

CONNECTICUT FOOD BANK, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

CONNECTICUT FOOD BANK, INC.

CONTENTS

Independent Auditors' Report	1-2
---	------------

Financial Statements

Statements of Financial Position.....	3-4
Statements of Activities	5
Statements of Changes in Net Assets	6
Statements of Functional Expenses	7
Statements of Cash Flows.....	8-9

Notes to Financial Statements.....	10-32
---	--------------

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Connecticut Food Bank, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Connecticut Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as June 30, 2020 and 2019, and the related statements of activities, change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Food Bank, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

New Haven, CT
February 4, 2021

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,399,325	\$ 1,621,887
Short-term investments	74,203	91,602
Accounts receivable, less allowance for doubtful accounts of \$9,000 in 2020 and \$38,845 in 2019	20,882	107,695
Grants receivable	696,532	303,877
Pledges receivable - current, less allowance for doubtful accounts of \$152,300 in 2020 and 2019	20,000	31,000
Prepaid expenses and other	21,336	27,062
Inventory	<u>2,561,484</u>	<u>3,564,923</u>
Total Current Assets	<u>9,793,762</u>	<u>5,748,046</u>
Assets Whose Use is Limited		
Internally designated by the Board:		
Short-term investments	3,899,828	3,847,047
Investments, at fair value	<u>4,397,950</u>	<u>4,022,464</u>
	8,297,778	7,869,511
Internally designated to fund net assets with donor restrictions:		
Cash and cash equivalents	<u>7,475,010</u>	<u>325,810</u>
Total Assets Whose Use is Limited	<u>15,772,788</u>	<u>8,195,321</u>
Land, Building and Equipment - net	<u>12,684,166</u>	<u>13,127,659</u>
Other Assets		
Pledges receivable - long term	--	9,243
Security deposit	<u>15,914</u>	<u>15,914</u>
Total Other Assets	<u>15,914</u>	<u>25,157</u>
	<u>\$ 38,266,630</u>	<u>\$ 27,096,183</u>

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2020 AND 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 980,595	\$ 522,273
Accrued vacation	--	221,426
Advances from third party grantors	<u>401,205</u>	<u>398,622</u>
Total Current Liabilities	<u>1,381,800</u>	<u>1,142,321</u>
Long-Term Debt - less current maturities, net of unamortized debt issuance costs of \$25,438 in 2020 and \$25,660 in 2019	4,788,298	4,788,076
U.S. Small Business Administration Paycheck Protection Program Loan	998,600	--
Obligation Under Interest Rate Swap Agreement	<u>195,173</u>	<u>59,509</u>
Total Liabilities	<u>7,363,871</u>	<u>5,989,906</u>
Net Assets		
Without donor restrictions		
Designated by the Governing Board	15,772,788	8,195,321
Undesignated	<u>7,654,961</u>	<u>12,585,146</u>
Total without donor restrictions	23,427,749	20,780,467
With donor restrictions	<u>7,475,010</u>	<u>325,810</u>
Total Net Assets	<u>30,902,759</u>	<u>21,106,277</u>
	<u>\$ 38,266,630</u>	<u>\$ 27,096,183</u>

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Revenue and Other Support		
Contributions and fundraising	\$ 10,726,187	\$ 7,874,067
Donated food	42,340,404	39,171,679
Governmental grants	2,074,173	1,322,323
Buying Club revenue	826,107	706,552
Shared maintenance and transportation	175,238	301,010
Storage and handling charges	14,605	23,958
Membership fees	19,080	7,275
Gain on sale of property	39,738	--
Net assets released from restrictions	944,844	221,079
	<u>57,160,376</u>	<u>49,627,943</u>
Expenses		
Program services:		
Food distribution	51,525,229	44,999,296
Public education and awareness	580,279	621,840
Supporting services:		
General and administrative	1,314,340	1,176,122
Fundraising	1,535,548	1,776,564
	<u>54,955,396</u>	<u>48,573,822</u>
Income From Operating Activities	<u>2,204,980</u>	<u>1,054,121</u>
Nonoperating Activities		
Return on investments	155,192	302,348
Interest income	7,115	8,308
	<u>162,307</u>	<u>310,656</u>
Excess of Revenue and Other Support, and Nonoperating Activities, Over Expenses	<u>\$ 2,367,287</u>	<u>\$ 1,364,777</u>

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Net Assets Without Donor Restrictions		
Excess of revenue and other support, and nonoperating activities, over expenses	\$ 2,367,287	\$ 1,364,777
Other changes in net assets without donor restrictions:		
Change in fair value of interest rate swap agreement	(135,665)	(60,986)
Net assets released from restriction, used for the purchase of property and equipment	<u>415,660</u>	<u>130,091</u>
Change in Net Assets Without Donor Restrictions	<u>2,647,282</u>	<u>1,433,882</u>
Net Assets With Donor Restrictions		
Contributions, net of pledges receivable write-offs, and program revenue	8,509,704	74,535
Net assets released from restrictions	<u>(1,360,504)</u>	<u>(351,170)</u>
Change in Net Assets With Donor Restrictions	<u>7,149,200</u>	<u>(276,635)</u>
Change in Net Assets	9,796,482	1,157,247
Net Assets - Beginning	<u>21,106,277</u>	<u>19,949,030</u>
Net Assets - Ending	<u>\$ 30,902,759</u>	<u>\$ 21,106,277</u>

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Year ended June 30, 2020					Year ended June 30, 2019				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Food Distribution	Public Education and Awareness	General and Administrative	Fundraising	Total	Food Distribution	Public Education and Awareness	General and Administrative	Fundraising	Total
Salaries and Related Expenses										
Salaries	\$ 2,417,468	\$ 369,345	\$ 642,616	\$ 537,353	\$ 3,966,782	\$ 2,263,961	\$ 391,464	\$ 552,350	\$ 693,820	\$ 3,901,595
Employee benefits	465,111	71,061	123,637	103,385	763,194	460,675	79,656	112,393	141,180	793,904
Payroll taxes	180,699	27,607	48,034	40,166	296,506	176,979	30,602	43,179	54,238	304,998
Total Salaries and Related Expenses	<u>3,063,278</u>	<u>468,013</u>	<u>814,287</u>	<u>680,904</u>	<u>5,026,482</u>	<u>2,901,615</u>	<u>501,722</u>	<u>707,922</u>	<u>889,238</u>	<u>5,000,497</u>
Food Distribution and Warehouse Expenses										
Food distributed	43,643,615	--	--	--	43,643,615	36,849,916	--	--	--	36,849,916
Other food purchases	2,257,682	--	--	--	2,257,682	1,936,142	--	--	--	1,936,142
Freight	601,283	--	--	--	601,283	1,034,438	--	--	--	1,034,438
Utilities/occupancy	259,738	15,014	12,755	12,755	300,262	288,116	16,507	12,756	12,756	330,135
Truck maintenance and fuel	250,556	--	--	--	250,556	328,654	--	--	--	328,654
Maintenance and repairs	119,097	--	--	--	119,097	135,370	--	--	--	135,370
Storage and handling	53,923	--	--	--	53,923	90,534	--	--	--	90,534
Total Food Distribution and Warehouse Expenses	<u>47,185,894</u>	<u>15,014</u>	<u>12,755</u>	<u>12,755</u>	<u>47,226,418</u>	<u>40,663,170</u>	<u>16,507</u>	<u>12,756</u>	<u>12,756</u>	<u>40,705,189</u>
Other Expenses										
Depreciation and amortization	757,569	44,563	44,563	44,563	891,258	742,955	43,703	43,703	43,703	874,064
Fundraising activities and expenses	--	--	--	762,865	762,865	--	--	--	789,765	789,765
Professional fees	39,847	--	405,960	--	445,807	167,856	--	347,552	--	515,408
Insurance	189,391	10,522	7,826	10,522	218,261	156,145	8,675	7,826	8,675	181,321
Interest expense	159,194	--	--	--	159,194	220,524	--	--	--	220,524
Other administrative	9,086	--	30,212	--	39,298	12,181	--	28,738	--	40,919
Office supplies and expenses	41,142	6,330	9,495	6,330	63,297	45,186	6,951	10,427	6,951	69,515
Travel and meetings	11,487	11,487	--	5,744	28,718	21,549	21,550	--	10,775	53,874
Telephone	28,888	4,085	3,939	3,939	40,851	33,029	4,718	4,718	4,718	47,183
Dues and subscriptions	16,892	2,252	2,252	1,126	22,522	20,955	2,794	2,794	1,397	27,940
Postage and printing	18,543	6,184	6,184	9	30,920	11,093	5,546	5,546	5,546	27,731
Staff training	4,018	2,632	2,632	6,791	16,073	3,038	3,040	3,040	3,040	12,158
Public relations	--	9,197	--	--	9,197	--	6,634	--	--	6,634
Provision for (recovery of) bad debts	--	--	(25,765)	--	(25,765)	--	--	1,100	--	1,100
Total Other Expenses	<u>1,276,057</u>	<u>97,252</u>	<u>487,298</u>	<u>841,889</u>	<u>2,702,496</u>	<u>1,434,511</u>	<u>103,611</u>	<u>455,444</u>	<u>874,570</u>	<u>2,868,136</u>
	<u>\$ 51,525,229</u>	<u>\$ 580,279</u>	<u>\$ 1,314,340</u>	<u>\$ 1,535,548</u>	<u>\$ 54,955,396</u>	<u>\$ 44,999,296</u>	<u>\$ 621,840</u>	<u>\$ 1,176,122</u>	<u>\$ 1,776,564</u>	<u>\$ 48,573,822</u>

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 9,796,482	\$ 1,157,247
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	891,258	874,064
Amortization of debt issuance costs	2,823	15,464
Net realized and unrealized gain on investments	(4,780)	(186,650)
Gain on sale of property	(39,738)	--
Net change in donated food inventory	1,303,211	(2,321,763)
Contributions restricted for capital expenditures	(21,000)	(89,000)
Change in fair value of interest rate swap agreement	135,664	60,987
Changes in assets and liabilities:		
Accounts receivable	86,813	(3,757)
Grants receivable	(392,655)	(185,428)
Pledges receivable	20,243	227,605
Prepaid expenses and other	5,726	22,144
Other inventory	(299,772)	160,161
Accounts payable and accrued expenses	458,322	(31,212)
Accrued vacation	(221,426)	(26,050)
Advances from third party grantors	2,583	206,834
Net Cash Provided by (Used in) Operating Activities	<u>11,723,754</u>	<u>(119,354)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(491,027)	(319,739)
Proceeds from sale of property	83,000	--
Proceeds from sale of short term investments	17,399	261,194
Purchases of short term investments	(52,781)	(1,805,211)
Proceeds from sale of investments	3,087,756	3,059,884
Purchases of investments	<u>(3,458,462)</u>	<u>(1,698,298)</u>
Net Cash Used in Investing Activities	<u>(814,115)</u>	<u>(502,170)</u>

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Financing Activities		
Principal paid on long-term debt	\$ --	\$ (314,506)
Deferred issuance costs incurred	(2,601)	(25,660)
Proceeds from PPP loan	998,600	--
Proceeds from contributions restricted for capital expenditures	<u>21,000</u>	<u>89,000</u>
Net Cash Provided by (Used in) Financing Activities	<u>1,016,999</u>	<u>(251,166)</u>
Net Change in Cash and Cash Equivalents	11,926,638	(872,690)
Cash and Cash Equivalents - Beginning	<u>1,947,697</u>	<u>2,820,387</u>
Cash and Cash Equivalents - Ending	<u>\$ 13,874,335</u>	<u>\$ 1,947,697</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 154,706</u>	<u>\$ 205,532</u>

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

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Connecticut Food Bank, Inc. (the Organization) was incorporated in Connecticut in 1982 as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization solicits, stores, and distributes donated and purchased food through a network of member agencies. The Organization also has direct distribution to clients through its mobile pantry, CSFP and CFAP programs.

SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF ACCOUNTING GUIDANCE

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance in ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted the new guidance for the year ending June 30, 2020, under the full retrospective approach, and its accounting policies related to revenues were revised accordingly. The adoption of ASU 2014-09 did not have a material impact on the Organization’s financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides clarification and guidance for contributions received and contributions made to assist entities in (1) evaluating whether a transaction should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted this ASU during fiscal year 2020, which did not have an impact on the statements of activities and changes in net assets.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable, fair value of assets and liabilities, valuation of donated food, and the estimated useful lives of long lived assets, among others. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including current unrestricted and restricted funds, include investments in highly liquid financial instruments with original maturities of three months or less when purchased. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor under the FDIC's general deposit insurance rules. The Organization, at times, maintains cash deposits in excess of \$250,000 which exceeds FDIC limits. Management believes that credit risk related to those deposits is minimal.

SHORT TERM INVESTMENTS

Short term investments include money market funds, for which the cost approximates the fair value.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are measured at fair value in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Donated investments are recorded at fair value as of the date of receipt. Purchases and sales of securities are recorded on a trade date basis. Investment income is recorded on the accrual basis. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in non-operating activities in the statements of activities unless the income or loss is restricted by donor or law. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$32,842 in 2020 and \$31,692 in 2019, and have been netted against investment return in the accompanying statements of activities.

The Board of Directors develops the investment policies and monitors the Organization's adherence to these investment policies. In accordance with the investment policy, the Organization's invested assets consist of the following:

Operating Funds – funds intended to be used to cover the Organization's short-term operating and program expenses.

Liquidity Funds – funds to be held in reserve to support the Organization's future operations, serve as a resource during fundraising shortfalls, or provide additional support to further the Organization's mission. The overall investment objective is to preserve the long-term purchasing power of these funds assets while realizing appropriate investment return. Liquidity funds may be invested in Treasury bills, mutual funds, exchange-traded funds, equities, fixed income securities, and cash equivalent investments.

Strategic Funds – including special project funds, capital project funds, and Board designated funds. The overall investment objective is to preserve and enhance the long-term purchasing power of these funds assets while ensuring that liquidity requirements can be met. Strategic funds may be invested in Treasury bills, mutual funds, exchange-traded funds, fixed income securities, real estate, commodities, natural-resource related stock, and cash equivalent investments.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets set aside by the Board to fund a designated liquidity reserve in accordance with Feeding America guidelines, and a designated special projects, capital, and Board designated reserve for future capital improvements, a strategic reserve to fund the warehouse/distribution facility, and emergency food purchases, over which the Board retains control and may at its discretion subsequently use for other purposes.

The intended purposes of the funds designated by the Board are as follows at June 30:

	2020	2019
Liquidity Funds	\$ 3,899,828	\$ 3,847,047
Strategic Funds	<u>4,397,950</u>	<u>4,022,464</u>
	<u>\$ 8,297,778</u>	<u>\$ 7,869,511</u>

The Organization has also designated cash and cash equivalents to fund net assets held with donor restrictions.

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable, primarily handling fees billed to member agencies based upon the types of food distributed, and pledges receivable, are stated at the amount the Organization expects to collect. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on a review of the current status of existing receivables, historical collection experience, and other circumstances that may affect the ability of members and others to meet their obligations. Receivables are considered impaired if full payments are not expected to be received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

INVENTORY

Food inventories purchased for resale are stated at the lower of cost, determined by the first-in, first-out method, or market. The value of the donated inventory, donated food revenue and food distributed is based upon a study commissioned by Feeding America, a national food bank network, of the average wholesale value of products donated to the network (see Note 6).

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

GRANTS - The Organization derives its revenues primarily from unconditional grants from the Federal Government and State of Connecticut. Grant revenues from state and federal agencies that are nonreciprocal are treated like contributions. If the grant or contract is conditional, a barrier to entitlement exists, revenue is recognized when the barrier is considered overcome and as allowable expenditures under such agreements are incurred, as an increase to net assets with or without donor restrictions. Advances from third party grantors on the statements of financial position represent grant funds received, however, the conditions have not been met. Some of these funds may ultimately be due back to granting agencies depending on the expenditure requirements of the agencies.

CONTRIBUTIONS AND FUNDRAISING - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value.

The Organization reports contributions of cash and other assets at fair value at the date the contribution. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions.

All donor restricted support is reported as an increase in net assets with restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and contributions or grants that must be used to acquire property and equipment are reported as donor restricted support and are released from restriction once the asset is placed in service.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

PROGRAM FEES - Revenues from activities, including Buying Club, shared maintenance and transportation, storage and handling fees, and membership fees are recognized in the period earned. Performance obligations are determined based on the nature of the goods or services provided. The Organization recognizes revenue and the related accounts receivable at the point in time the services have been provided. Program fee revenues are reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing services. During the fiscal year 2020, some program fees were forgiven in an effort to assist the Organization's member agencies with COVID-19 relief efforts.

The Organization uses the portfolio approach to account for categories of contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major third-party payor classes for outreach services. Based on historical collection trends and other analyses, the Organization believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used. The Organization's initial estimate of the transaction price for goods or services provided subject to revenue recognition is determined by reducing the total standard charges related to the goods or services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Organization's standard charges.

DONATED SERVICES

The Organization has many dedicated volunteers who have donated numerous hours of service in fundraising and community related activities. Because those donated services do not meet the recognition criteria required under accounting principles generally accepted in the United States of America, such services have not been recognized as contribution revenue and expense in the Organization's financial statements.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LAND, BUILDING AND EQUIPMENT

Land, building and equipment are recorded at cost for those assets having a useful life exceeding one year. Maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in the statement of activities.

Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets, as follows:

Building and improvements	5-30 years
Leasehold improvements	5-10 years
Furniture and equipment	5-20 years
Vehicles	5-10 years

IMPAIRMENT OF LONG-LIVED ASSETS

The Organization continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Organization will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest levels for which there are cash flows. There were no impairment losses during the years ended June 30, 2020 and 2019.

FUNCTIONAL ALLOCATION OF EXPENSES

The Organization allocates its expenses on a functional basis among program and supportive services. Expenses that can be identified with a specific program or supportive service are charged directly according to their natural expenditure classification. All other expenses are allocated based on square footage, estimates of time and effort, and other allocation metrics, depending on the nature of the expense.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED FINANCING COSTS

Deferred financing costs are related to the Organization's financing arrangements. These costs are being amortized beginning in 2016 over the lives of the related arrangements.

In accordance with the provisions of FASB ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), the Company presents deferred financing costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The 2014 deferred financing costs of \$53,017 were being amortized over the life of the related debt. The 2019 deferred financing costs of \$25,660 will be amortized beginning in fiscal year 2020. Accumulated amortization and amortization expense related to the deferred financing costs was \$2,823 and \$2,823, respectively, as of and for the year ended June 30, 2020. Accumulated amortization and amortization expense related to the deferred financing costs was \$-0- and \$15,464, respectively, as of and for the year ended June 30, 2019.

INCOME TAXES

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

RECLASSIFICATIONS

Certain amounts in the 2019 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2020 financial statements.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 4, 2021, which is the date these financial statements were available to be issued. Except as described below, no subsequent events requiring recognition or disclosure as of June 30, 2020, have been identified.

On January 27, 2021, the Board of Directors of the Organization approved a strategic transaction whereby the Organization would acquire Foodshare, Inc, a not-for profit based in Bloomfield, CT serving the Greater Hartford area. The effective date for the transaction is January 30, 2021. The merged entity will better be able to address hunger with a united voice, a coordinated distribution model and service programs throughout the state of Connecticut.

NOTE 2 – ACCOUNTS RECEIVABLE

The Organization provides credit without collateral to its participating member agencies, in connection with its shared maintenance fees billed and the buying club program. The Organization performs an evaluation of all new applicants in order to verify eligibility in accordance with established criteria for membership.

NOTE 3 – INVESTMENTS

Long-term investments, recorded in the statements of financial position as assets whose use is limited, consist primarily of equities, corporate bonds, and other securities, and by policy, are not heavily concentrated in any individual security or financial institution.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 – INVESTMENTS (CONTINUED)

Investments are stated at fair value and consist of the following at June 30:

	2020	2019
Money market funds	\$ 238,285	\$ 80,906
Equities	169,042	1,923,182
Exchange traded / closed end funds	893,070	937,609
Government securities	--	336,326
Mutual funds	3,097,553	491,871
Corporate bonds	--	252,570
	<u>\$ 4,397,950</u>	<u>\$ 4,022,464</u>

The following schedule summarizes the return on investments for the years ended June 30:

	2020	2019
Interest and dividends	\$ 150,412	\$ 115,698
Realized gains	<u>415,460</u>	<u>180,415</u>
	565,872	296,113
Unrealized gains	<u>(410,680)</u>	<u>6,235</u>
	<u>\$ 155,192</u>	<u>\$ 302,348</u>

RISKS AND UNCERTAINTIES

The Organization's investment securities are also subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the value of investment securities reported in the Organization's statements of financial position.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS

The Organization has established a framework for measuring fair value, based on a fair value hierarchy contained in Accounting Standards Codification (ASC) 820 that is intended to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology based on unadjusted quoted market prices in active markets that are accessible at the measurement date.

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 asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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 should maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's policy is to recognize significant transfers between levels at the beginning of the reporting period. There were no transfers in 2020 and 2019.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019:

Equities, Mutual Funds, and Exchange Traded/Closed End Funds - Valued at the closing price reported in the active market in which the individual securities are traded.

Government Securities - Valued using contractual cash flows and the interest rate determined by the closing bid price on the last business day of the fiscal year if the same or an obligation with a similar maturity is actively traded.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Corporate Bonds - Valued using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs.

Interest Rate Swap – The interest rate swap is valued using quotations received from the counterparty and models. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The interest rate swap agreement has inputs that can be corroborated by market data and has therefore been classified as Level 2.

The following tables set forth by level within the fair value hierarchy the assets and liabilities at fair value, as of June 30, 2020:

	Assets and Liabilities at Fair Value as of June 30, 2020		
	Level 1	Level 2	Total
Investments:			
Money market funds	\$ 238,285	\$ --	\$ 238,285
Equities	169,042	--	169,042
Mutual Funds	3,097,553	--	3,097,553
Exchange Traded / Closed End Funds	893,070	--	893,070
	4,397,950	--	4,397,950
Short-term investments:			
Money market funds	3,974,031	--	3,974,031
	3,974,031	--	3,974,031
Total Assets at Fair Value	\$ 8,371,981	\$ --	\$ 8,371,981
Liabilities:			
Interest rate swap	\$ --	\$ 195,173	\$ 195,173

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level within the fair value hierarchy the assets and liabilities at fair value, as of June 30, 2019:

Assets and Liabilities at Fair Value as of June 30, 2019			
	Level 1	Level 2	Total
Investments:			
Money market funds	\$ 80,906	\$ --	\$ 80,906
Corporate bonds	--	252,570	252,570
Equities	1,923,182	--	1,923,182
Government securities	--	336,326	336,326
Mutual Funds	491,871	--	491,871
Exchange Traded / Closed End Funds	937,609	--	937,609
	3,433,568	588,896	4,022,464
Short-term investments:			
Money market funds	3,938,649	--	3,938,649
	3,938,649	--	3,938,649
Total Assets at Fair Value	\$ 7,372,217	\$ 588,896	\$ 7,961,113
Liabilities:			
Interest rate swap	\$ --	\$ 59,509	\$ 59,509

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30:

	2020	2019
Receivable in less than one year	\$ 172,300	\$ 183,300
Receivable in one to five years	<u> --</u>	<u> 10,000</u>
	172,300	193,300
Less, allowance for uncollectible accounts	(152,300)	(152,300)
Less, discount to net present value	--	(757)
Net pledges receivable	20,000	40,243
Less current portion	<u> 20,000</u>	<u> 31,000</u>
Pledges receivable, less current portion	<u><u> --</u></u>	<u><u> 9,243</u></u>

NOTE 6 – INVENTORY, DONATED FOOD DISTRIBUTED

Inventory consists of the following at June 30:

	2020	2019
Donated food	\$ 776,824	\$ 574,567
Temporary Emergency Food Assistance Program (TEFAP) commodities	1,215,544	2,877,830
Coronavirus Food Assistance Program (CFAP) commodities	156,818	--
Purchased food	<u> 412,298</u>	<u> 112,526</u>
	<u><u>\$ 2,561,484</u></u>	<u><u>\$ 3,564,923</u></u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 – INVENTORY, DONATED FOOD DISTRIBUTED (CONTINUED)

Throughout the year, the Organization receives donated food from various entities and distributes this food to other not-for-profit agencies. The Organization charges its member agencies certain maintenance and handling fees. The accounting for food products and related fees charged is done on a per pound basis.

The fair values for the donated inventory, donated food revenue, and food distributed are determined based on a study commissioned by Feeding America, a national food bank network, of the average wholesale fair value of products donated to the network. Although the value of items for different organizations may vary, an average wholesale value per pound of \$1.74 and \$1.62 in 2020 and 2019, respectively, was used by the Organization, based on the results of Feeding America's study.

In addition, commodities received under the TEFAP and CFAP programs are valued using the average wholesale value per pound based upon the Feeding America study.

The Organization also distributes purchased food products through several programs, including the Buying Club, and other donor contributions. The Buying Club is a program designed to purchase food products not normally donated to the Organization. The participating member agencies may purchase these food products from the Organization to supplement the donated food products. Buying Club inventory purchases amounted to \$725,728 and \$706,185 for the years ended June 30, 2020 and 2019, respectively.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 – INVENTORY, DONATED FOOD DISTRIBUTED (CONTINUED)

The following is a summary of food donated and distributed for the years ended June 30:

	2020		2019	
	Pounds	Average Wholesale Value	Pounds	Average Wholesale Value
Inventory, beginning of year	354,055	\$ 574,567	358,205	\$ 602,782
Donated food received	<u>14,139,686</u>	<u>24,603,054</u>	<u>16,607,321</u>	<u>26,903,860</u>
	14,493,741	25,177,621	16,965,526	27,506,642
Less:				
Food distributed, including salvage and other adjustments	<u>(14,047,865)</u>	<u>(24,400,797)</u>	<u>(16,611,471)</u>	<u>(26,932,075)</u>
Inventory, end of year	<u>445,876</u>	<u>\$ 776,824</u>	<u>354,055</u>	<u>\$ 574,567</u>

The following is a summary of TEFAP and CFAP commodities received and distributed for the years ended June 30:

	2020		2019	
	Pounds	Average Wholesale Value	Pounds	Average Wholesale Value
Inventory, beginning of year	1,776,439	\$ 2,877,830	314,198	\$ 527,852
CFAP commodities received	336,120	584,849	--	--
TEFAP commodities received	<u>9,857,759</u>	<u>17,152,501</u>	<u>7,572,728</u>	<u>12,267,819</u>
	11,970,318	20,615,180	7,886,926	12,795,671
Less:				
Food distributed, including salvage and other adjustments	<u>(11,181,604)</u>	<u>(19,242,818)</u>	<u>(6,110,487)</u>	<u>(9,917,841)</u>
	<u>(11,181,604)</u>	<u>(19,242,818)</u>	<u>(6,110,487)</u>	<u>(9,917,841)</u>
Inventory, end of year	<u>788,714</u>	<u>\$ 1,372,362</u>	<u>1,776,439</u>	<u>\$ 2,877,830</u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 – LAND, BUILDING AND EQUIPMENT AND DEPRECIATION

A summary of land, building and equipment is as follows at June 30:

	2020	2019
Land	\$ 1,591,631	\$ 1,591,631
Building and improvements	11,427,060	11,427,060
Leasehold improvements	49,815	42,715
Furniture and equipment	1,757,973	1,685,410
Vehicles	<u>1,673,898</u>	<u>1,951,735</u>
	16,500,377	16,698,551
Less, accumulated depreciation and amortization	<u>3,816,211</u>	<u>3,570,892</u>
	<u>\$ 12,684,166</u>	<u>\$ 13,127,659</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	2020	2019
Subject to Expenditure for Specified Purpose:		
Grocery on Wheels program	\$ 125,000	\$ 100,000
Covid-19 emergency response	7,253,809	--
Disaster relief	21,513	21,513
Agency capacity	--	150,000
Other programs	54,688	14,054
Building fund	<u>20,000</u>	<u>40,243</u>
	<u>\$ 7,475,010</u>	<u>\$ 325,810</u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from restrictions by incurring expenses satisfying the restriction purposes or by the occurrence of other events specified by donors during the years ended June 30:

	2020	2019
Purpose Restrictions Accomplished:		
Grocery on Wheels program	\$ 225,000	\$ 200,000
Emergency food purchases	617,790	--
Mobile pantry	85,000	--
Capital equipment purchases	394,660	50,000
Other programs	17,054	12,170
Building fund	21,000	89,000
	<u>\$ 1,360,504</u>	<u>\$ 351,170</u>

In 2020, the Organization received significant support from the general public in the form of grants and contributions to respond to the COVID-19 pandemic, and as of June 30, 2020 funds noted above totaling approximately \$7.25 million are on hand for that continuing effort. Subsequent to year-end, the Organization has committed approximately \$4.8 million of these funds toward its Covid-19 response, including emergency food purchasing, human capital, continued relief from shared maintenance and delivery fees for member agencies, and other infrastructure needs.

NOTE 9 – BANK FINANCING ARRANGEMENTS

TERM LOAN

The Organization had a Term Loan with a bank in the original amount of \$6,290,109, with an original maturity of 5 years, due August 27, 2019, with monthly fixed payments of principal and interest based on a 20 year amortization. The interest rate on the Term Loan was at the bank's LIBOR Advantage rate plus 1.65%. On June 28, 2019, the Organization entered into an Amended and Restated Loan Agreement (Loan Agreement) with the bank in the principal amount of \$4,839,945, to refinance its existing debt. Payments on the Loan Agreement are due as follows: commencing August 1, 2019, the loan is due interest only through and including July 1, 2021, thereafter 96 monthly installments of principal in an amount necessary to amortize the loan over a 20-year mortgage, plus interest, with a final installment of the outstanding balance due July 1, 2029.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 – BANK FINANCING ARRANGEMENTS (CONTINUED)

TERM LOAN (CONTINUED)

Interest on the Loan Agreement is charged at the Adjusted LIBOR Rate in effect for a one-month period plus 1% (1.52263% at June 30, 2020). As of each of the years ended June 30, 2020 and 2019, a total of \$4,813,736 was outstanding on the Term Loan.

The Term Loan agreement includes covenants requiring the maintenance of certain financial ratios. As of June 30, 2020, the Organization was in compliance with all of the financial covenants.

On June 18, 2019, the Organization entered into a new Swap Agreement to manage interest rate exposure with a bank related to the Loan Agreement, effective July 1, 2019, at an initial notional amount of \$2,500,000, to fix the LIBOR rate component at 2.13%, expiring July 1, 2024.

The differential paid or received under the Swap Agreement is accrued consistent with the terms of the Swap Agreement and recognized in interest expense over the term of the related debt. The Swap Agreement does not meet the criteria necessary to qualify as an effective hedge as defined in accounting standards; accordingly, the Organization has reflected the Swap Agreement in the accompanying financial statements at the current fair value in effect, with the resulting change for the year ended June 30, 2020 reflected in the accompanying statement of changes in net assets.

Future maturities of the long-term debt are as follows:

Years ending June 30,	Debt	Debt Issuance Costs	Total Long-Term Debt
2021	\$ --	\$ (2,823)	\$ (2,823)
2022	147,828	(2,823)	145,005
2023	167,290	(2,823)	164,467
2024	174,105	(2,823)	171,282
2025	181,199	(2,823)	178,376
Thereafter	<u>4,143,314</u>	<u>(11,323)</u>	<u>4,131,991</u>
	<u>\$ 4,813,736</u>	<u>\$ (25,438)</u>	<u>\$ 4,788,298</u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 – BANK FINANCING ARRANGEMENTS (CONTINUED)

REVOLVING LINE OF CREDIT

The Organization has a \$1 million revolving line of credit agreement (Line of Credit) with a bank. Advances on the Line of Credit are due on demand, with interest only on outstanding advances at the Adjusted LIBOR Rate in effect for a one-month period plus 1%. As of June 30, 2020 and 2019, no advances were outstanding on the Line of Credit.

The Line of Credit agreement includes covenants requiring the maintenance of certain financial ratios. As of June 30, 2020, the Organization was in compliance with all of the financial covenants.

U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN

On April 27, 2020, the Organization received a loan (the PPP Loan) through Citizens Bank in the amount of \$998,600 under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act. Subject to potential forgiveness, as described below, the PPP Loan matures in two years on April 27, 2022, bears interest at a rate of 1.00% per year and is evidenced by a promissory note dated April 27, 2020 (the Note). Monthly payments of principal and interest are deferred until after any application for forgiveness submitted by the Organization has been acted upon, as described below. The PPP Loan is unsecured and federally guaranteed. The Note contains customary events of default relating to, among other things, failure to make payments of principal and interest and breaches of representations and warranties. The Organization may prepay the PPP Loan at any time prior to maturity with no penalty.

All or a portion of the PPP Loan may be eligible to be forgiven by the U.S. Small Business Administration (SBA) and the lender upon application by the Organization, provided that the Organization shall have used the loan proceeds for eligible purposes, including the payment of payroll, benefits, rent, mortgage interest and utilities, during the 24 week period beginning on the date of funding of the loan (the “covered period”). Not more than 40% of the amount forgiven may be for non-payroll costs. The Corporation will be eligible to submit an application for forgiveness of the PPP Loan for a period of up to ten months after the end of the covered period. Consistent with the requirements of the PPP for loan forgiveness, the Corporation has been using the loan proceeds solely for payment of payroll and otherwise in a manner which it believes satisfy the requirements for loan forgiveness. However, no assurance can be given that any application for loan forgiveness that the Corporation may submit will be approved, in whole or in part.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's primary sources of support are derived from contributions, grants, donated materials and services, and fundraising events. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include donor restricted balances, board-designated investments intended to fund future operations and local program activities not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2020	2019
Financial Assets at Year-End		
Cash and cash equivalents	\$ 13,874,335	\$ 1,947,697
Short-term investments	3,974,031	3,938,649
Investments	4,397,950	4,022,464
Accounts receivable, including grants	717,414	411,572
Pledges receivable	20,000	40,243
Total Financial Assets Available at Year-End	22,983,730	10,360,625
Less Contractual or Donor-Imposed Restrictions:		
Restricted by donors with time or purpose restriction	7,475,010	325,810
Advances from third-party payors	401,205	398,622
Designated by the governing board	8,297,778	7,869,511
Less Financial Assets not Available Within One Year:		
Pledges receivable	--	9,243
Financial Assets Available to Meet Cash Needs for		
General Expenditures Within One Year	<u>\$ 6,809,737</u>	<u>\$ 1,757,439</u>

The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, or other obligations come due. The Organization also has a \$1 million revolving line of credit available (see Note 9).

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 11 – BENEFIT PLAN

The Organization maintains a defined contribution 401(k) plan in which all employees are eligible to participate once they have met certain eligibility requirements. The Organization’s contribution is a matching amount based on half of the employees’ contribution, up to 2 percent. Contribution expense recognized by the Organization was \$56,222 and \$56,611 for the years ended June 30, 2020 and 2019, respectively.

NOTE 12 – GRANTS

A summary of grants is as follows for the years ended June 30:

Grant Title	Amount of Grant	Period Covered	<u>Revenue Recognized</u>		<u>Advances from Third Party Grantors</u>	
			2020	2019	2020	2019
State of Connecticut:						
Department of Social Services:						
Connecticut Nutrition						
Assistance Program (CTNAP)	\$ 3,112,851	October 1, 2016 - June 30, 2020	\$ 658,190	\$ 577,829	\$ 401,205	\$ 398,622
The Emergency Food Assistance Program (TEFAP)	\$ 3,382,199	October 1, 2014 - September 30, 2021	1,292,456	624,826	--	--
Commodity Supplemental						
Food Program (CSFP)	\$ 124,969	October 1, 2019 - September 30, 2020	93,727	--	--	--
	\$ 119,199	October 1, 2018 - September 30, 2019	29,800	89,399	--	--
	\$ 121,076	October 1, 2017 - September 30, 2018	--	30,269	--	--
Totals			<u>\$ 2,074,173</u>	<u>\$ 1,322,323</u>	<u>\$ 401,205</u>	<u>\$ 398,622</u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic which continues to spread throughout the United States and the world. The Organization is monitoring the outbreak of COVID-19 and the related impact on its operations and financial position, in addition to the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Organization's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of the Organization, at the time of issuance, the impact could not be determined.

The extent to which the COVID-19 pandemic further impacts the Organization's operations and financial condition will depend on numerous evolving factors, which are uncertain and cannot be predicted, including duration and scope of the pandemic and associated disruptions; effects of current and future governmental and public responses to changing conditions; and the ability of donors to continue to support the Organization's activities.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters is not expected to have a material effect on the Organization's financial condition or results of operations.