> <hr/> \$ 12,357

Other information related to leases for the year ended June 30, 2023 was as follows:

Supplemental Cash Flows Information:	
Operating cash flows from operating leases	\$ 4,880
ROU assets obtained in exchange for operating lease obligations	54,120
Weighted Average Remaining Lease Term	4.6 years
Weighted Average Discount Rate	4.19%

Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

<u>Year Ending</u>	
June 30, 2024	\$ 11,998
June 30, 2025	11,998
June 30, 2026	11,998
June 30, 2027	11,998
June 30, 2028	<hr/> 7,117
Total future minimum lease payments	55,109
Less imputed interest	<hr/> (4,580)
Less current portion	<hr/> (10,625)
Leases payable, less current portion	<hr/> <hr/> \$ 39,904

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Total lease expense for the year ended June 30, 2022 was \$11,700. As of June 30, 2022, aggregate future minimum lease payments through June 30, 2023 were approximately \$4,800.

7. Property and Equipment

Property and equipment consisted of the following:

	2023	2022
Land	\$ 308,000	\$ 308,000
Building	2,492,000	2,492,000
Building improvements	5,912,246	5,595,054
Motor vehicles	831,083	831,083
Equipment	1,335,282	1,265,041
Furniture and fixtures	395,344	387,209
	11,273,955	10,878,387
Less: accumulated depreciation	(5,536,609)	(5,137,714)
Property and equipment, net	\$ 5,737,346	\$ 5,740,673

During the year ended June 30, 2023, the Food Bank disposed of fully depreciated property and equipment with an original cost of \$34,333.

During the year ended June 30, 2022, the Food Bank disposed of property and equipment with a net book value of \$6,133 for no proceeds, resulting in a loss on disposal which is included in other income on the accompanying statements of activities.

8. Line of Credit

On December 15, 2022, the Food Bank entered into a secured investment credit line note (line) with a financial institution providing for borrowings up to \$4,000,000. The line bears interest at a rate of the 30-Day Secured Overnight Financing Rate (SOFR) (5.09% at June 30, 2023) plus 1.15%, payable monthly. The line is secured by the Securities Account, as defined in the agreement. No amount was outstanding under the line at June 30, 2023.

In addition, the line agreement contains various covenants and restrictions. At June 30, 2023, management believes the Food Bank was in compliance with the covenants and restrictions.

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At June 30, 2022, the Food Bank had a revolving line of credit with a local bank providing for maximum borrowings up to \$1,000,000. The revolving line of credit was due on demand with interest payable at the Simple SOFR rate (1.50% at June 30, 2022) plus 1.5375%. The revolving line of credit was secured by the investment portfolio balance. No amount was outstanding under the revolving line of credit at June 30, 2022 and the line of credit was terminated in December 2022.

9. Net Assets With Donor Restrictions

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

	2023	2022
Net Assets With Donor Restrictions:		
Capital improvements	\$ 112,161	\$ 140,218
Food acquisition	27,000	56,000
Food inventory	327,855	822,125
Healthy Habits	-	5,000
Healthy Kid Boxes	45,000	59,423
Hunger study	33,380	-
Kids Café	40,000	-
Other miscellaneous	59,800	18,225
Restricted due to time	27,500	152,500
SNAP Outreach	-	30,000
	\$ 2,690,784	\$ 1,283,491

10. Contributed Assets

Contributed Non-financial Assets

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.

Note 15 discusses noncash transactions of donated food inventory. Donated food inventory received by the Food Bank is recorded as food donations revenue with a corresponding increase to food inventory.

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Contributed non-financial assets of \$43,475 and \$100,980 for the years ended June 30, 2023 and 2022, respectively, represents the fair value of donated vehicles, which are immediately sold. Fair value is determined based on the proceeds received from the sale, which are used to support the general operations of the Food Bank's food distribution program.

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.

Donated Stock

The Food Bank received donated stock valued at \$250,357 and \$281,473 for the years ended June 30, 2023 and 2022, respectively.

11. 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, 2023 and 2022 was approximately \$118,700 and \$114,700, respectively. The 403(b) plan is entirely funded by employee contributions.

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. The agreement provides for monthly rental income payments of \$15,000. For the years ended June 30, 2023 and 2022, the Food Bank received \$180,000 in rental income, which is included in other income on the accompanying statements of activities.

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

<u>Year Ending</u>		
June 30, 2024	\$	180,000
June 30, 2025		<u>15,000</u>
Total	\$	<u>195,000</u>

13. Membership Dues

The Food Bank is a member of Feeding America, the nation’s largest domestic hunger relief organization. As a member, the Food Bank is required to distribute all of the food donations received during the fiscal year to other tax-exempt organizations. Membership dues charged by Feeding America consist of two components: the first component is a flat rate charged to all member food banks; the second component is an incremental fee calculated using the Food Bank’s goal factor. The goal factor is determined by comparing the poverty population rate in the member Food Bank’s service area to the total poverty rate in the United States. For each of the years ended June 30, 2023 and 2022, the Food Bank paid approximately \$9,900 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, 2023, 70% of the accounts and grants receivable balance was due from three donors. At June 30, 2022, 62% of the accounts and grants receivable balance was due from four donors. At year end, management believes the credit risk associated with its accounts receivable is minimal and that no allowance is necessary.

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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, 2023 and 2022, the Food Bank received approximately \$13,449,000 and \$11,766,000, respectively, of donated food. Donated food distributions for the years ended June 30, 2023 and 2022 totaled approximately \$13,943,000 and \$12,102,000, respectively.