# REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.
# FINANCIAL REPORT
# DECEMBER 31, 2023

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**

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# INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Regional Food Bank of Northeastern New York, Inc.

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the Regional Food Bank of Northeastern New York, Inc. (Food Bank) (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional Food Bank of Northeastern New York, Inc. as of December 31, 2023, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Regional Food Bank of Northeastern New York, Inc. 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.

### *Change in Accounting Principles*

As discussed in Note 2.n., the Food Bank adopted FASB ASU 2022-02, *Financial Instruments - Credit Losses* (*Topic 326*) and applied this standard prospectively as allowed as of and for the year ended December 31, 2023. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Regional Food Bank of Northeastern New York, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

***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 GAAS and *Government 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 GAAS and *Government 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 Regional Food Bank of Northeastern New York, Inc.'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 Regional Food Bank of Northeastern New York, Inc.'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 Regional Food Bank of Northeastern New York, Inc.'s December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent in all material respects, with the audited financial statements from which it has been derived.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, on our consideration of the Regional Food Bank of Northeastern New York, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional Food Bank of Northeastern New York, Inc.'s internal control over financial reporting and compliance.

Mengel, Metzger, Barr & Co. LLP

Latham, NY
June 27, 2024



WE VALUE YOUR FUTURE

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**
**STATEMENT OF FINANCIAL POSITION**
**DECEMBER 31, 2023**
**(WITH COMPARATIVE TOTALS FOR 2022)**

## ASSETS

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 12,122,700 | $ 20,338,054 |
| Investments | 13,702,723 | 2,699,477 |
| Accounts receivable | | |
| Grants/contracts | 6,458,645 | 4,588,241 |
| Trade/partners, net allowance of $5,000 and $8,700, respectively | 605,889 | 552,837 |
| Contributions, net of allowance of $-0- and $5,000, respectively | 666,736 | 147,906 |
| Inventories, Food and Household Products Purchased | 3,116,826 | 3,665,365 |
| Inventories, Food and Household Products Donated | 4,902,159 | 3,037,608 |
| Prepaid expenses | 107,332 | 211,624 |
| Custodial cash and cash equivalents | 2,329,661 | 2,427,516 |
| Right-of-use asset | 25,815 | 42,796 |
| Property and equipment, net | 16,639,912 | 8,133,264 |
| **TOTAL ASSETS** | $ 60,678,398 | $ 45,844,688 |

## LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 3,027,553 | $ 878,366 |
| Grants payable - agency rebate program | 900,127 | 1,001,678 |
| Deferred revenue | 145,018 | 646,569 |
| Custodial cash and cash equivalents | 2,334,661 | 2,427,516 |
| Lease liability | 25,815 | 42,796 |
| Customer deposits and other liabilities | - | 36,000 |
| Total Liabilities | 6,433,174 | 5,032,925 |
| **Net Assets** | | |
| Without donor restrictions | | |
| Undesignated | 49,628,354 | 38,606,589 |
| Total without donor restrictions | 49,628,354 | 38,606,589 |
| With donor restrictions | 4,616,870 | 2,205,174 |
| Total Net Assets | 54,245,224 | 40,811,763 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 60,678,398 | $ 45,844,688 |

See accompanying notes to financial statements.

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(WITH COMPARATIVE TOTALS FOR 2022)**

| | 2023 | 2022 |
|---|---|---|
| **Net Assets Without Donor Restrictions** | | |
| **Revenues and Support** | | |
| Operating: | | |
| Contributions | $ 4,546,451 | $ 4,748,647 |
| Donated Services | 329,282 | 343,078 |
| Fundraising, appeals | 2,212,069 | 2,240,741 |
| Fundraising, special events | 1,189,583 | 987,377 |
| Grants/contracts | 6,540,715 | 1,003,561 |
| Government Support, NYS HPNAP | 13,634,229 | 19,026,429 |
| Government Support, TEFAP | 1,507,297 | 1,792,949 |
| Food and Household Products Revenue, Purchased | 8,905,419 | 7,679,121 |
| Food and Household Products Revenue, Donated | 61,143,519 | 57,370,774 |
| Shared maintenance revenue | 699,855 | 710,216 |
| Other operating revenue | 4,735 | 160,363 |
| Interest and dividends, net of investment fees | 669,418 | 169,895 |
| Other revenue | 19,248 | 13,741 |
| Net assets released from restrictions | 816,261 | 132,659 |
| Total Operating | 102,218,081 | 96,379,551 |
| Property and Equipment: | | |
| Gain on sale of property and equipment | 25,424 | 553,737 |
| Total Property and Equipment | 25,424 | 553,737 |
| Total Revenues and Support | 102,243,505 | 96,933,288 |
| **Expenses** | | |
| Program Services | 88,627,164 | 93,439,173 |
| Management Services | 2,492,165 | 2,662,649 |
| Fundraising | 895,662 | 861,937 |
| Total Expenses | 92,014,991 | 96,963,759 |
| Change in net assets without donor restrictions before other gains | 10,228,514 | (30,471) |
| Other Gains (Losses) | | |
| Gain (Loss) on investments, net | 793,251 | (493,864) |
| **Change in Net Assets Without Donor Restrictions** | 11,021,765 | (524,335) |
| **Net Assets With Donor Restrictions** | | |
| Contributions and grants | 3,227,957 | 1,295,477 |
| Net assets released from restrictions | (816,261) | (132,659) |
| **Change in Net Assets With Donor Restrictions** | 2,411,696 | 1,162,818 |
| **Change in Net Assets** | 13,433,461 | 638,483 |
| Net Assets, Beginning of Year | 40,811,763 | 40,173,280 |
| **Net Assets, End of Year** | $ 54,245,224 | $ 40,811,763 |

See accompanying notes to financial statements.

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(WITH COMPARATIVE TOTALS FOR 2022)**

| | 2023 | | | | 2022 |
|---|---|---|---|---|---|
| | Program Services | Management Services | Fundraising | Total | Total |
| Operating Expenses: | | | | | |
| Salaries and wages | $ 4,596,039 | $ 972,376 | $ 378,840 | $ 5,947,255 | $ 5,425,762 |
| Payroll taxes and employee benefits | 1,289,574 | 272,833 | 106,296 | 1,668,703 | 1,707,155 |
| Total Personnel Services | 5,885,613 | 1,245,209 | 485,136 | 7,615,958 | 7,132,917 |
| Food and household products, donated | 59,278,968 | - | - | 59,278,968 | 61,118,191 |
| Food and household products, purchased | 17,640,177 | - | - | 17,640,177 | 20,543,211 |
| Food cost, value added product cost | 109,552 | - | - | 109,552 | 65,367 |
| Buildings operation expense | 444,347 | 49,927 | 4,993 | 499,267 | 663,797 |
| Conference fees | - | 44,655 | - | 44,655 | 28,515 |
| Consulting and professional fees | - | 341,231 | - | 341,231 | 289,110 |
| Equipment expenses/maintenance | 79,259 | 258,267 | - | 337,526 | 170,827 |
| Fundraising, appeals expense | - | - | 120,906 | 120,906 | 122,833 |
| Fundraising, special events expenses | - | - | 237,559 | 237,559 | 181,547 |
| Grants - agency rebate | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| HPNAP expenses | 1,994,376 | 40,925 | - | 2,035,301 | 2,797,637 |
| Insurance | 142,564 | 62,657 | - | 205,221 | 205,217 |
| Membership fees | - | 41,202 | - | 41,202 | 48,793 |
| Printing and publications | 44,420 | 9,398 | 3,661 | 57,479 | 51,744 |
| Postage | 23,472 | 4,966 | 1,935 | 30,373 | 38,244 |
| Purchases at donor request | 254,220 | - | - | 254,220 | 96,121 |
| Staff travel | 14,694 | 3,109 | 1,211 | 19,014 | 18,269 |
| Supplies | 160,113 | 153,964 | - | 314,077 | 461,172 |
| Telephone | 35,096 | 7,425 | 2,893 | 45,414 | 40,261 |
| Transportation - commercial | 40,911 | - | - | 40,911 | 43,502 |
| Utilities | 215,058 | 24,164 | 2,416 | 241,638 | 258,757 |
| Vehicle expenses | 464,207 | - | - | 464,207 | 616,356 |
| Waste disposal | 64,766 | 7,277 | 728 | 72,771 | 106,830 |
| Miscellaneous | 566 | 136,350 | 18,427 | 155,343 | 128,390 |
| Total Expenses, Operating | 87,892,379 | 2,430,726 | 879,865 | 91,202,970 | 96,227,608 |
| Property and Equipment: | | | | | |
| Depreciation | 734,785 | 61,439 | 15,797 | 812,021 | 736,151 |
| **Total Expenses** | $ 88,627,164 | $ 2,492,165 | $ 895,662 | $ 92,014,991 | $ 96,963,759 |

See accompanying notes to financial statements.

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(WITH COMPARATIVE TOTALS FOR 2022)**

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Change in net assets | $ 13,433,461 | $ 638,483 |
| Adjustments to reconcile change in net assets to cash provided from operating activities: | | |
| Depreciation | 812,021 | 736,151 |
| (Gain) on sale of property and equipment | (25,424) | (553,737) |
| (Gain) Loss on investments, net | (793,251) | 493,864 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (2,442,286) | (181,177) |
| Inventories, food and household products purchased | 548,539 | (32,012) |
| Inventories, food and household products donated | (1,864,551) | 3,747,417 |
| Prepaid expenses | 104,292 | (80,355) |
| Accounts payable and accrued expenses | 2,149,187 | 442,636 |
| Grants payable - agency rebate program | (101,551) | 501,678 |
| Deferred revenue | (501,551) | (119,629) |
| Custodial cash and cash equivalents | (92,855) | (419,624) |
| Customer deposits and other liabilities | (36,000) | - |
| Cash Provided From Operating Activities | 11,190,031 | 5,173,695 |
| **Cash Flows From Investing Activities** | | |
| Acquisitions of property and equipment | (9,365,745) | (2,383,608) |
| Proceeds from sale of property and equipment | 72,500 | 1,609,000 |
| Purchases of investments | (20,209,222) | (2,107,751) |
| Proceeds from sales/redemptions of investments | 9,999,227 | 2,061,906 |
| Cash (Used For) Investment Activities | (19,503,240) | (820,453) |
| **Increase (Decrease) in Cash and Cash Equivalents** | (8,313,209) | 4,353,242 |
| Cash, Cash Equivalents, and Restricted Cash, Beginning of Year | 22,765,570 | 18,412,328 |
| **Cash, Cash Equivalents, and Restricted Cash, End of Year** | $ 14,452,361 | $ 22,765,570 |
| **Components of Cash, Cash Equivalents, and Restricted Cash** | | |
| Cash and cash equivalents | $ 12,122,700 | $ 20,338,054 |
| Custodial cash and cash equivalents | 2,329,661 | 2,427,516 |
| Total | $ 14,452,361 | $ 22,765,570 |
| **Supplemental Information:** | | |
| Donated stocks immediately sold | $ 39,562 | $ 61,841 |

See accompanying notes to financial statements.

## 1. ORGANIZATION, INCOME TAXES, AND BASIS OF ACCOUNTING AND PRESENTATION

Regional Food Bank of Northeastern New York, Inc. ("Food Bank") is a not-for-profit organization incorporated under the laws of the State of New York in April 1983 and is the registered agent and sole member of Food Bank Ventures, LLC, a New York domestic limited-liability company filed September 2015. The financial statements include the accounts of the Food Bank and Food Bank Ventures, LLC. The Food Bank's mission is to alleviate hunger and prevent food waste. The Food Bank annually provides more than 40 million pounds of food to over 1,000 charitable agencies in 23 counties of northeastern New York. The majority of Food Bank revenues and support are derived from public support (including governmental contracts) and food sales.

The Food Bank qualifies as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code and comparable New York State law, and has been classified as a publicly supported organization that is not a private foundation. Management is not aware of any events that could jeopardize tax-exempt status and has determined the Food Bank does not have uncertain tax positions. Therefore, no provision for income taxes has been made in the accompanying financial statements. For tax purposes, Food Bank Ventures, LLC is considered the same entity as the Food Bank.

The financial statements are prepared on the accrual basis of accounting. The Food Bank reports financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates.

b. Cash and Cash Equivalents

The Food Bank considers all highly liquid investments, such as a cash management plan and brokerage money market account, with an initial maturity of three months or less, to be cash equivalents. Cash equivalents totaled $11,474,463 at December 31, 2023. The Food Bank maintains its cash and cash equivalents with financial institutions in accounts which at times may exceed insured limits. The Food Bank has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash and cash equivalents. Cash in banks in excess of collateral and federal depository insurance coverage totaled $4,030,551 at December 31, 2023.

A cash management plan with a bank includes a repurchase agreement which is not insured by federal deposit insurance coverage. The Food Bank is provided a perfected security interest in direct obligations of the United States of America, or one or more agencies thereof, that are held by the bank as collateral. The repurchase agreement totaled $4,168,987 at December 31, 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c. Custodial Cash and Cash Equivalents
Custodial cash and cash equivalents is cash held for the benefit of Food Bank clients.

d. Investments
Investments consist of equity and fixed income exchange traded products, corporate and municipal bonds, and United States Treasury/Agency securities. The Food Bank reports investments at fair value with gains and losses charged to net assets without donor restrictions unless a donor or law restricts their use. Fair value is determined based upon quoted market prices. When an investment is sold or matures, the realized gain or loss is charged to net assets.

Investments do not represent a significant concentration of market risk. The Food Bank's investment portfolio is diversified. However, investments are exposed to different risks such as interest rate, credit and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Food Bank's account balances and amounts reported in the statement of financial position.

e. Accounts Receivable - Trade/Partners
Accounts receivable are reflected at the current amount due. Finance charges are not assessed on past due balances. The Food Bank provides a $5,000 allowance for credit losses based on collection history and a review of open accounts by management. The risk of loss with respect to trade/partners accounts receivable is generally limited due to the number and diversity of the Food Bank's customer base and the areas and markets in which the customers are located. The Food Bank does not require collateral from its customers.

Accounts receivable are customer obligations due under normal trade terms. The Food Bank performs continuing evaluation of customers' financial condition and generally does not require collateral. At each statement of financial position date, the Food Bank recognizes an expected allowance for credit losses. The allowance for credit losses is updated at each statement of financial position date to reflect any changes in credit risk since the receivable is initially recorded. The allowance for credit losses is calculated on a pooled basis where similar characteristics exist.

The allowance for credit losses is derived from a review of the Food Bank's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Food Bank. The Food Bank believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Food Bank customers have remained constant over the past several years. The allowance for credit losses utilizes a .84% of outstanding trade/partner receivables rounded to the nearest thousand.

The Food Bank writes off receivables when there is information that indicates there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. Write-offs

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e. Accounts Receivable - Trade/Partners
(recoveries) during the years ended December 31, 2023 and 2022 were $(8,700) and $21,479, respectively.

f. Inventories
Food and household products consists of donated and purchased foods, produce and durable household goods inventory. All products are distributed on a first-in first-out basis.

Donated food and household products are valued on a per pound basis weighted-average wholesale value of one pound of donated product based on the national per-pound valuation by food and commodity category as provided by the most recent Independent Accountant's Report on Applying Agreed Upon Procedures related to the Feeding America Product Valuation Methodology Survey.

Purchased food is valued at cost as determined by the first-in, first-out method.

g. Property and Equipment
Property and equipment is stated at cost if purchased or fair value if contributed. The Food Bank's policy is to capitalize property and equipment with a unit value greater than $2,500 and a useful life greater than one year. Depreciation is provided using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Buildings and improvements | 3-40 years |
| Vehicles | 3-10 years |
| Furniture, fixtures and equipment | 3-20 years |

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the term of the related lease.

Property and equipment purchased with a reversionary interest, if any, and routine repairs and maintenance, are expensed as incurred.

The Food Bank reports contributions of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the contributed assets are to be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that are to be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations, the Food Bank reports expirations of donor restrictions when the contributed or acquired long-lived assets are placed in service.

h. Grants Payable
Grants authorized but unpaid at year end are reported as a liability. Grants payable are measured and reported at net realizable value. The Food Bank expects to make payment in one year or less.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Deferred Revenue

Deferred revenue represents payments received which will be earned during future periods when the service is performed or the related expenses are incurred.

j. Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized upon receipt at fair value and are recorded as without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. Contributions required to be reported as support with donor restrictions are then reclassified to net assets without donor restrictions upon expiration of the restrictions. It is Food Bank policy to record contributions with donor restrictions that are received and expended in the same fiscal year as contributions without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are met.

Special Events

The Food Bank records special events revenue when the event takes place.

Revenue from Contracts with Customers

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration the Food Bank expects to be entitled in exchange for those goods or services (i.e., the transaction price). The Food Bank performs an assessment of the customer's ability to pay and determined that there are no implicit price concessions provided. Performance obligations are provided and consumed at a point in time, not over time, and therefore these types of fees are not left unsatisfied at the end of the reporting period. Revenue from contracts with customers includes shared maintenance revenue, purchased food sales, and other operating revenue.

Purchased Food Sales

Revenue from sale of purchased food is recorded when ownership is transferred to the customers, which is when shipment is made. In specific cases, returns are accepted, however, the Food Bank has not experienced any significant amounts of such returns. Revenue is presented net of returns.

Grants/Contracts

Revenue from grants/contracts, principally government contracts, which are generally considered nonreciprocal transactions restricted for certain purposes, is recognized as revenue when eligible qualifying expenditures are incurred and conditions under the agreements are met. The Food Bank has elected the simultaneous release policy available under Accounting Standards Update 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Accounts receivable are recorded at the amount management expects to collect. Cash received on the contracts in advance of being earned is recorded as deferred revenue.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. Revenue Recognition

Grants/Contracts

During the year ended December 31, 2023, conditional awards from grants/contracts for the Hunger Prevention Nutrition Assistance Program ($6,059,125), to increase food donation through Feeding NYS ($63,677), Get Fresh Orange Campaign ($109,204) and Community Development Block Grant for the construction of the food bank in Montgomery County ($5,184,797) totaling $11,416,803 were received but not recognized. Conditional awards will be recorded when they become unconditional.

Donated Services and Use of Facilities

The Food Bank receives significant donated services from unpaid volunteers who assist in fund raising and various projects. The Food Bank received approximately 54,000 volunteer hours from 20,000 individuals during 2023. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied under GAAP.

Noncash Contributions Services and Use of Facilities are recognized at fair value as a contribution when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The amount reported as rent represents the cost the Food Bank would be charged if they continue to occupy the property after the agreed upon date. The Food Bank is occupying this property on a month-to-month basis therefore no amounts related to future year's contributions are recorded within these financial statements.

For the year ended December 31, 2023, contributions of nonfinancial assets, recognized within the statement of activities included:

| | | |
|---|---|---|
| Gift Cards | $ | 17,500 |
| Professional services - legal | | 8,685 |
| Non-Marketable Security | | 83,713 |
| Rent - Cornwall on Hudson | | 193,188 |
| Rent - Freight Farm | | 26,196 |
| | $ | 329,282 |

Donated Food and Household Products

The majority of food distributed by the Food Bank is received from contributions by the general public, New York State, and the United States Department of Agriculture (USDA). The Food Bank recognizes donated food, commodities, and other goods received as Food and Commodities Contributions. Food and Other Commodities are recognized as expenses when distributed. For the year ended December 31, 2023, The Food Bank separately valued items by 22 food-only product categories and 6 non-food-only categories.

k. Functional Expenses

Expenses are charged directly to program or supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

k. Functional Expenses

attributable to more than one program or supporting service. Therefore, those expenses require allocation on a reasonable basis consistently applied. The method used to allocate expenses and the significant expenses allocated are as follows:

Assigned directly based on purpose: Conference fees, consulting and professional fees, equipment expenses/maintenance, fundraising appeals expense, grants, insurance, purchased food, special events, supplies, vehicle expenses, miscellaneous, HPNAP expenses, and depreciation.

Allocated based on estimates of time and effort: Salaries and wages, payroll taxes and employee benefits, printing and publications, postage, and telephone.

Allocated based on use of space in square feet: Buildings operation expense, equipment expenses/maintenance, utilities, and waste disposal.

Management expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Food Bank.

l. Reclassifications

Certain 2022 amounts have been reclassified to conform with the 2023 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications. The reclassifications related to breaking purchases at donor request out into a new line item on the statement of functional expense that had previously been grouped into food and household products, purchased, and equipment expenses/maintenance.

m. Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended December 31, 2022 from which the summarized information was derived**.**

n. Adoption of New Accounting Standards

On January 1, 2023, the Food Bank adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standards affect accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit-risk and the measurement of credit losses. Financial assets held by the Food Bank that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Food Bank has elected the optional transition method and adopted the new guidance on a prospective basis with no restatement of prior periods presented. The adoption of the ASU did not have a material impact on the Food Bank's financial statements.

## 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31, 2023:

| | |
|---|---|
| Receivables due in less than one year | $ 666,736 |
| Receivables due in one to four years | - |
| | 666,736 |
| Allowance for credit losses | - |
| | $ 666,736 |

Contributions receivable were recognized at the promised amount because management believes the difference between the promised amount and the fair value of the promise is immaterial.

## 4. DESIGNATIONS/RESTRICTIONS/LIMITATIONS ON NET ASSETS

No amounts have been designated by the Board at December 31, 2023.

Net assets with temporary donor restrictions are available for the following purposes:

| | |
|---|---|
| Backpack Program | $ 101,993 |
| Farm Irrigation and Seeds/Soil Amendments | 35,422 |
| Specfic Programs | 2,047,150 |
| Capital Campaign - Hudson Valley Building | 1,796,175 |
| Truck Sponsorship | 174,000 |
| RPA Capacity | 368,616 |
| Childrens Program | 7,176 |
| Other Use/Time Restricted | 86,338 |
| | $ 4,616,870 |

## 5. INVESTMENTS

A summary of the Food Bank's investments at December 31, 2023 is as follows:

| | Cost | Fair Value |
|---|---|---|
| Exchange Traded Products: | | |
| Equity | $ 3,810,543 | $ 4,396,883 |
| Fixed Income | 549,687 | 531,665 |
| Other | 54,359 | 52,758 |
| Total Exchange Traded Products | 4,414,589 | 4,981,306 |
| Corporate Bonds | 160,081 | 159,805 |
| Municipal Bonds | 14,855 | 14,374 |
| United States Treasury/Agency Securities | 8,339,777 | 8,397,577 |
| Other | 149,711 | 149,661 |
| | $ 13,079,013 | $ 13,702,723 |

## 5. INVESTMENTS

Investment income (loss) for the year ended December 31, 2023 is as follows:

| | | |
|---|---|---|
| Interest on Cash | $ | 619,399 |
| Dividends and Interest from Investments | | 107,314 |
| Investment Fees | | (57,295) |
| Gain (Loss) on Investments, Net | | 793,251 |
| Total Investment Income (Loss) | $ | 1,462,669 |

## 6. INVENTORY

At December 31, 2023, donated food and household products inventory consists of the following:

| | | |
|---|---|---|
| Inventory beginning balance | $ | 3,037,608 |
| Receipt of donated inventories | | 61,143,519 |
| Distribution of donated inventories | | (59,278,968) |
| Inventory ending balance | $ | 4,902,159 |

See notes 2f and j for additional information related to the recording of the above items.

At December 31, 2023, purchased food and household products inventory consists of the following:

| | | |
|---|---|---|
| Inventory Beginning Balance | $ | 3,665,365 |
| Purchases of inventories | | 17,149,855 |
| Sale of inventories | | (17,698,394) |
| Inventory ending balance | $ | 3,116,826 |

## 7. PROPERTY AND EQUIPMENT

At December 31, 2023, property and equipment consisted of:

| | | |
|---|---|---|
| Land | $ | 1,808,236 |
| Building and Improvements | | 7,950,208 |
| Leasehold Improvements | | 10,530 |
| Furniture, Fixtures and Equipment | | 2,166,724 |
| Vehicles | | 5,639,874 |
| | | 17,575,572 |
| Less Accumulated Depreciation | | 7,438,753 |
| Net Depreciated Value | | 10,136,819 |
| Construction in Progress/deposit on vehicles and equipment | | 6,503,093 |
| Total property and equipment, net | $ | 16,639,912 |

## 8. HUNGER PREVENTION NUTRITION ASSISTANCE PROGRAM

The Food Bank has Hunger Prevention Nutrition Assistance Program (HPNAP) contracts with the New York State Department of Health to provide food and nutrition to needy persons. The Food Bank administers the program and is reimbursed for its services and food by HPNAP.

Revenues from the program during the year ended December 31, 2023 are as follows:

| | |
|---|---|
| New York State Contracts | $ 13,634,229 |

The revenue covers the following programs:

| | |
|---|---|
| Hunger Prevention and Nutrition Assistance Program (HPNAP) | $ 6,371,522 |
| Nourish New York | 7,011,502 |
| Restaurant Resiliency | 50,000 |
| Transportation, Net of Reimbursements | 201,205 |
| | $ 13,634,229 |

## 9. RETIREMENT PLAN

The Food Bank sponsors a defined contribution 401(k) retirement plan covering substantially all employees with at least one year of service. Contributions to the plan are a percentage of annual salary. The approved contribution percentage during 2023 was 5% to 6% depending on years of service. Total retirement expense for the year ended December 31, 2023 was $258,923.

## 10. COMMITMENTS AND CONTINGENT LIABILITIES

Lease Commitments

The Food Bank determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration, and only reassess its determination if the terms and conditions of the agreement are changed.

The Food Bank leases copiers which are classified as operating leases. The leases began February 2020 and January 2023 and end January 2023 and December 2025, respectively. The leases do not provide an option for renewal. The incremental borrowing rate utilized to calculate the lease liability was based on the risk-free rate as of lease commencement as the lease does not provide an implicit borrowing rate. The leases do not contain any material guarantees or restrictive covenants. The Food Bank does not have any finance or sublease activities. The leases are included in Right-of-use asset and Lease liability on the statement of financial position and operating lease expense under these leases is included in Equipment expenses/maintenance on the statement of functional expenses for the year ended December 31, 2023. The Food Bank incurred lease expense for leases that meet the criteria under this standard of $22,464.

## 10. COMMITMENTS AND CONTINGENT LIABILITIES

A summary of the future minimum non-cancelable lease payments is as follows:

| | | |
|---|---|---|
| For the year ending December 31, | 2024 | $ 22,464 |
| | 2025 | 3,544 |
| | 2026 | - |
| | 2027 | - |
| | 2028 | - |
| | Thereafter | - |
| | Total undiscounted cash flows | 26,008 |
| | Less: present value discount | (193) |
| | | $ 25,815 |

The right-of-use assets obtained in exchange for new operating lease liabilities related was $-0- for the year ended December 31, 2023.

Other information on leases is as follows:

| Operating Lease | |
|---|---|
| Weighted average remaining lease term | 1.21 years |
| Weighted average discount rate | 0.94% |

Other Rental Activity:

The Food Bank leases warehouse space under a five-year lease that expires in October 2025. The lease requires base monthly rentals ranging from $4,749 to $5,141. The Food Bank has agreed to pay, as additional rent, tax and operating payments. The lease meets the definition of a cancelable lease and therefore does not meet the criteria to be recorded under ASU 2016-02. Rent expense for this space for the year ended December 31, 2023 amounted to $15,904 and is included within buildings operation expense in the statement of functional expenses. Future annual minimum rentals for the warehouse lease are not included as the lease was terminated in February of 2023.

Line of Credit

The Food Bank maintains a line of credit with a bank to provide short-term borrowings up to $100,000. There was no principal balance outstanding under this line of credit at December 31, 2023. The line of credit carried an interest rate (8.50% at December 31, 2023) equal to the lending bank's prime rate and was collateralized by accounts receivable, inventories, machinery, equipment, furniture and fixtures.

The line of credit is a business commitment subject to continued creditworthiness and review by the lending bank. It is anticipated that a similar line of credit will be maintained in the future.

## 10. COMMITMENTS AND CONTINGENT LIABILITIES

Grant/Contract Programs

The Food Bank participates in grant and assistance programs. These programs are subject to financial and compliance audits by the grantors. The amount of expenditures or funding which may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

Litigation

In the normal course of business, the Food Bank is subject to litigation. There can be no assurance as to the eventual outcome of litigation in which the Food Bank has been named as a defendant or otherwise have possible exposure. It is management's opinion, after considering all relevant facts, that the potential claim resulting from such litigation is adequately covered by insurance or is not likely to have a material adverse effect on the Food Bank's financial position or results of operations.

## 11. FAIR VALUE MEASUREMENTS

FASB "Accounting Standards Codification 820" establishes a framework for measuring fair value. That framework provides a three-tier hierarchy that prioritizes inputs to valuation techniques used to measure fair value as follows:

Level 1 Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs, other than quoted prices in active markets, that are observable either directly or indirectly;

Level 3 Unobservable inputs in which there is little or no market data

The asset or liabilities 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. There have been no changes in the fair value methodologies used as of December 31, 2023.

Assets and liabilities measured at fair value on a recurring basis recognized in the statement of financial position at December 31, 2023, and the level within the fair value hierarchy follows:

| | | |
|---|---|---|
| Cash Equivalents | $ 11,474,463 | Level 1 |
| Investments: | | |
| Exchange Traded Products | 4,981,306 | Level 1 |
| Corporate Bonds | 159,805 | Level 2 |
| Municipal Bonds | 14,374 | Level 2 |
| United States Treasury/Agency Securities | 8,397,577 | Level 2 |
| Other | 149,661 | Level 2 |
| | 13,702,723 | |
| | $ 25,177,186 | |

## 11. FAIR VALUE MEASUREMENTS

Cash, accounts receivable, and liabilities - carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

## 12. AVAILABILITY OF FINANCIAL ASSETS

The Food Bank's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 12,122,700 |
| Investments | 13,702,723 |
| Grants/contracts accounts receivable | 6,458,645 |
| Trade/partners accounts receivable, net | 605,889 |
| Contributions receivable due in less than one year, net | 666,736 |
| | 33,556,693 |
| Less unavailable for general expenditures within one year: | |
| Board designated net assets | - |
| Net assets with donor restrictions | (4,616,870) |
| | $ 28,939,823 |

As part of the Food Bank's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Food Bank invests cash in excess of daily requirements in an interest-bearing cash management plan, money market accounts and investments. To help manage unanticipated liquidity needs, the Food Bank has a line of credit in the amount of $100,000 which it could draw upon (Note 10).

## 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events for possible adjustment or disclosure through June 27, 2024, the date on which the financial statements were available to be issued. Management has determined there are no subsequent events requiring recording or disclosure.

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-through Contract Number | Sub-Recipients | Federal Expenditures |
|---|---|---|---|---|
| Department of Agriculture (USDA): | | | | |
| Pass-through State of New York Executive Department of General Services | | | | |
| Food Distribution Cluster | | | | |
| CAP TEFAP Admin Emergency Food Assistance Program | 10.568 | 4NY801809 | $ - | $ 616,956 |
| Emergency Food Assistance Program Admin Costs | 10.568 | 4NY430803 | - | 593,237 |
| TEFAP Reach and Resiliency Emergency Food Assistance Program | 10.568 | 8NY200100 | - | 173,985 |
| Food Distribution Cluster Admin Costs Subtotal | | | - | 1,384,178 |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | Not Available | 13,856,472 | 13,856,472 |
| Total Food Distribution Cluster | | | 13,856,472 | 15,240,650 |
| Pass-through State of New York Department of Health | | | | |
| SNAP Cluster | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | C-32810GG | - | 146,172 |
| Total USDA | | | 13,856,472 | 15,386,822 |
| Department of Agriculture (USDA): | | | | |
| Pass-through State of New York Executive Department of General Services | | | | |
| Commodity Credit Corporation (CCC) TEFAP | 10.187 | Not Available | - | 297,104 |
| Department of Housing and Urban Development (HUD): | | | | |
| Pass-through U.S. Department of Housing and Urban Devemopment | | | | |
| Community Development Block Grant CARES Act (CDBG-COVID-19) Program | 14.228 | Not Available | - | 5,468,142 |
| Department of Homeland Security: | | | | |
| Pass-through United Way of America | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | Not Available | - | 21,237 |
| Total Federal Expenditures | | | $ 13,856,472 | $ 21,173,305 |

See accompanying notes to Schedule of Expenditures of Federal Awards.

**REGIONAL FOOD BANK OF NORTHEASTERN NEW YORK, INC.**
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**DECEMBER 31, 2023**

## 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Regional Food Bank of Northeastern New York, Inc. (Food Bank) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported in the Schedule are presented on the accrual basis of accounting. The amounts reported as expenditures were obtained from the general ledger and other supporting documentation, which is the source of the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or other cost principles applicable to not-for-profit organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. The Food Bank has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Pass-through entity identifying numbers are presented where available.

## 3. NONCASH ASSISTANCE/EMERGENCY FOOD ASSISTANCE PROGRAM (COMMODITIES)

Federal awards expended in the form of noncash assistance during the year ended December 31, 2023 have been reported at the fair market value of the commodities received and distributed. At December 31, 2023, the Food Bank had food commodities inventory totaling $2,510,328.

## 4. SUBRECIPIENTS

The Emergency Food Assistance Program (Commodities) (TEFAP)
The Food Bank provided federal awards to eligible programs. The value of the commodities distributed totaled $13,856,472 during 2023.

State Administrative Matching Grants for the Hunger Prevention Nutrition Assistance Program
The Food Bank provided operation support grants to eligible programs during 2023. None of this amount was expended from federal awards.

## 5. INSURANCE

The Food Bank did not participate in any federal insurance programs as of December 31, 2023.

## 6. LOANS AND LOAN GUARANTEES

The Food Bank had no federal loans or federal loan guarantees outstanding as of December 31, 2023.

## 7. MATCHING COSTS

The accompanying Schedule of Expenditures of Federal Awards does not include matching costs.

## 8. AUDITS BY OTHER AUDITORS

There were no audits of the Food Bank's federal award programs by other auditors during or covering the year ended December 31, 2023.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Regional Food Bank of Northeastern New York, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Regional Food Bank of Northeastern New York, Inc. (Food Bank) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Food Bank's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Food Bank's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barr & Co. LLP

Latham, NY
June 27, 2024



WE VALUE YOUR FUTURE

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors
Regional Food Bank of Northeastern New York, Inc.

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Regional Food Bank of Northeastern New York, Inc.'s. (Food Bank) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Food Bank complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Food Bank's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Food Bank's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Food Bank's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the Food Bank's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Food Bank's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mengel, Metzger, Barr & Co. LLP

Latham, NY
June 27, 2024

**REGIONAL FOODBANK OF NORTHEASTERN NEW YORK, INC.**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

## Section I - Summary of Auditor's Results

**Financial Statements:**

| | | |
|---|---|---|
| Type of auditor's report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | ___ yes | _X_ no |
| Significant deficiencies identified that are not considered to be material weaknesses? | ___ yes | _X_ none reported |
| Non-compliance material to financial statements noted? | ___ yes | _X_ no |

**Federal Awards:**

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Material weakness(es) identified? | ___ yes | _X_ no |
| Significant deficiencies identified that are not considered to be material weaknesses? | _X_ yes | ____ no |
| Type of auditor's report issued on compliance for major programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | _X_ yes | ___ no |

**Identification of Major Program:**

| Federal Assistance Listing Numbers | Federal Program |
|---|---|
| 14.228 | Community Development Block Grant COVID-19 |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between Type A and B programs: | $750,000 | |
| Auditee qualified as low-risk auditee | _X_ yes | ___ no |

## Section II: Financial Statement Findings

*Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:*

None

**REGIONAL FOODBANK OF NORTHEASTERN NEW YORK, INC.**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

## Section III: Federal Award Findings and Questioned Costs

*Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):*

Significant Deficiency

**2023-001 Federal Agency:** Department of Agriculture (USDA)
**Pass-Through Entity:** State of New York Executive Department of General Services
**Assistance Listing Numbers:** 10.568 and 10.569
**Pass-through Grant Numbers:** 4NY810809, 4NY430803, and 8NY200100
**Program Name:** The Emergency Food Assistance Program (TEFAP), Food Distribution Cluster
**Criteria:** 7 CFR Section 250.19(a) identifies requirements related to record keeping for this major program. It is important to note the Food Bank appeared to maintain the appropriate supporting documents and required components, this finding relates to one component regarding lack of a signoff not lack of documentation.
**Condition:** During our testing, we noted the following:

- The invoices created as a result of USDA orders being made were not consistently signed off on by the recipient agency representative upon pick up or delivery of the commodities.

**Cause:** The Food Bank will always try to get these signatures but there are instances where the recipient agency representative will leave without signing. There is no check for the signoff prior to the recipient agency departing with the goods.
**Effect:** The Food Bank does not have consistent documentation, via a signoff, that goods noted on the invoice were picked up by the recipient agency.
**Questioned Costs:** None
**Context/Sampling:** We selected 40 USDA orders across all recipient agencies. 10 of which were from the top 5 volume sites in 2023 and 30 picked haphazardly. Of these 40, there were 3 instances where the invoice was missing a signature from the recipient agency. The invoice is generated from the same software used by the Food Bank to track inventory throughout the year and at year end. During our testing of the components of this software, specifically, values, receipts of inventory, distributions of inventory, and year end test counts of inventory, we found these transactions to be properly supported and recorded.
**Repeat Finding:** Yes
**Recommendation:** The Food Bank should ensure that when the recipient agencies pick up or have orders delivered, they do not leave without the invoice being properly signed off on.
**View of Responsible Officials:** Management agrees with the finding and will implement the recommendations.

**REGIONAL FOODBANK OF NORTHEASTERN NEW YORK, INC.**
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Status of Prior Year Findings**

2022-001 USDA Invoice Signoffs

Status: This comment is repeated as 2023-001.

2022-002 Debarment Procedures

Status: Corrective action was implemented and this finding is not repeated.