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

Financial Statements as of
December 31, 2019
Together with
Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

May 5, 2020

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 (a New York not-for-profit corporation) (the Agency) which comprise the balance sheet as of December 31, 2019 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.

(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 Agency as of December 31, 2019 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.

Change in Accounting Principle
As described in Note 2 to the financial statements, the Agency implemented Accounting Standards Codification Section (ASC) 606*, Revenue from Contracts with Customers*, and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019, and the effects have been included in these financial statements. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information
We have previously audited the Agency's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,678,451	$ 1,650,890
Investments	1,700,477	1,421,948
Accounts receivable	83,005	27,932
Grants receivable	289,321	342,435
Prepaid expenses	49,050	63,335
Current portion of pledges receivable, net	39,630	103,891
Inventory - donated	1,508,135	571,982
Inventory - purchased	343,810	371,791
Total current assets	5,691,879	4,554,204
OTHER ASSETS:		
Pledges receivable, net of current portion	16,719	22,290
Investments - endowment	95,412	79,784
Property and equipment, net	3,409,558	3,467,035
Total other assets	3,521,689	3,569,109
Total assets	$ 9,213,568	$ 8,123,313
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 211,024	$ 164,339
Accrued liabilities	245,453	218,015
Deferred revenue - donated inventory	1,508,135	571,982
Deferred revenue - other	133,183	227,077
Total liabilities	2,097,795	1,181,413
NET ASSETS:		
Without donor restrictions -		
Undesignated	6,415,227	6,096,249
Board designated	470,246	420,117
Total without donor restrictions	6,885,473	6,516,366
With donor restrictions	230,300	425,534
Total net assets	7,115,773	6,941,900
Total liabilities and net assets	$ 9,213,568	$ 8,123,313

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, 2019
(With Comparative Totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018
OPERATING SUPPORT AND REVENUE:				
Food-in-kind assistance	$ 9,481,222	$ -	$ 9,481,222	$ 7,075,263
Grants and contracts	2,100,642	-	2,100,642	2,086,934
Contributions	2,727,506	-	2,727,506	2,579,516
Program fees	878,817	-	878,817	753,203
Other income	74,036	-	74,036	95,706
Net assets released from restrictions	60,893	(60,893)	-	-
Total operating support and revenue	15,323,116	(60,893)	15,262,223	12,590,622
OPERATING EXPENSES:				
Program	13,911,905	-	13,911,905	11,780,793
Management and general	665,832	-	665,832	665,957
Fundraising	804,769	-	804,769	749,206
Total operating expenses	15,382,506	-	15,382,506	13,195,956
DEFICIENCY OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	(59,390)	(60,893)	(120,283)	(605,334)
OTHER CHANGES IN NET ASSETS:				
Contributions restricted for acquisition of property and equipment	-	-	-	69,114
Net appreciation (depreciation) of investments	278,528	15,628	294,156	(114,159)
Net assets released from restrictions for acquisition of property and equipment	149,969	(149,969)	-	-
Gain on disposal of property and equipment	-	-	-	3,500
CHANGE IN NET ASSETS	369,107	(195,234)	173,873	(646,879)
NET ASSETS - beginning of year	6,516,366	425,534	6,941,900	7,588,779
NET ASSETS - end of year	$ 6,885,473	$ 230,300	$ 7,115,773	$ 6,941,900

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, 2019
(With Comparative Totals for 2018)

	2019				
	Program Services	Management and General	Fundraising	Total	2018
Food-in-kind assistance	$ 9,481,222	$ -	$ -	$ 9,481,222	$ 7,075,263
Compensation	1,408,450	346,255	273,842	2,028,547	1,999,752
Purchased food	1,629,585	-	-	1,629,585	1,826,918
Employee benefits	354,856	74,584	78,511	507,951	496,762
Contract and professional services	154,511	220,139	35,886	410,536	387,547
Depreciation	324,325	4,126	-	328,451	315,148
Direct mail	-	-	243,142	243,142	236,201
Transportation	96,474	2,791	2,215	101,480	99,202
Specific assistance	95,386	-	-	95,386	174,183
Advertising and public relations	43,728	974	50,056	94,758	125,146
Special events	-	-	93,894	93,894	77,466
Maintenance and repairs	88,834	-	-	88,834	91,704
Occupancy	79,644	4,129	-	83,773	86,451
Insurance	57,939	1,637	3,896	63,472	58,793
Supplies	37,631	2,543	20,147	60,321	72,569
Conferences, training and meetings	29,295	7,018	3,056	39,369	46,947
Other	30,025	1,636	124	31,785	25,904
Total operating expenses	$ 13,911,905	$ 665,832	$ 804,769	$ 15,382,506	$ 13,195,956

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, 2019
(With Comparative Totals for 2018)

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 173,873	$ (646,879)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	328,451	315,148
Change in discount on pledges receivable	954	(52)
Net (appreciation) depreciation of investments	(294,156)	114,159
Capital campaign contributions	-	(69,114)
Gain on disposal of property and equipment	-	(3,500)
Changes in:		
Accounts receivable	(55,073)	34,911
Pledges receivable, net	-	(50,000)
Grants receivable	53,114	(55,951)
Prepaid expenses	14,285	(13,792)
Inventory	27,981	133,102
Accounts payable	46,684	1,487
Accrued liabilities	27,438	81,159
Deferred revenue	(93,894)	(98,620)
Net cash flow from operating activities	229,657	(257,942)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	-	3,500
Purchases of property and equipment	(270,974)	(100,200)
Net cash flow from investing activities	(270,974)	(96,700)
CASH FLOW FROM FINANCING ACTIVITIES:		
Capital campaign cash receipts	68,878	203,512
Net cash flow from financing activities	68,878	203,512
CHANGE IN CASH	27,561	(151,130)
CASH - beginning of year	1,650,890	1,802,020
CASH - end of year	$ 1,678,451	$ 1,650,890

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

Change in Accounting Principle
ASC 606, *Revenue from Contracts with Customers*
The Financial Accounting Standards Board (FASB) issued new guidance that created Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Topic 606 outlines a five-step framework that supersedes the previously effective principles for recognizing revenue (ASC Topic 605) and eliminates industry-specific guidance. The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Note that the recognition of contribution income and income from investments is not within the scope of Topic 606.

The Agency adopted Topic 606 for the year ended December 31, 2019, using a modified retrospective application. The Agency's program fees revenue is within the scope of Topic 606. Adopting Topic 606 had no effect on net assets or changes in net assets. Topic 606 requires new disclosures related to the Agency's methodology for recognition of revenue. These additional disclosures are included in this Note under the sub-heading Program Fees and Receivables.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*
In June 2018, the FASB issued ASU 2018-08*, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in order to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 clarifies the determination of whether a grant or contract is a contribution or an exchange transaction subject to Topic 606. The Agency adopted ASU 2018-08 as of January 1, 2019, using a modified prospective application. There was no effect on total net assets or changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 collection acquisitions or other program activities.

Operations
The statement of activities and change in net assets present 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

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.

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 2019 or 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $2,982 and $9,097 was recorded for the years ended December 31, 2019 and 2018, respectively. Accounts are written-off when reasonable collection efforts have been exhausted. Amounts totaling $460 were written off in the year ended December 31, 2018. No amounts were written off in the year ended December 31, 2019.

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.

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.

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 the estimated percentage of time that each employee spends in each functional area, and occupancy and depreciation, which are allocated based on the approximate occupation and utilization of the Agency's facilities and buildings and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018, 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, 2018, 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 2018 financial statements to conform to the current year presentation.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency is substantially supported by contributions without donor restrictions and revenue generated by its operations. 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.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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 are:

	2019	2018
Financial assets at December 31	$ 3,903,015	$ 3,649,170
Less: Financial assets unavailable for general expenditures within one year, due to:		
Designations by the Board for specific purposes	(470,246)	(420,117)
Restricted by donor perpetually	(86,808)	(73,368)
Subject to satisfaction of donor restrictions	(143,492)	(352,166)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,202,469	$ 2,803,519

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 Thompkins/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 $9,481,222 and $7,075,263 reported as food-in-kind assistance for the years ended December 31, 2019 and 2018, respectively, representing approximately 62% and 54% of total operating expenses for 2019 and 2018, respectively, does not represent a cash expenditure (Note 8).

4. PLEDGES RECEIVABLE

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

2020	$ 39,630
2021	10,000
2022	10,000
	59,630
Less: Allowance for uncollectible pledges receivable	(2,982)
Less: Discount on pledges receivable	(299)
	56,349
Less: Current portion	(39,630)
	$ 16,719

5. INVESTMENTS

Investments consisted of the following at December 31:

	2019	2018
The Communis Fund of the Diocese of Rochester (Communis)	$ 1,795,889	$ 1,501,732

The following table summarizes investments measured at fair value on a recurring basis as of December 31, 2019 and 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2019			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Communis	$ -	$ 1,795,889	$ -	$ 1,795,889

	2018			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Communis	$ -	$ 1,501,732	$ -	$ 1,501,732

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.

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 13 regarding the Agency's endowment funds.

There have been no changes to valuation techniques during 2019 or 2018.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2019	2018
Land	$ 139,700	$ 139,700
Buildings and improvements	3,344,370	3,281,670
Furnishings and fixtures	300,897	300,897
Equipment	1,369,708	1,300,592
Vehicles	1,071,330	932,172
	6,226,005	5,955,031
Less: Accumulated depreciation	(2,816,447)	(2,487,996)
Total	$ 3,409,558	$ 3,467,035

Depreciation on property and equipment was $328,451 and $315,148 for the years ended December 31, 2019 and 2018, 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, 2019 or 2018.

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, 2019 and 2018, the Agency received food valued by the USDA at $4,454,731 and $1,140,747 with ending inventory of $1,033,154 and $48,045, 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, 2019 and 2018, the Agency received food valued at $5,026,491 and $5,934,516 with an ending inventory of $474,981 and $523,937 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.

9. RELATED PARTY TRANSACTIONS (Continued)

Insurance (Continued)
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 $84,540 and $100,434 for the years ended December 31, 2019 and 2018, respectively. The Agency recorded prepaid insurance related to this arrangement of $3,545 and $17,491 as of December 31, 2019 and 2018, 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, 2019 and 2018, contract and professional services expense included approximately $250,000 and $248,000, 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 both of the years ended December 31, 2019 and 2018 information technology management and support services expense was approximately $26,000. 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 (3.75% at December 31, 2019), is charged on those borrowings. There were no amounts due under these borrowing arrangements at December 31, 2019 and 2018.

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 2019 and 2018. Pension expense for the years ended December 31, 2019 and 2018 was approximately $98,000 and $83,000, 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:

	2019	2018
Net assets with donor restrictions that can be satisfied by action of the Agency or the passage of time:		
Truck campaign	$ 134,888	$ 284,857
Capital campaign	-	60,893
Unappropriated endowment appreciation	8,604	6,416
	143,492	352,166
Net assets restricted by donor perpetually:		
Endowment funds	86,808	73,368
	$ 230,300	$ 425,534

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

	2019	2018
Truck campaign	$ 149,969	$ 62,382
Capital campaign	60,893	139,905
	$ 210,862	$ 202,287

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:

		Other		
	Partners in Faith	Donor Contributed Corpus	Accumulated Unappropriated Earnings	Total
Endowment net assets, January 1, 2018	$ 74,628	$ 5,060	$ 5,568	$ 85,256
Investment value change	(6,320)	-	848	(5,472)
Endowment net assets, December 31, 2018	68,308	5,060	6,416	79,784
Investment value change	13,440	-	2,188	15,628
Endowment net assets, December 31, 2019	$ 81,748	$ 5,060	$ 8,604	$ 95,412

12. ENDOWMENT FUNDS (Continued)

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. The Agency's spending policy permits spending from underwater endowments.

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 the Partners in Faith net asset balance. 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 and 2018, 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. 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. No part of the Property Fund was expended in 2019 or 2018.

14. CONCENTRATIONS

The Agency received 8% and 12% of its total support and revenue from New York State contracts in both 2019 and 2018, respectively. Accounts and grants receivable related to these services were 21% and 39% of total receivables at December 31, 2019 and 2018, respectively.

15. CONTINGENCIES

Child Victims Act

In 2019, New York State signed into law the Child Victims Act (CVA). This legislation changed New York State law related to child abuse claims, including opening a one-year window beginning on August 14, 2019 permitting any victim of child abuse to take civil action, regardless of when the abuse occurred.

As a result of the passage of the CVA, through the date this report was available to be issued, CCDR has been notified or become aware of a number of CVA related claims for alleged inappropriate conduct. Aggregate demands for damages from these claims and lawsuits, or future demands related to potential additional claims and lawsuits to be formally brought during the remainder of the CVA's claim window, are presently not determinable. During the timeframe of the alleged abuses, CCDR had a combination of commercial insurance coverage and insurance programs administered through the Diocese.

Some of these claims and lawsuits jointly name CCDR with the Diocese and/or other organizations. On September 12, 2019, the Diocese filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code. CCDR is not certain of the impact the Diocesan bankruptcy filing has on CCDR's potential future liability related to the claims and lawsuits that might be related to periods of time when CCDR participated in Diocesan-administered insurance programs or those claims and lawsuits jointly naming CCDR and the Diocese.

At present, CCDR is not certain as to the amount of commercial insurance coverage available to assist it in meeting its ultimate obligations related to these matters.

No amounts have been recorded for settlement of these matters as the potential financial impact on CCDR is not presently determinable. However, the ultimate resolution of these matters could have a material adverse impact on CCDR's results of operations and financial position. In addition, it is possible that the ultimate number of actions against CCDR could increase from those presently known.

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.

16. SUBSEQUENT EVENTS

The global pandemic caused by the virus commonly known as COVID-19 is currently disrupting world-wide economic activity. The overall short and long term consequences of COVID-19 on a national, regional and local level are unknown, but there is the potential of a noteworthy negative economic impact. The impact of this situation specific to the Agency and its future results and financial position is not presently determinable.

Subsequent events have been evaluated through May 5, 2020, which is the date the financial statements were available to be issued.