

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY



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

Years Ended June 30, 2019 and 2018

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)**

YEARS ENDED JUNE 30, 2019 AND 2018

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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 statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2R to the consolidated financial statements, during the year ended June 30, 2019, Food Bank For NYC adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were 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 years ended June 30, 2019 and 2018 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 audits 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
February 18, 2020

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C and 16)	\$ 3,985,484	\$ 3,637,028
Investments (Notes 2E, 2F, 4 and 5)	849,939	105,393
Government grants receivable (Note 2I)	7,012,422	7,523,563
Contributions receivable (Notes 2D and 6)	1,783,315	1,656,713
Accounts receivable, net (Note 2D)	291,743	60,183
Purchased products inventory (Notes 2K and 9)	614,695	995,461
Donated products inventory (Notes 2J, 2L and 9)	697,455	1,947,118
Prepaid expenses and other assets	628,021	398,811
Property and equipment, net (Notes 2G and 7)	4,592,432	5,000,526
TOTAL ASSETS	\$ 20,455,506	\$ 21,324,796
LIABILITIES		
Accounts payable and accrued expenses (Note 14)	\$ 3,922,555	\$ 4,313,184
Accrued salaries	171,965	321,255
Accrued vacation	263,325	319,655
Government contract advances (Note 2I)	527,952	492,715
Deferred rent (Notes 2M and 15B)	691,510	718,783
Mortgage loan payable, net (Note 10)	1,630,471	1,741,992
TOTAL LIABILITIES	7,207,778	7,907,584
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Note 2B)		
Net assets without donor restrictions:		
Operations	5,554,212	6,770,960
Board-designated (Note 11)	2,262,742	2,262,742
Net investment in property and equipment	2,961,961	3,258,534
Total net assets without donor restrictions	10,778,915	12,292,236
Net assets with donor restrictions (Note 11)	2,468,813	1,124,976
TOTAL NET ASSETS	13,247,728	13,417,212
TOTAL LIABILITIES AND NET ASSETS	\$ 20,455,506	\$ 21,324,796

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	2019 Consolidated Total	2018 Consolidated Total	Without Donor Restrictions	With Donor Restrictions
PUBLIC SUPPORT AND REVENUE (Note 2H):						
Contributions - foundations and corporations (includes in-kind contributions and donated services of \$614,337 in 2019 and \$267,691 in 2018) (Note 2L)	\$ 3,941,448	\$ 2,798,362	\$ 6,739,810	\$ 7,956,923	\$ 3,617,631	\$ 4,339,292
Contributions - individuals (Note 2L)	8,022,339	671,730	8,694,069	8,132,898	8,132,898	-
Special events (net of direct expenses of \$565,957 and \$523,635 in 2019 and 2018, respectively) (Notes 2N and 12)	1,494,161	-	1,494,161	1,589,008	1,589,008	-
Net assets released from restrictions (Notes 2B and 11)	2,126,755	(2,126,755)	-	-	5,004,788	(5,004,788)
Total public support	<u>15,584,703</u>	<u>1,343,337</u>	<u>16,928,040</u>	<u>17,678,829</u>	<u>18,344,325</u>	<u>(665,496)</u>
Government contracts (Notes 2I and 8)	19,110,856	-	19,110,856	18,364,462	18,364,462	-
Donated food received (Notes 2J and 9)	13,192,271	-	13,192,271	32,379,330	32,379,330	-
Sale of food and paper products	1,176,180	-	1,176,180	1,174,533	1,174,533	-
Investment activity (Notes 2E and 4)	18,760	500	19,260	4,370	2,870	1,500
Other income	79,883	-	79,883	161,388	161,388	-
Total revenue	<u>33,577,950</u>	<u>500</u>	<u>33,578,450</u>	<u>52,084,083</u>	<u>52,082,583</u>	<u>1,500</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>49,162,653</u>	<u>1,343,837</u>	<u>50,506,490</u>	<u>69,762,912</u>	<u>70,426,908</u>	<u>(663,996)</u>
EXPENSES (Notes 2H and 2O):						
Program services:						
Distribution and food storage	33,432,729	-	33,432,729	49,880,737	49,880,737	-
Research and policy	360,250	-	360,250	241,238	241,238	-
Food and nutrition services	3,578,862	-	3,578,862	3,393,486	3,393,486	-
Community kitchen and food pantry	1,855,136	-	1,855,136	2,106,109	2,106,109	-
Income support services	1,903,622	-	1,903,622	4,104,832	4,104,832	-
Food and benefits access	708,623	-	708,623	1,354,076	1,354,076	-
Total program services	<u>41,839,222</u>	<u>-</u>	<u>41,839,222</u>	<u>61,080,478</u>	<u>61,080,478</u>	<u>-</u>
Supporting services:						
Management and general	4,911,635	-	4,911,635	3,662,920	3,662,920	-
Fundraising	3,925,117	-	3,925,117	3,395,957	3,395,957	-
Total supporting services	<u>8,836,752</u>	<u>-</u>	<u>8,836,752</u>	<u>7,058,877</u>	<u>7,058,877</u>	<u>-</u>
TOTAL EXPENSES	<u>50,675,974</u>	<u>-</u>	<u>50,675,974</u>	<u>68,139,355</u>	<u>68,139,355</u>	<u>-</u>
CHANGE IN NET ASSETS	(1,513,321)	1,343,837	(169,484)	1,623,557	2,287,553	(663,996)
Net assets - beginning of year	<u>12,292,236</u>	<u>1,124,976</u>	<u>13,417,212</u>	<u>11,793,655</u>	<u>10,004,683</u>	<u>1,788,972</u>
NET ASSETS - END OF YEAR	<u>\$ 10,778,915</u>	<u>\$ 2,468,813</u>	<u>\$ 13,247,728</u>	<u>\$ 13,417,212</u>	<u>\$ 12,292,236</u>	<u>\$ 1,124,976</u>

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

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

For the Year Ended June 30, 2019

	Program Services						Supporting Services		Total Supporting Services	Total 2019	Total 2018	
	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
Salaries	\$ 2,754,240	\$ 238,798	\$ 845,966	\$ 623,511	\$ 381,827	\$ 360,432	\$ 5,204,774	\$ 1,547,591	\$ 1,432,693	\$ 2,980,284	\$ 8,185,058	\$ 8,875,442
Temporary labor - staffing agencies	1,351,635	-	76,326	36,077	9,095	-	1,473,133	639,820	126,891	766,711	2,239,844	1,474,574
Payroll taxes and employee benefits (Notes 13 and 14)	826,524	67,053	188,131	178,265	107,609	99,068	1,466,650	436,175	404,047	840,222	2,306,872	2,517,188
Total salaries and related costs	4,932,399	305,851	1,110,423	837,853	498,531	459,500	8,144,557	2,623,586	1,963,631	4,587,217	12,731,774	12,867,204
Donated food distributed (Notes 2J and 9)	14,206,931	-	-	-	-	-	14,206,931	-	-	-	14,206,931	31,810,622
Warehouse	380,809	-	-	9,160	-	-	389,969	-	-	-	389,969	168,434
Food delivery costs	3,430,146	-	-	-	-	-	3,430,146	-	-	-	3,430,146	2,934,613
Incoming freight	147,510	-	-	-	-	-	147,510	-	-	-	147,510	696,641
Value-added product costs	306,969	-	-	-	-	-	306,969	-	-	-	306,969	1,264,408
Occupancy costs (Note 15B)	2,120,336	22,494	99,769	123,285	94,972	68,567	2,529,423	221,476	99,252	320,728	2,850,151	2,801,131
Food purchased for distribution (Note 9)	6,616,856	-	-	-	-	-	6,616,856	-	-	-	6,616,856	4,576,929
Insurance	76,854	5,078	17,436	16,928	8,464	15,235	139,995	29,286	22,007	51,293	191,288	237,404
Interest (Note 10)	4,406	-	-	83,210	-	-	87,616	-	-	-	87,616	94,447
Direct mail	-	-	-	-	-	-	-	28,227	1,343,874	1,372,101	1,372,101	1,219,301
Consultant and professional fees	144,372	-	18,222	108,062	27,730	-	298,386	1,014,767	35,425	1,050,192	1,348,578	1,278,473
Media and design services	3,103	-	-	-	24,986	1,484	29,573	368,708	18,207	386,915	416,488	72,121
Annual conference	211,593	-	-	-	-	-	211,593	-	-	-	211,593	197,180
Professional development	5,278	7,151	1,858	376	-	1,142	15,805	23,107	6,777	29,884	45,689	49,094
Site monitoring and local travel	2,101	-	3,032	3	4,392	-	9,528	27,006	3,834	30,840	40,368	41,476
Computer and website maintenance	101,168	5,719	39,856	25,596	38,493	27,586	238,418	52,945	161,047	213,992	452,410	495,664
Participant incentives	-	-	359,785	-	-	-	359,785	-	-	-	359,785	357,215
Cooking equipment and curriculum materials	-	-	772,153	1,738	-	-	773,891	-	-	-	773,891	471,929
Capacity grants	316,134	-	36,000	-	385,376	-	737,510	-	-	-	737,510	1,892,695
Other program expenses	45,313	15	987,604	370,014	42,080	23,943	1,468,969	6,836	11,254	18,090	1,487,059	1,349,675
Temporary and seasonal services directly funded programs	-	-	-	-	734,702	-	734,702	-	-	-	734,702	1,145,947
Dues and subscriptions	3,520	1,975	628	-	-	-	6,123	58,401	4,751	63,152	69,275	64,501
Office expenses	12,566	4,448	12,968	783	6,079	10,943	47,787	137,522	34,440	171,962	219,749	382,487
Telephone and communication	104,890	7,293	7,257	20,223	11,661	9,826	161,150	45,065	43,754	88,819	249,969	236,751
Printing and postage	34	-	-	-	3,553	-	3,587	34,252	26,408	60,660	64,247	67,291
Repairs and maintenance	54,571	-	-	74,740	4,283	-	133,594	53,575	-	53,575	187,169	106,971
Special events expenses	-	-	-	-	-	-	-	-	643,887	643,887	643,887	783,638
Bad debts	-	-	-	-	-	-	-	21,000	-	21,000	21,000	97,405
Expensed equipment (Note 2G)	76,925	226	1,098	7,030	-	2,331	87,610	105,738	3,989	109,727	197,337	142,854
Other expenses	2,832	-	8,252	48,314	1,171	-	60,569	3,750	1,667	5,417	65,986	169,717
Total expenses before depreciation and amortization	33,307,616	360,250	3,476,341	1,727,315	1,886,473	620,557	41,378,552	4,855,247	4,424,204	9,279,451	50,658,003	68,074,218
Depreciation and amortization (Notes 2G and 7)	125,113	-	102,521	127,821	17,149	88,066	460,670	56,388	66,870	123,258	583,928	588,772
Sub-total	33,432,729	360,250	3,578,862	1,855,136	1,903,622	708,623	41,839,222	4,911,635	4,491,074	9,402,709	51,241,931	68,662,990
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	(565,957)	(565,957)	(565,957)	(523,635)
TOTAL EXPENSES	\$ 33,432,729	\$ 360,250	\$ 3,578,862	\$ 1,855,136	\$ 1,903,622	\$ 708,623	\$ 41,839,222	\$ 4,911,635	\$ 3,925,117	\$ 8,836,752	\$ 50,675,974	\$ 68,139,355

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

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

For the Year Ended June 30, 2018

	Program Services						Supporting Services			Total Supporting Services	Total 2018
	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		
Salaries	\$ 3,015,076	\$ 134,878	\$ 983,139	\$ 824,870	\$ 844,309	\$ 826,302	\$ 6,628,574	\$ 1,235,728	\$ 1,011,140	\$ 2,246,868	\$ 8,875,442
Temporary labor - staffing agencies	906,740	4,946	13,316	68,081	3,823	22,140	1,019,046	418,810	36,718	455,528	1,474,574
Payroll taxes and employee benefits (Notes 13 and 14)	937,978	37,656	250,780	227,272	203,039	243,614	1,900,339	365,306	251,543	616,849	2,517,188
Total salaries and related costs	4,859,794	177,480	1,247,235	1,120,223	1,051,171	1,092,056	9,547,959	2,019,844	1,299,401	3,319,245	12,867,204
Donated food distributed (Notes 2J and 9)	31,810,622	-	-	-	-	-	31,810,622	-	-	-	31,810,622
Warehouse	160,771	-	-	7,663	-	-	168,434	-	-	-	168,434
Food delivery costs	2,927,469	-	-	5,219	1,925	-	2,934,613	-	-	-	2,934,613
Incoming freight	691,226	-	-	5,415	-	-	696,641	-	-	-	696,641
Value-added product costs	1,264,408	-	-	-	-	-	1,264,408	-	-	-	1,264,408
Occupancy costs (Note 15B)	2,433,358	24,723	78,178	51,440	34,002	72,506	2,694,207	56,655	50,269	106,924	2,801,131
Food purchased for distribution (Note 9)	4,576,929	-	-	-	-	-	4,576,929	-	-	-	4,576,929
Insurance	167,370	3,561	7,122	8,309	3,561	7,122	197,045	27,302	13,057	40,359	237,404
Interest (Note 10)	-	-	-	94,447	-	-	94,447	-	-	-	94,447
Direct mail	-	-	-	-	-	-	-	-	1,219,301	1,219,301	1,219,301
Consultant and professional fees	56,698	-	203,447	103,658	22,038	-	385,841	771,333	121,299	892,632	1,278,473
Media and design services	2,364	219	-	-	32,760	1,412	36,755	33,650	1,716	35,366	72,121
Annual conference	196,855	-	-	-	325	-	197,180	-	-	-	197,180
Professional development	7,323	10,077	4,615	2,405	487	2,766	27,673	17,368	4,053	21,421	49,094
Site monitoring and local travel	26,710	-	3,186	-	10,400	-	40,296	1,180	-	1,180	41,476
Computer and website maintenance	139,301	7,065	28,968	17,886	38,286	23,427	254,933	54,181	186,550	240,731	495,664
Participant incentives	1,145	-	344,516	-	8,754	2,800	357,215	-	-	-	357,215
Cooking equipment and curriculum materials	-	-	471,929	-	-	-	471,929	-	-	-	471,929
Capacity grants	164,389	-	94,592	1,863	1,615,601	16,250	1,892,695	-	-	-	1,892,695
Other program expenses	19,317	204	764,798	484,383	65,391	12,749	1,346,842	2,085	748	2,833	1,349,675
Temporary and seasonal services directly funded programs	-	-	-	-	1,145,025	-	1,145,025	922	-	922	1,145,947
Dues and subscriptions	60	343	-	-	-	-	403	48,552	15,546	64,098	64,501
Office expenses	46,941	3,497	11,116	13,154	12,809	6,934	94,451	208,606	79,430	288,036	382,487
Telephone and communication	98,103	6,966	14,292	17,543	6,966	13,932	157,802	53,407	25,542	78,949	236,751
Printing and postage	-	2,158	-	-	-	-	2,158	37,310	27,823	65,133	67,291
Repairs and maintenance	22,942	-	-	58,574	271	-	81,787	25,184	-	25,184	106,971
Special events expenses	-	-	-	-	-	-	-	-	783,638	783,638	783,638
Bad debts	-	-	-	-	-	-	-	97,405	-	97,405	97,405
Expensed equipment (Note 2G)	58,218	3,930	7,859	13,287	4,300	7,859	95,453	32,762	14,639	47,401	142,854
Other expenses	14,522	1,015	1,913	362	32,412	-	50,224	116,988	2,505	119,493	169,717
Total expenses before depreciation and amortization	49,746,835	241,238	3,283,766	2,005,831	4,086,484	1,259,813	60,623,967	3,604,734	3,845,517	7,450,251	68,074,218
Depreciation and amortization (Notes 2G and 7)	133,902	-	109,720	100,278	18,348	94,263	456,511	58,186	74,075	132,261	588,772
Sub-total	49,880,737	241,238	3,393,486	2,106,109	4,104,832	1,354,076	61,080,478	3,662,920	3,919,592	7,582,512	68,662,990
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	(523,635)	(523,635)	(523,635)
TOTAL EXPENSES	\$ 49,880,737	\$ 241,238	\$ 3,393,486	\$ 2,106,109	\$ 4,104,832	\$ 1,354,076	\$ 61,080,478	\$ 3,662,920	\$ 3,395,957	\$ 7,058,877	\$ 68,139,355

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

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (169,484)	\$ 1,623,557
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	583,928	588,772
Interest expenses on deferred financing costs	6,052	6,052
Realized and unrealized (gain) loss on investments	(1,249)	780
Donated stock	-	(9,860)
Loss on disposal of property and equipment	-	1,560
Bad debts	21,000	97,405
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	511,141	(913,164)
Contributions receivable	(126,602)	229,981
Accounts receivable	(252,560)	44,411
Prepaid expenses and other assets	(229,210)	(204,222)
Purchased products inventory	380,766	(839,492)
Donated products inventory	1,249,663	(548,066)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(390,629)	69,350
Accrued salaries	(149,290)	135,962
Accrued vacation	(56,330)	(57,872)
Government contract advances	35,237	18,789
Deferred rent	(27,273)	(12,800)
Net Cash Provided by Operating Activities	1,385,160	231,143
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	637,839	244,344
Purchase of investments	(1,381,135)	-
Sale of vehicle	-	1,000
Purchases of property and equipment	(175,835)	(484,171)
Net Cash Used in Investing Activities	(919,131)	(238,827)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable	(117,573)	(117,573)
Net Cash Used in Financing Activities	(117,573)	(117,573)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	348,456	(125,257)
Cash and Cash Equivalents - beginning of year	3,637,028	3,762,285
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,985,484	\$ 3,637,028
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 87,617	\$ 88,395

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 solicits, purchases, collects, stores, and distributes surplus and donated food products to qualified tax-exempt organizations that provide food to the poor, ill, needy, homeless, or homebound. It advocates for improved government policies and programs, while its programs and services promote access to nutritious food and adequate income for all New Yorkers. The individuals who benefit from Food Bank For NYC programs and services are typically those living near or below the federally defined poverty line. Food Bank For NYC is funded substantially through grants, contracts and contributions awarded by government agencies, private foundations, corporations, and individuals.

Food Bank For NYC is a member of Feeding America, the Nation’s Food Bank Network, and the Food Bank Association of New York State. Food Bank For NYC utilizes the information provided by Feeding America in determining the value of its donated inventory (see Note 9).

The mission of Food Bank For NYC is to end hunger by organizing food, information, and support for community survival and dignity. In addition to its established food sourcing, warehousing, and distribution operation, Food Bank For NYC conducts the following programs and services:

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 five programs: a five days-per-week congregate meal program; a consumer-choice food pantry; the Positive Living Program for people with HIV/AIDS; a community-supported agriculture program; and, a program connecting individuals and families to income support programs, including Supplemental Nutrition Assistance Program (“SNAP”, formerly food stamps); health care enrollment, financial counseling, free tax-return preparation services, and rent, mortgage and utility assistance.

Food and 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.

Food and Nutrition 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 low-income communities using social marketing and media. Food Bank for NYC’s core nutrition education program is Cook Shop, which reached 56,114 unique low-income children, teens, and adults across New York City. The program includes CookShop Classroom, an 18-week K-12 nutrition education curricula taught in more than 2,750 New York City public school classrooms citywide; CookShop for Adults, a complementary curriculum that brings nutrition education and after-school programs to parents and caregivers at one of the 308 participating CookShop schools; and CookShop for Teens, or EATWISE (Educated and Aware Teens Who Inspire Smart Eating), its peer-based nutrition education and leadership development program targeting high-school-age youth.

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 to which they are entitled. 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 provide more than one thousand group workshops and personalized financial counseling sessions that enable individuals to begin creating a viable financial future.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 statements 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. 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, 2019 and 2018, Food Bank For NYC determined that an allowance of approximately \$17,000 and \$9,000, respectively, 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 statements 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, 2019 AND 2018**

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** – 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.

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, 2019 and 2018, Food Bank For NYC determined that no allowance was needed for its government grants and contracts receivable.

- J. **Government-provided Products** – Food Bank For NYC receives food commodities for distribution to designated 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. These 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 the State of New York and 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, 2019 and 2018 amounted to approximately \$5,020,150 and \$3,648,000, respectively.
- 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.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 services, primarily legal services, amounting to \$614,337 and \$267,691 as in-kind contributions in the accompanying consolidated statements of activities for the years ended June 30, 2019 and 2018, respectively.
- M. **Deferred Rent** – Food Bank For NYC leases real property under operating leases expiring on various dates (see Note 15B) 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 statements of financial position. The change in the deferred rent liability is reflected in the accompanying consolidated statements of activities. As of June 30, 2019 and 2018, Food Bank For NYC recorded an adjustment to rent expense to reflect its straight-line policy that amounted to approximately (\$27,273) and (\$12,800), respectively, 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 statements of activities. The consolidated statements 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 statements 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.
- 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** – Effective July 1, 2017, Food Bank For NYC retrospectively adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs* to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset (see Note 10). Amortization of the debt issuance costs is reported as interest expense in the accompanying consolidated financial statements.
- R. **Recent Accounting Pronouncements** – Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities” was adopted for the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets, a statement of functional expenses, enhanced disclosure on liquid resources and expense allocation methodologies. These changes had no impact on the change in net assets for the year ended June 30, 2019. Net assets as of June 30, 2018 were renamed to conform to the new presentation.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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.

As of June 30, 2019, the following financial assets could readily be made available immediately from the consolidated statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 3,985,484
Investments	849,939
Accounts receivable, net	<u>9,087,480</u>
Total financial assets	13,922,903
Less: Net assets with donor restrictions	(2,468,813)
Contributions receivable due between one to five years	<u>(300,000)</u>
Total	<u>\$ 11,154,090</u>

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Certificates of deposit	\$ 849,159	\$ 95,533
Equities – exchange traded funds	780	9,860
	<u>\$ 849,939</u>	<u>\$ 105,393</u>

Investment activity consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 18,011	\$ 5,150
Realized loss on investments	(2,428)	(84)
Unrealized gain (loss) on investments	<u>3,677</u>	<u>(696)</u>
	<u>\$ 19,260</u>	<u>\$ 4,370</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.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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 years ended June 30, 2019 and 2018.

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.

Equities:

Equities are valued at the closing price reported on the active market on which the individual securities are traded.

Financial assets carried at fair value at June 30, 2019 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2019</u>
Investments:			
Certificates of deposit	\$ -	\$ 849,159	\$ 849,159
Equities – exchange traded funds	<u>780</u>	<u>-</u>	<u>780</u>
Total assets carried at fair value	<u>\$ 780</u>	<u>\$ 849,159</u>	<u>\$ 849,939</u>

Financial assets carried at fair value at June 30, 2018 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2018</u>
Investments:			
Certificates of deposit	\$ -	\$ 95,533	\$ 95,533
Equities – exchange traded funds	<u>9,860</u>	<u>-</u>	<u>9,860</u>
Total assets carried at fair value	<u>\$ 9,860</u>	<u>\$ 95,533</u>	<u>\$ 105,393</u>

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Due less than one year	\$ 1,483,315	\$ 1,221,713
Due between one year and five years	<u>300,000</u>	<u>435,000</u>
	<u>\$ 1,783,315</u>	<u>\$ 1,656,713</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Land	\$ 137,957	\$ 137,957	
Building	551,830	551,830	40 years
Building improvements	2,599,315	1,388,746	10-40 years
Office equipment and computers	1,627,532	1,620,047	5 years
Warehouse equipment	295,056	263,106	5 years
Vehicles	762,832	762,832	3-7 years
Leasehold improvements	4,698,449	4,562,050	3-30 years
Hunts Point Cooperative Market (see below)	661,394	661,394	27.5 years
Furniture, fixtures, and equipment	60,530	60,530	5 years
Construction in progress (see below)	<u>73,845</u>	<u>1,284,414</u>	
	11,468,740	11,292,906	
Less: Accumulated depreciation and amortization	<u>(6,876,308)</u>	<u>(6,292,380)</u>	
Net book value	<u>\$ 4,592,432</u>	<u>\$ 5,000,526</u>	

For the years ended June 30, 2019 and 2018, depreciation and amortization expense amounted to \$559,878 and \$564,722, respectively.

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 15B). 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, 2019, construction in progress relates to improvements at the warehouse at HPCM and CFRC’s community kitchen and pantry. The estimated date of completion is February 2020 with additional costs expected to be approximately \$704,000 of which 90% will be funded by government support.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
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NOTE 8 – GOVERNMENT CONTRACTS

Revenue recognized from government contracts consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
New York State:		
Department of Health Division of Nutrition, Hunger Prevention Nutrition Assistance Program	\$ 3,656,519	\$ 4,855,631
Office of General Services, Division of Food Distribution and Warehousing - The Emergency Food Assistance Program	4,924,816	3,310,904
Department of Health	-	65,692
Office of Temporary and Disability Assistance	3,257,189	2,728,706
Department of Environmental Conservation	71,000	-
New York City:		
Human Resources Administration - Emergency Food Assistance Program	2,285,711	2,398,506
Human Resources Administration	130,849	144,920
Department for the Aging	436,410	377,657
Council Office	450,000	524,977
Department of Consumer Affairs	1,121,718	1,298,197
Center for Economic Opportunity	-	165,631
Economic Development Corporation	-	73,483
Department of Youth and Community Development	2,432,896	1,825,186
Corporation for National and Community Service – Volunteers in Service to America	35,263	28,708
Other:		
Internal Revenue Service – Volunteer Income Tax Assistance Program	80,000	259,193
United Way Targeted Food Stamp Outreach Program	-	34,428
Hunger Solutions New York	62,209	-
US Department of Homeland Security – Emergency Food and Shelter National Board	166,276	272,643
	<u>\$ 19,110,856</u>	<u>\$ 18,364,462</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 years ended June 30 were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Poundage</u>	<u>Value</u>	<u>Poundage</u>	<u>Value</u>
Donated food	7,178,146	\$ 13,192,271	17,186,072	\$ 32,379,330
Purchased food	10,189,713	6,439,737	7,287,749	4,914,033
Government programs	<u>51,769,507</u>	<u>44,522,630</u>	<u>44,600,391</u>	<u>34,273,454</u>
	<u>69,137,366</u>	<u>\$ 64,154,638</u>	<u>69,074,212</u>	<u>\$ 71,566,817</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 \$1.62, \$1.68 and \$1.73, for the years ended December 31, 2019, 2018 and 2017, respectively (as published by Feeding America, a non-profit organization audited by a “Big 4” accounting firm). Donated food inventory amounted to \$697,455 and \$1,968,327 as of June 30, 2019 and 2018, respectively.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 – FOOD AND OTHER PRODUCTS DISTRIBUTION PROGRAM (Continued)

Purchased food for the years ended June 30, 2019 and 2018 included 916,861 pounds and 1,560,390 pounds, respectively, of wholesale produce bought from New York State farms under the Wholesale Purchase Produce Program piloted by Food Bank For NYC.

NOTE 10 – 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, 2019 are as follows:

2020	\$	117,574
2021		117,574
2022		117,574
2023		117,574
2024		117,574
Thereafter		<u>1,077,759</u>
		1,665,629
Less: deferred mortgage costs		<u>(35,158)</u>
		<u>\$ 1,630,471</u>

Interest expense amounted to \$87,616 and \$94,447 for the years ended June 30, 2019 and 2018, respectively.

NOTE 11 – NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Purpose and Time Restricted:		
Food distribution	\$ 1,246,993	\$ 783,497
Renovation of facilities	120,000	-
Children’s feeding and nutrition programs	460,105	85,000
Unappropriated earnings from endowment	2,000	1,500
Income support services	<u>589,715</u>	<u>204,979</u>
Subtotal	2,418,813	1,074,976
Endowment - Perpetual in nature	50,000	50,000
Total	<u>\$ 2,468,813</u>	<u>\$ 1,124,976</u>

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

	<u>2019</u>	<u>2018</u>
Food distribution	\$ 1,420,486	\$ 1,941,116
Income support services	458,864	1,671,261
Children’s feeding and nutrition programs	247,405	436,230
Advocacy and education	-	680,567
Renovation of facilities	<u>-</u>	<u>275,614</u>
	<u>\$ 2,126,755</u>	<u>\$ 5,004,788</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
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NOTE 11 – NET ASSETS (Continued)

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, 2019 and 2018.

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, 2019 are as follows:

	Board- designated	With Donor Restrictions	Total 2019
Balance, at beginning of year	\$ 2,262,742	\$ 51,500	\$ 2,314,242
Investment earnings	-	500	500
Appropriated for expenditure	-	-	-
Release from board designated	-	-	-
Endowment net assets, end of year	<u>\$ 2,262,742</u>	<u>\$ 52,000</u>	<u>\$ 2,314,742</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Board- designated	With Donor Restrictions	Total 2018
Balance, at beginning of year	\$ 2,262,742	\$ 50,000	\$ 2,312,742
Investment earnings	-	1,500	1,500
Appropriated for expenditure	-	-	-
Release from board designated	-	-	-
Endowment net assets, end of year	<u>\$ 2,262,742</u>	<u>\$ 51,500</u>	<u>\$ 2,314,242</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 12 – SPECIAL EVENTS

Food Bank For NYC hosts special events to raise funds. Net support from special events for the year ended June 30, 2019 was as follows:

	<u>Support</u>	<u>Direct Costs</u>	<u>Special Events</u>
CAN Do Awards	\$ 1,559,424	\$ 453,920	\$ 1,105,504
Other special events	500,694	112,037	388,657
	<u>\$ 2,060,118</u>	<u>\$ 565,957</u>	<u>\$ 1,494,161</u>

Net support from special events for the year ended June 30, 2018 was as follows:

	<u>Support</u>	<u>Direct Costs</u>	<u>Special Events</u>
CAN Do Awards	\$ 1,662,447	\$ 336,205	\$ 1,326,242
Other special events	450,196	187,430	262,766
	<u>\$ 2,112,643</u>	<u>\$ 523,635</u>	<u>\$ 1,589,008</u>

NOTE 13 – 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. Effective January 1, 2017, Food Bank For NYC modified the Plan to encourage employee participation by providing 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. Prior to January 1, 2017, Food Bank For NYC contributed annually, 10% of the employees’ compensation after two years of service subject to the approval of the Board. Retirement expense amounted to \$192,410 and \$201,281 for the years ended June 30, 2019 and 2018, respectively.

NOTE 14 – 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 both June 30, 2019 and 2018 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 statements of financial position.

NOTE 15 – 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 \$648,295 and \$681,496 for the years ended June 30, 2019 and 2018, respectively. The deferred rent liability, which represents the cumulative difference between the annual straight-line rent expense and the annual rent paid, amounted to \$691,510 and \$718,783 as of June 30, 2019 and 2018, respectively.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

The liability as of June 30, 2019 and 2018 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 \$49,421 and \$46,777 for the years ended June 30, 2019 and 2018, respectively.

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 \$2,002,070 and \$1,862,211 for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, 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
2020	\$ 536,446	\$ 47,236	\$ 1,862,211	\$ 2,445,893
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
Thereafter	1,136,809	-	34,140,535	35,277,344
	<u>\$ 4,072,359</u>	<u>\$ 124,303</u>	<u>\$ 43,451,590</u>	<u>\$ 47,648,252</u>

C. *Income Tax*

Food Bank For NYC believes it has no uncertain income tax positions as of June 30, 2019 and 2018 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.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 16 – 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 \$4,037,000 and \$4,447,000 as of June 30, 2019 and 2018, respectively.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through February 18, 2020, the date the consolidated financial statements were available to be issued.

Subsequent to the year ended June 30, 2019, Food Bank For NYC obtained a line of credit with a financial institution in the amount of \$1,000,000. The line of credit is secured by Food Bank For NYC’s certificates of deposit and carries interest at the LIBOR rate plus 2.5%. The line of credit expires on December 31, 2021. As of February 18, 2020, there was \$0 borrowed.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018**

	As of June 30, 2019				As of June 30, 2018			
	Food Bank For NYC	CFRC	Consolidating Eliminations	2019 Consolidated Total	Food Bank For NYC	CFRC	Consolidating Eliminations	2018 Consolidated Total
ASSETS								
Cash and cash equivalents	\$ 3,985,484	\$ -	\$ -	\$ 3,985,484	\$ 3,637,028	\$ -	\$ -	\$ 3,637,028
Investments	849,939	-	-	849,939	105,393	-	-	105,393
Government grants receivable	7,012,422	-	-	7,012,422	7,523,563	-	-	7,523,563
Contributions receivable	1,783,315	-	-	1,783,315	1,656,713	-	-	1,656,713
Accounts receivable, net	291,743	-	-	291,743	60,183	-	-	60,183
Due from subsidiary	1,174,878	-	(1,174,878)	-	1,174,878	-	(1,174,878)	-
Purchased products inventory	614,695	-	-	614,695	995,461	-	-	995,461
Donated products inventory	697,455	-	-	697,455	1,947,118	-	-	1,947,118
Prepaid expenses and other assets	628,021	-	-	628,021	398,811	-	-	398,811
Property and equipment, net	2,586,070	2,006,362	-	4,592,432	2,901,457	2,099,069	-	5,000,526
TOTAL ASSETS	\$ 19,624,022	\$ 2,006,362	\$ (1,174,878)	\$ 20,455,506	\$ 20,400,605	\$ 2,099,069	\$ (1,174,878)	\$ 21,324,796
LIABILITIES								
Accounts payable and accrued expenses	\$ 3,922,555	\$ -	\$ -	\$ 3,922,555	\$ 4,313,184	\$ -	\$ -	\$ 4,313,184
Accrued salaries	171,965	-	-	171,965	321,255	-	-	321,255
Accrued vacation	263,325	-	-	263,325	319,655	-	-	319,655
Government contract advances	527,952	-	-	527,952	492,715	-	-	492,715
Due to subsidiary	-	1,174,878	(1,174,878)	-	-	1,174,878	(1,174,878)	-
Deferred rent	691,510	-	-	691,510	718,783	-	-	718,783
Mortgage loan payable	1,630,471	-	-	1,630,471	1,741,992	-	-	1,741,992
TOTAL LIABILITIES	7,207,778	1,174,878	(1,174,878)	7,207,778	7,907,584	1,174,878	(1,174,878)	7,907,584
NET ASSETS								
Without donor restrictions:								
Operations	6,729,090	(1,174,878)	-	5,554,212	7,945,838	(1,174,878)	-	6,770,960
Board-designated	2,262,742	-	-	2,262,742	2,262,742	-	-	2,262,742
Invested in property and equipment	955,599	2,006,362	-	2,961,961	1,159,465	2,099,069	-	3,258,534
Without donor restrictions	9,947,431	831,484	-	10,778,915	11,368,045	924,191	-	12,292,236
With donor restrictions	2,468,813	-	-	2,468,813	1,124,976	-	-	1,124,976
TOTAL NET ASSETS	12,416,244	831,484	-	13,247,728	12,493,021	924,191	-	13,417,212
TOTAL LIABILITIES AND NET ASSETS	\$ 19,624,022	\$ 2,006,362	\$ (1,174,878)	\$ 20,455,506	\$ 20,400,605	\$ 2,099,069	\$ (1,174,878)	\$ 21,324,796

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Year Ended June 30, 2019						Year Ended June 30, 2018					
	Food Bank New York City			CFRC	Eliminations	2019 Consolidated Total	Food Bank New York City			CFRC	Eliminations	2018 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total				Without Donor Restrictions	With Donor Restrictions	Total			
PUBLIC SUPPORT AND REVENUE:												
Contributions - foundations and corporations (includes in-kind contributions and donated services of \$614,337 in 2019 and \$267,691 in 2018)	\$ 3,941,448	\$ 2,798,362	\$ 6,739,810	\$ -	\$ -	\$ 6,739,810	\$ 3,617,631	\$ 4,339,292	\$ 7,956,923	\$ -	\$ -	\$ 7,956,923
Contributions - Individuals	8,022,339	671,730	8,694,069	-	-	8,694,069	8,132,898	-	8,132,898	-	-	8,132,898
Special events (net of direct expenses of \$565,957 and \$523,635 in 2019 and 2018, respectively)	1,494,161	-	1,494,161	-	-	1,494,161	1,589,008	-	1,589,008	-	-	1,589,008
Net assets released from restrictions	2,126,755	(2,126,755)	-	-	-	-	5,004,788	(5,004,788)	-	-	-	-
Total support	<u>15,584,703</u>	<u>1,343,337</u>	<u>16,928,040</u>	<u>-</u>	<u>-</u>	<u>16,928,040</u>	<u>18,344,325</u>	<u>(665,496)</u>	<u>17,678,829</u>	<u>-</u>	<u>-</u>	<u>17,678,829</u>
Government contracts	19,110,856	-	19,110,856	-	-	19,110,856	18,364,462	-	18,364,462	-	-	18,364,462
Donated food received	13,192,271	-	13,192,271	-	-	13,192,271	32,379,330	-	32,379,330	-	-	32,379,330
Sale of food and paper products	1,176,180	-	1,176,180	-	-	1,176,180	1,174,533	-	1,174,533	-	-	1,174,533
Investment activity	18,760	500	19,260	-	-	19,260	2,870	1,500	4,370	-	-	4,370
Other income	79,883	-	79,883	-	-	79,883	161,388	-	161,388	-	-	161,388
Total revenue	<u>33,577,950</u>	<u>500</u>	<u>33,578,450</u>	<u>-</u>	<u>-</u>	<u>33,578,450</u>	<u>52,082,583</u>	<u>1,500</u>	<u>52,084,083</u>	<u>-</u>	<u>-</u>	<u>52,084,083</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>49,162,653</u>	<u>1,343,837</u>	<u>50,506,490</u>	<u>-</u>	<u>-</u>	<u>50,506,490</u>	<u>70,426,908</u>	<u>(663,996)</u>	<u>69,762,912</u>	<u>-</u>	<u>-</u>	<u>69,762,912</u>
EXPENSES:												
Program services:												
Distribution and food storage	33,432,729	-	33,432,729	-	-	33,432,729	49,880,737	-	49,880,737	-	-	49,880,737
Research and policy	360,250	-	360,250	-	-	360,250	241,238	-	241,238	-	-	241,238
Food and nutrition services	3,578,862	-	3,578,862	-	-	3,578,862	3,393,486	-	3,393,486	-	-	3,393,486
Community kitchen and food pantry	1,762,429	-	1,762,429	92,707	-	1,855,136	2,042,774	-	2,042,774	63,335	-	2,106,109
Income support services	1,903,622	-	1,903,622	-	-	1,903,622	4,104,832	-	4,104,832	-	-	4,104,832
Food and benefits access	708,623	-	708,623	-	-	708,623	1,354,076	-	1,354,076	-	-	1,354,076
Total program services	<u>41,746,515</u>	<u>-</u>	<u>41,746,515</u>	<u>92,707</u>	<u>-</u>	<u>41,839,222</u>	<u>61,017,143</u>	<u>-</u>	<u>61,017,143</u>	<u>63,335</u>	<u>-</u>	<u>61,080,478</u>
Supporting services:												
Management and general	4,911,635	-	4,911,635	-	-	4,911,635	3,662,920	-	3,662,920	-	-	3,662,920
Fundraising	3,925,117	-	3,925,117	-	-	3,925,117	3,395,957	-	3,395,957	-	-	3,395,957
Total supporting services	<u>8,836,752</u>	<u>-</u>	<u>8,836,752</u>	<u>-</u>	<u>-</u>	<u>8,836,752</u>	<u>7,058,877</u>	<u>-</u>	<u>7,058,877</u>	<u>-</u>	<u>-</u>	<u>7,058,877</u>
TOTAL EXPENSES	<u>50,583,267</u>	<u>-</u>	<u>50,583,267</u>	<u>92,707</u>	<u>-</u>	<u>50,675,974</u>	<u>68,076,020</u>	<u>-</u>	<u>68,076,020</u>	<u>63,335</u>	<u>-</u>	<u>68,139,355</u>
CHANGE IN NET ASSETS	(1,420,614)	1,343,837	(76,777)	(92,707)	-	(169,484)	2,350,888	(663,996)	1,686,892	(63,335)	-	1,623,557
Net assets - beginning of year	<u>11,368,045</u>	<u>1,124,976</u>	<u>12,493,021</u>	<u>924,191</u>	<u>-</u>	<u>13,417,212</u>	<u>9,017,157</u>	<u>1,788,972</u>	<u>10,806,129</u>	<u>987,526</u>	<u>-</u>	<u>11,793,655</u>
NET ASSETS - END 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>	<u>\$ 11,368,045</u>	<u>\$ 1,124,976</u>	<u>\$ 12,493,021</u>	<u>\$ 924,191</u>	<u>\$ -</u>	<u>\$ 13,417,212</u>