

**REGIONAL FOOD BANK  
OF  
NORTHEASTERN NEW YORK, INC.**

Financial Statements

December 31, 2015

**LUBBE & HOSEY, PC**  
*CERTIFIED PUBLIC ACCOUNTANTS*

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

**FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITOR'S REPORT**

December 31, 2015

(with comparative information for 2014)

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# LUBBE & HOSEY, PC

CERTIFIED PUBLIC ACCOUNTANTS

Suite 305  
187 Wolf Road  
Albany, New York 12205  
(518) 454-9355  
FAX (518) 454-9332

Steven J. Lubbe, CPA  
Thomas W. Hosey, CPA

## INDEPENDENT AUDITOR'S REPORT

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 **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, 2015, and the related statements of activities and change in net assets, 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 of 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.

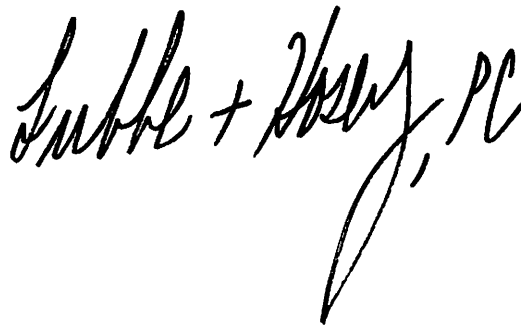
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Regional Food Bank of Northeastern New York, Inc.** as of December 31, 2015, and the change 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of **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 **Regional Food Bank of Northeastern New York, Inc.**'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lubbe + Henry, PC". The signature is written in a cursive, flowing style with a large, sweeping flourish at the end.

Albany, New York  
March 31, 2016

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

Statement of Financial Position

December 31, 2015

(With comparative totals for 2014)

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 5,569,050	4,875,681
Investments (note 4)	319,714	415,411
Accounts receivable (note 8):		
Grants/contracts	1,375,365	1,150,227
Trade/customers, net of allowance of \$40,000	441,481	418,463
Contributions	163,692	141,677
Other	11,712	10,225
Inventories (note 8)	1,520,746	1,900,051
Prepaid expenses	113,876	60,893
Custodial cash and cash equivalents	1,017,389	725,471
Property and equipment, net (notes 5 and 8)	<u>5,558,473</u>	<u>5,631,626</u>
Total assets	<u>\$16,091,498</u>	<u>15,329,725</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	466,255	414,425
Grants payable - agency rebate program	350,000	367,000
Deferred revenue	5,000	348,561
Custodial cash and cash equivalents	1,017,389	725,471
Customer and other deposits	<u>41,000</u>	<u>41,000</u>
Total liabilities	<u>1,879,644</u>	<u>1,896,457</u>
 Commitments and contingent liabilities (note 8)		
Net assets:		
Unrestricted:		
Undesignated	13,468,838	13,288,268
Board designated - office expansion project	<u>500,000</u>	<u>-</u>
Total unrestricted	13,968,838	13,288,268
Temporarily restricted (note 3)	<u>243,016</u>	<u>145,000</u>
Total net assets	<u>14,211,854</u>	<u>13,433,268</u>
Total liabilities and net assets	<u>\$16,091,498</u>	<u>15,329,725</u>

See accompanying notes to financial statements.

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

Statement of Activities and Change in Net Assets

Year ended December 31, 2015

(With comparative totals for 2014)

**UNRESTRICTED NET ASSETS**

**REVENUES AND SUPPORT:**

	<u>2015</u>	<u>2014</u>
Operating:		
Contributions, including bequests	\$ 1,293,783	1,302,292
Fund raising appeals	1,886,302	1,883,548
Special events, net expenses of \$150,139	737,027	579,197
Grants/contracts	368,936	452,646
Shared maintenance revenue	805,189	732,952
Shared maintenance revenue, HPNAP	320,837	371,117
Administrative, HPNAP	732,423	650,462
NYSOGS commodities contract	539,917	489,964
Purchased food sales	4,407,738	4,475,035
Purchased food sales, HPNAP	3,843,082	3,147,757
Community supported agriculture	169,141	146,193
United Way contributions	83,471	94,596
Interest and dividends	62,184	64,170
Other revenue	81,190	71,876
Net assets released from restrictions	<u>253,875</u>	<u>99,633</u>
Total operating	<u>15,585,095</u>	<u>14,561,438</u>
Hunger Prevention Nutrition Assistance Program:		
Governmental contracts	<u>1,051,353</u>	<u>960,341</u>
Property and Equipment:		
Donation of property and equipment	-	40,000
Grant	<u>50,000</u>	<u>-</u>
Total property and equipment	<u>50,000</u>	<u>40,000</u>
Total revenues and support	<u>16,686,448</u>	<u>15,561,779</u>

**EXPENSES:**

Program services	14,350,166	13,419,991
Management services	970,041	1,103,734
Fund raising	<u>653,972</u>	<u>675,714</u>
Total expenses	<u>15,974,179</u>	<u>15,199,439</u>

Change in unrestricted net assets before other gains (losses)	712,269	362,340
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**OTHER GAINS (LOSSES):**

(Loss) on investments, net	<u>(31,699)</u>	<u>(22,781)</u>
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Change in unrestricted net assets	<u>680,570</u>	<u>339,559</u>
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**TEMPORARILY RESTRICTED NET ASSETS**

Contributions and grants	351,891	125,203
Net assets released from restrictions	<u>(253,875)</u>	<u>(99,633)</u>

Change in temporarily restricted net assets	<u>98,016</u>	<u>25,570</u>
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Change in net assets	778,586	365,129
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Net assets, beginning of year	<u>13,433,268</u>	<u>13,068,139</u>
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Net assets, end of year	<u>\$14,211,854</u>	<u>13,433,268</u>
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See accompanying notes to financial statements.

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

Statement of Functional Expenses

Year Ended December 31, 2015

(With comparative totals for 2014)

	2015				2014
	Program Services	Management Services	Fundraising	Total	Total
Operating expenses:					
Salaries and wages	\$ 2,826,706	383,874	279,181	3,489,761	3,395,357
Payroll taxes and employee benefits	<u>1,010,932</u>	<u>137,287</u>	<u>99,845</u>	<u>1,248,064</u>	<u>1,182,695</u>
Total personnel services	3,837,638	521,161	379,026	4,737,825	4,578,052
Buildings operation expense	40,935	39,481	-	80,416	61,167
Conference fees	3,885	8,367	-	12,252	14,886
Consulting and professional fees	18,500	43,774	-	62,274	47,200
Equipment expenses/maintenance	99,828	52,395	-	152,223	175,988
Feeding America membership	-	21,410	-	21,410	23,898
Fund raising appeals expense	-	-	245,741	245,741	249,697
Grants - agency rebates and gift cards	350,000	-	-	350,000	386,500
Insurance	94,536	40,422	-	134,958	125,319
Membership fees	-	13,980	-	13,980	14,014
Printing and publications	-	36,896	-	36,896	45,014
Postage	41,447	4,605	-	46,052	45,853
Purchased food distributed	7,415,229	-	-	7,415,229	6,834,841
Staff travel	6,797	2,266	2,266	11,329	13,614
Supplies	158,603	46,854	-	205,457	180,139
Telephone	23,243	2,800	1,960	28,003	31,783
Transportation-commercial	51,288	-	-	51,288	46,879
Utilities	174,258	20,995	14,696	209,949	231,855
Vehicle expenses	392,345	-	-	392,345	468,759
Waste disposal	109,142	-	-	109,142	81,364
Miscellaneous	<u>25,705</u>	<u>26,000</u>	<u>-</u>	<u>51,705</u>	<u>43,151</u>
Total expenses, operating	<u>12,843,379</u>	<u>881,406</u>	<u>643,689</u>	<u>14,368,474</u>	<u>13,699,973</u>
Hunger Prevention Nutrition Assistance Program (HPNAP):					
Operation support grants	607,705	-	-	607,705	631,803
Subcontracts	91,709	-	-	91,709	-
Sanitation supplies	9,092	-	-	9,092	8,998
Transportation, net of reimbursements	290,000	-	-	290,000	290,000
Nutrition education project	43,613	-	-	43,613	20,904
Miscellaneous	<u>9,234</u>	<u>-</u>	<u>-</u>	<u>9,234</u>	<u>8,636</u>
Total expenses, HPNAP	<u>1,051,353</u>	<u>-</u>	<u>-</u>	<u>1,051,353</u>	<u>960,341</u>
Property and Equipment:					
Depreciation	<u>455,434</u>	<u>88,635</u>	<u>10,283</u>	<u>554,352</u>	<u>539,125</u>
Total expenses	<u>\$14,350,166</u>	<u>970,041</u>	<u>653,972</u>	<u>15,974,179</u>	<u>15,199,439</u>

See accompanying notes to financial statements.

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

Statement of Cash Flows

Year ended December 31, 2015

(With comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash provided from (used for) operating activities:		
Change in net assets	\$ 778,586	365,129
Adjustments to reconcile change in net assets to cash provided from operating activities:		
Depreciation	554,352	539,125
Loss on investments, net	31,699	22,781
Changes in operating assets and liabilities:		
Accounts receivable	(271,658)	(537,183)
Inventories	379,305	(119,369)
Prepaid expenses	(52,983)	(7,548)
Accounts payable and accrued expenses	51,830	1,529
Grants payable - agency rebate program	(17,000)	55,893
Deferred revenue	(343,561)	91,258
Customer and other deposits	-	5,000
Cash provided from operating activities	<u>1,110,570</u>	<u>416,615</u>
Cash (used for) provided from investment activities:		
Acquisitions of property and equipment	(481,199)	(414,878)
Purchases of investments	(356,401)	(230,645)
Proceeds from sales of investments	<u>420,399</u>	<u>217,046</u>
Cash (used for) investment activities	<u>(417,201)</u>	<u>(428,477)</u>
Increase (decrease) in cash and cash equivalents	693,369	(11,862)
Cash and cash equivalents, beginning of year	<u>4,875,681</u>	<u>4,887,543</u>
Cash and cash equivalents, end of year	<u>\$5,569,050</u>	<u>4,875,681</u>
Supplemental information:		
Donated stocks immediately sold	<u>\$ 10,432</u>	<u>36,100</u>

See accompanying notes to financial statements.



# REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.

## Notes to Financial Statements

December 31, 2015

(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 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 governmental 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 has received a determination letter from the Internal Revenue Service (IRS) stating it is exempt from income taxes, except for taxes on unrelated business income, pursuant to Section 501(a) of the Code. Management has determined the Food Bank does not have uncertain tax positions. The Food Bank's Form 990 is generally no longer subject to examination by the IRS for years before 2012.

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, 2015.

(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 \$6,103,808 at December 31, 2015. 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 \$62,648 at December 31, 2015.

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 \$6,002,745 at December 31, 2015.

(Continued)

## REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.

## Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)(c) Custodial Cash

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

(d) Investments

Investments consist of mutual funds. 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 accounting 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, 2015, inventories consisted of:

Purchased food	<u>\$1,520,746</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 expenditures 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, and routine repairs and maintenance, are expensed as incurred.

(Continued)

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

(g) Property and Equipment (Continued)

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, 2015 are included within program services expenses.

(Continued)

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

## Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)(j) Revenue Recognition (Continued)Governmental Contracts

Revenue from governmental 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.

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 72,000 volunteer hours from 14,186 individuals during 2015. No amounts have been recognized in the statement of activities and change in net assets because the criteria for recognition have not been satisfied.

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 28,761,279 pounds of food donations during 2015. Donated pounds of food distributed totaled 25,639,603 during 2015.

(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) Reclassification

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

(m) 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, 2014 from which the summarized information was derived.

(Continued)

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

Notes to Financial Statements (Continued)

(3) Restrictions/Limitations on Net Assets

Temporarily restricted net assets are available for the following purposes:

Retail store donation program	\$ 41,731
Farm fresh food initiative	43,297
Other use restricted	9,988
General support January 1, 2016 to September 30, 2020	<u>148,000</u>
	<u>\$243,016</u>

(4) Investments

A summary of the Food Bank's investments at December 31, 2015 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$343,266</u>	<u>319,714</u>

Investment income for the year ended December 31, 2015 is as follows:

Interest on cash investments	\$ 43,366
Dividends and interest from mutual funds	18,818
(Loss) on investments, net	<u>(31,699)</u>
	<u>\$ 30,485</u>

(5) Property and Equipment

At December 31, 2015, property and equipment consisted of:

Land	\$ 647,167
Buildings and improvements	5,924,880
Furniture, fixtures and equipment	1,618,127
Vehicles	<u>2,845,815</u>
	11,035,989
Less accumulated depreciation	<u>5,500,975</u>
Net depreciated value	5,535,014
Construction in process and deposit	<u>23,459</u>
	<u>\$ 5,558,473</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 2015 was 5%. Total retirement expense for the year ended December 31, 2015 was \$157,236.

(Continued)

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

Notes to Financial Statements (Continued)

(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.

Revenues from the program during the year ended December 31, 2015 are as follows:

New York State contracts	<u>\$5,947,695</u>
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The program covers the following expenses:

Shared maintenance costs	\$ 320,837
Administrative costs	732,423
Wholesale food purchases	3,843,082
Operation support grants	607,705
Subcontracts	91,709
Sanitation supplies	9,092
Transportation, net of reimbursements	290,000
Nutrition education project	43,613
Miscellaneous	<u>9,234</u>
	<u>\$5,947,695</u>

(8) Commitments and Contingent Liabilities

Commitments

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, 2015 totaled \$70,390.

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, 2015. The line of credit carried an interest rate (3.25% at December 31, 2015) 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.

(Continued)

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

Notes to Financial Statements (Continued)

(8) Commitments and Contingent Liabilities (Continued)

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, 2015, and the level within the fair value hierarchy follows:

Cash equivalents	\$6,103,808	Level 1
Investments - mutual funds	<u>319,714</u>	Level 1
	<u>\$6,423,522</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 31, 2016, the date on which the financial statements were available to be issued.