



Net Assets Without Donor Restrictions Policy

May 20, 2021

Description: Net Assets Without Donor Restrictions fall into two categories; Board Designated and Undesignated. Board Designated Net Assets are subject to self-imposed limits by action of the governing board. Common purposes for the board-designated net assets include capital projects, operating reserves, quasi-endowments, contingency funds, specific programs and future projects. Undesignated Net Assets are what remains after the governing board has identified the specific purposes it wants to fund. Undesignated Net Assets are what is generally available to meet daily operating needs.

General Accounting: The setting aside of Unrestricted Net Assets as “Board Designated” is only a designation, not an accounting restriction. At any time, the Finance Committee may recommend to the Board that the designation be changed. By designating certain assets, the intent is to show commitment to a certain plan, program or strategy.

Current Designation Categories: Based on our commitment to serve all in need of food in our community along with the responsibility to protect the long-term financial health of the organization, the Board is establishing the following categories of designation for Net Assets Without Donor Restrictions:

- Operating Reserve Fund
- Capital Asset Replacement Fund
- Strategic Investment Fund

Available Net Assets: The designated categories will be funded by the Total Available Net Assets, as defined below:

Total Unrestricted Net Assets
Less Equity in Property, Plant and Equipment
Less Value of Purchased Inventory
Plus 1yr Release from Temp Restriction
Equals Total Available Net Assets

Appendix A shows the 2021 calculation of Total Available Net Assets and the amounts of each Board Designated Fund.





Minimum Operating Cash: *Minimum* Cash on hand, at the beginning of each fiscal year, will be; (A) the Operating Reserve Fund balance (see below) + (B) current-year projected Strategic Investment Fund spend down (if any) + (C) current-year projected Capital Asset spend down (if any). The projected Strategic Investment Fund spend will be determined during the annual budget process and identified in the “Strategic Investment Fund Allocation” section of the Income Statement. The projected Capital Asset spend is identified in the “Current Expense” column of Property Reserve Fund List of Assets, Equipment Reserve Fund List and Fleet Reserve Fund List of Assets (*Appendix B*).

Balance Sheet: The “Net Assets Without Donor Restrictions” section of the Balance Sheet will individually list all Board Designated Funds along with the Undesignated fund balance

Review: At each fiscal year-end the COO will recommend to the Finance Committee the appropriate levels to be designated in each fund for the coming year. The Finance Committee can approve the recommendation by simple majority or specify alternative funding levels.

Operating Reserve Fund

Definition: 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. The minimum amount to be designated as Operating Reserves will be an amount sufficient to maintain operations for a period of time, typically measured in months.

Calculating the Designated Amount: 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 will remain on the Balance Sheet for the following fiscal year. Operating Expenses will be derived from the current-year projected budget. The Operating Reserve balance is calculated as follows:

Annual Expenses

Less Value of Donated Goods & Services

Less Value of Government Purchased Food – TEFAP

Less Pass Thru – HPNAP Operation Support

Less Pass Thru – MFP General Shared Maintenance

Less Pass Thru – Backpack General Shared Maintenance

Equal Annual Operating Expenses

Divide by Four

Equal Total Operating Reserve Fund





Use of Fund: Authority to draw upon Reserves is delegated to the CEO in consultation with the COO and the Chair of the Finance Committee. The use of Reserves will be reported to the Finance Committee and Board of Directors at their next scheduled meeting. An analysis of the factors resulting in the need to access the Fund and remedial plans for restoring the Fund to its targeted level will also be provided. If the Operating Reserve Fund is and has been less than 75% of the targeted reserve level for two consecutive years, the Board of Directors will adopt an operational budget with a projected surplus sufficient to rebuild the Operating Reserve Fund to its targeted reserve level over the following two years.

Capital Asset Replacement Fund

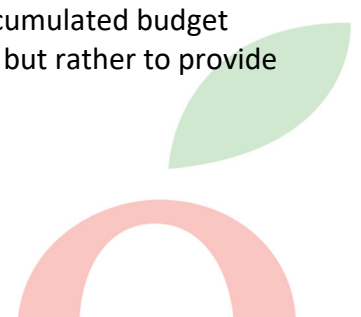
Definition: The Capital Asset Replacement Fund is the portion of available unrestricted net assets that the Board has designated to reserve to provide a ready source of funds for the replacement of major physical assets. Major assets are defined as capital assets with an original cost greater than \$5,000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

Calculating the Designated Amount: 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 the estimated replacement cost and their useful life. This calculation shall occur annually at the end of each fiscal year and that amount will remain on the Balance Sheet for the following fiscal year. *Appendix B* lists the capital assets and their present value calculation for year-end 2020.

Use of Fund: Considering the importance of repairing critical operating equipment in a timely manner, the COO can authorize the immediate replacement of capital assets that are damaged beyond repair. These expenditures will be reported to the Finance Committee at the next scheduled meeting. Otherwise, assets that are functioning but in likely danger of failing will be reported to the Finance Committee at the next scheduled meeting and, with majority approval, the Finance Committee can authorize the replacement of the reported asset. The Board will be informed of all draws on the Fund at their next scheduled meeting.

Strategic Investment Fund

Definition: The Strategic Investment Fund's goal is to provide funding to develop and grow strategic programming. Investments will support innovation and help the organization advance our mission in alignment with the strategic goals. These are investments that fall outside of the operating budget constraints and therefore need to be supported with non-operating funds (i.e. accumulated budget surpluses). 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. Investments should meet one or more of the following criteria:

- Aligns with at least one of our Strategic Priorities
- Addresses at least one of the recommendations from the Horn Needs Assessment (or any other FBST sanctioned study)
- Builds our organizational capacity

Calculating the Designated Amount: If net assets are available, the Strategic Investment Fund will be Board Designated in an amount equal to the total Available Net Assets remaining after the set-aside for the Operating Reserve Fund and the Capital Asset Replacement Fund (both listed above). This amount will be established at the end of each fiscal year and the fund balance will be updated monthly as draws occur.

Use of Fund: The CEO, with input from staff, will submit proposals for the spend-down of this Fund to the Finance Committee at their regularly scheduled meetings. Any proposals approved by the Finance Committee (simple majority) will be submitted to the Board of Directors at their next scheduled meeting. The Board may approve any or all of the proposals by simple majority. The CEO will then direct the appropriate use of the Fund according to each approved proposal. There may be instances where an appropriate use of the Fund will be in an emergency, “special need” situation. The CEO can authorize expenditures less than \$25,000 at his/her own discretion, as directed in the Budget Variance Policy (*Appendix C*).

It is expected that this Fund will be dynamic as annual operating results will provide for some level of deficits or surpluses *and* the higher priority Board Designated Funds undergo their annual adjustments. While this Fund is wholly available for quality investments, there should not be any prescribed time limit or Fund balance threshold that mandates spending of this Fund.

Accounting: By definition, the Fund will exist due to prior year’s accumulated surpluses. In order to recognize the spend-down of this Fund, while also preserving the ability to track normal operating surpluses/deficits, FBST will include an “SIF Allocation” line in the non-operating section of the Income Statement to offset the SIF expenses recorded in the operating section of the Income Statement.





Appendix A

12/31/2020	
<u>Net Assets (Dec 2020)</u>	
Total Unrestricted Net Assets	\$11,244,206
Equity in Property, Plant and Equipment	(\$3,153,368)
Value of Purchased Inventory	(\$538,649)
<u>1yr Release from Temp Restriction</u>	<u>\$52,573</u>
Total Available Net Assets	\$7,604,763
<u>Operating Expenses (2021 Projected)</u>	
Annual Operating Expenses	\$13,379,371
Value of Donated Goods & Services	(\$5,883,376)
Government Purchased Food - TEFAP	(\$1,205,698)
Pass Thru - HPNAP Operation Support	(\$167,015)
Pass Thru - MFP General SM	(\$58,051)
Pass Thru - BP General SM	(\$31,440)
Total Annual Operating Expenses	\$6,033,791
Operating Reserve Fund	\$1,508,448
Capital Asset Fund	\$1,029,201
Strategic Investment Fund	\$5,067,114





Appendix B

Current Year-End	2020													
Original Cost Est. Year	2013													
Estimated Inflation Rate	2.00%													
2011 FBST Property Reserve Fund List of Assets														
Item	Estimated Cost (2013)	Inflation Adj. Cost	2011 Age (Years)	Expected Life (Years)	Current Age (Years)	Remaining Life (Years)	Replacement Year	Condition	Warranty	Year Replaced	Current Expense	Replacement Value		
1 Roof*														
Upper Warehouse (Gravel)	\$33,110	\$33,772	20	25	1	24	2044	New	15yrs	2019	\$0	\$1,351		
Upper Warehouse A & B	\$80,000	\$91,895	5	25	14	11	2031	Satisfactory	Expired		\$0	\$51,461		
Lower Warehouse	\$92,100	\$105,794	10	25	19	6	2026	Satisfactory	Expired		\$0	\$80,403		
Front Office	\$19,500	\$22,399	30	25	7	18	2038	Good	15yrs	2013	\$0	\$6,272		
Loading Docks	\$35,500	\$37,673	30	25	1	24	2044	New	20yrs	2017	\$0	\$1,507		
Cooler/Freezer	\$31,200	\$35,839	15	25	24	1	2021	Poor	Expired		\$0	\$34,405		
Garage	\$0	\$0	15	25	24	1	2021	Poor	Expired		\$0	\$0		
2 Parking Lot**														
Front Office Parking	\$32,000	\$36,758	3	20	12	8	2028	Satisfactory	Expired		\$0	\$22,055		
Warehouse Docks***	\$52,000	\$59,732	3	20	12	8	2028	Satisfactory	Expired		\$0	\$35,839		
Back Lot	\$15,750	\$18,092	10	30	19	11	2031	Satisfactory	Expired		\$0	\$11,458		
Back Driveway	\$0	\$0	10	30	19	11	2031	Satisfactory	Expired		\$0	\$0		
3 Fuel Tank	\$60,000	\$68,921	13	30	22	8	2028	Satisfactory	Expired		\$0	\$50,542		
4 Fuel Pump	\$10,000	\$11,487	13	20	22	(2)	2018	Poor	Expired		\$11,487	\$0		
5 HVAC Units****														
RTU-1 Repack (7.5 ton)	\$10,000	\$11,487	0	15	9	6	2026	Satisfactory	Expired		\$0	\$6,892		
RTU-2 Lobby (4 ton)	\$9,000	\$10,338	0	15	9	6	2026	Satisfactory	Expired		\$0	\$6,203		
RTU-3 Conference (3 ton)	\$9,000	\$10,338	0	15	9	6	2026	Satisfactory	Expired		\$0	\$6,203		
RTU-4 Office N (5 ton)	\$9,000	\$10,338	0	15	9	6	2026	Satisfactory	Expired		\$0	\$6,203		
RTU-5 Office S (4 ton)	\$9,000	\$10,338	0	15	9	6	2026	Satisfactory	Expired		\$0	\$6,203		
RTU-6 W/H Offices (3 ton)	\$9,000	\$10,338	0	15	9	6	2026	Satisfactory	Expired		\$0	\$6,203		
IT Room	\$5,000	\$5,743	0	15	9	6	2026	Satisfactory	Expired		\$0	\$3,446		
Operations Offices (5 ton)	\$6,000	\$6,892	7	15	16	(1)	2019	Poor	Expired		\$6,892	\$0		
6 Compressors****														
C-1 Freezer1 (30hp)	\$10,740	\$10,955	0	15	1	14	2034	Very Good	2yrs	2019	\$0	\$730		
C-2 Freezer2 (30hp)	\$8,000	\$9,189	0	15	9	6	2026	Satisfactory	Expired		\$0	\$5,514		
C-5 Produce1 (12hp)	\$3,500	\$4,020	0	15	9	6	2026	Satisfactory	Expired		\$0	\$2,412		
C-1 Produce2 (12hp)	\$4,000	\$4,595	7	15	16	(1)	2019	Poor	Expired		\$4,595	\$0		
C-3 Cooler1 (15hp)	\$6,644	\$7,051	11	15	3	12	2032	Very Good	5yrs	2017	\$0	\$1,410		
C-2 Cooler2 (10hp)	\$3,500	\$4,020	12	15	21	(6)	2014	Poor	Expired		\$4,020	\$0		
7 Evaporators														
Freezer1 (135 BTU)	\$6,000	\$6,892	0	15	9	6	2026	Satisfactory	Expired		\$0	\$4,135		
Freezer2 (135 BTU)	\$6,000	\$6,892	0	15	9	6	2026	Satisfactory	Expired		\$0	\$4,135		
Produce1 C-1 (145k BTU)	\$5,200	\$5,973	0	15	9	6	2026	Satisfactory	Expired		\$0	\$3,584		
Produce2 C-5 (145K BTU)	\$5,200	\$5,973	0	15	9	6	2026	Satisfactory	Expired		\$0	\$3,584		
Cooler1 C-3 (140K BTU)	\$4,800	\$5,514	12	15	21	(6)	2014	Poor	Expired		\$5,514	\$0		
Cooler2 C-2 (100K BTU)	\$4,100	\$4,710	15	15	24	(9)	2011	Poor	Expired		\$4,710	\$0		
8 Exterior Paint Job	\$25,000	\$26,530	0	15	3	12	2032	Very Good	N/A	2017	\$0	\$5,306		
9 Miscellaneous	\$0													
											\$42,751	\$422,093		
10 Total	\$619,844	\$700,489									\$464,844			





Current Year-End	2020
Original Cost Est. Year	2020
Estimated Inflation Rate	2.00%

2020 FBST Equipment Reserve Fund List of Assets										Year Replaced	Current Expense	Replacement Value
Item	Estimated Cost (2020)	Inflation Adj. Cost	2020 Age (Years)	Expected Life (Years)	Current Age (Years)	Remaining Life (Years)	Replacement Year	Condition	Warranty			
Pallet Jacks												
RAYMOND 102T-F45L(SCALE)	\$12,500	\$12,500	5	10	5	5	2025	Good	Expired		\$0	\$6,250
RAYMOND 8210-F45L	\$4,100	\$4,100	1	10	1	9	2029	Very Good	Expired		\$0	\$410
RAYMOND 8210-F45L	\$4,100	\$4,100	2	10	2	8	2028	Very Good	Expired		\$0	\$820
RAYMOND 8210-F45L	\$4,100	\$4,100	4	10	4	6	2026	Good	Expired		\$0	\$1,640
RAYMOND 8210-F45L (SCALE)	\$12,500	\$12,500	4	10	4	6	2026	Good	Expired		\$0	\$5,000
RAYMOND 8410-FRE60L	\$10,000	\$10,000	5	15	5	10	2030	Good	Expired		\$0	\$3,333
TOYOTA 40072	\$4,100	\$4,100	9	10	9	1	2021	Satisfactory	Expired		\$0	\$3,690
CROWN	\$4,100	\$4,100	10	10	10	0	2020	Poor	Expired		\$4,100	\$0
TOYOTA 8HBW23	\$4,100	\$4,100	0	10	0	10	2030	New	1yrs		\$0	\$0
Fork Trucks												
RAYMOND 425 C40TT	\$30,000	\$30,000	2	10	2	8	2028	Very Good	Expired		\$0	\$6,000
RAYMOND DR25TT	\$43,000	\$43,000	9	15	9	6	2026	Satisfactory	Expired		\$0	\$25,800
RAYMOND DR25TT	\$43,000	\$43,000	9	15	9	6	2026	Satisfactory	Expired		\$0	\$25,800
RAYMOND 730DR30TT	\$43,000	\$43,000	1	15	1	14	2034	Very Good	Expired		\$0	\$2,867
RAYMOND 730DR30TT	\$43,000	\$43,000	0	15	0	15	2035	New	1yrs		\$0	\$0
Scissor Lifts												
Ballymore DMSL-26W	\$25,000	\$25,000	15	15	15	0	2020	Poor	2yrs		\$25,000	\$0
Miscellaneous												
	\$0										\$33,427	\$93,744
Total	\$286,600	\$286,600									\$127,171	

Current Year-End	2020
Original Cost Est. Year	2020
Estimated Inflation Rate	2.00%

2020 FBST Fleet Reserve Fund List of Assets								Year Replaced	Current Expense	Replacement Value
Item	Estimated Cost (2020)	Inflation Adj. Cost	Expected Life (Miles)	Current Miles	Remaining Life (Miles)	Average Miles/Year	Replacement Year			
Trucks										
2011 Freightliner M2 (116)	\$145,000	\$145,000	250,000	198,000	52,000	22,000	2022	2011	\$0	\$114,840
2013 Freightliner M2 (117)	\$145,000	\$145,000	250,000	154,000	96,000	22,000	2024	2013	\$0	\$89,320
2017 Freightliner M2 (200)	\$145,000	\$145,000	275,000	84,000	191,000	28,000	2027	2017	\$0	\$44,291
2017 Freightliner Cascadia (201)	\$115,000	\$115,000	275,000	82,000	193,000	27,333	2027	2017	\$0	\$34,291
2017 Great Dane (201T)	\$97,000	\$97,000	350,000	82,000	268,000	27,333	2030	2017	\$0	\$22,726
2018 Freightliner M2 (202)	\$145,000	\$145,000	275,000	68,000	207,000	34,000	2026	2018	\$0	\$35,855
2018 Freightliner M2 (203)	\$145,000	\$145,000	275,000	95,000	180,000	47,500	2024	2018	\$0	\$50,091
2020 Freightliner M2 (204)	\$145,000	\$145,000	275,000	23,000	252,000	23,000	2031	2020	\$0	\$12,127
2021 Freightliner Cascadia (205)	\$115,000	\$112,745	275,000	0	275,000	0	#DIV/0!	2021	\$0	\$0
2021 Great Dane (205T)	\$97,000	\$95,098	350,000	0	350,000	0	#DIV/0!	2021	\$0	\$0
Vehicles										
Ford F250xl Super Duty	\$48,000	\$48,000	150,000	97,712	52,288	6,107	2029	2004	\$0	\$31,268
Toyota Sienna	\$41,000	\$41,000	175,000	1,609	173,391	1,609	2128	2020	\$0	\$377
Toyota Prius	\$29,000	\$29,000	175,000	85,297	89,703	17,059	2025	2015	\$0	\$14,135
Miscellaneous										
									\$0	\$463,541
Total	\$1,412,000									\$463,541





Appendix C

FBST Accounting Policies & Procedures

FBST BUDGET VARIANCE POLICY

Effective Date: May 18, 2017

Policy/Overview: It is the policy of The Food Bank of the Southern Tier that the President & CEO is responsible for the day-to-day financial management of the organization. The President & CEO is authorized to manage expenses within the parameters of the overall approved budget, reporting to the Finance Committee on variances and the reasons for these variances no less frequently than quarterly. These budget variances will be provided to the full Board of Directors at the next scheduled meeting following the Finance Committee review. When deviating from the spending plans captured in the budget, the Food Bank will observe the following guidelines:

- For the purposes of this policy, non-budgeted expenditures are defined as any spend that was not previously contemplated in the budgeting process. This does not include variances to budgeted spend, which is also reported and reviewed quarterly by the Finance Committee and the Board of Directors.
- Non-budgeted expenditures that exceed \$25,000 will be recommended by the President & CEO to the Finance Committee for review with final approval from the Board of Directors (Board).
- The President & CEO may authorize non-budgeted expenditures less than \$25,000 at his/her own discretion. The \$25,000 limit is a cumulative amount and is not to be exceeded between the quarterly budget updates presented to the Board. As part of the quarterly budget update/approval process, the Board may advise the President & CEO that further non-budgeted expenditures for the current budget year should be curtailed unless explicitly approved by the Board.
- All line item budget variances exceeding \$1,000 will be reported to the Finance Committee as part of the quarterly budget update process.
- Budget variance expenditures less than \$1,000 do not require discussion if they are approved by the President & CEO or the Department Director.
- Within any budgeted expense category, expenditure changes that do not exceed the total budgeted amount are within the discretion of the appropriate Department Director. (For example, funds allocated to "Public Relations" may be redirected for other "General Development/PR Expense purposes as long as the total line item amount is not exceeded.)

