THE FOOD BANK OF THE SOUTHERN TIER, DIVISION OF CATHOLIC CHARITIES OF THE DIOCESE OF ROCHESTER

Financial Statements as of
December 31, 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 1, 2018

To the Board of Directors of
The Food Bank of the Southern Tier, Division of
Catholic Charities of the Diocese of Rochester:

Report on the Financial Statements
We have audited the accompanying financial statements of The Food Bank of the Southern Tier, Division of Catholic Charities of the Diocese of Rochester which comprise the balance sheet as of December 31, 2017 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; 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. 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 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 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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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Bank of the Southern Tier, Division of Catholic Charities of the Diocese of Rochester as of December 31, 2017 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.

Report on Summarized Comparative Information
We have previously audited The Food Bank of the Southern Tier, Division of Catholic Charities of the Diocese of Rochester's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bonadio & Co., LLP

THE FOOD BANK OF THE SOUTHERN TIER, DIVISION OF CATHOLIC CHARITIES OF THE DIOCESE OF ROCHESTER

BALANCE SHEET
DECEMBER 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,802,020	$ 2,062,270
Investments	1,530,635	1,093,075
Accounts receivable	62,843	68,212
Grants receivable	286,484	73,446
Due from affiliates	-	217,033
Prepaid expenses	49,543	72,388
Current portion of pledges receivable, net	124,123	241,781
Inventory - donated	671,821	955,952
Inventory - purchased	405,054	445,926
Total current assets	4,932,523	5,230,083
OTHER ASSETS:		
Pledges receivable, net of current portion	86,404	129,621
Investments - endowment	85,256	73,976
Property and equipment, net	3,681,983	3,497,512
Total other assets	3,853,643	3,701,109
Total assets	$ 8,786,166	$ 8,931,192
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 162,852	$ 291,574
Accrued liabilities	136,856	171,688
Deferred revenue - donated inventory	671,821	955,952
Deferred revenue - other	225,858	60,245
Total liabilities	1,197,387	1,479,459
NET ASSETS:		
Unrestricted	7,024,600	6,674,373
Temporarily restricted	484,491	707,372
Permanently restricted	79,688	69,988
Total net assets	7,588,779	7,451,733
Total liabilities and net assets	$ 8,786,166	$ 8,931,192

The accompanying notes are an integral part of these statements.

THE FOOD BANK OF THE SOUTHERN TIER,
DIVISION OF CATHOLIC CHARITIES OF THE DIOCESE OF ROCHESTER

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016
SUPPORT AND REVENUE:					
Food-in-kind assistance	$ 7,971,189	$ -	$ -	$ 7,971,189	$ 7,765,266
Grants and contracts	2,590,413	-	-	2,590,413	2,077,607
Contributions	2,328,334	440,503	-	2,768,837	3,449,958
Program fees	668,664	-	-	668,664	792,379
Other income	108,509	-	-	108,509	30,761
Net assets released from restrictions	664,964	(664,964)	-	-	-
Total support and revenue	14,332,073	(224,461)	-	14,107,612	14,115,971
EXPENSES:					
Program	12,645,973	-	-	12,645,973	12,268,778
Management and general	686,428	-	-	686,428	499,812
Fundraising	837,004	-	-	837,004	743,193
Total expenses	14,169,405	-	-	14,169,405	13,511,783
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES	162,668	(224,461)	-	(61,793)	604,188
INVESTMENT INCOME, net	187,559	1,580	9,700	198,839	105,611
CHANGE IN NET ASSETS	350,227	(222,881)	9,700	137,046	709,799
NET ASSETS - beginning of year	6,674,373	707,372	69,988	7,451,733	6,741,934
NET ASSETS - end of year	$ 7,024,600	$ 484,491	$ 79,688	$ 7,588,779	$ 7,451,733

The accompanying notes are an integral part of these statements.

THE FOOD BANK OF THE SOUTHERN TIER,
DIVISION OF CATHOLIC CHARITIES OF THE DIOCESE OF ROCHESTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	2017				
	Program Services	Management and General	Fundraising	Total	2016
Food-in-kind assistance	$ 7,971,189	$ -	$ -	$ 7,971,189	$ 7,765,266
Purchased food	1,867,118	-	-	1,867,118	1,739,995
Compensation	1,193,200	373,157	232,985	1,799,342	1,799,507
Employee benefits	369,991	89,853	71,522	531,366	499,514
Contract and professional services	144,759	204,290	13,781	362,830	331,013
Depreciation	289,888	-	-	289,888	270,035
Direct mail	-	-	244,435	244,435	207,256
Specific assistance	227,045	-	-	227,045	172,895
Maintenance and repairs	134,530	-	9,442	143,972	71,734
Special events	-	-	133,208	133,208	114,006
Advertising and public relations	42,511	342	102,435	145,288	90,451
Occupancy	98,386	-	-	98,386	95,495
Transportation	92,585	2,968	1,053	96,606	105,493
Supplies	49,314	1,657	24,048	75,019	93,347
Insurance	61,482	-	-	61,482	58,529
Conferences, training and meetings	35,461	7,663	4,095	47,219	36,471
Provision for doubtful pledges	22,519	-	-	22,519	35,701
Other	45,995	6,498	-	52,493	25,075
Total	$ 12,645,973	$ 686,428	$ 837,004	$ 14,169,405	$ 13,511,783

The accompanying notes are an integral part of these statements.

THE FOOD BANK OF THE SOUTHERN TIER,
DIVISION OF CATHOLIC CHARITIES OF THE DIOCESE OF ROCHESTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 137,046	$ 709,799
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	289,888	270,035
Provision for doubtful pledges	22,519	35,701
Change in discount on pledges receivable	(5,370)	(11,654)
Gain on investments, net	(169,035)	(86,367)
Capital campaign contributions	(440,503)	(473,986)
Loss on disposal of property and equipment	1,332	-
Changes in:		
Accounts receivable	5,369	35,294
Pledges receivable, net	138,356	12,340
Grants receivable	(213,038)	194,643
Due from affiliates, net	217,033	19,889
Prepaid expenses	22,845	(52,578)
Inventory	40,872	(8,257)
Accounts payable	(128,722)	129,775
Accrued liabilities	(34,832)	23,527
Deferred revenue	165,613	(96,374)
Net cash flow from operating activities	49,373	701,787
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(475,691)	(135,808)
Purchases of investments	(279,805)	(19,244)
Net cash flow from investing activities	(755,496)	(155,052)
CASH FLOW FROM FINANCING ACTIVITIES:		
Capital campaign cash receipts	445,873	191,590
Net cash flow from financing activities	445,873	191,590
CHANGE IN CASH	(260,250)	738,325
CASH - beginning of year	2,062,270	1,323,945
CASH - end of year	$ 1,802,020	$ 2,062,270

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

The Food Bank of the Southern Tier (the Agency) is a division of Catholic Charities of the Diocese of Rochester (CCDR). The Agency is a not-for-profit organization that distributes quality food through its hunger relief agencies in Broome, Chemung, Schuyler, Steuben, Tioga, and Tompkins Counties, New York and develops innovative programs to address the problem of hunger.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Financial Reporting

The Agency categorizes net assets and activities as unrestricted, temporarily restricted or permanently restricted. The Agency reports contributions as restricted if they are received with donor stipulations that limit their use.

- Unrestricted net assets include operating resources which are available for the support of the Agency's operating activities.

- Temporarily restricted net assets have donor-imposed restrictions that permit the Agency to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Agency. When a donor restriction expires or is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. However, support that is restricted by the donor is reported as unrestricted if the restriction is fully satisfied in the same reporting period in which the revenue is recognized.

- Permanently restricted net assets have donor-imposed restrictions that stipulate that the resources be maintained in perpetuity, but which permit the Agency to use or expend part or all of the income derived from the donated assets.

Cash

Cash consists of bank demand deposit accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Investments

Investments are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the net assets of the Agency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Agency has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

- Level 2 Inputs - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. In addition, investment securities valued based on the net asset value of the underlying investment pool are classified as being valued based on level 2 inputs.

- Level 3 Inputs - Valuations are based on unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Accounts Receivable

The Agency provides services to its clients that are paid for by those clients or by third-party payers. The Agency does not accrue interest on these receivables. Amounts for which no payments have been received for several months are considered delinquent and when appropriate collection efforts are exhausted, the account is written-off. The Agency provides an allowance for doubtful accounts based on an analysis of amounts that may not be reimbursed by third-party payers or collected from its clients and a review of amounts currently outstanding. No such allowance was considered necessary at December 31, 2017 and 2016.

Due from Affiliate

Funds in excess of the Agency's current need may be loaned to other agencies of CCDR under terms specified in a promissory note between the Agency and the borrower. Current need is defined as one month's operating expense based on the annual budget process. CCDR's Finance Director has discretion in coordination with the Agency's President/CEO and/or Business Director with oversight from the Finance Committee, to manage the lending and repayment of surplus funds. The Agency will lend surplus funds to agencies of CCDR, only if they have an established line of credit with a financial institution and could draw upon funds from another source in order to repay the Agency. Interest will be paid at least on a quarterly basis, by either cash or check. Interest owed shall not be added to the outstanding indebtedness. Interest will be at the prime rate less 1%. The amounts loaned to each affiliate and their outstanding balance will be tracked by the CCDR Finance Department.

The Agency's due from affiliate is stated at its unpaid principal balance. Management periodically evaluates the receivable for collectability based on inherent collection risks and adverse situations that may affect the affiliate's ability to repay. At December 31, 2016, no such adverse conditions were identified. The balance due from affiliates under this arrangement was repaid in full during 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory
Inventory purchased by the Agency is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method (FIFO) method. Foods donated by The Emergency Food Assistance Program are valued by the New York State Office of General Services. Foods donated through a national food bank network and by various local sources are valued using a price per pound developed by the network. This value is included in inventory - donated on the balance sheet.

In years prior to 2017, the Agency stated purchased inventory at the lower of cost or market. The change was made prospectively as of January 1, 2017 in accordance with adoption of Accounting Standards Update (ASU) 2015-11, *Simplifying the Measurement of Inventory*. The adoption of ASU 2015-11 had no impact on the balance sheet or statement of activities.

Pledges Receivable
The Agency records pledges receivable when an unconditional donor commitment is received. Donor-restricted pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Pledges receivable are recorded net of a discount relative to the net present value of future cash flows unless they are expected to be received within one year. In addition, the Agency records an allowance for doubtful pledges receivable based on experience and a review of specific accounts. An allowance of $11,092 and $19,904 was recorded for the years ended December 31, 2017 and 2016, respectively. Accounts are written-off when reasonable collection efforts have been exhausted. Amounts totaling $35,701 were written off in the year ended December 31, 2016. No amounts were written off in the year ended December 31, 2017.

Property and Equipment
Property and equipment is stated at cost, or fair value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from three to thirty years. The Agency capitalizes individual property and equipment items with a cost or fair value at the date of donation greater than $1,000 that have a useful life greater than one year.

Deferred Revenue
Deferred revenue is recognized when cash advances exceed support and for food inventory received prior to the delivery of service or disbursement of food.

Shared Maintenance
The Agency requests that participating not-for-profit agencies contribute various amounts depending on the type of product received for each pound of product they receive. This revenue is used to cover the cost of food handling as well as general operating expenses. This revenue is included in program fees on the accompanying statement of activities and change in net assets.

Support and Revenue
The Agency receives support and revenue from federal, state and local government agencies, and private donors. Support and revenue from these sources is recognized as services are performed. Certain of these revenues are subject to retroactive audit by the third-parties. Any changes resulting from these audits are recognized in the year they become known.

Donated Services
Volunteers have donated significant amounts of time in support of the Agency's program activities. The value of these services is not reflected in the accompanying financial statements as they do not meet the criteria for recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising
Advertising costs are charged to expense as incurred.

Income Taxes
The Agency is a division of CCDR, a not-for-profit corporation that is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. CCDR has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Comparative Information
The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2016, from which the summarized information was obtained.

Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. PLEDGES RECEIVABLE

Outstanding pledges are due as follows for the years ending December 31:

2018	$ 124,123
2019	94,131
2020	4,670
	222,924
Less: Allowance for uncollectible pledges receivable	(11,092)
Less: Discount on pledges receivable	(1,305)
	210,527
Less: Current Portion	(124,123)
	$ 86,404

4. INVESTMENTS

Investments consisted of the following at December 31:

	2017	2016
The Communis Fund of the Diocese of Rochester (Communis)	$ 1,615,891	$ 1,167,051

Investment income was as follows for the years ended December 31:

	2017	2016
Dividends and interest	$ 36,266	$ 24,774
Realized and unrealized gains, net	169,035	86,367
Investment fees	(6,462)	(5,530)
	$ 198,839	$ 105,611

The following table summarizes investments measured at fair value on a recurring basis as of December 31, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

2017

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Communis	$ -	$ 1,615,891	$ -	$ 1,615,891

2016

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Communis	$ -	$ 1,167,051	$ -	$ 1,167,051

Communis was organized by the Roman Catholic Diocese of Rochester (the Diocese) for the purpose of offering Diocesan organizations the opportunity to invest collectively to maximize investment opportunities and returns consistent with the duties of stewardship following the mandates of The Code of Canon Law of the Roman Catholic Church. The investments are managed by professional investment management firms and are overseen by Communis' Board of Directors. Income is allocated to investors based on the percentage of the net asset value of their individual funds to the total investment balance.

The Agency utilizes information received from Communis regarding the composition of the pooled investment fund and the value of securities held in the fund. Communis values the securities in the fund based on quoted market prices, when available. Communis also holds fixed income securities for which no quoted market prices are available. Such fixed income securities are valued by Communis based on information on comparative securities, prevailing interest rates, and other factors. The Agency believes the valuation information received from Communis is reliable.

4. INVESTMENTS (Continued)

Under the terms of its arrangement with Communis, the Agency may make additional investments in Communis, but is under no obligation to do so. Withdrawals can be made at will, and are executed monthly with 15 days advance notice.

In some cases, withdrawals may be limited by specific donor stipulations and governed by the Agency's endowment spending policy. See Note 12 regarding the Agency's endowment funds.

There have been no changes to valuation techniques during 2017 or 2016.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2017	2016
Land	$ 139,700	$ 139,700
Buildings and improvements	3,210,431	3,195,066
Furnishings and fixtures	300,897	300,897
Equipment	1,276,631	1,266,579
Vehicles	961,295	730,849
	5,888,954	5,633,091
Less: Accumulated depreciation	(2,206,971)	(2,135,579)
Total	$ 3,681,983	$ 3,497,512

Depreciation on property and equipment was $289,888 and $270,035 for the years ended December 31, 2017 and 2016, respectively.

6. FINANCING ARRANGEMENTS

Line of Credit

The Agency has a bank line of credit agreement with Chemung Canal Trust Company. The Agency may borrow up to $400,000 under the terms of the bank line of credit agreement. Amounts borrowed bear interest at 5.00%. There were no amounts outstanding under the terms of this agreement at December 31, 2017 or 2016.

7. FOOD-IN-KIND ASSISTANCE

The Agency receives donated food commodities through The Emergency Food Assistance Grant Program of the U.S. Department of Agriculture (USDA) as administered by the New York State Office of General Services. During the years ended December 31, 2017 and 2016, the Agency received food valued by the USDA at $1,282,066 and $980,726 with ending inventory of $129,142 and $189,185, respectively.

7. FOOD-IN-KIND ASSISTANCE (Continued)

The Agency also receives donated food commodities from food producers through the efforts of a national food bank network (Feeding America) and by various local sources. That donated food is valued on a per pound basis based upon an amount assigned by Feeding America. During the years ended December 31, 2017 and 2016, the Agency received food valued at $6,689,123 and $6,784,540 with an ending inventory of $542,679 and $766,767 respectively. The food received by the Agency is then distributed to eligible food pantries, soup kitchens and other qualified nonprofit agencies.

8. RETIREMENT PLAN

The Agency participates in a defined contribution pension plan that is administered through CCDR. All employees who work a minimum of 1,000 hours per year are eligible to participate after one year of service and attaining the age of twenty-one. Employees are vested after five years of service. In addition, the Agency has discretion to contribute at least 3% and no more than 6% of an eligible employee's compensation. The Agency contributed 6% of eligible employees' compensation for 2017 and 2016. Pension expense for the years ended December 31, 2017 and 2016 was approximately $87,000 and $79,000, respectively.

9. CONTINGENCIES

Third-Party Payers

Third-party payers, especially governmental funders, have substantially increased their scrutiny of payments made to their designated service providers. Specific areas for review by the governmental payers and their investigative personnel include appropriate billing practices, reimbursement maximization strategies, technical regulation compliance, etc. The stated purpose for these reviews is to recover reimbursements which the payers believe may have been inappropriate.

Due to the nature of these matters, it is difficult to estimate the ultimate liability, if any, which may arise from third-party payer scrutiny.

10. RELATED PARTY TRANSACTIONS

Insurance

Prior to July 1, 2009, the Agency participated in the Diocesan pooled self-insurance program for property and liability coverage, in conjunction with all agencies of CCDR. As a participant in this program, the Agency paid insurance premiums to the Diocese and received insurance coverage to certain deductible limits for property and general liability, professional misconduct, officers' and directors', employee disability, and workers' compensation insurances.

Effective July 1, 2009, CCDR withdrew from the Diocesan pooled self-insurance program. At that date, all CCDR divisions, including the Agency, purchased commercial insurance from a third-party carrier. In addition, CCDR Diocesan Services Division assumed the estimated liability from the Diocese for known outstanding claims as of June 30, 2009, as well as assets from the Diocese related to accumulated premium deposits as of that date. The Agency has recorded no liability related to this insurance program.

10. RELATED PARTY TRANSACTIONS (Continued)

Insurance (Continued)

Effective July 1, 2015, CCDR determined that CCDR Diocesan Services Division would purchase a bulk commercial insurance plan covering all CCDR divisions, including the Agency, and each division would reimburse CCDR Diocesan Services Division through monthly invoices for their portion of the coverage.

Payments made to CCDR Diocesan Services Division totaled $99,330 and $132,292 for the years ended December 31, 2017 and 2016, respectively. The Agency recorded prepaid insurance related to this arrangement of $17,175 and $24,369 as of December 31, 2017 and 2016, respectively. These expenses are included in employee benefits and insurance expenses on the accompanying statement of functional expenses.

Services from CCDR

Under its bylaws, the Agency is required to contract certain services from CCDR. For the years ended December 31, 2017 and 2016, contract and professional services expense included approximately $221,000 and $213,000, respectively, paid to CCDR for administrative, accounting, compliance, and human resource services.

Services from the Diocese

The Agency purchases information technology management and support services from the Diocese. For the years ended December 31, 2017 and 2016 information technology management and support services expense was approximately $25,000. These expenses are included in contract and professional services expense in the accompanying statement of functional expenses.

Interdivisional Borrowing/Lending Arrangement

The Agency has arrangements with other CCDR divisions: Catholic Charities of Chemung/Schuyler, Catholic Charities of Steuben and Catholic Charities of Tompkins/Tioga. The divisions borrow from and lend to each other for short-term needs. Interest at prime minus one percent (3.50% at December 31, 2017) is charged on those borrowings. These amounts are shown in the accompanying financial statements as due from affiliates. At December 31, 2016, the Agency had $217,033 due from an affiliate under these borrowing arrangements. There were no amounts due under these borrowing arrangements at December 31, 2017.

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following at December 31:

	2017	2016
Truck campaign	$ 278,125	$ 350,525
Capital campaign	200,798	342,859
Building maintenance	-	10,000
Unappropriated endowment appreciation	5,568	3,988
	$ 484,491	$ 707,372

11. TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from restriction as follows for the years ended December 31:

	2017	2016
Truck campaign	$ 512,904	$ 123,461
Capital campaign	142,060	1,077,318
Building maintenance	10,000	-
	$ 664,964	$ 1,200,779

12. ENDOWMENT FUNDS

The Agency's endowment net asset balance consisted of permanently and temporarily restricted net assets. Changes in the endowment net assets were as follows for the years ended December 31, 2017 and 2016:

	Other			Partners in Faith	
	Temporarily Restricted	Permanently Restricted	Total	Permanently Restricted	Total
Endowment net assets, January 1, 2016	3,043	5,060	8,103	59,122	67,225
Investment value change	945	-	945	5,806	6,751
Endowment net assets, December 31, 2016	3,988	5,060	9,048	64,928	73,976
Investment value change	1,580	-	1,580	9,700	11,280
Endowment net assets, December 31, 2017	$ 5,568	$ 5,060	$ 10,628	$ 74,628	$ 85,256

Interpretation of Relevant Laws

The Agency's Board of Directors has interpreted the applicable provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as endowment net assets (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations of investment income of the endowment are added to the fund in accordance with the direction of the donor gift instrument.

Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets related to donor-restricted funds that the Agency must hold in perpetuity.

12. ENDOWMENT FUNDS (Continued)

Endowment Earnings

The Agency's policy is to utilize its endowment earnings in accordance with the donor's intent. Any unspent endowment earnings in any given year become part of the Agency's temporarily or permanently restricted net assets based on specific donor stipulations. The portion of the Agency's endowment balances received from the Diocese of Rochester as part of the Partners in Faith initiative have been received with the stipulation that they must be invested in Communis. Due to this stipulation, all earnings or losses on the Partners in Faith endowment balance are recorded as increases or decreases in permanently restricted net assets. Earnings or losses on other endowment funds are recorded as increases or decreases in temporarily restricted net assets, in the absence of other specific donor stipulations. The Agency can withdraw funds from the Partners in Faith endowment when amounts are appropriated in accordance with the Agency's endowment management and endowment spending policies.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Under the terms of the Agency's endowment spending policy, annual income to be available for distribution is defined as 5.0% of the endowment fund's average market value for the previous 20 quarters. In establishing this policy, the Agency considered the long-term expected return on its endowment. This is consistent with the Agency's objective to preserve principal, while providing a sustainable source of income for the Agency's programs. In 2017 and 2016, no amounts were appropriated for expenditure from endowment funds, and therefore no disbursements were made.

Strategies Employed for Achieving Objectives

The Agency's Partners in Faith endowment assets are required by the donor to be invested in Communis. Therefore, the Agency does not have discretion to employ its own strategy related to investment objectives for Partners in Faith investments. For all other endowment balances, the Agency has elected to invest in Communis. The Agency believes this will create consistent, balanced returns that are consistent with NYPMIFA.

13. CONCENTRATIONS

The Agency received 13% and 12% of its total support and revenue from New York State contracts in both 2017 and 2016, respectively. Accounts and grants receivable related to these services were 82% and 30% of total receivables at December 31, 2017 and 2016, respectively.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 1, 2018, which is the date the financial statements were available to be issued.