

**REGIONAL FOOD BANK OF
NORTHEASTERN NEW YORK, INC.
FINANCIAL REPORT
DECEMBER 31, 2016**

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.

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INDEPENDENT AUDITOR'S REPORT

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The Board of Directors

Regional Food Bank of Northeastern New York, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Regional Food Bank of Northeastern New York, Inc. (Food Bank) (a New York not-for-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Food Bank of Northeastern New York, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Regional Food Bank of Northeastern New York, Inc. as of December 31, 2015, were audited by other auditors whose report dated March 31, 2016 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, on our consideration of the Regional Food Bank of Northeastern New York, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional Food Bank of Northeastern New York, Inc.'s internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
March 24, 2017

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 6,365,309	\$ 5,569,050
Investments	420,346	319,714
Accounts receivable		
Grants/contracts	872,955	1,375,365
Trade/customers, net allowance of \$40,000	455,921	441,481
Contributions	154,238	163,692
Other	1,059	11,712
Inventories	1,767,529	1,520,746
Prepaid expenses	101,941	113,876
Custodial cash and cash equivalents	1,256,023	1,017,389
Property and equipment, net	<u>6,671,391</u>	<u>5,558,473</u>
TOTAL ASSETS	<u>\$ 18,066,712</u>	<u>\$ 16,091,498</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 960,536	\$ 466,255
Grants payable - agency rebate program	350,000	350,000
Deferred revenue	424,485	5,000
Custodial cash and cash equivalents	1,256,023	1,017,389
Customer and other deposits	46,000	41,000
Total Liabilities	<u>3,037,044</u>	<u>1,879,644</u>

Commitments and Contingent Liabilities

Net Assets		
Unrestricted		
Undesignated	14,281,347	13,468,838
Board designated - office expansion project	500,000	500,000
Total Unrestricted	<u>14,781,347</u>	<u>13,968,838</u>
Temporarily restricted	248,321	243,016
Total Net Assets	<u>15,029,668</u>	<u>14,211,854</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,066,712</u>	<u>\$ 16,091,498</u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets		
Revenues and Support:		
Operating:		
Contributions, including bequests	\$ 1,414,839	\$ 1,293,783
Fundraising appeals	1,859,901	1,886,302
Special events, net expenses of \$141,298	840,237	737,027
Grants/contracts	642,784	368,936
Shared maintenance revenue	833,550	805,189
Shared maintenance revenue, HPNAP	308,357	320,837
Administrative, HPNAP	753,870	732,423
NYSOGS commodities contract	606,156	539,917
Purchased food sales	4,255,803	4,407,738
Purchased food sales, HPNAP	3,582,470	3,843,082
Community supported agriculture	140,207	169,141
United Way contributions	59,640	83,471
Interest and dividends	55,550	62,184
Other revenue	70,637	81,190
Net assets released from restrictions	208,645	253,875
Total Operating	<u>15,632,646</u>	<u>15,585,095</u>
Hunger Prevention Nutrition Assistance Program (HPNAP):		
Government contracts	<u>1,115,730</u>	<u>1,051,353</u>
Property and Equipment:		
Donation of property and equipment	11,025	-
Grant	-	50,000
Gain on sale of property and equipment	27,178	-
Total Property and Equipment	<u>38,203</u>	<u>50,000</u>
Total Revenues and Support	<u>16,786,579</u>	<u>16,686,448</u>
Expenses		
Program Services	14,259,656	14,350,166
Management Services	1,052,493	970,041
Fundraising	689,985	653,972
Total Expenses	<u>16,002,134</u>	<u>15,974,179</u>
Change in unrestricted net assets before other gains (losses)	784,445	712,269
Other Gains (Losses)		
Gain (loss) on investments, net	<u>28,064</u>	<u>(31,699)</u>
Change in Unrestricted Net Assets	<u>812,509</u>	<u>680,570</u>
Temporarily Restricted Net Assets		
Contributions and grants	213,950	351,891
Net assets released from restrictions	<u>(208,645)</u>	<u>(253,875)</u>
Change in Temporarily Restricted Net Assets	<u>5,305</u>	<u>98,016</u>
Change in Net Assets	817,814	778,586
Net Assets, Beginning of Year	<u>14,211,854</u>	<u>13,433,268</u>
Net Assets, End of Year	<u>\$ 15,029,668</u>	<u>\$ 14,211,854</u>

See accompanying notes to financial statements.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016				2015
	<u>Program Services</u>	<u>Management Services</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Operating Expenses:					
Salaries and wages	\$ 2,960,124	\$ 401,992	\$ 292,358	\$ 3,654,474	\$ 3,489,761
Payroll taxes and employee benefits	986,966	134,032	97,478	1,218,476	1,248,064
Total Personnel Services	<u>3,947,090</u>	<u>536,024</u>	<u>389,836</u>	<u>4,872,950</u>	<u>4,737,825</u>
Buildings operation expense	57,168	23,412	2,690	83,270	80,416
Conference fees	9,720	9,361	3,268	22,349	12,252
Consulting and professional fees	13,951	84,503	-	98,454	62,274
Equipment expenses/maintenance	102,864	68,810	-	171,674	152,223
Feeding America membership	-	20,260	-	20,260	21,410
Fundraising appeals expense	-	-	265,745	265,745	245,741
Grants - agency rebate	350,000	-	-	350,000	350,000
Insurance	94,536	53,157	-	147,693	134,958
Membership fees	-	8,727	-	8,727	13,980
Printing and publications	-	46,788	-	46,788	36,896
Postage	47,162	5,240	-	52,402	46,052
Purchased food distributed	7,062,254	-	-	7,062,254	7,415,229
Staff travel	5,827	3,311	1,942	11,080	11,329
Supplies	153,129	54,016	-	207,145	205,457
Telephone	19,847	2,391	1,674	23,912	28,003
Transporation - commercial	61,181	-	-	61,181	51,288
Utilities	178,517	21,508	15,056	215,081	209,949
Vehicle expenses	395,531	-	-	395,531	392,345
Waste disposal	141,308	-	-	141,308	109,142
Miscellaneous	40,737	33,130	-	73,867	51,705
Total Expenses, Operating	<u>12,680,822</u>	<u>970,638</u>	<u>680,211</u>	<u>14,331,671</u>	<u>14,368,474</u>
Hunger Prevention Nutrition Assistance Program (HPNAP):					
Operation support grants	578,974	-	-	578,974	607,705
Subcontracts	215,527	-	-	215,527	91,709
Sanitation supplies	9,214	-	-	9,214	9,092
Transporation, net of reimbursements	290,000	-	-	290,000	290,000
Nutrition education project	15,462	-	-	15,462	43,613
Miscellaneous	6,553	-	-	6,553	9,234
Total Expenses, HPNAP	<u>1,115,730</u>	<u>-</u>	<u>-</u>	<u>1,115,730</u>	<u>1,051,353</u>
Property and Equipment:					
Depreciation	463,104	81,855	9,774	554,733	554,352
Total Expenses	<u>\$ 14,259,656</u>	<u>\$ 1,052,493</u>	<u>\$ 689,985</u>	<u>\$ 16,002,134</u>	<u>\$ 15,974,179</u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 817,814	\$ 778,586
Adjustments to reconcile change in net assets to cash provided from operating activities:		
Depreciation	554,733	554,352
Donated property and equipment	(11,025)	-
(Gain) on sale of property and equipment	(27,178)	-
(Gain) loss on investments, net	(28,064)	31,699
Changes in operating assets and liabilities		
Accounts receivable	508,077	(271,658)
Inventories	(246,783)	379,305
Prepaid expenses	11,935	(52,983)
Accounts payable and accrued expenses	494,281	51,830
Grants payable - agency rebate program	-	(17,000)
Deferred revenue	419,485	(343,561)
Customer and other deposits	5,000	-
Cash Provided From Operating Activities	<u>2,498,275</u>	<u>1,110,570</u>
Cash Flows From Investing Activities		
Acquisitions of property and equipment	(1,663,698)	(481,199)
Proceeds from sales of property and equipment	34,250	-
Purchases of investments	(409,044)	(356,401)
Proceeds from sales of investments	336,476	420,399
Cash (Used For) Investment Activities	<u>(1,702,016)</u>	<u>(417,201)</u>
Increase in Cash and Cash Equivalents	796,259	693,369
Cash and Cash Equivalents, Beginning of Year	<u>5,569,050</u>	<u>4,875,681</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,365,309</u>	<u>\$ 5,569,050</u>
Supplemental Information:		
Donated property and equipment	<u>\$ 11,025</u>	<u>\$ -</u>
Donated stocks immediately sold	<u>\$ 5,552</u>	<u>\$ 10,432</u>

See accompanying notes to financial statements.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. ORGANIZATION, INCOME TAXES AND BASIS OF PRESENTATION

Regional Food Bank of Northeastern New York, Inc. ("Food Bank") is a not-for-profit organization incorporated under the laws of the State of New York in April 1983 and is the registered agent and sole member of Food Bank Ventures, LLC, a New York domestic limited-liability company filed September 2015. The financial statements include the accounts of the Food Bank and Food Bank Ventures, LLC. The Food Bank's mission is to alleviate hunger and prevent food waste. The Food Bank annually provides more than 30 million pounds of food to over 1,000 charitable agencies in 23 counties of northeastern New York. The majority of Food Bank revenues and support are derived from government contracts and food sales.

The Food Bank qualifies as a tax exempt organization described in Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law, and has been classified as a publicly supported organization that is not a private foundation. Management is not aware of any events that could jeopardize tax-exempt status and has determined the Food Bank does not have uncertain tax positions. Therefore, no provision for income taxes has been made in the accompanying financial statements. For tax purposes, Food Bank Ventures, LLC is considered the same entity as the Food Bank.

The financial statements are prepared on the accrual basis of accounting. The Food Bank reports financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates.

b. Cash and Cash Equivalents

The Food Bank considers all highly liquid investments, such as a cash management plan and brokerage money market account, with an initial maturity of three months or less, to be cash equivalents. Cash equivalents totaled \$6,382,125 at December 31, 2016. The Food Bank maintains its cash and cash equivalents with financial institutions in accounts which at times may exceed insured limits. The Food Bank has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash and cash equivalents. Cash in banks in excess of federal depository insurance coverage totaled \$1,092,886 at December 31, 2016.

A cash management plan with a bank includes a repurchase agreement which is not insured by federal deposit insurance coverage. The Food Bank is provided a perfected security interest in direct obligations of the United States of America, or one or more agencies thereof, that are held by the bank as collateral. The repurchase agreement totaled \$6,348,657 at December 31, 2016.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c. Custodial Cash

Custodial cash is cash held for the benefit of Food Bank clients.

d. Investments

Investments consist of exchange traded products, common stocks, US treasury notes, and a certificate of deposit. The Food Bank reports investments at fair value with gains and losses charged to unrestricted net assets unless a donor or law restricts their use. Fair value is determined based upon information obtained from the Food Bank's broker. When an investment is sold or matures, the realized gain or loss is charged to net assets.

Investments do not represent a significant concentration of market risk. The Food Bank's investment portfolio is diversified.

e. Accounts Receivable - Trade/Customer

Accounts receivable are reflected at the current amount due. Finance charges are not assessed on past due balances. The Food Bank provides a \$40,000 allowance for doubtful accounts receivable based on collection history and a review of open accounts by management. The risk of loss with respect to trade/customer accounts receivable is generally limited due to the number and diversity of the Food Bank's customer base and the areas and markets in which the customers are located. The Food Bank does not require collateral from its customers.

f. Inventories

Inventories are carried at the lower of cost or market value, using the first-in, first-out method. Donated food items that pass through the Food Bank to charitable organizations are not recorded in the accompanying financial statements since the Food Bank serves only as an agent for the donors. At December 31, 2016, inventories consisted of:

Purchased food	\$ <u>1,767,529</u>
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g. Property and Equipment

Property and equipment are stated at cost if purchased or fair value if contributed. The Food Bank's policy is to capitalize property and equipment with a unit value greater than \$2,500 and a useful life greater than one year. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	3-40 years
Vehicles	3-10 years
Furniture, fixtures and equipment	3-20 years

Property and equipment purchased with a reversionary interest, if any, and routine repairs and maintenance, are expensed as incurred.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g. Property and Equipment

The Food Bank reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the contributed assets are to be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that are to be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets are to be maintained, the Food Bank reports expirations of donor restrictions when the contributed or acquired long-lived assets are placed in service.

h. Grants Payable

Grants authorized but unpaid at year end are reported as a liability in accordance with FASB "Accounting Standards Codification 720". Grants payable are measured and reported at fair value which equals net realizable value. The Food Bank expects to make payment in one year or less.

i. Deferred Revenue

Deferred revenue represents payments received which will be earned during future periods when the service is performed or the related expenses are incurred.

j. Revenue Recognition

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of the restrictions. It is Food Bank policy to record restricted contributions that are received and expended in the same fiscal year as unrestricted contributions.

Purchased Food Sales

Revenue from sale of purchased food is recorded when ownership is transferred to the customers, which is when shipment is made. In specific cases, returns are accepted, however, the Food Bank has not experienced any significant amounts of such returns. Revenue is presented net of returns.

Shipping and Handling Costs

The Food Bank includes shipping and handling billings, if any, within expenses. Freight costs incurred for product shipment are a cost of revenues. Freight costs during the year ended December 31, 2016 are included within program services expenses.

Government Contracts

Revenue from government contracts is recognized when eligible expenses relative to the contracts are incurred (cost reimbursement) or in the period earned (fee for service). Cash received on the contracts in advance of being earned is recorded as deferred revenue.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. Revenue Recognition

Donated Services and Materials

The Food Bank receives a significant amount of donated services from unpaid volunteers who assist in fund raising and various projects. The Food Bank received approximately 66,000 volunteer hours from 13,000 individuals during 2016. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Donated property and equipment totaled \$11,025 during 2016.

Donated food and food related items have not been recognized in these financial statements since the Food Bank acts as an agent and distributes the food to beneficiaries who meet specified requirements. The Food Bank received 30,248,124 pounds of food donations during 2016. Donated pounds of food distributed totaled 26,880,795 during 2016.

k. Functional Expenses

Expenses are charged directly to program or management services based on a combination of specific identification and allocation by management. Expenses related to more than one function are charged to program and management services on the basis of periodic time and expense studies. Management expenses include those expenses that are not directly identifiable with any specific function, but provide for the overall support and direction of the Food Bank.

l. Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended December 31, 2015 from which the summarized information was derived. Those statements were audited by other auditors whose report dated March 31, 2016 expressed an unmodified opinion on those statements.

3. RESTRICTIONS/LIMITATIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Capital – Building Expansion	\$ 102,000
Retail Store Partner Program	35,000
Other Use Restricted	75,321
General Support January 1, 2017 to September 30, 2020	<u>36,000</u>
	<u>\$ 248,321</u>

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

4. INVESTMENTS

A summary of the Food Bank's investments at December 31, 2016 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Exchange Traded Products	\$ 130,971	\$ 132,324
Common Stocks	204,846	218,832
US Treasury Notes	51,343	50,179
Certificate of Deposit	<u>19,008</u>	<u>19,011</u>
	<u>\$ 406,168</u>	<u>\$ 420,346</u>

Investment income for the year ended December 31, 2016 is as follows:

Interest on Cash	\$ 50,143
Dividends and Interest from Investments	5,407
Gains on Investment, Net	<u>28,064</u>
	<u>\$ 83,614</u>

5. PROPERTY AND EQUIPMENT

At December 31, 2016, property and equipment consisted of:

Land	\$ 640,216
Building and Improvements	5,975,247
Furniture, Fixtures and Equipment	1,635,156
Vehicles	<u>3,268,735</u>
	11,519,354
Less Accumulated Depreciation	<u>5,973,185</u>
Net Depreciated Value	5,546,169
Construction in Process	<u>1,125,222</u>
	<u>\$ 6,671,391</u>

6. RETIREMENT PLAN

The Food Bank sponsors a defined contribution 401(k) retirement plan covering substantially all employees with at least one year of service. Contributions to the plan are a percentage of annual salary. The approved contribution percentage during 2016 was 5%. Total retirement expense for the year ended December 31, 2016 was \$156,349.

7. HUNGER PREVENTION NUTRITION ASSISTANCE PROGRAM

The Food Bank has Hunger Prevention Nutrition Assistance Program (HPNAP) contracts with the New York State Department of Health to provide food and nutrition to needy persons. The Food Bank administers the program and is reimbursed for its services and food by HPNAP.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

7. HUNGER PREVENTION NUTRITION ASSISTANCE PROGRAM

Revenues from the program during the year ended December 31, 2016 are as follows:

New York State Contracts	<u>\$ 5,760,427</u>
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The program covers the following expenses:

Shared Maintenance Costs	\$ 308,357
Administrative Costs	753,870
Wholesale Food Purchases	3,582,470
Operation Support Grants	578,974
Subcontracts	215,527
Sanitation Supplies	9,214
Transportation, Net of Reimbursements	290,000
Nutrition Education Project	15,462
Miscellaneous	<u>6,553</u>
	<u>\$ 5,760,427</u>

8. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Construction Project

During 2016, the Food Bank entered into a construction contract to expand its facilities located in Latham, New York. The amount completed and stored to date through December 31, 2016 totaled \$1,002,743. The estimated balance to finish, excluding retainage of \$100,274 recorded as accounts payable in the accompanying statement of financial position, is \$425,583 at December 31, 2016. It is anticipated that this project will be completed on or before December 31, 2017.

Public Warehousing

The Food Bank rents warehouse space in its building located in Latham, New York under informal operating arrangements. Public warehousing revenue for the year ended December 31, 2016 totaled \$59,837.

Line of Credit

The Food Bank maintains a line of credit with a bank to provide short-term borrowings up to \$100,000. There was no principal balance outstanding under this line of credit at December 31, 2016. The line of credit carried an interest rate (3.75% at December 31, 2016) equal to the lending bank's prime rate and was collateralized by accounts receivable, inventories, machinery, equipment, furniture and fixtures.

The line of credit is a business commitment and is subject to continued creditworthiness and review by the lending bank. It is anticipated that a similar line of credit will be maintained in the future.

REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

8. COMMITMENTS AND CONTINGENT LIABILITIES

Grant/Contract Programs

The Food Bank participates in grant and assistance programs. These programs are subject to financial and compliance audits by the grantors. The Food Bank's compliance with grant and contract requirements may be established at a future date. The amount of expenditures or funding which may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

Litigation

In the normal course of business, the Food Bank is subject to litigation. There can be no assurance as to the eventual outcome of litigation in which the Food Bank has been named as a defendant or otherwise have possible exposure. It is management's opinion, after considering all relevant facts, that the potential claim resulting from such litigation is adequately covered by insurance or is not likely to have a material adverse effect on the Food Bank's financial position or results of operations.

9. FAIR VALUE MEASUREMENTS

FASB "Accounting Standards Codification 820" establishes a framework for measuring fair value. That framework provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liabilities 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.

Assets and liabilities measured at fair value on a recurring basis recognized in the statement of financial position at December 31, 2016, and the level within the fair value hierarchy follows:

Cash Equivalents	\$ 6,382,125	Level 1
Investments:		
Exchange Traded Products	132,324	Level 1
Common Stocks	218,832	Level 1
US Treasury Notes	50,179	Level 1
Certificate of Deposit	<u>19,011</u>	Level 1
	<u>\$ 6,802,471</u>	

Cash, accounts receivable, and liabilities - carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events for possible adjustment or disclosure through March 24, 2017, the date on which the financial statements were available to be issued.