

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY



Consolidated Financial Statements With Supplementary Information (Together with Independent Auditors' Report)

Year Ended June 30, 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)**

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Food Bank For New York City and Subsidiary

We have audited the accompanying consolidated financial statements of Food Bank For New York City and Subsidiary (collectively, "Food Bank For NYC"), which comprise the consolidated statement of financial position as of June 30, 2020 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Food Bank For New York City and Subsidiary as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (shown on pages 21-22) as of and for the year ended June 30, 2020 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
March 30, 2021

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020**

ASSETS

Cash and cash equivalents (Notes 2C and 18)	\$ 30,578,056
Investments (Notes 2E, 2F, 4 and 5)	6,020,095
Government grants receivable (Note 2I)	8,833,714
Contributions receivable (Notes 2D and 6)	1,574,816
Accounts receivable, net (Note 2D)	166,227
Purchased products inventory (Notes 2K and 9)	1,150,090
Donated products inventory (Notes 2J, 2L and 9)	3,757,059
Prepaid expenses and other assets	589,591
Property and equipment, net (Notes 2G and 7)	<u>5,107,848</u>

TOTAL ASSETS \$ 57,777,496

LIABILITIES

Accounts payable and accrued expenses (Note 16)	\$ 8,740,025
Accrued salaries	248,977
Accrued vacation	275,263
Government contract advances (Note 2I)	9,999,506
Deferred revenue	276,192
Deferred rent (Notes 2M and 17B)	655,355
PPP loan payable (Note 11)	867,500
Mortgage loan payable, net (Note 12)	<u>1,518,950</u>

TOTAL LIABILITIES 22,581,768

COMMITMENTS AND CONTINGENCIES (Note 17)

NET ASSETS (Note 2B)

Net assets without donor restrictions:	
Operations	27,020,114
Board-designated (Note 13)	1,288,532
Net investment in property and equipment	<u>3,588,898</u>
Total net assets without donor restrictions	31,897,544
Net assets with donor restrictions (Note 13)	<u>3,298,184</u>

TOTAL NET ASSETS 35,195,728

TOTAL LIABILITIES AND NET ASSETS \$ 57,777,496

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Consolidated Total</u>
PUBLIC SUPPORT AND REVENUE (Note 2H):			
Contributions - foundations and corporations (includes in-kind contributions and donated services of \$388,996) (Note 2L)	\$ 10,650,035	\$ 3,934,687	\$ 14,584,722
Contributions - individuals (Note 2L)	30,196,964	1,057,955	31,254,919
Special events (net of direct expenses of \$46,016 (Notes 2N and 14)	495,093	-	495,093
Net assets released from restrictions (Notes 2B and 13)	<u>4,163,771</u>	<u>(4,163,771)</u>	<u>-</u>
Total public support	<u>45,505,863</u>	<u>828,871</u>	<u>46,334,734</u>
Government contracts (Notes 2I and 8)	24,539,728	-	24,539,728
Donated food received (Notes 2J and 9)	72,544,861	-	72,544,861
Sale of food and paper products	1,328,992	-	1,328,992
Investment activity (Notes 2E and 4)	15,629	500	16,129
Other income	<u>94,012</u>	<u>-</u>	<u>94,012</u>
Total revenue	<u>98,523,222</u>	<u>500</u>	<u>98,523,722</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>144,029,085</u>	<u>829,371</u>	<u>144,858,456</u>
EXPENSES (Notes 2H and 2O):			
Program services:			
Distribution and food storage	105,673,497	-	105,673,497
Research and policy	204,031	-	204,031
Food and nutrition services	2,139,152	-	2,139,152
Community kitchen and food pantry	1,815,266	-	1,815,266
Income support services	985,781	-	985,781
Food and benefits access	<u>529,633</u>	<u>-</u>	<u>529,633</u>
Total program services	<u>111,347,360</u>	<u>-</u>	<u>111,347,360</u>
Supporting services:			
Management and general	7,225,663	-	7,225,663
Fundraising	<u>4,337,433</u>	<u>-</u>	<u>4,337,433</u>
Total supporting services	<u>11,563,096</u>	<u>-</u>	<u>11,563,096</u>
TOTAL EXPENSES	<u>122,910,456</u>	<u>-</u>	<u>122,910,456</u>
CHANGE IN NET ASSETS	21,118,629	829,371	21,948,000
Net assets - beginning of year	<u>10,778,915</u>	<u>2,468,813</u>	<u>13,247,728</u>
NET ASSETS - END OF YEAR	<u>\$ 31,897,544</u>	<u>\$ 3,298,184</u>	<u>\$ 35,195,728</u>

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services			Total	
	Distribution and Food Storage	Research and Policy	Food and Nutrition Services	Community Kitchen and Food Pantry	Income Support Services	Food and Benefits Access	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 3,225,569	\$ 136,039	\$ 834,885	\$ 564,791	\$ 350,345	\$ 260,820	\$ 5,372,449	\$ 3,223,100	\$ 1,469,755	\$ 4,692,855	\$ 10,065,304
Temporary labor - staffing agencies	1,896,938	-	248,367	139,708	12,037	19,346	2,316,396	337,941	103,997	441,938	2,758,334
Payroll taxes and employee benefits (Notes 15 and 16)	722,277	42,228	190,628	159,612	103,232	84,837	1,302,814	792,339	245,110	1,037,449	2,340,263
Total salaries and related costs	5,844,784	178,267	1,273,880	864,111	465,614	365,003	8,991,659	4,353,380	1,818,862	6,172,242	15,163,901
Donated food distributed (Notes 2J and 9)	69,529,214	-	-	-	-	-	69,529,214	-	-	-	69,529,214
Food purchased for distribution (Note 9)	16,007,168	-	-	-	-	-	16,007,168	-	-	-	16,007,168
Warehouse	772,838	-	-	5,900	-	-	778,738	-	-	-	778,738
Food delivery costs	5,759,864	-	-	-	-	-	5,759,864	-	-	-	5,759,864
Incoming freight	4,597	-	-	-	-	-	4,597	-	-	-	4,597
Value-added product costs	254,839	-	-	-	-	-	254,839	-	-	-	254,839
Occupancy costs (Note 17B)	2,175,067	16,954	122,619	145,199	81,433	42,666	2,583,938	91,743	107,699	199,442	2,783,380
Insurance	345,004	3,378	24,641	19,576	8,830	8,501	409,930	91,166	21,349	112,515	522,445
Direct mail	19,453	-	-	-	-	-	19,453	-	1,171,500	1,171,500	1,190,953
Consultant and professional fees	219,433	-	48,440	126,751	8,555	-	403,179	972,077	451,821	1,423,898	1,827,077
Media and design services	8,271	-	6,870	-	-	4,000	19,141	316,953	5,106	322,059	341,200
Annual conference	237,364	-	-	-	-	-	237,364	-	-	-	237,364
Professional development	-	-	591	-	-	-	591	17,086	-	17,086	17,677
Site monitoring and local travel	12,729	-	3,525	769	2,139	1,050	20,212	29,952	1,652	31,604	51,816
Computer and website maintenance	10,406	2,380	37,052	8,124	36,007	10,573	104,542	252,667	147,752	400,419	504,961
Participant incentives	-	-	34,374	-	-	-	34,374	-	-	-	34,374
Cooking equipment and curriculum materials	8,563	-	352,600	317,418	-	238	678,819	1,586	-	1,586	680,405
Capacity grants	1,696,165	-	7,802	-	70,505	-	1,774,472	-	9,322	9,322	1,783,794
Other program expenses	2,231,294	-	70,191	60,272	8,713	-	2,370,470	45,311	9,166	54,477	2,424,947
Temporary and seasonal services directly funded programs	-	-	5,128	-	256,957	-	262,085	-	-	-	262,085
Dues and subscriptions	571	-	70	-	-	-	641	31,393	16,028	47,421	48,062
Office expenses	56,357	-	899	5,482	2,749	-	65,487	224,990	2,415	227,405	292,892
Telephone and communication	20,375	864	5,111	5,693	22,743	1,569	56,355	188,532	9,844	198,376	254,731
Printing and postage	1,851	-	260	114	1,628	-	3,853	23,834	42,373	66,207	70,060
Repairs and maintenance	78,239	-	-	38,664	125	-	117,028	53,924	-	53,924	170,952
Special events expenses	-	-	-	-	-	-	-	-	60,292	60,292	60,292
Bad debt	-	-	-	-	-	-	-	269,008	-	269,008	269,008
Interest (Note 12)	-	-	-	76,916	-	-	76,916	-	-	-	76,916
Expensed equipment (Note 2G)	175,804	-	8,076	-	-	-	183,880	-	-	-	183,880
License and fees	-	-	-	-	-	-	-	37,528	-	37,528	37,528
HRIS/Payroll & benefits processing	-	-	-	-	-	-	-	68,199	-	68,199	68,199
Uniform service	31,069	-	-	-	-	-	31,069	-	-	-	31,069
Credit card processing fees	-	-	-	-	-	-	-	-	351,463	351,463	351,463
Other expenses	8,286	2,188	25,344	9,911	1,095	126	46,950	97,368	112,169	209,537	256,487
Total expenses before depreciation and amortization and cost of direct benefits to donors	105,509,605	204,031	2,027,473	1,684,900	967,093	433,726	110,826,828	7,166,697	4,338,813	11,505,510	122,332,338
Depreciation and amortization (Notes 2G and 7)	163,892	-	111,679	130,366	18,688	95,907	520,532	58,966	44,636	103,602	624,134
Sub-total	105,673,497	204,031	2,139,152	1,815,266	985,781	529,633	111,347,360	7,225,663	4,383,449	11,609,112	122,956,472
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	(46,016)	(46,016)	(46,016)
TOTAL EXPENSES	\$ 105,673,497	\$ 204,031	\$ 2,139,152	\$ 1,815,266	\$ 985,781	\$ 529,633	\$ 111,347,360	\$ 7,225,663	\$ 4,337,433	\$ 11,563,096	\$ 122,910,456

The accompanying notes are an integral part of these consolidated financial statements.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 21,948,000

Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation and amortization	624,134
Interest expenses on deferred financing costs	6,052
Realized and unrealized loss on investments, net	665
Bad debt	269,008

Changes in operating assets and liabilities:

(Increase) decrease in assets:

Government grants receivable	(1,821,292)
Contributions receivable	208,499
Accounts receivable	(143,492)
Prepaid expenses and other assets	38,430
Purchased products inventory	(535,395)
Donated products inventory	(3,059,604)

Increase (decrease) in liabilities:

Accounts payable and accrued expenses	4,817,470
Accrued salaries	77,012
Accrued vacation	11,938
Government contract advances	9,471,554
Deferred revenue	276,192
Deferred rent	(36,155)

Net Cash Provided by Operating Activities 32,153,016

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	813,831
Purchase of investments	(5,984,652)
Purchases of property and equipment	(1,139,550)
Net Cash Used in Investing Activities	<u>(6,310,371)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of mortgage payable	(117,573)
Proceeds from PPP loan payable	867,500
Net Cash Provided by Financing Activities	<u>749,927</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 26,592,572

Cash and Cash Equivalents - beginning of year 3,985,484

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 30,578,056

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	<u>\$ 76,916</u>
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**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Food Bank For New York City was incorporated in the State of New York in 1983 pursuant to the Not-for-Profit Corporation Law. Food Bank For New York City was determined to be a publicly supported organization by the Internal Revenue Service (“IRS”) and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Community Food Resources Center Property, Inc. (“CFRC”) is a controlled subsidiary of Food Bank For New York City and was incorporated in New York State in 2000. CFRC is a Section 501(c)(2) organization whose purpose is to hold title to property and turn over all of its earnings, less expenses, to Food Bank For New York City and, accordingly, is exempt from Federal and state income taxes. Collectively, these two entities are referred to as “Food Bank For NYC”.

Food Bank For NYC is a member of Feeding America, the Nation’s Food Bank Network, and Feeding New York State.

Food Bank For NYC’s mission is to end hunger by organizing food, information, and support for community survival, and dignity. As the largest hunger-relief organization in New York City, Food Bank For NYC employs a multifaceted approach centered on tackling hunger as a symptom of poverty and developing solutions to address both. To that end, Food Bank For NYC’s programs are designed to help low-income New Yorkers access the knowledge, tools and resources needed today to achieve greater financial stability, mobility, and independence tomorrow. Major programs include:

Community Kitchen and Food Pantry: Opened in 1984, the Community Kitchen and Food Pantry of West Harlem (the “Kitchen”) is a resource and service center for the community of West Harlem. The Kitchen operates a congregate meal program; a consumer-choice food pantry and, a program connecting individuals and families to income support programs, including Supplemental Nutrition Assistance Program, free tax-return preparation services, and rent, mortgage and utility assistance.

Benefits Access: Food Bank For NYC provides sessions to 1) inform and educate low-income New Yorkers and community-based organizations on government food assistance programs and, 2) to help communities move toward more sustainable strategies for combating food and financial insecurity. It also conducts SNAP training and provides technical assistance on eligibility screening for community-based organizations. In addition, its services are provided directly to thousands of clients annually.

Nutrition Education Services: Food Bank For NYC provides nutrition education for children, teens, and adults, encourages the development and adoption of healthy diets and promotes healthy eating in communities throughout New York City. Food Bank For NYC’s core nutrition education program is Cook Shop, and reaches over 50,000 children, teens, and adults across New York City annually.

Income Support Services: At the core of Food Bank For NYC’s income support services for low to moderate-income New Yorkers are free services, screenings, enrollment, and information on how to access the various federal credits and benefits. As evidence is the focus on the Earned Income Tax Credit program, where Food Bank For NYC tries to help families achieve the highest credit allowed under the tax law. Additionally, Food Bank For NYC’s free tax-return preparation services for the working poor can also connect eligible individuals to tax refunds that move them closer to food and financial security. Food Bank For NYC’s Food and Financial Empowerment Services also provides group workshops and financial counseling sessions that enable individuals to begin creating a viable financial future.

COVID-19

The onset of the coronavirus outbreak across our city caused a seismic shift in the operations of Food Bank For NYC.

At the outset of the devastating pandemic Food Bank For NYC immediately pivoted to a predominantly remote work environment and innovated new service models that have now been permanently adopted into our mission operations. These shifts were implemented with the primary goal of keeping Food Bank For NYC’s fleet of trucks on the road delivering more food to more New Yorkers than ever before. At the pandemic’s height, Food Bank For NYC citywide network of soup kitchens and food pantries reported serving twice as many new clients, in addition to the nearly 1.5 million New Yorkers who were already food-insecure and relied on Food Bank For NYC’s help before the pandemic.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

The operational changes positioned Food Bank For NYC for the growth needed to meet the new unprecedented levels of food insecurity now being experienced throughout the five boroughs in fiscal year 2021 and beyond. For example, in fiscal year 2020, covered in these consolidated financial statements, Food Bank For NYC set a new historical milestone in nutritious food distributed of more than 95 million pounds, versus the budgeted goal of 70 million pounds. This additional food was essential to ensuring Food Bank For NYC's citywide network for food pantries and soup kitchens had meals to distribute to their growing lines of New Yorkers in need during the height of the pandemic.

Food Bank For NYC also received more than \$45 million in private revenue, versus the \$19 million that had been budgeted. Thanks, in part, to this unprecedented private support, along with new partnerships secured across private and public sectors, Food Bank For NYC entered fiscal year 2021 financially positioned to continue to meet the rising need across NYC. With unemployment still at a record high and pantry lines showing no signs of slowing down, Food Bank For NYC devised a strategy to invest \$14MM in fiscal year 2021 from support in the prior fiscal year into the network to increase capacity. This will shore up infrastructure, security, and guarantee survival of these organizations we partner with to move food directly to people who need it. Most importantly, the investment ensures that Food Bank for NYC can move more food to more people for as long as needed.

The \$14 million investment is being applied to address key areas of need through four pillars of support: food grants, operational and capacity grants, healthcare partnerships, and a mobile pantry program.

By November 2020, visits to emergency food providers across NYC were up by 63 percent, compared to the start of the outbreak in March. In response, Food Bank For NYC increased both the quantity and frequency of our food deliveries, and also made additional food available during the holiday season such as turkeys and the traditional side dishes when food providers typically see a spike in clients, even outside of pandemic-driven need.

Along with providing our member agencies more food, Food Bank For NYC is also helping to provide the operational means to get that food to their communities. Capacity grants are helping to address logistical issues for our members by facilitating equipment for the safe storage, refrigeration, and transportation of more food. These investments include forklifts, pallet jacks, and refrigeration units, as well as the technology and training to deploy new "contactless" triage systems for direct client services. Operational grants are helping to cover the added overhead expenses that come with operating for more hours, over more days.

Food Bank For NYC recently welcomed NYU Langone and Memorial Sloan Kettering into its agency network which alone manages a network of 12 pantries across their hospital campuses. This investment ensures that these hospitals, as Food Bank For NYC members, receive a steady flow of nutritious food deliveries for their onsite pantries and pop-up distributions.

One of the most successful strategies of Food Bank For NYC's COVID response has been its new Mobile Pantry program. Literally a pantry on wheels this innovative program will serve more than 140,000 families, targeting gaps in Food Bank For NYC's network where agencies are closed or do not exist or where partners need more food to meet the need in their neighborhoods.

Other remarkable results from Food Bank For NYC's COVID-19 Disaster Response in fiscal year 2020 include:

- Shifting the meal distribution model at our Community Kitchen and Food Pantry from congregate meals to grab & go pantry bags and warm take-home meals for seniors, children and families;
- Implementing a fully virtual tax preparation service that will allow us to scale this work in a physically distant environment for the 2021 tax season;
- Expanding on our previous pop-up distribution model to serve New York City Housing Authority's communities across the five boroughs;
- Maintaining food distribution and other programming while transitioning many staff to remote work through the investment in and deployment of equipment and technology infrastructure enhancements;
- Participating in new government food initiatives, including Nourish New York, which provided New York State-sourced food to New York City residents, and New York City's operational investment in pantries and soup kitchens to ensure that they can continue serving vulnerable New Yorkers throughout the COVID-19 pandemic;
- Welcoming new executive leadership to strategically and collaboratively steer Food Bank For NYC's mission through one of the most challenging crises in New York City's history.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting** – Food Bank For NYC adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and prepares its consolidated financial statements using the accrual basis of accounting. The accompanying consolidated financial statements consist of the accounts of Food Bank For New York City and CFRC (collectively, “Food Bank For NYC”). All inter-company transactions are eliminated.
- B. **Net Asset Classification** – Food Bank For NYC maintains its net assets under the following two classes:
- Without Donor Restrictions:

Operating – this represents resources received that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of Food Bank For NYC’s operations over which the Board of Directors has discretionary control.

Board Designated Fund – consists of funds designated by the Board of Directors which represents a portion of Food Bank For NYC’s net assets without donor restrictions as an operating reserve for extraordinary events and any governmental funding reductions that may cause hardship for Food Bank For NYC. The operating reserve may also be used to expand, purchase, and lease equipment and warehouse space. The Board reviews the amount of the operating reserve annually. The operating reserve is not credited or charged with Food Bank For NYC’s investment results.

Invested in Property and Equipment – consists of property and equipment less mortgage loan payable.
 - With Donor Restrictions: Represents resources received with donor stipulations that limit the use of the donated assets or that have time restrictions placed on their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. In addition, net assets with donor restrictions also represents assets subject to donor-imposed stipulations that the corpus be maintained in perpetuity.
- C. **Cash and Cash Equivalents** – Food Bank For NYC considers money market funds and all other highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.
- D. **Contributions and Accounts Receivable** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows if deemed material to the consolidated financial statements. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions are accounted for under Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Conditional promises to give are not included as support until the conditions are substantially met. Food Bank For NYC’s management evaluates the need for an allowance for doubtful accounts applicable to its contributions and accounts receivable based on a combination of factors such as management’s estimate of the creditworthiness of its donors, a review of individual accounts outstanding, and the aged basis of the receivables, current economic conditions and historical experience. As of June 30, 2020, Food Bank For NYC determined that an allowance of approximately \$17,000 was necessary for its accounts receivable.
- E. **Investments** – Investments are carried at fair value. Net appreciation/(depreciation) in the fair value of investments, which includes realized and unrealized gains and losses on those investments, is reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Cost basis is determined on the date of purchase. Securities received as gifts are recorded at fair value at the date of the gift. Investment securities are exposed to various market risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in risks in the near term could materially affect investment balances.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. **Fair Value Measurements** – Investments are stated at fair value. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 5.
- G. **Property and Equipment** – Property and equipment, including leasehold improvements, are recorded at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Depreciation and amortization is provided on a straight-line basis over the useful lives of the asset, and relative to leasehold improvements, over the shorter of the term of the lease or the estimated useful lives of the assets. Food Bank For NYC capitalizes property and equipment with cost of \$5,000 or more with a useful life of greater than two years. Upon retirement or disposal, the asset cost and related accumulated depreciation or amortization is eliminated from the respective accounts and the resulting gain or loss is included in the changes in net assets for the period.
- H. **Changes in Net Assets** – Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expenses are reported as decreases in net assets without donor restrictions. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as net assets with donor restrictions.

Investment income and net realized and unrealized gain (loss) on investments net assets with donor restrictions are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the gift impose restrictions on the current use of the investment income and unappropriated earnings from endowment funds.
 - As increases (decreases) in net assets without donor restrictions in all other cases.
- I. **Government Grants and Contracts** – Government grants and contracts are nonexchange transactions and accounted for under ASU 2018-08. Governmental grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Government contracts amounted to approximately \$24.5M for the year ended June 30, 2020 and are included in the consolidated statement of activities. Revenue from cost reimbursement-based government contracts is recognized when reimbursable costs are incurred under the terms of the contracts. Revenue from performance-based government contracts is recognized when performance objectives pursuant to the contract have been accomplished. Funds are received in either predetermined installments or in increments based on estimated or actual expenditures for the period. Accordingly, grant income under these awards is recognized in amounts equal to actual expenditures incurred. Contract payments received in advance of the qualified cost or performance are accounted for as contract advances.

As of June 30, 2020, Food Bank For NYC received conditional grants and contracts from government agencies in the aggregate amount of \$19,132,000. Such amount has not been recognized in the accompanying consolidated financial statements as it is for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and Food Bank For NYC may be required to return the funds already received.

Food Bank For NYC's management evaluates the need for an allowance for doubtful accounts applicable to its contributions and accounts receivable based on a combination of factors such as management's estimate of the creditworthiness of its donors, a review of individual accounts outstanding and the aged basis of the receivables, current economic conditions and historical experience. As of June 30, 2020, Food Bank For NYC determined that no allowance was needed for its government grants receivable.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. **Government-provided Products** – Food Bank For NYC receives food commodities for distribution to recipients under The Emergency Food Assistance Program (“TEFAP”), granted by New York State, and under the Emergency Food Assistance Program (“EFAP”), granted by New York City. TEFAP commodities belong to Food Bank For NYC as title passes when the goods are delivered to its warehouse. Government-provided food commodities under TEFAP on hand as of June 30, 2020 amounted to approximately \$2,651,000 and are included in the consolidated financial statements. EFAP commodities are considered pass-through products and are not included in the accompanying consolidated financial statements. Food Bank For NYC is responsible for safekeeping government food products held in inventory. Food Bank For NYC receives reimbursement from New York City for administrative costs incurred in the receipt, storage, and distribution of these food products. Government-provided food commodities on hand as of June 30, 2020 amounted to approximately \$1,803,000.

K. **Purchased Products Inventory** – Purchased products inventory consists of food and food service supplies used to fulfill obligations under certain government contracts and for resale to member organizations. Inventory is stated at the lower of cost or market using the first-in, first-out method.

Reimbursements received for products delivered under government contracts and proceeds from sales to member organizations are recognized as revenue, while related costs are included in program services as distribution and food storage.

L. **Donated Goods and Services** – Donated food, financial instruments, and other non-cash items are recorded as contributions at their fair value at the time of receipt. The fair value of donated food is calculated by utilizing the approximate average wholesale value of one pound of donated product at the national level (see Note 9). Donated services are reported as contributions when the services create or enhance nonfinancial assets, would be purchased if they had not been provided by contribution, or require specialized skills and are provided by individuals possessing those skills. Members of the Board of Directors and a substantial number of volunteers have made significant contributions of their time in support of Food Bank For NYC. The value of this contributed time is not reflected in these consolidated financial statements since these services do not meet the criteria for recognition.

Food Bank For NYC recognized contributed goods and services amounting to \$388,996 as in-kind contributions in the accompanying consolidated statement of activities for the year ended June 30, 2020.

M. **Deferred Rent** – Food Bank For NYC leases real property under operating leases expiring on various dates (see Note 17B) and the lease agreements contain scheduled future rent increases. U.S. GAAP requires that long-term leases, with scheduled rent increases, be accounted for by accelerating the impact of the future increases into the current periods, thereby smoothing the effects of the future increases in costs. This accounting treatment is commonly referred to as “straight-lining of rent”. The difference between rent expense, under this method, and the rental amounts actually paid to the landlord is reported as a “deferred rent” obligation in the accompanying consolidated statement of financial position. The change in the deferred rent liability is reflected in the accompanying consolidated statement of activities. As of June 30, 2020, Food Bank For NYC recorded an adjustment to rent expense to reflect its straight-line policy that amounted to \$(36,155) as a decrease in expense.

N. **Special Events Direct Costs** – The direct costs of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

O. **Functional Allocation of Expenses** – The costs of providing various programs and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses present the natural classification detail for the functional expenses with the result that certain natural costs are allocated among the programs and supporting services benefited. Accordingly, the consolidated statement of functional expenses report certain categories of expenses that are attributed to more than one program or supporting function. Those expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: salaries, payroll taxes and fringe benefits which are allocated based on time and effort reporting, and depreciation and amortization which are direct charged based on specific identification of program assets. A combination of allocation bases is used for occupancy, insurance, office and communications expenditures which are directly charged based on specific identification to program activities with the remaining costs allocated based on full time equivalencies (FTEs) across the other functional areas.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- P. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires Food Bank For NYC’s 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- Q. **Deferred Financing Costs** – Debt financing costs are presented as a reduction of the carrying amount of the debt rather than as an asset (see Note 12). Amortization of the debt issuance costs is reported as interest expense in the accompanying consolidated financial statements for the year ended June 30, 2020.
- R. **Recent Accounting Pronouncements** – Financial Accounting Standards Board (“FASB”) ASU 2018-08, was adopted for the year ended June 30, 2020. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution of government grant is conditional as described in Notes 2D and 2I.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Food Bank For NYC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Food Bank For NYC has various sources of liquidity at its disposal, including cash and cash equivalents, investments, government grants, contributions and accounts receivable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Food Bank For NYC considers all expenditures related to its ongoing activities of food storage and delivery, research and policy, food and nutrition services, community kitchen and food pantry, income support services, and food and benefits access services as well general administration and support services.

In addition to financial assets available to meet general expenditures over the next 12 months, Food Bank For NYC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In the event of an unanticipated liquidity need, Food Bank For NYC could also draw upon \$1,000,000 of its available line of credit.

The following financial assets could readily be made available immediately from the consolidated statement of financial position date to meet general expenditures as of June 30, 2020:

Cash and cash equivalents	\$ 30,578,056
Investments	6,020,095
Government grants receivable	8,833,714
Contributions receivable	1,574,816
Accounts receivable, net	<u>166,227</u>
Total financial assets	47,172,908
Less: Net assets with donor restrictions	(1,043,978)
Board-designated net assets	(1,288,532)
Contributions receivable due between one to five years	<u>(200,000)</u>
	<u>\$ 44,640,398</u>

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30, 2020:

Certificates of deposit	\$ 3,013,871
U.S. Treasury Bills	2,996,536
Cash equivalents	<u>9,688</u>
	<u>\$ 6,020,095</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – INVESTMENTS (Continued)

Investment activity consists of the following for the year ended June 30, 2020:

Interest and dividend income	\$	16,794
Realized gain on investments		996
Unrealized loss on investments		<u>(1,661)</u>
	<u>\$</u>	<u>16,129</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

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

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2020.

Certificates of Deposit:

Certificates of deposit (“CDs”) are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. There is little difference between such calculation and cost.

U.S. Treasury Bills:

U.S. treasury bills are valued using pricing models maximizing the use of observable inputs for similar securities.

Financial assets carried at fair value as of June 30, 2020 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Certificates of deposit	\$ -	\$ 3,013,871	\$ 3,013,871
U.S. Treasury bills	2,996,536	-	2,996,536
Cash equivalents	<u>9,688</u>	<u>-</u>	<u>9,688</u>
Total assets carried at fair value	<u>\$ 3,006,224</u>	<u>\$ 3,013,871</u>	<u>\$ 6,020,095</u>

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30, 2020:

Due less than one year	\$ 1,374,816
Due between one year and five years	<u>200,000</u>
	<u>\$ 1,574,816</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2020:

		<u>Estimated Useful Lives</u>
Land	\$ 137,957	
Building	551,830	40 years
Building improvements	2,599,315	10-40 years
Office equipment and computers	1,887,101	5 years
Warehouse equipment	500,962	5 years
Vehicles	879,631	3-7 years
Leasehold improvements	4,928,955	3-30 years
Hunts Point Cooperative Market (see below)	661,394	27.5 years
Furniture, fixtures, and equipment	60,530	5 years
Construction in progress (see below)	<u>394,563</u>	
	12,602,238	
Less: Accumulated depreciation and amortization	<u>(7,494,390)</u>	
Net book value	<u>\$ 5,107,848</u>	

For the year ended June 30, 2020, depreciation and amortization expense amounted to \$624,134.

Food Bank For NYC owns 8,361 shares of cooperative stock in Hunts Point Cooperative Market, Inc. (“HPCM”), which entitles it to occupy and use the warehouse and office premises in Hunts Point, New York City, under a sublease agreement with HPCM (see Note 17B). The cost of the shares, which originally amounted to \$661,394, are amortized to expense on a straight-line basis over the life of the underlying lease at an annual rate of \$24,050.

As of June 30, 2020, construction in progress relates to improvements at its 116th Street property where Food Bank For NYC has its Community Kitchen and Pantry Program where it provides some benefits access program work. The estimated date of completion is September 2021 with additional costs expected to be approximately \$297,000.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – GOVERNMENT CONTRACTS

Revenue recognized from government contracts consists of the following for the year ended June 30, 2020:

New York State:

Office of General Services, Division of Food Distribution and Warehousing - The Emergency Food Assistance Program	\$ 8,657,135
Department of Health Division of Nutrition, Hunger Prevention Nutrition Assistance Program	6,533,506
Office of Temporary and Disability Assistance	1,355,153

New York City:

Department of Youth and Community Development	2,851,864
Human Resources Administration - Emergency Food Assistance Program	2,848,534
Council Office	576,480
Department of Sanitation	462,237
Department for the Aging	391,704
Human Resources Administration	132,127
Department of Design and Construction	78,000
Corporation for National and Community Service – Volunteers in Service to America	29,368

Other:

Internal Revenue Service – Volunteer Income Tax Assistance Program	104,000
Commodities Supplemental Food Program	288,702
Hunger Solutions New York	66,351
US Department of Homeland Security – Emergency Food and Shelter National Board	<u>164,567</u>
	<u>\$ 24,539,728</u>

NOTE 9 – FOOD AND OTHER PRODUCTS DISTRIBUTION PROGRAM

Food and other products distributed by Food Bank For NYC are provided by various sources, such as donations from the food industry, public food drives, food purchases by Food Bank For NYC, and government-provided products. The total pounds and value of products distributed to more than 1,000 feeding programs for the year ended June 30, 2020 were as follows:

	<u>Poundage</u>	<u>Value</u>
Donated food	7,668,092	\$ 12,422,309
Purchased food	12,047,723	8,288,019
Government programs	<u>68,946,977</u>	<u>71,550,310</u>
	<u>88,662,792</u>	<u>\$ 92,260,638</u>

The valuation of donated food received, donated food distributed, and donated food inventory is based on the approximate average wholesale value of one pound of donated product at the national level of \$1.74 for the year ended December 31, 2020 as published by Feeding America, a non-profit organization audited by a “Big 4” accounting firm. Donated food inventory amounted to \$3,757,059 as of June 30, 2020.

Purchased food for the year ended June 30, 2020 included 1,047,511 pounds of wholesale produce bought from New York State farms under the Wholesale Purchase Produce Program piloted by Food Bank For NYC.

NOTE 10 – LINE OF CREDIT

Food Bank For NYC has a line of credit (“LOC”) with a financial institution for \$1,000,000. The line of credit balance amounted to \$0 as of June 30, 2020. The line expires on December 31, 2021 and is secured by Food Bank For NYC’s certificates of deposit and carries interest at the LIBOR rate plus 2.5% (amounting to an interest rate of 2.88% as of June 30, 2020). It should be noted that LIBOR is being phased out world-wide and this LOC will be modified. Interest expense amount to \$0 for the year ended June 30, 2020. As of March 30, 2021, no amounts were outstanding.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 – PPP LOAN PAYABLE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. Food Bank For NYC applied for this loan through a Small Business Administration (“SBA”) authorized lender and received \$867,500 in April 2020. Management has opted to account for the PPP loan under FASB ASC 470 and expects to recognize the gain resulting from the forgiveness upon legal release of its obligation from the SBA. If the loan is not forgiven, Food Bank For NYC must repay the loan on or before the due date in April 2022 with interest at 1% per annum. For the year ended June 30, 2020, no amount was recorded for interest expense as this was deemed immaterial to the consolidated financial statements.

NOTE 12 – MORTGAGE LOAN PAYABLE

Food Bank For NYC has a mortgage loan payable with a financial institution (“Lender Bank”). The agreement calls for Food Bank For NYC to make monthly principal only payment amounts of \$9,798 with a balloon principal payment of \$1,185,535 due on August 1, 2023. This loan bears interest at 4.72% per year, payable when the principal installments are due, computed based on the actual number of elapsed days over 360 days. This loan is collateralized by a security agreement that grants the Lender Bank a security interest in all present and future tangible and intangible assets of CFRC and a guarantee from Food Bank For New York City. Food Bank For NYC must comply with certain administrative and financial covenants which it has done.

Future annual principal payments for the years ending after June 30, 2020 are as follows:

2021	\$ 117,574
2022	117,574
2023	117,574
2024	<u>1,195,333</u>
	1,548,055
Less: deferred mortgage costs	<u>(29,105)</u>
	<u>\$ 1,518,950</u>

Interest expense amounted to \$76,916 for the year ended June 30, 2020.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following as of June 30, 2020:

Purpose and Time Restricted:

Food distribution	\$ 1,688,853
Children’s feeding and nutrition programs	138,190
Unappropriated earnings from endowment	2,500
Income support services	427,163
COVID-19	<u>991,478</u>
Subtotal	3,248,184
Endowment - Perpetual in nature	<u>50,000</u>
	<u>\$ 3,298,184</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose and or time specified by the donors and consist of the following for the year ended June 30, 2020:

Food distribution	\$ 605,602
Income support services	534,422
Children’s feeding and nutrition programs	901,225
Renovation of facilities	633,500
COVID-19	<u>1,489,022</u>
	<u>\$ 4,163,771</u>

Endowment net assets consist of donor restricted funds and a board designated endowment. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. See Note 2B for how Food Bank For NYC maintains its net assets.

Food Bank For NYC adheres to the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered without restrictions by the donor will be reflected as earnings with donor restrictions until appropriated by the organization.

Food Bank For NYC’s Board has interpreted NYPMIFA as allowing Food Bank For NYC to appropriate for expenditure or accumulate so much of an endowment fund as Food Bank For NYC determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Food Bank For NYC records earnings on donor restricted funds not otherwise restricted by the donor as net assets with donor restrictions until appropriated for expenditure by the Board in a manner consistent with the standard of prudence described by NYPMIFA.

In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires Food Bank For NYC to retain in perpetuity is to be reported in net assets without donor restrictions. Food Bank For NYC has not incurred such deficiencies in its endowment funds as of June 30, 2020.

Food Bank For NYC has adopted investment policies whereby the endowment assets are invested in a manner intended to preserve the assets of donor-restricted funds that Food Bank For NYC must hold in perpetuity while assuming a low level of investment risk. Therefore, the investment objectives require disciplined and consistent management philosophies that accommodate all relevant, reasonable, and probable events. In addition, a periodic review of the total rate of return is required. The Board appropriates for expenditures such amounts it determines may be used to support Food Bank For NYC activities.

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Board- designated	Endowment – Perpetual in nature	With Donor Restrictions	Total
Balance, at beginning of year	\$ 2,262,742	\$ 50,000	\$ -	\$ 2,312,742
Investment earnings	-	-	2,500	2,500
Appropriated for expenditure	<u>(974,210)</u>	<u>-</u>	<u>-</u>	<u>(974,210)</u>
Endowment net assets, end of year	<u>\$ 1,288,532</u>	<u>\$ 50,000</u>	<u>\$ 2,500</u>	<u>\$ 1,341,032</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 – SPECIAL EVENTS

Food Bank For NYC hosts special events to raise funds. Net support from special events for the year ended June 30, 2020 was as follows:

	<u>Support</u>	<u>Direct Costs</u>	<u>Special Events</u>
CAN Do Awards	\$ -	\$ -	\$ -
Other special events	541,109	46,016	495,093
	<u>\$ 541,109</u>	<u>\$ 46,016</u>	<u>\$ 495,093</u>

NOTE 15 – RETIREMENT PLAN

Food Bank For NYC has a 403(b) defined contribution retirement plan (the “Plan”). Employees become eligible to contribute to the Plan upon employment. Participating employees may contribute any amount, up to the maximum IRS annual contribution limit. Food Bank For NYC provides an employer match up to 5% of employees’ compensation after one year of service. Food Bank For NYC will provide an additional 3% of compensation for non-exempt employees not subject to an employee match. Retirement expense amounted to \$208,647 for the year ended June 30, 2020.

NOTE 16 – HEALTH INSURANCE PREMIUMS

In 2004, the Board committed to pay the future health insurance premiums for three former employees. The liability of approximately \$105,000 as of June 30, 2020 is determined based on estimated premiums over their respective remaining life expectancy and discounted at the rate of 4% per year. Such amounts are included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

A. *Funding Source Audits*

Cost reimbursable contracts applicable to various programs conducted for, and on behalf of, New York State and New York City governmental agencies are subject to adjustments for disallowed costs, if any, based on the results of audits by the agencies. Management believes that the results of such audits would not have a material effect on the accompanying consolidated financial statements.

B. *Lease Commitments*

39 Broadway Office

Food Bank For NYC leases office space at 39 Broadway (the Existing Premises) under a non-cancelable lease that expires March 31, 2026.

Additional charges under the lease include real estate taxes and electricity.

Rent expense on the above lease, which is recorded on a straight-line basis, amounted to \$657,793 for the year ended June 30, 2020. The deferred rent liability, which represents the cumulative difference between the annual straight-line rent expense and the annual rent paid, amounted to \$655,355 as of June 30, 2020.

The liability as of June 30, 2020 includes leasehold improvement costs amounting to \$211,125 reimbursed by the lessor to Food Bank For NYC pursuant to the terms of the lease, and is being amortized as a reduction to rent expense over the term of the lease.

71 St. Nicholas Avenue Additional Space

This lease expires January 31, 2022.

Rent expense, which is recorded on a straight-line basis amounted to \$47,286 for the year ended June 30, 2020.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

Hunts Point Cooperative Market, Inc. Sublease

In conjunction with its ownership of 8,361 shares of HPCM cooperative stock (see Note 7), Food Bank For NYC has a sublease (the “Sublease”) with HPCM for the occupancy and use of warehouse and office premises in Hunts Point, New York (Hunts Point Market). This Sublease expires October 30, 2037, unless terminated sooner under its provisions.

HPCM holds a property interest in the Hunts Point Market under its master lease with the City of New York (the “City”). Under the Sublease, Food Bank For NYC pays HPCM annual rent, which represents Food Bank For NYC’s share of HPCM’s cash requirements, as defined and calculated under the Sublease. HPCM’s cash requirements include, among other things, rent and other charges payable by HPCM to the City, taxes, assessments, water and sewer charges, security, utilities, refrigeration, garbage removal, and other operating expenses.

The cash requirements and Food Bank For NYC’s rent are established from time to time by HPCM’s Board of Directors. Rent expense for HPCM’s office and warehouse premises amounted to \$1,910,467 for the year ended June 30, 2020.

As of June 30, 2020, the future minimum lease payments required under all the preceding leases are as follows:

	39 Broadway Office	71 St. Nicholas Avenue	Hunts Point Cooperative Market Sublease	Total
2021	\$ 558,513	\$ 48,416	\$ 1,862,211	\$ 2,469,140
2022	598,444	28,651	1,862,211	2,489,306
2023	613,406	-	1,862,211	2,475,617
2024	628,741	-	1,862,211	2,490,952
2025	644,459	-	1,862,211	2,506,670
Thereafter	492,351	-	32,278,324	32,770,675
	<u>\$ 3,535,914</u>	<u>\$ 77,067</u>	<u>\$ 41,589,379</u>	<u>\$ 45,202,360</u>

C. *Income Tax*

Food Bank For NYC believes it has no uncertain income tax positions as of June 30, 2020 in accordance with Accounting Standards Codification (“ASC”) Topic 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. Food Bank For NYC could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on Food Bank For NYC’s mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, Food Bank For NYC cannot predict the extent to which its financial condition and results of operations will be affected.

NOTE 18 – CONCENTRATION

Cash and cash equivalents that potentially subject Food Bank For NYC to a concentration of credit risk include cash accounts at two banks that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits by approximately \$31,228,000 as of June 30, 2020.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through March 30, 2021, the date the consolidated financial statements were available to be issued.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020**

	Food Bank For NYC	CFRC	Consolidating Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 30,578,056	\$ -	\$ -	\$ 30,578,056
Investments	6,020,095	-	-	6,020,095
Government grants receivable	8,833,714	-	-	8,833,714
Contributions receivable	1,574,816	-	-	1,574,816
Accounts receivable, net	166,227	-	-	166,227
Due from subsidiary	1,181,045	-	(1,181,045)	-
Purchased products inventory	1,150,090	-	-	1,150,090
Donated products inventory	3,757,059	-	-	3,757,059
Prepaid expenses and other assets	589,591	-	-	589,591
Property and equipment, net	3,194,193	1,913,655	-	5,107,848
TOTAL ASSETS	\$ 57,044,886	\$ 1,913,655	\$ (1,181,045)	\$ 57,777,496
LIABILITIES				
Accounts payable and accrued expenses	\$ 8,740,025	\$ -	\$ -	\$ 8,740,025
Accrued salaries	248,977	-	-	248,977
Accrued vacation	275,263	-	-	275,263
Government contract advances	9,999,506	-	-	9,999,506
Deferred revenue	276,192	-	-	276,192
Due to subsidiary	-	1,181,045	(1,181,045)	-
Deferred rent	655,355	-	-	655,355
PPP loan payable	867,500	-	-	867,500
Mortgage loan payable	1,518,950	-	-	1,518,950
TOTAL LIABILITIES	22,581,768	1,181,045	(1,181,045)	22,581,768
NET ASSETS				
Without donor restrictions:				
Operations	28,201,159	(1,181,045)	-	27,020,114
Board-designated	1,288,532	-	-	1,288,532
Invested in property and equipment	1,675,243	1,913,655	-	3,588,898
Without donor restrictions	31,164,934	732,610	-	31,897,544
With donor restrictions	3,298,184	-	-	3,298,184
TOTAL NET ASSETS	34,463,118	732,610	-	35,195,728
TOTAL LIABILITIES AND NET ASSETS	\$ 57,044,886	\$ 1,913,655	\$ (1,181,045)	\$ 57,777,496

See independent auditors' report.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Food Bank New York City</u>			<u>CFRC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>			
PUBLIC SUPPORT AND REVENUE:						
Contributions - foundations and corporations (includes in-kind contributions and donated services of \$388,996)	\$ 10,650,035	\$ 3,934,687	\$ 14,584,722	\$ -	\$ -	\$ 14,584,722
Contributions - Individuals	30,196,964	1,057,955	31,254,919	-	-	31,254,919
Special events (net of direct expenses of \$46,016)	495,093	-	495,093	-	-	495,093
Net assets released from restrictions	4,163,771	(4,163,771)	-	-	-	-
Total public support	<u>45,505,863</u>	<u>828,871</u>	<u>46,334,734</u>	<u>-</u>	<u>-</u>	<u>46,334,734</u>
Government contracts	24,539,728	-	24,539,728	-	-	24,539,728
Donated food received	72,544,861	-	72,544,861	-	-	72,544,861
Sale of food and paper products	1,328,992	-	1,328,992	-	-	1,328,992
Investment activity	15,629	500	16,129	-	-	16,129
Other income	94,012	-	94,012	-	-	94,012
Total revenue	<u>98,523,222</u>	<u>500</u>	<u>98,523,722</u>	<u>-</u>	<u>-</u>	<u>98,523,722</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>144,029,085</u>	<u>829,371</u>	<u>144,858,456</u>	<u>-</u>	<u>-</u>	<u>144,858,456</u>
EXPENSES:						
Program services:						
Distribution and food storage	105,673,497	-	105,673,497	-	-	105,673,497
Research and policy	204,031	-	204,031	-	-	204,031
Food and nutrition services	2,139,152	-	2,139,152	-	-	2,139,152
Community kitchen and food pantry	1,716,392	-	1,716,392	98,874	-	1,815,266
Income support services	985,781	-	985,781	-	-	985,781
Food and benefits access	529,633	-	529,633	-	-	529,633
Total program services	<u>111,248,486</u>	<u>-</u>	<u>111,248,486</u>	<u>98,874</u>	<u>-</u>	<u>111,347,360</u>
Supporting services:						
Management and general	7,225,663	-	7,225,663	-	-	7,225,663
Fundraising	4,337,433	-	4,337,433	-	-	4,337,433
Total supporting services	<u>11,563,096</u>	<u>-</u>	<u>11,563,096</u>	<u>-</u>	<u>-</u>	<u>11,563,096</u>
TOTAL EXPENSES	<u>122,811,582</u>	<u>-</u>	<u>122,811,582</u>	<u>98,874</u>	<u>-</u>	<u>122,910,456</u>
CHANGE IN NET ASSETS	21,217,503	829,371	22,046,874	(98,874)	-	21,948,000
Net assets - beginning of year	<u>9,947,431</u>	<u>2,468,813</u>	<u>12,416,244</u>	<u>831,484</u>	<u>-</u>	<u>13,247,728</u>
NET ASSETS - END OF YEAR	<u>\$ 31,164,934</u>	<u>\$ 3,298,184</u>	<u>\$ 34,463,118</u>	<u>\$ 732,610</u>	<u>\$ -</u>	<u>\$ 35,195,728</u>

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