

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY



Consolidated Financial Statements With Supplementary Information (Together with Independent Auditors' Report)

Years Ended June 30, 2018 and 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2018 AND 2017

CONTENTS

Page

Independent Auditors' Report 1-2

Consolidated Financial Statements:

Consolidated Statements of Financial Position 3

Consolidated Statements of Activities 4

Consolidated Statements of Functional Expenses 5-6

Consolidated Statements of Cash Flows 7

Notes to Consolidated Financial Statements 8-19

Supplementary Information:

Consolidating Schedules of Financial Position 20

Consolidating Schedules of Activities 21

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Food Bank For New York City and Subsidiary

We have audited the accompanying consolidated financial statements of Food Bank For New York City and Subsidiary (collectively, "Food Bank For NYC"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 principles 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Food Bank For New York City and Subsidiary as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (shown on pages 20-21) as of and for the years ended June 30, 2018 and 2017 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
February 4, 2019

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2C and 16)	\$ 3,637,028	\$ 3,762,285
Investments (Notes 2E, 2F, 3 and 4)	105,393	340,657
Government grants receivable (Note 2I)	7,523,563	6,610,399
Contributions receivable (Notes 2D and 5)	1,656,713	1,886,694
Accounts receivable, net (Note 2D)	60,183	201,999
Purchased products inventory (Notes 2K and 8)	995,461	155,969
Donated products inventory (Notes 2J, 2L and 8)	1,947,118	1,399,052
Prepaid expenses and other assets	398,811	194,589
Property and equipment, net (Notes 2G and 6)	5,000,526	5,107,687
TOTAL ASSETS	\$ 21,324,796	\$ 19,659,331
LIABILITIES		
Accounts payable and accrued expenses (Note 14)	\$ 4,313,184	\$ 4,243,834
Accrued salaries	321,255	185,293
Accrued vacation	319,655	377,527
Government contract advances (Note 2I)	492,715	473,926
Deferred rent (Notes 2M and 15B)	718,783	731,583
Mortgage loan payable, net (Note 9)	1,741,992	1,853,513
TOTAL LIABILITIES	7,907,584	7,865,676
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Note 2B)		
Unrestricted :		
Operations	6,770,960	4,487,767
Board-designated (Note 11)	2,262,742	2,262,742
Net investment in property and equipment	3,258,534	3,254,174
Total unrestricted	12,292,236	10,004,683
Temporarily restricted (Notes 10 and 11)	1,074,976	1,738,972
Permanently restricted (Note 11)	50,000	50,000
TOTAL NET ASSETS	13,417,212	11,793,655
TOTAL LIABILITIES AND NET ASSETS	\$ 21,324,796	\$ 19,659,331

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Consolidated Total	2017 Consolidated Total	Unrestricted	Temporarily Restricted	Permanently Restricted
PUBLIC SUPPORT AND REVENUE (Note 2H):								
Contributions - foundations and corporations (includes in-kind contributions and donated services of \$267,691 in 2018 and \$196,634 in 2017) (Note 2L)	\$ 3,617,631	\$ 4,339,292	\$ -	\$ 7,956,923	\$ 7,500,494	\$ 4,226,598	\$ 3,273,896	\$ -
Contributions - individuals (Note 2L)	8,132,898	-	-	8,132,898	8,094,550	7,894,550	200,000	-
Special events (net of direct expenses of \$783,638 and \$565,835 in 2018 and 2017, respectively) (Notes 2N and 12)	1,329,005	-	-	1,329,005	1,736,660	1,736,660	-	-
Net assets released from restrictions (Notes 2B and 10)	5,004,788	(5,004,788)	-	-	-	3,654,770	(3,654,770)	-
Total public support	<u>18,084,322</u>	<u>(665,496)</u>	<u>-</u>	<u>17,418,826</u>	<u>17,331,704</u>	<u>17,512,578</u>	<u>(180,874)</u>	<u>-</u>
Government contracts (Notes 2I and 7)	18,364,462	-	-	18,364,462	20,299,697	20,299,697	-	-
Donated food received (Notes 2J and 8)	32,379,330	-	-	32,379,330	42,725,519	42,725,519	-	-
Sale of food and paper products	1,174,533	-	-	1,174,533	1,263,997	1,263,997	-	-
Investment activity (Notes 2E and 3)	2,870	1,500	-	4,370	12,948	12,948	-	-
Other income	161,388	-	-	161,388	56,031	56,031	-	-
Total revenue	<u>52,082,583</u>	<u>1,500</u>	<u>-</u>	<u>52,084,083</u>	<u>64,358,192</u>	<u>64,358,192</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>70,166,905</u>	<u>(663,996)</u>	<u>-</u>	<u>69,502,909</u>	<u>81,689,896</u>	<u>81,870,770</u>	<u>(180,874)</u>	<u>-</u>
EXPENSES (Notes 2H and 2O):								
Program services:								
Distribution and food storage	49,880,737	-	-	49,880,737	60,526,885	60,526,885	-	-
Research and policy	241,238	-	-	241,238	284,071	284,071	-	-
Food and nutrition services	3,393,486	-	-	3,393,486	3,954,248	3,954,248	-	-
Community kitchen and food pantry	2,106,109	-	-	2,106,109	2,716,736	2,716,736	-	-
Income support services	4,104,832	-	-	4,104,832	4,853,984	4,853,984	-	-
Food and benefits access	1,354,076	-	-	1,354,076	1,748,510	1,748,510	-	-
Total program services	<u>61,080,478</u>	<u>-</u>	<u>-</u>	<u>61,080,478</u>	<u>74,084,434</u>	<u>74,084,434</u>	<u>-</u>	<u>-</u>
Supporting services:								
Management and general	3,662,920	-	-	3,662,920	5,327,454	5,327,454	-	-
Fundraising	3,135,954	-	-	3,135,954	2,987,764	2,987,764	-	-
Total supporting services	<u>6,798,874</u>	<u>-</u>	<u>-</u>	<u>6,798,874</u>	<u>8,315,218</u>	<u>8,315,218</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>67,879,352</u>	<u>-</u>	<u>-</u>	<u>67,879,352</u>	<u>82,399,652</u>	<u>82,399,652</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	2,287,553	(663,996)	-	1,623,557	(709,756)	(528,882)	(180,874)	-
Net assets - beginning of year	<u>10,004,683</u>	<u>1,738,972</u>	<u>50,000</u>	<u>11,793,655</u>	<u>12,503,411</u>	<u>10,533,565</u>	<u>1,919,846</u>	<u>50,000</u>
NET ASSETS - END OF YEAR	<u>\$ 12,292,236</u>	<u>\$ 1,074,976</u>	<u>\$ 50,000</u>	<u>\$ 13,417,212</u>	<u>\$ 11,793,655</u>	<u>\$ 10,004,683</u>	<u>\$ 1,738,972</u>	<u>\$ 50,000</u>

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

	For the Year Ended June 30, 2018											
	Program Services						Supporting Services					
	Distribution and Food Storage	Research and Policy	Food and Nutrition Services	Community Kitchen and Food Pantry	Income Support Services	Food and Benefits Access	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018	Total 2017
Salaries	\$ 3,015,076	\$ 134,878	\$ 983,139	\$ 824,870	\$ 844,309	\$ 826,302	\$ 6,628,574	\$ 1,235,728	\$ 1,011,140	\$ 2,246,868	\$ 8,875,442	\$ 9,156,647
Temporary labor - staffing agencies	906,740	4,946	13,316	68,081	3,823	22,140	1,019,046	418,810	36,718	455,528	1,474,574	1,170,162
Payroll taxes and employee benefits (Notes 13 and 14)	937,978	37,656	250,780	227,272	203,039	243,614	1,900,339	365,306	251,543	616,849	2,517,188	3,723,366
Total salaries and related costs	4,859,794	177,480	1,247,235	1,120,223	1,051,171	1,092,056	9,547,959	2,019,844	1,299,401	3,319,245	12,867,204	14,050,175
Donated food distributed (Notes 2J and 8)	31,810,622	-	-	-	-	-	31,810,622	-	-	-	31,810,622	42,777,925
Warehouse	160,771	-	-	7,683	-	-	168,434	-	-	-	168,434	85,195
Food delivery costs	2,927,469	-	-	5,219	1,925	-	2,934,613	-	-	-	2,934,613	2,961,614
Incoming freight	691,226	-	-	5,415	-	-	696,641	-	-	-	696,641	927,893
Value-added product costs	1,264,408	-	-	-	-	-	1,264,408	-	-	-	1,264,408	1,424,863
Occupancy costs (Note 15B)	2,433,358	24,723	78,178	51,440	34,002	72,506	2,694,207	56,655	50,269	106,924	2,801,131	2,840,632
Food purchased for distribution (Note 8)	4,576,929	-	-	-	-	-	4,576,929	-	-	-	4,576,929	5,433,976
Insurance	167,370	3,561	7,122	8,309	3,561	7,122	197,045	27,302	13,057	40,359	237,404	171,635
Interest (Note 9)	-	-	-	94,447	-	-	94,447	-	-	-	94,447	100,075
Direct mail	-	-	-	-	-	-	-	-	1,219,301	1,219,301	1,219,301	1,125,254
Consultant and professional fees	56,698	-	203,447	103,658	22,038	-	385,841	771,333	121,299	892,632	1,278,473	1,238,966
Media and design services	2,364	219	-	-	23,625	-	26,208	32,647	1,716	34,363	60,571	84,636
Annual conference	196,855	-	-	-	325	-	197,180	-	-	-	197,180	179,979
Professional development	7,323	10,077	4,615	2,405	487	2,766	27,673	17,368	4,053	21,421	49,094	74,537
Site monitoring and local travel	26,710	-	3,186	-	10,400	-	40,296	1,180	-	1,180	41,476	45,694
Computer and website maintenance	139,301	7,065	28,968	17,886	38,286	23,427	254,933	54,181	186,550	240,731	495,664	265,503
Media outreach	-	-	-	-	9,135	1,412	10,547	-	1,003	1,003	11,550	40,349
Participant incentives	1,145	-	344,516	-	8,754	2,800	357,215	-	-	-	357,215	1,886,661
Cooking equipment and curriculum materials	-	-	471,929	-	-	-	471,929	-	-	-	471,929	576,936
Capacity grants	164,389	-	94,592	1,863	1,615,601	16,250	1,892,695	-	-	-	1,892,695	501,918
Other program expenses	19,317	204	764,798	484,383	65,391	12,749	1,346,842	2,085	748	2,833	1,349,675	2,147,344
Temporary and seasonal services directly funded programs	-	-	-	-	1,145,025	-	1,145,025	-	922	922	1,145,947	1,675,068
Dues and subscriptions	60	343	-	-	-	-	403	48,552	15,546	64,098	64,501	111,906
Office expenses	46,941	3,497	11,116	13,154	12,809	6,934	94,451	208,606	79,430	288,036	382,487	292,751
Telephone and communication	98,103	6,966	14,292	17,543	6,966	13,932	157,802	53,407	25,542	78,949	236,751	198,716
Printing and postage	-	2,158	-	-	-	-	2,158	37,310	27,823	65,133	67,291	95,388
Repairs and maintenance	22,942	-	-	58,574	271	-	81,787	25,184	-	25,184	106,971	123,153
Bad debts	-	-	-	-	-	-	-	97,405	-	97,405	97,405	54,179
Expensed equipment (Note 2G)	58,218	3,930	7,859	13,287	4,300	7,859	95,453	32,762	14,639	47,401	142,854	113,849
Other expenses	14,522	1,015	1,913	362	32,412	-	50,224	116,988	2,505	119,493	169,717	132,326
Total expenses before depreciation and amortization	49,746,835	241,238	3,283,766	2,005,831	4,086,484	1,259,813	60,623,967	3,604,734	3,061,879	6,666,613	67,290,580	81,739,096
Depreciation and amortization (Notes 2G and 6)	133,902	-	109,720	100,278	18,348	94,263	456,511	58,186	74,075	132,261	588,772	660,596
TOTAL EXPENSES	\$ 49,880,737	\$ 241,238	\$ 3,393,486	\$ 2,106,109	\$ 4,104,832	\$ 1,354,076	\$ 61,080,478	\$ 3,662,920	\$ 3,135,954	\$ 6,798,874	\$ 67,879,352	\$ 82,399,692

The accompanying notes are an integral part of these consolidated financial statements.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	For the Year Ended June 30, 2017										
	Program Services						Supporting Services				Total 2017
	Distribution and Food Storage	Research and Policy	Food and Nutrition Services	Community Kitchen and Food Pantry	Income Support Services	Food and Benefits Access	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 3,037,806	\$ 131,947	\$ 980,810	\$ 902,218	\$ 884,629	\$ 945,818	\$ 6,883,228	\$ 1,150,066	\$ 1,123,353	\$ 2,273,419	
Temporary labor - staffing agencies	533,598	146	12,091	47,874	5,248	-	598,957	531,162	40,043	571,205	1,170,162
Payroll taxes and employee benefits (Notes 13 and 14)	1,292,943	43,220	349,639	289,646	310,085	395,158	2,680,691	724,548	318,127	1,042,675	3,723,366
Total salaries and related costs	4,864,347	175,313	1,342,540	1,239,738	1,199,962	1,340,976	10,162,876	2,405,776	1,481,523	3,887,299	14,050,175
Donated food distributed (Notes 2J and 8)	42,777,925	-	-	-	-	-	42,777,925	-	-	-	42,777,925
Warehouse	41,905	-	-	40,068	-	-	81,973	2,730	492	3,222	85,195
Food delivery costs	2,954,751	-	-	-	835	-	2,955,586	6,028	-	6,028	2,961,614
Incoming freight	927,893	-	-	-	-	-	927,893	-	-	-	927,893
Value-added product costs	1,424,863	-	-	-	-	-	1,424,863	-	-	-	1,424,863
Occupancy costs (Note 15B)	1,449,013	36,132	290,788	53,634	46,696	104,048	1,980,311	787,697	72,624	860,321	2,840,632
Food purchased for distribution (Note 8)	5,433,976	-	-	-	-	-	5,433,976	-	-	-	5,433,976
Insurance	-	-	5,736	-	-	-	-	5,736	165,899	-	171,635
Interest (Note 9)	-	-	-	100,075	-	-	100,075	-	-	-	100,075
Direct mail	-	-	-	-	10,106	-	10,106	-	1,115,148	1,115,148	1,125,254
Consultant and professional fees	40,938	50,000	308,905	79,311	38,714	-	517,868	623,799	97,299	721,098	1,238,966
Media and design services	6,647	150	-	1,500	2,106	6,647	17,050	67,387	199	67,586	84,636
Annual conference	179,979	-	-	-	-	-	179,979	-	-	-	179,979
Professional development	12,291	17,761	5,247	1,944	9,148	2,678	49,069	25,056	412	25,468	74,537
Site monitoring and local travel	22,437	-	1,709	290	9,825	2,330	36,591	6,319	2,784	9,103	45,694
Computer and website maintenance	-	700	5,144	-	9,235	1,296	16,375	248,877	251	249,128	265,503
Media outreach	-	-	-	-	18,602	-	18,602	21,747	-	21,747	40,349
Participant incentives	42,269	801	447,709	124	1,387,358	8,400	1,886,661	-	-	-	1,886,661
Cooking equipment and curriculum materials	-	-	576,326	610	-	-	576,936	-	-	-	576,936
Capacity grants	115,378	-	-	-	299,530	76,553	491,461	10,457	-	10,457	501,918
Other program expenses	2,337	-	836,509	1,061,018	113,049	96,448	2,109,361	37,809	174	37,983	2,147,344
Temporary and seasonal services directly funded programs	-	-	-	-	1,675,068	-	1,675,068	-	-	-	1,675,068
Dues and subscriptions	13,101	1,052	-	-	551	-	14,704	37,690	59,512	97,202	111,906
Office expenses	4,065	254	1,812	2,526	10,183	2,002	20,842	248,401	23,508	271,909	292,751
Telephone and communication	-	-	3,249	644	-	-	3,893	194,823	-	194,823	198,716
Printing and postage	-	1,908	-	-	-	-	1,908	41,339	52,141	93,480	95,388
Repairs and maintenance	52,018	-	-	29,498	2,173	-	83,689	39,464	-	39,464	123,153
Bad debts	-	-	-	-	-	-	-	54,179	-	54,179	54,179
Expensed equipment (Note 2G)	4,188	-	3,544	-	-	-	7,732	106,117	-	106,117	113,849
Other expenses	4,452	-	390	376	-	50	5,268	126,642	416	127,058	132,326
Total expenses before depreciation and amortization	60,374,773	284,071	3,829,608	2,611,356	4,833,141	1,641,428	73,574,377	5,258,236	2,906,483	8,164,719	81,739,096
Depreciation and amortization (Notes 2G and 6)	152,112	-	124,640	105,380	20,843	107,082	510,057	69,218	81,281	150,499	660,556
TOTAL EXPENSES	\$ 60,526,885	\$ 284,071	\$ 3,954,248	\$ 2,716,736	\$ 4,853,984	\$ 1,748,510	\$ 74,084,434	\$ 5,327,454	\$ 2,987,764	\$ 8,315,218	\$ 82,399,652

The accompanying notes are an integral part of these consolidated financial statements.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,623,557	\$ (709,756)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	588,772	660,556
Interest expenses on deferred financing costs	6,052	6,052
Realized and unrealized loss on investments	780	1,684
Donated stock	(9,860)	-
Loss on disposal of property and equipment	1,560	-
Bad debts	97,405	54,179
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	(913,164)	(2,387,223)
Contributions receivable	229,981	(481,982)
Accounts receivable	44,411	(6,076)
Prepaid expenses and other assets	(204,222)	(14,926)
Purchased products inventory	(839,492)	143,030
Donated products inventory	(548,066)	52,405
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	69,350	396,139
Accrued salaries	135,962	18,095
Accrued vacation	(57,872)	19,212
Government contract advances	18,789	182,806
Deferred rent	(12,800)	(1,457)
Net Cash Provided by (Used In) Operating Activities	231,143	(2,067,262)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	244,344	2,606,846
Purchase of investments	-	(125,669)
Sale of vehicle	1,000	-
Purchases of property and equipment	(484,171)	(1,351,689)
Net Cash (Used In) Provided by Investing Activities	(238,827)	1,129,488
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable	(117,573)	(117,574)
Net Cash Used in Financing Activities	(117,573)	(117,574)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(125,257)	(1,055,348)
Cash and Cash Equivalents - beginning of year	3,762,285	4,817,633
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,637,028	\$ 3,762,285
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 88,395	\$ 94,023

The accompanying notes are an integral part of these consolidated financial statements.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Food Bank For New York City was incorporated in the State of New York in 1983 pursuant to the Not-for-Profit Corporation Law. Food Bank For New York City was determined to be a publicly supported organization by the Internal Revenue Service (“IRS”) and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Community Food Resources Center Property, Inc. (“CFRC”) is a controlled subsidiary of Food Bank For New York City and was incorporated in New York State in 2000. CFRC is a Section 501(c)(2) organization whose purpose is to hold title to property and turn over all of its earnings, less expenses, to Food Bank For New York City and, accordingly, is exempt from Federal and state income taxes. Collectively, these two entities are referred to as “Food Bank For NYC”.

Food Bank For NYC solicits, purchases, collects, stores, and distributes surplus and donated food products to qualified tax-exempt organizations that provide food to the poor, ill, needy, homeless, or homebound. It advocates for improved government policies and programs, while its programs and services promote access to nutritious food and adequate income for all New Yorkers. The individuals who benefit from Food Bank For NYC programs and services are typically those living near or below the federally defined poverty line. Food Bank For NYC is funded substantially through grants, contracts and contributions awarded by government agencies, private foundations, corporations, and individuals.

Food Bank For NYC is a member of Feeding America, the Nation’s Food Bank Network, and the Food Bank Association of New York State. Food Bank For NYC utilizes the information provided by Feeding America in determining the value of its donated inventory (see Note 8).

The mission of Food Bank For NYC is to end hunger by organizing food, information, and support for community survival and dignity. In addition to its established food sourcing, warehousing, and distribution operation, Food Bank For NYC conducts the following programs and services:

Community Kitchen and Food Pantry: Opened in 1984, the Community Kitchen and Food Pantry of West Harlem (the “Kitchen”) is a resource and service center for the community of West Harlem. The Kitchen operates five programs: a five days-per-week congregate meal program; a consumer-choice food pantry; the Positive Living Program for people with HIV/AIDS; a community-supported agriculture program; and, a program connecting individuals and families to income support programs, including Supplemental Nutrition Assistance Program (“SNAP”, formerly food stamps); health care enrollment, financial counseling, free tax-return preparation services, and rent, mortgage and utility assistance.

Food and Benefits Access: Food Bank For NYC provides sessions to 1) inform and educate low-income New Yorkers and community-based organizations on government food assistance programs and, 2) to help communities move toward more sustainable strategies for combating food and financial insecurity. It also conducts SNAP training and provides technical assistance on eligibility screening for community-based organizations. In addition, its services are provided directly to thousands of clients annually.

Food and Nutrition Services: Food Bank for NYC provides nutrition education for children, teens, and adults, encourages the development and adoption of healthy diets and promotes healthy eating in low-income communities using social marketing and media. Food Bank for NYC’s core nutrition education program is Cook Shop, which reaches 52,651 unique low-income children, teens, and adults across New York City. The program includes CookShop Classroom, a 18-week K-12 nutrition education curricula taught in more than 2,560 New York City public school classrooms citywide; CookShop for Adults, a complementary curriculum that brings nutrition education and after-school programs to parents and caregivers at one of the 263 participating CookShop schools; CookShop for Teens, or EATWISE (Educated and Aware Teens Who Inspire Smart Eating), its peer-based nutrition education and leadership development program targeting high-school-age youth.

Income Support Services: At the core of Food Bank for NYC’s income support services for low to moderate-income New Yorkers are free services, screenings, enrollment, and information on how to access the various federal credits and benefits to which they are entitled. As evidence is the focus on the Earned Income Tax Credit program, where Food Bank for NYC tries to help families achieve the highest credit allowed under the tax law. Additionally, Food Bank for NYC’s free tax-return preparation services for the working poor can also connect eligible individuals to tax refunds that move them closer to food and financial security. Food Bank For NYC’s Food and Financial Empowerment Services also provide more than one thousand group workshops and personalized financial counseling sessions that enable individuals to begin creating a viable financial future.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting** – Food Bank For NYC adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and prepares its consolidated financial statements using the accrual basis of accounting. The accompanying consolidated financial statements consist of the accounts of Food Bank For New York City and CFRC (collectively, “Food Bank For NYC”). All inter-company transactions are eliminated.
- B. **Net Asset Classification** – Food Bank For NYC maintains its net assets under the following three classes:
- Unrestricted:
 - Operating - this represents resources received that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of Food Bank For NYC’s operations over which the Board of Directors has discretionary control.
 - Board Designated Fund - consists of funds designated by the Board of Directors which represents a portion of Food Bank For NYC’s unrestricted net assets as an operating reserve for extraordinary events and any governmental funding reductions that may cause hardship for Food Bank For NYC. The operating reserve may also be used to expand, purchase, and lease equipment and warehouse space. The Board reviews the amount of the operating reserve annually. The operating reserve is not credited or charged with Food Bank For NYC’s investment results.
 - Invested in Property and Equipment – consists of property and equipment less mortgage loan payable.
 - Temporarily Restricted – resources received with donor stipulations that limit the use of the donated assets or that have time restrictions placed on their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.
 - Permanently Restricted – represents assets subject to donor-imposed stipulations that the corpus be maintained permanently.
- C. **Cash and Cash Equivalents** – Food Bank For NYC considers money market funds and all other highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.
- D. **Contributions and Accounts Receivables** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows if deemed material to the consolidated financial statements. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Food Bank For NYC’s management evaluates the need for an allowance for doubtful accounts applicable to its contributions and accounts receivable based on a combination of factors such as management’s estimate of the creditworthiness of its donors, a review of individual accounts outstanding, and the aged basis of the receivables, current economic conditions and historical experience. As of June 30, 2018 and 2017, Food Bank For NYC determined that an allowance of approximately \$9,000 and \$54,000, respectively, was necessary for its accounts receivable.
- E. **Investments** – Investments are carried at fair value. Net appreciation/(depreciation) in the fair value of investments, which includes realized and unrealized gains and losses on those investments, is reported in the consolidated statements of activities as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Cost basis is determined on the date of purchase. Securities received as gifts are recorded at fair value at the date of the gift. Investment securities are exposed to various market risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in risks in the near term could materially affect investment balances.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. **Fair Value Measurements** – Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 4.
- G. **Property and Equipment** – Property and equipment, including leasehold improvements, are recorded at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Depreciation and amortization is provided on a straight-line basis over the useful lives of the asset, and relative to leasehold improvements, over the shorter of the term of the lease or the estimated useful lives of the assets. Food Bank For NYC capitalizes property and equipment with cost of \$5,000 or more with a useful life of greater than two years. Upon retirement or disposal, the asset cost and related accumulated depreciation or amortization is eliminated from the respective accounts and the resulting gain or loss is included in the changes in net assets for the period.
- H. **Changes in Net Assets** – Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expenses are reported as decreases in unrestricted net assets. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as temporarily restricted net assets.

Investment income and net realized and unrealized gain (loss) on investments of temporarily and permanently restricted net assets are reported as follows:

- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the investment income and unappropriated earnings from endowment funds.
 - As increases (decreases) in unrestricted net assets in all other cases.
- I. **Government Grants and Contracts** – Revenue from cost reimbursement-based government contracts is recognized when reimbursable costs are incurred under the terms of the contracts. Revenue from performance-based government contracts is recognized when performance objectives pursuant to the contract have been accomplished. Funds are received in either predetermined installments or in increments based on estimated or actual expenditures for the period. Accordingly, grant income under these awards is recognized in amounts equal to actual expenditures incurred. Contract payments received in advance of the qualified cost or performance are accounted for as contract advances.

Food Bank For NYC's management evaluates the need for an allowance for doubtful accounts applicable to its contributions and accounts receivable based on a combination of factors such as management's estimate of the creditworthiness of its donors, a review of individual accounts outstanding, and the aged basis of the receivables, current economic conditions and historical experience. As of June 30, 2018 and 2017, Food Bank For NYC determined that no allowance was needed for its government grants and contracts receivable.

- J. **Government-provided Products** – Food Bank For NYC receives food commodities for distribution to designated recipients under The Emergency Food Assistance Program ("TEFAP"), granted by New York State, and under the Emergency Food Assistance Program ("EFAP"), granted by New York City. These commodities are considered pass-through products and are not included in the accompanying consolidated financial statements. Food Bank For NYC is responsible for safekeeping government food products held in inventory. Food Bank For NYC receives reimbursement from the State of New York and New York City for administrative costs incurred in the receipt, storage, and distribution of these food products. Government-provided food commodities on hand as of June 30, 2018 and 2017 amounted to approximately \$3,648,000 and \$2,304,000, respectively.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- K. **Purchased Products Inventory** – Purchased products inventory consists of food and food service supplies used to fulfill obligations under certain government contracts and for resale to member organizations. Inventory is stated at the lower of cost or market using the first-in, first-out method.

Reimbursements received for products delivered under government contracts and proceeds from sales to member organizations are recognized as revenue, while related costs are included in program services as distribution and food storage.

- L. **Donated Goods and Services** – Donated food, financial instruments, and other non-cash items are recorded as contributions at their fair value at the time of receipt. The fair value of donated food is calculated by utilizing the approximate average wholesale value of one pound of donated product at the national level (see Note 8). Donated services are reported as contributions when the services create or enhance nonfinancial assets, would be purchased if they had not been provided by contribution, or require specialized skills and are provided by individuals possessing those skills. Members of the Board of Directors and a substantial number of volunteers have made significant contributions of their time in support of Food Bank For NYC. The value of this contributed time is not reflected in these consolidated financial statements since these services do not meet the criteria for recognition.

Food Bank For NYC recognized contributed services, primarily legal services, amounting to \$267,691 and \$196,634 as in-kind contributions in the accompanying consolidated statements of activities for the years ended June 30, 2018 and 2017, respectively.

- M. **Deferred Rent** – Food Bank For NYC leases real property under operating leases expiring on various dates (see Note 15B) and the lease agreements contain scheduled future rent increases. U.S. GAAP requires that long-term leases, with scheduled rent increases, be accounted for by accelerating the impact of the future increases into the current periods, thereby smoothing the effects of the future increases in costs. This accounting treatment is commonly referred to as “straight-lining of rent”. The difference between rent expense, under this method, and the rental amounts actually paid to the landlord is reported as a “deferred rent” obligation in the accompanying consolidated statements of financial position. The change in the deferred rent liability is reflected in the accompanying consolidated statements of activities. As of June 30, 2018 and 2017, Food Bank For NYC recorded an adjustment to rent expense to reflect its straight-line policy that amounted to approximately (\$12,800) and (\$1,500), respectively, as a decrease in expense.
- N. **Special Events Direct Costs** – The direct costs of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.
- O. **Functional Allocation of Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on usage or other equitable bases established by management.
- P. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires Food Bank For NYC’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- Q. **Deferred Financing Costs** – Effective July 1, 2017, Food Bank NYC retrospectively adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs* to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset (see Note 9). Amortization of the debt issuance costs is reported as interest expense in the accompanying consolidated financial statements.
- R. **Reclassifications** – Certain line items in the June 30, 2017 consolidated financial statements have been reclassified to conform to the June 30, 2018 presentation. Such reclassifications did not change the total net assets.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 – INVESTMENTS

Investments consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 95,533	\$ 340,657
Equities – exchange traded funds	9,860	-
	<u>\$ 105,393</u>	<u>\$ 340,657</u>

Investment activity consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 5,150	\$ 14,632
Realized loss on investments	(84)	(1,684)
Unrealized loss on investments	(696)	-
	<u>\$ 4,370</u>	<u>\$ 12,948</u>

NOTE 4 – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended June 30, 2018 and 2017.

Certificates of Deposit:

Certificates of deposit (“CD’s”) are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. There is little difference between such calculation and cost.

Equities:

Equities are valued at the closing price reported on the active market on which the individual securities are traded.

Financial assets carried at fair value at June 30, 2018 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>2018 Total</u>
Investments:			
Certificates of deposit	\$ -	\$ 95,533	\$ 95,533
Equities – exchange traded funds	9,860	-	9,860
Total assets carried at fair value	<u>\$ 9,860</u>	<u>\$ 95,533</u>	<u>\$ 105,393</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at June 30, 2017 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>2017 Total</u>
Investments:			
Certificates of deposit	\$ -	\$ 340,657	\$ 340,657
Total assets carried at fair value	<u>\$ -</u>	<u>\$ 340,657</u>	<u>\$ 340,657</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Due less than one year	\$ 1,221,713	\$ 1,736,694
Due between one year and five years	435,000	150,000
	<u>\$ 1,656,713</u>	<u>\$ 1,886,694</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Land	\$ 137,957	\$ 137,957	
Building	551,830	551,830	40 years
Building improvements	1,388,746	1,388,746	10-40 years
Office equipment and computers	1,620,047	1,369,360	5 years
Warehouse equipment	263,106	263,106	5 years
Vehicles	762,832	767,832	3-7 years
Leasehold improvements	4,562,050	4,562,050	3-30 years
Hunts Point Cooperative Market (see below)	661,394	661,394	27.5 years
Furniture, fixtures, and equipment	60,530	57,555	5 years
Construction in progress (see below)	<u>1,284,414</u>	<u>1,053,906</u>	
	11,292,906	10,813,736	
Less: Accumulated depreciation and amortization	<u>(5,766,051)</u>	<u>(5,203,771)</u>	
Net book value	<u>\$ 5,000,526</u>	<u>\$ 5,107,687</u>	

For the years ended June 30, 2018 and 2017, depreciation and amortization expense amounted to \$564,722 and \$636,506, respectively. During the year ended June 30, 2018, Food Bank For NYC sold a vehicle with a net book value of \$2,560 for \$1,000, resulting in a loss of \$1,560.

Food Bank For NYC owns 8,361 shares of cooperative stock in Hunts Point Cooperative Market, Inc. ("HPCM"), which entitles it to occupy and use the warehouse and office premises in Hunts Point, New York City, under a sublease agreement with HPCM (see Note 15B). The cost of the shares, which originally amounted to \$661,394, is amortized to expense on a straight-line basis over the life of the underlying lease at an annual rate of \$24,050.

As of June 30, 2018, construction in progress relates to a capital improvement project redesigning the CFRC's community kitchen and pantry. The project was reportedly completed and placed in service after June 30, 2018.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 – GOVERNMENT CONTRACTS

Revenue recognized from government contracts consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
New York State:		
Department of Health Division of Nutrition, Hunger Prevention Nutrition Assistance Program	\$ 4,855,631	\$ 6,014,528
Office of General Services, Division of Food Distribution and Warehousing - The Emergency Food Assistance Program	3,310,904	3,016,073
Department of Health	65,692	67,274
Office of Temporary and Disability Assistance	2,728,706	2,887,636
New York City:		
Human Resources Administration - Emergency Food Assistance Program	2,398,506	1,903,483
Human Resources Administration	144,920	198,000
Department for the Aging	377,657	357,241
Council Office	524,977	596,378
Department of Consumer Affairs	1,298,197	1,284,574
Center for Economic Opportunity	165,631	1,543,287
Economic Development Corporation	73,483	-
Department of Youth and Community Development	1,825,186	1,893,699
Corporation for National and Community Service – Volunteers in Service to America	28,708	28,908
Other:		
Internal Revenue Service – Volunteer Income Tax Assistance Program	259,193	132,820
United Way Targeted Food Stamp Outreach Program	34,428	191,724
US Department of Homeland Security – Emergency Food and Shelter National Board	<u>272,643</u>	<u>184,072</u>
	<u>\$ 18,364,462</u>	<u>\$ 20,299,697</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – FOOD AND OTHER PRODUCTS DISTRIBUTION PROGRAM

Food and other products distributed by Food Bank For NYC are provided by various sources, such as donations from the food industry, public food drives, food purchases by Food Bank For NYC, and government-provided products. The total pounds and value of products distributed to more than 1,000 feeding programs for the years ended June 30 were as follows:

	2018		2017	
	<u>Poundage</u>	<u>Value</u>	<u>Poundage</u>	<u>Value</u>
Donated food	17,186,072	\$ 32,379,330	24,696,832	\$ 42,725,519
Purchased food	7,287,749	4,914,033	9,403,734	5,427,726
Government programs	<u>44,600,391</u>	<u>34,273,454</u>	<u>40,602,882</u>	<u>33,160,353</u>
	<u>69,074,212</u>	<u>\$ 71,566,817</u>	<u>74,703,448</u>	<u>\$ 81,313,598</u>

The valuation of donated food received, donated food distributed, and donated food inventory is based on the approximate average wholesale value of one pound of donated product at the national level of \$1.68, \$1.73 and \$1.67, for the years ended December 31, 2018, 2017 and 2016, respectively (as published by Feeding America, a non-profit organization audited by a "Big 4" accounting firm). Donated food inventory amounted to \$1,968,327 and \$1,399,052 for the years ended June 30, 2018 and 2017, respectively.

Purchased food for the years ended June 30, 2018 and 2017 included 1,560,390 pounds and 270,042 pounds, respectively, of wholesale produce bought from New York State farms under the Wholesale Purchase Produce Program piloted by Food Bank For NYC.

NOTE 9 – MORTGAGE LOAN PAYABLE

Food Bank For NYC has a mortgage loan payable with a financial institution ("Lender Bank"). The agreement calls for Food Bank For NYC to make monthly principal only payment amounts of \$9,798 with a balloon principal payment of \$1,185,535 due on August 1, 2023. This loan bears interest at 4.72% per year, payable when the principal installments are due, computed based on the actual number of elapsed days over 360 days. This loan is collateralized by a security agreement that grants the Lender Bank a security interest in all present and future tangible and intangible assets of CFRC and a guarantee from Food Bank For New York City. Food Bank For NYC must comply with certain administrative and financial covenants which it has done.

Future annual principal payments for the years ending after June 30, 2018 are as follows:

2019	\$	117,574
2020		117,574
2021		117,574
2022		117,574
2023		117,574
Thereafter		<u>1,195,332</u>
		1,783,202
Less: deferred mortgage costs		<u>(41,210)</u>
		<u>\$ 1,741,992</u>

Interest expense amounted to \$94,447 and \$100,075 for the years ended June 30, 2018 and 2017, respectively.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of June 30:

	<u>2018</u>	<u>2017</u>
Food distribution (purpose and time restricted)	\$ 868,497	\$ 157,338
Renovation of facilities	-	275,614
Advocacy and education	-	761,332
Children's feeding and nutrition programs	-	193,448
Unappropriated earnings from endowment	1,500	-
Income support services	204,979	351,240
	<u>\$ 1,074,976</u>	<u>\$ 1,738,972</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose and or time specified by the donors and consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Food distribution	\$ 1,941,116	\$ 383,302
Income support services	1,671,261	1,868,760
Children's feeding and nutrition programs	436,230	873,163
Advocacy and education	680,567	367,895
Appropriation of earnings from endowment	-	270
Renovation of facilities	275,614	161,380
	<u>\$ 5,004,788</u>	<u>\$ 3,654,770</u>

NOTE 11 – NET ASSETS AND ENDOWMENTS

Endowment net assets consist of donor permanently restricted funds and a board designated endowment. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. See Note 2B for how Food Bank For NYC maintains its net assets.

Food Bank For NYC adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated, by the organization.

Food Bank For NYC's Board has interpreted NYPMIFA as allowing Food Bank For NYC to appropriate for expenditure or accumulate so much of an endowment fund as Food Bank For NYC determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Food Bank For NYC records earnings on permanently restricted funds not otherwise restricted by the donor as temporarily restricted net assets until appropriated for expenditure by the Board in a manner consistent with the standard of prudence described by NYPMIFA.

In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires Food Bank For NYC to retain to perpetuity is to be reported in unrestricted net assets. Food Bank For NYC has not incurred such deficiencies in its endowment funds as of June 30, 2018 and 2017.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 11 – NET ASSETS AND ENDOWMENTS (Continued)

Food Bank For NYC has adopted investment policies whereby the endowment assets are invested in a manner intended to preserve the assets of donor-restricted funds that Food Bank For NYC must hold in perpetuity while assuming a low level of investment risk. Therefore, the investment objectives require disciplined and consistent management philosophies that accommodate all relevant, reasonable, and probable events. In addition, a periodic review of the total rate of return is required. The Board appropriates for expenditures such amounts it determines may be used to support Food Bank For NYC activities.

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted (Board- designated)	Temporarily Restricted	Permanently Restricted	2018 Total
Balance, at beginning of year	\$ 2,262,742	\$ -	\$ 50,000	\$ 2,312,742
Investment earnings	-	1,500	-	1,500
Appropriated for expenditure	-	-	-	-
Release from board designated	-	-	-	-
Endowment net assets, end of year	<u>\$ 2,262,742</u>	<u>\$ 1,500</u>	<u>\$ 50,000</u>	<u>\$ 2,314,242</u>

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted (Board- designated)	Temporarily Restricted	Permanently Restricted	2017 Total
Balance, at beginning of year	\$ 4,650,000	\$ 270	\$ 50,000	\$ 4,700,270
Investment earnings*	-	-	-	-
Appropriated for expenditure	-	(270)	-	(270)
Release from board designated	(2,387,258)	-	-	(2,387,258)
Endowment net assets, end of year	<u>\$ 2,262,742</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 2,312,742</u>

*No investment earnings were attributable to the permanently restricted funds for the year ended June 30, 2017.

NOTE 12 – SPECIAL EVENTS

Food Bank For NYC hosts special events to raise funds. Net support from special events for the year ended June 30, 2018 was as follows:

	Support	Direct Costs	2018 Special Events
CAN Do Awards	\$ 1,662,447	\$ 563,366	\$ 1,099,081
Other special events	450,196	220,272	229,924
	<u>\$ 2,112,643</u>	<u>\$ 783,638</u>	<u>\$ 1,329,005</u>

Net support from special events for the year ended June 30, 2017 was as follows:

	Support	Direct Costs	2017 Special Events
CAN Do Awards	\$ 1,775,843	\$ 375,467	\$ 1,400,376
Other special events	526,652	190,368	336,284
	<u>\$ 2,302,495</u>	<u>\$ 565,835</u>	<u>\$ 1,736,660</u>

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 13 – RETIREMENT PLAN

Food Bank For NYC has a 403(b) defined contribution retirement plan (the “Plan”). Employees become eligible to contribute to the Plan upon employment. Participating employees may contribute any amount, up to the maximum IRS annual contribution limit. Effective January 1, 2017, Food Bank For NYC modified the Plan to encourage employee participation by providing an employer match up to 5% of employees’ compensation after one year of service. Food Bank For NYC will provide an additional 3% of compensation for non-exempt employees not subject to an employee match. Prior to January 1, 2017, Food Bank For NYC contributed annually, 10% of the employees’ compensation after two years of service subject to the approval of the Board. Retirement expense amounted to \$201,281 and \$416,170 for the years ended June 30, 2018 and 2017, respectively.

NOTE 14 – HEALTH INSURANCE PREMIUMS

In 2004, the Board committed to pay the future health insurance premiums for three former employees. The liability of approximately \$105,000 and \$123,000 as of June 30, 2018 and 2017, respectively, is determined based on estimated premiums over their respective remaining life expectancy and discounted at the rate of 4% per year. Such amounts are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

A. *Funding Source Audits*

Cost reimbursable contracts applicable to various programs conducted for, and on behalf of, New York State and New York City governmental agencies are subject to adjustments for disallowed costs, if any, based on the results of audits by the agencies. Management believes that the results of such audits would not have a material effect on the accompanying consolidated financial statements.

B. *Lease Commitments*

39 Broadway Office

Food Bank For NYC leases office space at 39 Broadway (the Existing Premises) under a non-cancelable lease that expires March 31, 2026.

Additional charges under the lease include real estate taxes and electricity.

Rent expense on the above lease, which is recorded on a straight-line basis, amounted to \$681,496 and \$656,262 for the years ended June 30, 2018 and 2017, respectively. The deferred rent liability, which represents the cumulative difference between the annual straight-line rent expense and the annual rent paid, amounted to \$718,783 and \$731,583 as of June 30, 2018 and 2017, respectively. The liability as of June 30, 2018 and 2017 includes leasehold improvement costs amounting to \$211,125 reimbursed by the lessor to Food Bank For NYC pursuant to the terms of the lease, and is being amortized as a reduction to rent expense over the term of the lease.

71 St. Nicholas Avenue Additional Space

This lease expires January 31, 2022.

Rent expense, which is recorded on a straight-line basis amounted to \$46,777 and \$45,454 for the years ended June 30, 2018 and 2017, respectively.

Hunts Point Cooperative Market, Inc. Sublease

In conjunction with its ownership of 8,361 shares of HPCM cooperative stock (see Note 6), Food Bank For NYC has a sublease (the “Sublease”) with HPCM for the occupancy and use of warehouse and office premises in Hunts Point, New York (Hunts Point Market). This Sublease expires October 30, 2037, unless terminated sooner under its provisions.

HPCM holds a property interest in the Hunts Point Market under its master lease with the City of New York (the “City”). Under the Sublease, Food Bank NYC pays HPCM annual rent, which represents Food Bank NYC’s share of HPCM’s cash requirements, as defined and calculated under the Sublease. HPCM’s cash requirements include, among other things, rent and other charges payable by HPCM to the City, taxes, assessments, water and sewer charges, security, utilities, refrigeration, garbage removal, and other operating expenses.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

The cash requirements and Food Bank's rent are established from time to time by HPCM's Board of Directors. Rent expense for HPCM's office and warehouse premises amounted to \$1,862,211 and \$1,862,458 for the years ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, the future minimum lease payments required under all the preceding leases are as follows:

	39 Broadway Office	71 St. Nicholas Avenue	Hunts Point Cooperative Market Sublease	Total
2019	\$ 523,362	\$ 46,083	\$ 1,862,211	\$ 2,431,656
2020	536,446	47,236	1,862,211	2,445,893
2021	558,513	48,416	1,862,211	2,469,140
2022	598,444	28,651	1,862,211	2,489,306
2023	613,406	-	1,862,211	2,475,617
Thereafter	1,765,550	-	36,002,746	37,768,296
	<u>\$ 4,595,721</u>	<u>\$ 170,386</u>	<u>\$ 45,313,801</u>	<u>\$ 50,079,908</u>

C. *Income Tax*

Food Bank For NYC believes it has no uncertain income tax positions as of June 30, 2018 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 16 – CONCENTRATION

Cash and cash equivalents that potentially subject Food Bank For NYC to a concentration of credit risk include cash accounts at two banks that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$4,447,000 and \$4,646,000 as of June 30, 2018 and 2017, respectively.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through February 4, 2019, the date the consolidated financial statements were available to be issued.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017**

	As of June 30, 2018				As of June 30, 2017			
	Food Bank For NYC	CFRC	Consolidating Eliminations	2018 Consolidated Total	Food Bank For NYC	CFRC	Consolidating Eliminations	2017 Consolidated Total
ASSETS								
Cash and cash equivalents	\$ 3,637,028	\$ -	\$ -	\$ 3,637,028	\$ 3,762,285	\$ -	\$ -	\$ 3,762,285
Investments	105,393	-	-	105,393	340,657	-	-	340,657
Government grants receivable	7,523,563	-	-	7,523,563	6,610,399	-	-	6,610,399
Contributions receivable	1,656,713	-	-	1,656,713	1,886,694	-	-	1,886,694
Accounts receivable, net	60,183	-	-	60,183	201,999	-	-	201,999
Due from subsidiary	1,174,878	-	(1,174,878)	-	944,370	-	(944,370)	-
Purchased products inventory	995,461	-	-	995,461	155,969	-	-	155,969
Donated products inventory	1,947,118	-	-	1,947,118	1,399,052	-	-	1,399,052
Prepaid expenses and other assets	398,811	-	-	398,811	194,589	-	-	194,589
Property and equipment, net	2,901,457	2,099,069	-	5,000,526	3,175,791	1,931,896	-	5,107,687
TOTAL ASSETS	<u>\$ 20,400,605</u>	<u>\$ 2,099,069</u>	<u>\$ (1,174,878)</u>	<u>\$ 21,324,796</u>	<u>\$ 18,671,805</u>	<u>\$ 1,931,896</u>	<u>\$ (944,370)</u>	<u>\$ 19,659,331</u>
LIABILITIES								
Accounts payable and accrued expenses	\$ 4,313,184	\$ -	\$ -	\$ 4,313,184	\$ 4,243,834	\$ -	\$ -	\$ 4,243,834
Accrued salaries	321,255	-	-	321,255	185,293	-	-	185,293
Accrued vacation	319,655	-	-	319,655	377,527	-	-	377,527
Government contract advances	492,715	-	-	492,715	473,926	-	-	473,926
Due to subsidiary	-	1,174,878	(1,174,878)	-	-	944,370	(944,370)	-
Deferred rent	718,783	-	-	718,783	731,583	-	-	731,583
Mortgage loan payable	1,741,992	-	-	1,741,992	1,853,513	-	-	1,853,513
TOTAL LIABILITIES	<u>7,907,584</u>	<u>1,174,878</u>	<u>(1,174,878)</u>	<u>7,907,584</u>	<u>7,865,676</u>	<u>944,370</u>	<u>(944,370)</u>	<u>7,865,676</u>
NET ASSETS								
Unrestricted:								
Operations	7,945,838	(1,174,878)	-	6,770,960	5,432,137	(944,370)	-	4,487,767
Board-designated	2,262,742	-	-	2,262,742	2,262,742	-	-	2,262,742
Invested in property and equipment	1,159,465	2,099,069	-	3,258,534	1,322,278	1,931,896	-	3,254,174
Total unrestricted	11,368,045	924,191	-	12,292,236	9,017,157	987,526	-	10,004,683
Temporarily restricted	1,074,976	-	-	1,074,976	1,738,972	-	-	1,738,972
Permanently restricted	50,000	-	-	50,000	50,000	-	-	50,000
TOTAL NET ASSETS	<u>12,493,021</u>	<u>924,191</u>	<u>-</u>	<u>13,417,212</u>	<u>10,806,129</u>	<u>987,526</u>	<u>-</u>	<u>11,793,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,400,605</u>	<u>\$ 2,099,069</u>	<u>\$ (1,174,878)</u>	<u>\$ 21,324,796</u>	<u>\$ 18,671,805</u>	<u>\$ 1,931,896</u>	<u>\$ (944,370)</u>	<u>\$ 19,659,331</u>

See independent auditors' report.

**FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	Year Ended June 30, 2018						Year Ended June 30, 2017							
	Food Bank New York City			Unrestricted CFRC	Eliminations	2018 Consolidated Total	Food Bank New York City			Unrestricted CFRC	Eliminations	2017 Consolidated Total		
	Unrestricted	Temporarily Restricted	Permanently Restricted				Unrestricted	Temporarily Restricted	Permanently Restricted				Total	
PUBLIC SUPPORT AND REVENUE:														
Contributions - foundations and corporations (includes in-kind contributions and donated services of \$267,691 in 2018 and \$196,634 in 2017)	\$ 3,617,631	\$ 4,339,292	\$ -	\$ 7,956,923	\$ -	\$ -	\$ 7,956,923	\$ 4,226,598	\$ 3,273,896	\$ -	\$ 7,500,494	\$ -	\$ -	\$ 7,500,494
Contributions - Individuals	8,132,898	-	-	8,132,898	-	-	8,132,898	7,894,550	200,000	-	8,094,550	-	-	8,094,550
Special events (net of direct expenses of \$783,638 and \$565,835 in 2018 and 2017, respectively)	1,329,005	-	-	1,329,005	-	-	1,329,005	1,736,660	-	-	1,736,660	-	-	1,736,660
Net assets released from restrictions	5,004,788	(5,004,788)	-	-	-	-	-	3,654,770	(3,654,770)	-	-	-	-	-
Total support	18,084,322	(665,496)	-	17,418,826	-	-	17,418,826	17,512,578	(180,874)	-	17,331,704	-	-	17,331,704
Government contracts	18,364,462	-	-	18,364,462	-	-	18,364,462	20,299,697	-	-	20,299,697	-	-	20,299,697
Donated food received	32,379,330	-	-	32,379,330	-	-	32,379,330	42,725,519	-	-	42,725,519	-	-	42,725,519
Sale of food and paper products	1,174,533	-	-	1,174,533	-	-	1,174,533	1,263,997	-	-	1,263,997	-	-	1,263,997
Investment activity	2,870	1,500	-	4,370	-	-	4,370	12,948	-	-	12,948	-	-	12,948
Other income	161,388	-	-	161,388	-	-	161,388	56,031	-	-	56,031	-	-	56,031
Total revenue	52,082,583	1,500	-	52,084,083	-	-	52,084,083	64,358,192	-	-	64,358,192	-	-	64,358,192
TOTAL PUBLIC SUPPORT AND REVENUE	70,166,905	(663,996)	-	69,502,909	-	-	69,502,909	81,870,770	(180,874)	-	81,689,896	-	-	81,689,896
EXPENSES:														
Program services:														
Distribution and food storage	49,880,737	-	-	49,880,737	-	-	49,880,737	60,526,885	-	-	60,526,885	-	-	60,526,885
Research and policy	241,238	-	-	241,238	-	-	241,238	284,071	-	-	284,071	-	-	284,071
Food and nutrition services	3,393,486	-	-	3,393,486	-	-	3,393,486	3,954,248	-	-	3,954,248	-	-	3,954,248
Community kitchen and food pantry	2,042,774	-	-	2,042,774	63,335	-	2,106,109	2,653,401	-	-	2,653,401	63,335	-	2,716,736
Income support services	4,104,832	-	-	4,104,832	-	-	4,104,832	4,853,984	-	-	4,853,984	-	-	4,853,984
Food and benefits access	1,354,076	-	-	1,354,076	-	-	1,354,076	1,748,510	-	-	1,748,510	-	-	1,748,510
Total program services	61,017,143	-	-	61,017,143	63,335	-	61,080,478	74,021,099	-	-	74,021,099	63,335	-	74,084,434
Supporting services:														
Management and general	3,662,920	-	-	3,662,920	-	-	3,662,920	5,327,454	-	-	5,327,454	-	-	5,327,454
Fundraising	3,135,954	-	-	3,135,954	-	-	3,135,954	2,987,764	-	-	2,987,764	-	-	2,987,764
Total supporting services	6,798,874	-	-	6,798,874	-	-	6,798,874	8,315,218	-	-	8,315,218	-	-	8,315,218
TOTAL EXPENSES	67,816,017	-	-	67,816,017	63,335	-	67,879,352	82,336,317	-	-	82,336,317	63,335	-	82,399,652
CHANGE IN NET ASSETS	2,350,888	(663,996)	-	1,686,892	(63,335)	-	1,623,557	(465,547)	(180,874)	-	(646,421)	(63,335)	-	(709,756)
Net assets - beginning of year	9,017,157	1,738,972	50,000	10,806,129	987,526	-	11,793,655	9,482,704	1,919,846	50,000	11,452,550	1,050,861	-	12,503,411
NET ASSETS - END OF YEAR	\$ 11,368,045	\$ 1,074,976	\$ 50,000	\$ 12,493,021	\$ 924,191	\$ -	\$ 13,417,212	\$ 9,017,157	\$ 1,738,972	\$ 50,000	\$ 10,806,129	\$ 987,526	\$ -	\$ 11,793,655