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

Financial Statements as of
December 31, 2022
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

July 30, 2023

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

Opinion

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, 2022, 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.

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, 2022 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information
We have previously audited the Agency's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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, 2022
(With Comparative Totals for 2021)

		2022		2021
ASSETS				
CURRENT ASSETS:				
Cash	$	6,819,607	$	6,963,967
Investments		2,825,239		3,285,481
Accounts receivable		242,387		78,632
Grants receivable		2,046,823		840,603
Current portion of pledges receivable, net		-		8,800
Inventory - donated		490,171		1,127,081
Inventory - purchased		697,670		535,025
Prepaid expenses		40,802		34,664
Total current assets		13,162,699		12,874,253
INVESTMENTS - ENDOWMENT		94,071		116,347
PROPERTY AND EQUIPMENT, net		2,435,302		2,823,158
Total assets	$	15,692,072	$	15,813,758
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable	$	614,823	$	484,209
Accrued liabilities		339,835		211,248
Deferred revenue - donated inventory		490,171		1,127,081
Deferred revenue - other		180,464		154,983
Total liabilities		1,625,293		1,977,521
NET ASSETS:				
Without donor restrictions				
Undesignated		2,564,915		3,034,307
Board designated		10,808,861		9,942,494
Total without donor restrictions		13,373,776		12,976,801
With donor restrictions		693,003		859,436
Total net assets		14,066,779		13,836,237
Total liabilities and net assets	$	15,692,072	$	15,813,758

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, 2022
(With Comparative Totals for 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021
OPERATING SUPPORT AND REVENUE:				
Food-in-kind assistance	$ 9,587,092	$ -	$ 9,587,092	$ 11,366,706
Grants and contracts	7,182,090	-	7,182,090	5,160,925
Contributions	3,884,572	590,752	4,475,324	5,236,045
Program fees	1,336,308	-	1,336,308	541,929
Other income	245,561	-	245,561	25,036
Investment income appropriated for operations	-	-	-	-
Net assets released from restrictions	734,909	(734,909)	-	-
Total operating support and revenue	22,970,532	(144,157)	22,826,375	22,330,641
OPERATING EXPENSES:				
Program	20,310,696	-	20,310,696	18,681,049
Management and general	592,885	-	592,885	655,285
Fundraising	1,209,732	-	1,209,732	992,726
Total operating expenses	22,113,313	-	22,113,313	20,329,060
SURPLUS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	857,219	(144,157)	713,062	2,001,581
OTHER CHANGES IN NET ASSETS:				
Net appreciation (depreciation) of investments	(460,244)	(22,276)	(482,520)	418,818
CHANGE IN NET ASSETS	396,975	(166,433)	230,542	2,420,399
NET ASSETS - beginning of year	12,976,801	859,436	13,836,237	11,415,838
NET ASSETS - end of year	$ 13,373,776	$ 693,003	$ 14,066,779	$ 13,836,237

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, 2022
(With Comparative Totals for 2021)

	2022				
	Program Services	Management and General	Fundraising	Total	2021
Food-in-kind assistance	$ 9,587,092	$ -	$ -	$ 9,587,092	$ 11,366,706
Purchased food	6,571,702	-	-	6,571,702	3,718,825
Compensation	1,879,129	275,770	507,276	2,662,175	2,468,572
Contract and professional services	309,145	250,781	77,130	637,056	543,581
Employee benefits	370,045	51,454	106,716	528,215	626,193
Specific assistance	550,825	-	-	550,825	226,084
Direct mail	-	-	409,766	409,766	313,218
Depreciation	403,707	-	-	403,707	380,532
Supplies	103,240	778	25,875	129,893	92,553
Transportation	118,066	673	577	119,316	88,452
Advertising and public relations	67,629	1,074	47,281	115,984	85,532
Occupancy	107,015	4,588	-	111,603	116,625
Maintenance and repairs	103,093	-	-	103,093	110,590
Insurance	76,524	5,226	-	81,750	77,800
Conferences, training and meetings	29,525	2,061	3,912	35,498	32,443
Special events	-	-	29,415	29,415	31,764
Other	33,959	480	1,784	36,223	49,590
Total operating expenses	$ 20,310,696	$ 592,885	$ 1,209,732	$ 22,113,313	$ 20,329,060

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, 2022
(With Comparative Totals for 2021)

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 230,542	$ 2,420,399
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	403,707	380,532
Net appreciation of investments	482,520	(418,818)
Changes in:		
Accounts receivable	(163,755)	(8,293)
Grants receivable	(1,206,220)	(464,517)
Inventory	(162,645)	3,624
Prepaid expenses	(6,138)	20,059
Accounts payable	130,614	130,682
Accrued liabilities	128,587	(88,359)
Deferred revenue	25,481	(14,681)
Net cash flow from operating activities	(137,307)	1,960,628
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(15,853)	(50,321)
Purchases of investments	-	(1,000,000)
Net cash flow from investing activities	(15,853)	(1,050,321)
CASH FLOW FROM FINANCING ACTIVITIES:		
Capital campaign cash receipts	8,800	10,000
Net cash flow from financing activities	8,800	10,000
CHANGE IN CASH	(144,360)	920,307
CASH - beginning of year	6,963,967	6,043,660
CASH - end of year	$ 6,819,607	$ 6,963,967

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).

Recently Adopted Accounting Guidance

ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*

The Agency adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, for the year ended December 31, 2022. ASU 2020-07 changed the presentation of and disclosures regarding contributed nonfinancial assets. The Agency adopted the guidance retrospectively to each period presented. The adoption had no effect on total net assets or change in net assets.

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 designated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2022 or 2021.

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 based on experience and a review of specific accounts. The Agency did not record an allowance for doubtful accounts the year ended December 31, 2022. Accounts are written-off when reasonable collection efforts have been exhausted. There were no write offs in the years ended December 31, 2022 or 2021.

Food-In-Kind Assistance

Noncash assets, such as food in-kind, 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 - donated 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. Amounts earned before the receipt of cash are reported as grants receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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, 2022, and 2021, 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, 2021, from which the summarized information was obtained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2021 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.

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

	2022	2021
Financial assets at December 31	$ 12,028,127	$ 11,293,830
Less: Financial assets unavailable for general expenditures within one year, due to:		
Designations by the Board for specific purposes	(10,808,861)	(9,942,494)
Restricted by donor in perpetuity	(85,029)	(104,324)
Subject to satisfaction of donor restrictions	(607,974)	(755,112)
Financial assets available to meet cash needs for general expenditures within one year	$ 526,263	$ 491,900

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 6). Additionally, the Agency has arrangements with other CCDR divisions; Catholic Charities of Chemung/ Schuyler, Catholic Charities of Steuben/Livingston, and Catholic Charities of Tompkins/Tioga, whereby the divisions may borrow from and lend to each other to meet short-term needs (Note 8).

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 $9,587,092 and $11,366,706, reported as food-in-kind assistance for the years ended December 31, 2022 and 2021, respectively, representing approximately 43% and 56% of total operating expenses for 2022 and 2021, respectively, does not represent a cash expenditure (Note 7).

4. INVESTMENTS

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

	2022	2021
The Communis Fund of the Diocese of Rochester (Communis)	$ 2,919,310	$ 3,401,828

The following table summarizes investments measured at fair value on a recurring basis as of December 31, 2022 and 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2022			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Communis	$ -	$ 2,919,310	$ -	$ 2,919,310

	2021			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Communis	$ -	$ 3,401,828	$ -	$ 3,401,828

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. Communis provides Diocesan organizations with the opportunity to invest in a diversified portfolio managed by one or more professional investment managers chosen by the Board of Directors selected by Communis' members. 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. At times Communis may include 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 11 regarding the Agency's endowment funds.

There have been no changes to valuation techniques during 2022 or 2021.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Land	$ 117,106	$ 117,106
Buildings and improvements	3,066,605	3,066,605
Furnishings and fixtures	300,897	300,897
Equipment	1,161,720	1,453,249
Vehicles	1,286,030	1,286,030
	5,932,358	6,223,887
Less: Accumulated depreciation	(3,497,056)	(3,400,729)
Total	$ 2,435,302	$ 2,823,158

Depreciation on property and equipment was $403,707 and $380,532 for the years ended December 31, 2022 and 2021, respectively.

6. 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, 2022 or 2021.

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, 2022 and 2021, the Agency received food valued by the USDA at $4,136,928 and $4,667,424 with ending inventory of $69,147 and $469,602, 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, 2022 and 2021, the Agency received food valued at $5,450,164 and $6,699,282 with an ending inventory of $421,024 and $657,479 respectively. The food received by the Agency is then distributed to eligible food pantries, soup kitchens and other qualified nonprofit agencies.

There were no donor-imposed restrictions on these contributed non-financial assets beyond the expectation that the donated food will be distributed in a manner consistent with the Food Bank’s mission.

8. 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 $63,532 and $62,167 for the years ended December 31, 2022 and 2021, respectively. The Agency recorded prepaid insurance related to this arrangement of $3,544 and $3,511 as of December 31, 2022 and 2021, 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, 2022 and 2021, contract and professional services expense included approximately $282,000 and $252,000, respectively, paid to CCDR for administrative, accounting, compliance and human resource services. Expense associated with these services is included in contract and professional services in the statement of functional expenses.

Services from the Diocese

The Agency purchases information technology management and support services from the Diocese. For the years ended December 31, 2022 and 2021 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/Livingston, 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 (6.27% at December 31, 2022) is charged on those borrowings. There were no amounts due under these borrowing arrangements at December 31, 2022 and 2021.

9. 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 annually for 2022 and 2021. Pension expense for the years ended December 31, 2022 and 2021 was approximately $112,000 each year.

10. NATURE, PURPOSE, AND AMOUNT OF RESTRICTIONS ON NET ASSETS

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

	2022	2021
Net assets with donor restrictions that can be satisfied by action of the Agency or the passage of time:		
SIF Program Agency Capacity	$ -	$ 204,000
Strategic planning for food distribution	83,797	120,000
SIF Good Food Acquisition	159,753	85,000
SIF Service Insights	251,887	200,000
Truck campaign	-	42,819
SIF Healthcare Partnerships	28,451	36,270
SIF Client Driven Services	75,044	55,000
Unappropriated endowment appreciation	9,042	12,023
	607,974	755,112
Net assets restricted by donor in perpetuity:		
Endowment funds	85,029	104,324
	$ 693,003	$ 859,436

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

	2022	2021
SIF Program Agency Capacity	$ 326,490	$ -
SIF Service Insights	146,363	-
SIF Client Driven Services	119,956	-
SIF Good Food Acquisition	45,247	-
Truck campaign	42,819	52,573
Strategic planning for food distribution	36,203	-
SIF Healthcare Partnerships	17,831	-
Backpack campaign	-	18,280
Mobile food pantry	-	12,440
	734,909	83,293
Investment income appropriated for operations	$ -	$ -

Note that SIF stands for Strategic Investment Fund, which includes both donor-restricted funds, as shown in this note, and Board Designated funds (see Note 12).

11. ENDOWMENT FUNDS

The Agency's endowment includes contributions perpetually restricted by donors, as well as accumulated unappropriated earnings on those amounts. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. 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, 2021	$ 86,147	$ 5,060	$ 9,975	$ 101,182
Appropriations	-	-	-	-
Investment value change	13,117	-	2,048	15,165
Endowment net assets, December 31, 2021	99,264	5,060	12,023	116,347
Appropriations	-	-	-	-
Investment value change	(19,295)	-	(2,981)	(22,276)
Endowment net assets, December 31, 2022	$ 79,969	$ 5,060	$ 9,042	$ 94,071

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.

11. 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 net assets with donor restrictions based on specific donor stipulations. The portion of the Agency's endowment balances received from the Diocese 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 twenty calendar 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 2022 and 2021, no amounts were appropriated for expenditure from endowment funds, and therefore no disbursements were made. 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.

12. BOARD DESIGNATED FUNDS

Prior to 2021, the Agency's Board, through voluntary resolution, maintained the Board Restricted Property Reserve Fund (the Property Fund). The Property Fund was intended to provide funds for major repair/maintenance of permanent fixture-type items owned by the Agency. During 2021 the entire balance of $470,246 was released from designation in conjunction with the establishment of new designated funds during 2021.

In 2021 the Agency's Board, through voluntary resolution, established the following designated funds:

Operating Reserve Fund
The Operating Reserve Fund is the portion of available unrestricted net assets that the Board has designated to reserve as a cushion against unexpected negative financial events, including loss of income or large unbudgeted expenses. If net assets are available, Operating Reserves will be Board Designated in an amount necessary to fund three months of operating expenses. This calculation shall occur annually at the end of each fiscal year and, unless the Fund has been drawn upon, that amount of net assets will constitute a Board designation for the following fiscal year. Operating Expenses will be derived from the current-year projected budget.

12. BOARD DESIGNATED FUNDS (Continued)

Capital Asset Replacement Fund

The Capital Asset Replacement Fund is the portion of available unrestricted net assets that the Board has designated to reserve to provide a ready source of funds for the replacement of major physical assets. Major assets are defined as capital assets with an original cost greater than $5,000 and having a useful life of three years or more (the Agency's capitalization criteria). Assets types for which the Fund is intended to be accessed eligible to accessed fall into three primary categories: Building, Fleet and Equipment

If net assets are available, the Capital Asset Replacement Fund will be Board Designated in an amount equal to the present value of all listed capital assets, based on each asset's estimated replacement cost and expected useful life. This calculation shall occur annually at the end of each fiscal year and that amount of net assets will constitute a Board designation for the following fiscal year.

Strategic Investment Fund

The Strategic Investment Fund's goal is to provide funding to develop and grow strategic programming. Investments will support innovation and help the Agency advance its mission in alignment with strategic goals. This Fund is not intended to be used as a permanent source of capital but rather to provide early-stage funding to programs that can become self-sustaining.

The amount to be designated in the Strategic Investment Fund will be established at the end of each fiscal year and the fund balance will be updated annually as draws occur.

Designated Balances

Activity in Board Designated funds was as follows for the year ended December 31, 2022:

	Balance January 1, 2022	Designations	Reductions	Balance December 31, 2022
Operating reserve	$ 2,360,578	$ 610,894	$ -	$ 2,971,472
Capital asset replacement	1,191,404	179,592	-	1,370,996
Strategic investment	6,390,512	194,015	(118,134)	6,466,393
Total	$ 9,942,494	$ 984,501	$ (118,134)	$ 10,808,861

13. CONCENTRATIONS

The Agency received 27% and 17% of its total support and revenue from New York State contracts in both 2022 and 2021, respectively. Accounts and grants receivable related to these services were 80% and 70% of total receivables at December 31, 2022 and 2021, respectively.

14. 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.

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.

In September 2019, the Diocese filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code. CCDR is not part of the Diocesan bankruptcy, although the Bankruptcy Court has stayed all CVA litigation against CCDR. A principal asset of the Diocese is the insurance coverage, and it is likely that all CVA litigation against CCDR will be administered through the Diocesan bankruptcy.

At present, CCDR is not certain as to the amount of 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.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 30, 2023, which is the date the financial statements were available to be issued.