

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

**Financial Statements as of  
December 31, 2020  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

June 9, 2021

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 (the Agency) which comprise the balance sheet as of December 31, 2020 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. 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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## **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 Agency as of December 31, 2020 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 Agency's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

**BALANCE SHEET  
DECEMBER 31, 2020**

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 6,043,660	\$ 1,678,451
Investments	1,881,829	1,700,477
Accounts receivable	70,339	83,005
Grants receivable	376,086	289,321
Prepaid expenses	54,723	49,050
Current portion of pledges receivable, net	10,000	39,630
Inventory - donated	1,417,169	1,508,135
Inventory - purchased	<u>538,649</u>	<u>343,810</u>
Total current assets	<u>10,392,455</u>	<u>5,691,879</u>
PLEDGES RECEIVABLE, net of current portion	8,800	16,719
INVESTMENTS - ENDOWMENT	101,182	95,412
PROPERTY AND EQUIPMENT, net	<u>3,153,368</u>	<u>3,409,558</u>
Total assets	<u>\$ 13,655,805</u>	<u>\$ 9,213,568</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 353,527	\$ 211,024
Accrued liabilities	299,607	245,453
Deferred revenue - donated inventory	1,417,169	1,508,135
Deferred revenue - other	<u>169,664</u>	<u>133,183</u>
Total liabilities	<u>2,239,967</u>	<u>2,097,795</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	10,718,298	6,415,227
Board designated	<u>470,246</u>	<u>470,246</u>
Total without donor restrictions	11,188,544	6,885,473
With donor restrictions	<u>227,294</u>	<u>230,300</u>
Total net assets	<u>11,415,838</u>	<u>7,115,773</u>
Total liabilities and net assets	<u>\$ 13,655,805</u>	<u>\$ 9,213,568</u>

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, 2020**

(With Comparative Totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING SUPPORT AND REVENUE:</b>				
Food-in-kind assistance	\$ 11,344,514	\$ -	\$ 11,344,514	\$ 9,481,222
Grants and contracts	5,115,680	-	5,115,680	2,100,642
Contributions	6,161,875	30,720	6,192,595	2,727,506
Program fees	2,277,490	-	2,277,490	878,817
Other income	48,454	-	48,454	74,036
Investment income appropriated for operations	4,022	-	4,022	-
<b>Total operating support and revenue</b>	<b>24,952,035</b>	<b>30,720</b>	<b>24,982,755</b>	<b>15,262,223</b>
<b>OPERATING EXPENSES:</b>				
Program	19,290,151	-	19,290,151	13,911,905
Management and general	613,554	-	613,554	665,832
Fundraising	962,085	-	962,085	804,769
<b>Total operating expenses</b>	<b>20,865,790</b>	<b>-</b>	<b>20,865,790</b>	<b>15,382,506</b>
<b>SURPLUS (DEFICIENCY) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES</b>	<b>4,086,245</b>	<b>30,720</b>	<b>4,116,965</b>	<b>(120,283)</b>
<b>OTHER CHANGES IN NET ASSETS:</b>				
Net appreciation of investments	177,330	9,792	187,122	294,156
Investment return appropriated for operations	-	(4,022)	(4,022)	-
Net assets released from restrictions for acquisition of property and equipment	39,496	(39,496)	-	-
<b>CHANGE IN NET ASSETS</b>	<b>4,303,071</b>	<b>(3,006)</b>	<b>4,300,065</b>	<b>173,873</b>
<b>NET ASSETS - beginning of year</b>	<b>6,885,473</b>	<b>230,300</b>	<b>7,115,773</b>	<b>6,941,900</b>
<b>NET ASSETS - end of year</b>	<b>\$ 11,188,544</b>	<b>\$ 227,294</b>	<b>\$ 11,415,838</b>	<b>\$ 7,115,773</b>

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, 2020**

(With Comparative Totals for 2019)

	2020				2019
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Food-in-kind assistance	\$ 11,344,514	\$ -	\$ -	\$ 11,344,514	\$ 9,481,222
Purchased food	4,608,048	-	-	4,608,048	1,629,585
Compensation	1,535,385	317,180	380,203	2,232,768	2,028,547
Employee benefits	359,117	72,807	112,713	544,637	507,951
Contract and professional services	245,827	214,972	65,067	525,866	410,536
Depreciation	389,295	-	-	389,295	328,451
Direct mail	-	-	280,540	280,540	243,142
Specific assistance	193,022	-	-	193,022	95,386
Advertising and public relations	99,797	423	50,461	150,681	94,758
Supplies	73,220	4,551	30,695	108,466	60,321
Maintenance and repairs	113,969	-	-	113,969	88,834
Transportation	102,887	859	486	104,232	101,480
Occupancy	88,067	822	-	88,889	83,773
Insurance	70,361	-	-	70,361	63,472
Special events	-	-	37,989	37,989	93,894
Conferences, training and meetings	10,195	1,767	3,886	15,848	39,369
Other	56,447	173	45	56,665	31,785
	<u>\$ 19,290,151</u>	<u>\$ 613,554</u>	<u>\$ 962,085</u>	<u>\$ 20,865,790</u>	<u>\$ 15,382,506</u>
Total operating expenses					

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, 2020  
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,300,065	\$ 173,873
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	389,295	328,451
Change in discount on pledges receivable	99	954
Net appreciation of investments	(187,122)	(294,156)
Changes in:		
Accounts receivable	12,666	(55,073)
Grants receivable	(86,765)	53,114
Prepaid expenses	(5,673)	14,285
Inventory	(194,839)	27,981
Accounts payable	142,503	46,684
Accrued liabilities	54,154	27,438
Deferred revenue	36,481	(93,894)
Net cash flow from operating activities	<u>4,460,864</u>	<u>229,657</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	175,000	-
Purchases of property and equipment	(308,105)	(270,974)
Net cash flow from investing activities	<u>(133,105)</u>	<u>(270,974)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Capital campaign cash receipts	<u>37,450</u>	<u>68,878</u>
Net cash flow from financing activities	<u>37,450</u>	<u>68,878</u>
CHANGE IN CASH	4,365,209	27,561
CASH - beginning of year	<u>1,678,451</u>	<u>1,650,890</u>
CASH - end of year	<u>\$ 6,043,660</u>	<u>\$ 1,678,451</u>

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

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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### 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 accordance with accounting principles generally accepted in the United States of America (GAAP).

#### **Financial Reporting**

The Agency reports its net assets and changes therein in the following classifications:

- Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations. The Board of Directors, through voluntary resolutions, has set aside portions of the Agency's net assets without donor restrictions to be used exclusively for specific purposes.
- Net assets with donor restrictions are net assets whose use by the Agency is limited by donor-imposed stipulations. This includes stipulations that can be fulfilled or removed by actions of the Agency pursuant to the stipulations or by the passage of time, as well as donor-imposed stipulations that do not expire. In cases where the donor-imposed stipulation does not expire, generally the donor of these net assets permits the Agency to use all or part of the investment return on the related assets to support program activities.

#### **Operations**

The statement of activities and change in net assets presents the changes in net assets of the Agency from operating activities and from non-operating activities. Operating revenues and expenses relate primarily to the acquisition of food and related goods and the provision of that food and related goods to organizations and individuals. Operating activities also includes outreach and other programmatic activities related to addressing food insecurity.

Non-operating activities reflect transactions not related to current year operations. These include contributions from donors to be invested perpetually by the Agency to generate a return that will support operations, contributions from donors restricted for acquisition of property and equipment, income or losses on the Agency's investment portfolio, and gains or losses on disposals of property and equipment.

#### **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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Property and Equipment**

Property and equipment is stated at cost, if purchased, 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.

### **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.

### **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.

### **Program Fees and Receivables**

The Agency recognizes program fees revenue in the period in which the performance obligations defined by the terms of contracts with customers are satisfied. The Agency's performance obligations fall under its overall mission to develop and operate programs that address the problem of hunger and food insecurity. The Agency's performance obligations include distributing quality food through community organizations.

Program fees are recognized at the amount to which the Agency expects to be entitled. 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. Program service fees also include revenue related to wholesale distribution of food throughout the community. The performance obligation related to program service fees is satisfied as the food and other goods are distributed.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Program Fees and Receivables (Continued)**

The Agency determines the transaction price based on the volume and/or weight of food and related goods distributed in each distribution transaction. The Agency expects to collect established net charges. The Agency performs an assessment of a customer's ability to pay for services prior to providing services. Based on this, the Agency has determined that there are no implicit price concessions provided to those the Agency serves.

Because performance obligations are met as program services are provided, there are no service fees allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Program service revenue is charged and collected periodically. Amounts that remain uncollected at the end of a reporting period are recorded as accounts receivable. 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 did not record an allowance for doubtful accounts in 2020 or 2019.

### **Contributions and Pledges Receivable**

All contributions are considered to be available without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes or in perpetuity are reported as support that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with restrictions are reclassified as net assets without restrictions and reported as net assets released from restrictions in the accompanying statement of activities and changes in net assets. Conditional promises to give are not included as support until the conditions are met.

The Agency records an allowance for doubtful pledges receivable based on experience and a review of specific accounts. An allowance of \$1,000 and \$2,982 was recorded for the years ended December 31, 2020 and 2019, respectively. Accounts are written-off when reasonable collection efforts have been exhausted. No amounts were written off in the years ended December 31, 2020 or 2019.

### **Food-In-Kind Assistance**

Contributions of noncash assets, such as food in-kind services, are recorded at their fair values on the date received. The Agency's policy is to record food-in kind as revenue as it is distributed; undistributed food is recorded as both inventory and deferred revenue upon receipt.

### **Grants and Contracts**

Revenue from grants and contracts is recognized when conditions from the grantor are met and there are no barriers to be overcome. Amounts received in advance of such conditions being met are reported as deferred revenue.

### **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.

### **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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Advertising**

Advertising costs are charged to expense as incurred.

### **Allocation of Certain Expenses**

The statement of functional expenses presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. Natural expenses that are allocated across functional classifications include compensation and employee benefits, which are allocated based on time and effort, and occupancy, which are allocated based on the approximate occupation and utilization of the Agency's facilities and buildings and equipment.

### **Due from Affiliate**

Funds in excess of the Agency's current needs 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. 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. At December 31, 2020 and 2019, there were no amounts due under this arrangement.

### **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 (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.

### **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 accordance with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2019, from which the summarized information was obtained.

### **Estimates**

The preparation of financial statements in accordance 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.

### **Reclassifications**

Certain reclassifications have been made to the 2019 financial statements to conform to the current year presentation.

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency is substantially supported by revenue generated by its operations and contributions without donor restrictions. In addition, some support is received in the form of restricted contributions from donors. Because a donor restriction requires resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Agency invests cash not needed for short-term programmatic, administrative, or property and equipment needs. Such investments can be liquidated on short notice if necessary, with the exception of investments representing net assets restricted by donors perpetually.

The Agency's financial assets available to meet cash needs for general expenditures within one year were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at December 31	\$ 8,491,896	\$ 3,903,015
Less: Financial assets unavailable for general expenditures within one year, due to:		
Designations by the Board for specific purposes	(470,246)	(470,246)
Restricted by donor in perpetuity	(91,207)	(86,808)
Subject to satisfaction of donor restrictions	<u>(136,087)</u>	<u>(143,492)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,794,356</u>	<u>\$ 3,202,469</u>

Should the need for additional cash availability arise, the Agency has a line-of-credit agreement with a bank that allows for total borrowings of \$400,000 (Note 7). Additionally, the Agency has arrangements with other CCDR divisions; Catholic Charities of Chemung/Schuyler, Catholic Charities of Steuben, and Catholic Charities of Tompkins/Tioga, whereby the divisions may borrow from and lend to each other to meet short-term needs (Note 9).

The Agency's general cash expenditures within one year do not include the amounts reported as food-in-kind assistance income or expense. Food-in-kind assistance represents the estimated value of food received and distributed without cash outlay. Therefore, the \$11,344,514 and \$9,481,222, reported as food-in-kind assistance for the years ended December 31, 2020 and 2019, respectively, representing approximately 54% and 62% of total operating expenses for 2020 and 2019, respectively, does not represent a cash expenditure (Note 8).

#### 4. PLEDGES RECEIVABLE

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

2021	\$ 10,000
2022	<u>10,000</u>
	20,000
Less: Allowance for uncollectible pledges receivable	(1,000)
Less: Discount on pledges receivable	<u>(200)</u>
	18,800
Less: Current portion	<u>(10,000)</u>
	<u>\$ 8,800</u>

#### 5. INVESTMENTS

Investments were measured at fair value utilizing Level 2 inputs on a recurring basis and consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
The Communis Fund of the Diocese of Rochester (Communis)	<u>\$ 1,983,011</u>	<u>\$ 1,795,889</u>

The following table summarizes investments measured at fair value on a recurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	<u>2020</u>			
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total Fair Value</u>
Communis	<u>\$ -</u>	<u>\$ 1,983,011</u>	<u>\$ -</u>	<u>\$ 1,983,011</u>
	<u>2019</u>			
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total Fair Value</u>
Communis	<u>\$ -</u>	<u>\$ 1,795,889</u>	<u>\$ -</u>	<u>\$ 1,795,889</u>

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.

## 5. INVESTMENTS (Continued)

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.

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 2020 or 2019.

## 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 117,106	\$ 139,700
Buildings and improvements	3,056,732	3,344,370
Furnishings and fixtures	300,897	300,897
Equipment	1,412,799	1,369,708
Vehicles	<u>1,286,030</u>	<u>1,071,330</u>
	6,173,564	6,226,005
Less: Accumulated depreciation	<u>(3,020,196)</u>	<u>(2,816,447)</u>
Total	<u>\$ 3,153,368</u>	<u>\$ 3,409,558</u>

Depreciation on property and equipment was \$389,295 and \$328,451 for the years ended December 31, 2020 and 2019, respectively.

## 7. FINANCING ARRANGEMENTS

### Line of Credit

The Agency has a line of credit agreement with Chemung Canal Trust Company. The Agency may borrow up to \$400,000 under the terms of the 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, 2020 or 2019.

## **8. 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, 2020 and 2019, the Agency received food valued by the USDA at \$6,202,018 and \$4,454,731 with ending inventory of \$987,387 and \$1,033,154, respectively.

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, 2020 and 2019, the Agency received food valued at \$5,142,496 and \$5,026,491 with an ending inventory of \$429,782 and \$474,981 respectively. The food received by the Agency is then distributed to eligible food pantries, soup kitchens and other qualified nonprofit agencies.

## **9. 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.

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 \$54,430 and \$84,540 for the years ended December 31, 2020 and 2019, respectively. The Agency recorded prepaid insurance related to this arrangement of \$3,382 and \$3,545 as of December 31, 2020 and 2019, respectively. Expense associated with these payments is included in 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, 2020 and 2019, contract and professional services expense included approximately \$247,000 and \$250,000, respectively, paid to CCDR for administrative, accounting, compliance and human resource services.

**9. RELATED PARTY TRANSACTIONS (Continued)**

**Services from the Diocese**

The Agency purchases information technology management and support services from the Diocese. For both of the years ended December 31, 2020 and 2019 information technology management and support services expense was approximately \$28,000 and \$26,000, respectively. 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/Schuylar, 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 (2.25% at December 31, 2020) is charged on those borrowings. There were no amounts due under these borrowing arrangements at December 31, 2020 and 2019.

**10. 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 2020 and 2019. Pension expense for the years ended December 31, 2020 and 2019 was approximately \$108,000 and \$98,000, respectively.

**11. NATURE, PURPOSE, AND AMOUNT OF RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions were available for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions that can be satisfied by action of the Agency or the passage of time:		
Truck campaign	\$ 95,392	\$ 134,888
Backpack campaign	18,280	-
Mobile food pantry	12,440	
Unappropriated endowment appreciation	<u>9,975</u>	<u>8,604</u>
	136,087	143,492
Net assets restricted by donor in perpetuity:		
Endowment funds	<u>91,207</u>	<u>86,808</u>
	<u>\$ 227,294</u>	<u>\$ 230,300</u>



**11. NATURE, PURPOSE, AND AMOUNT OF RESTRICTIONS ON NET ASSETS (Continued)**

Net assets with donor restrictions were released from restrictions as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Truck campaign	\$ 39,496	\$ 149,969
Capital campaign	<u>-</u>	<u>60,893</u>
	<u>39,496</u>	<u>210,862</u>
Investment income appropriated for operations	<u>\$ 4,022</u>	<u>\$ -</u>

**12. ENDOWMENT FUNDS**

The Agency's endowment includes contributions perpetually restricted by donors, as well as accumulated unappropriated earnings on those amounts. The Agency's endowment net asset balance consists of funds with donor-imposed restrictions stating that the funds must be held in perpetuity and accumulated unappropriated earnings on these amounts, and are included in net assets with donor restrictions in the accompanying balance sheet.

Changes in endowment net assets were as follows for the years ended December 31:

	<u>Partners in Faith</u>	<u>Other</u>		<u>Total</u>
		<u>Donor Contributed Corpus</u>	<u>Accumulated Unappropriated Earnings</u>	
Endowment net assets, January 1, 2019	\$ 68,308	\$ 5,060	\$ 6,416	\$ 79,784
Investment value change	<u>13,440</u>	<u>-</u>	<u>2,188</u>	<u>15,628</u>
Endowment net assets, December 31, 2019	81,748	5,060	8,604	95,412
Appropriations	(3,507)	-	(515)	(4,022)
Investment value change	<u>7,906</u>	<u>-</u>	<u>1,886</u>	<u>9,792</u>
Endowment net assets, December 31, 2020	<u>\$ 86,147</u>	<u>\$ 5,060</u>	<u>\$ 9,975</u>	<u>\$ 101,182</u>

**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.

## **12. ENDOWMENT FUNDS (Continued)**

### **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.

### **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 net assets with donor restrictions 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 net assets associated with the Partners in Faith endowment. Earnings or losses on other endowment funds are recorded as increases or decreases in net assets with donor restrictions, 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 2019, no amounts were appropriated for expenditure from endowment funds, and therefore no disbursements were made. In 2020, the amount appropriated from endowment funds was \$4,402. The Agency's spending policy permits spending from underwater endowments.

### **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. BOARD DESIGNATED FUNDS**

The Agency's Board, through voluntary resolution, established and maintains the Board Restricted Property Reserve Fund (the Property Fund). The Property Fund is intended to pay for major repair/maintenance of permanent fixture-type items owned by the Agency. The Agency's Board adds funds to the Property Fund from time to time. In 2020 and 2019 no Property Funds were expended.

## **14. CONCENTRATIONS**

The Agency received 11% and 8% of its total support and revenue from New York State contracts in both 2020 and 2019, respectively. Accounts and grants receivable related to these services were 38% and 21% of total receivables at December 31, 2020 and 2019, respectively.

## **15. CONTINGENCIES**

### **Child Victims Act**

In 2019, New York State signed into law the Child Victims Act (CVA). This legislation impacted the statute of limitations in New York applicable to actions alleging child abuse, and revived most previously time-barred claims.

Through the date the financial statements were available to be issued, CCDR has been named as a defendant in a number of claims commenced under the CVA. Some of these actions jointly name CCDR with the Diocese and/or other organizations. Aggregate demands for damages from these suits are presently not determinable. During the timeframe of the alleged abuses, CCDR had insurance coverage administered through the Diocese.

On September 12, 2019, the Diocese filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code. Although CCDR is not part of the Diocesan bankruptcy, the CVA cases naming CCDR are currently stayed. CCDR believes the lawsuits against it will be managed in the Diocesan bankruptcy given CCDR's participation in Diocesan-administered insurance programs.

At present, CCDR is not certain as to the amount of commercial insurance coverage available to it to meet any potential obligations related to the CVA actions commenced against it. No amounts have been recorded for settlement of the CVA cases because the potential financial impact on CCDR is not presently determinable. However, the ultimate resolution of these claims potentially could have a material adverse impact on CCDR's results of operations and financial position.

### **Third-Party Payors**

Third-party payors, especially governmental funders, have substantially increased their scrutiny of payments made to their designated service providers. Specific areas for review by the governmental payors 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 that the payors believe may have been inappropriate.

The Agency has reviewed its internal records and policies with respect to such matters. However, due to the nature of these matters, it is difficult to estimate the ultimate liability, if any, which they may incur for such matters.

### **COVID-19**

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Agency and their future results and financial position is not presently determinable.

## **16. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 9, 2021, which is the date the financial statements were available to be issued.