

**RHODE ISLAND COMMUNITY
FOOD BANK ASSOCIATION**

**Financial Statements
and Supplementary Information**

Year Ended June 30, 2011

(With Independent Auditors' Report Thereon)

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rhode Island Community Food Bank Association
and Member Agencies:

We have audited the accompanying statement of financial position of Rhode Island Community Food Bank Association (the Food Bank) as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Food Bank's management. Our responsibility is to express an opinion on these statements based on our audit. The prior year summarized comparative information has been derived from the Food Bank's June 30, 2010 audited financial statements, and in our report dated October 8, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank at June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2011, on our consideration of Rhode Island Community Food Bank Association'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Rhode Island Community Food Bank Association taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of 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 information is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Kelley, Litwin, Penza & Co., Ltd.

October 13, 2011

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF FINANCIAL POSITION
June 30, 2011
(With Comparative Totals at June 30, 2010)



	2011			2010	
	Unrestricted	Restricted	Plant	Total	Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ 1,172,099	\$ 72,810	\$ 119,557	\$ 1,364,466	\$ 1,417,820
Pledges receivable, current	10,125	37,000	-	47,125	59,498
Accounts receivable, net	190,903	-	-	190,903	235,584
Food inventory	503,492	638,954	-	1,142,446	1,168,984
Investments, short-term	1,152,345	-	-	1,152,345	1,251,658
Prepaid expenses	108,719	-	5,528	114,247	87,623
Total current assets	3,137,683	748,764	125,085	4,011,532	4,221,167
Property and equipment, net	-	-	6,458,231	6,458,231	6,577,179
Pledges receivable, long-term	20,248	-	-	20,248	56,500
Investments, long-term	2,336,365	-	1,585	2,337,950	1,834,070
Total Assets	\$ 5,494,296	\$ 748,764	\$ 6,584,901	\$12,827,961	\$ 12,688,916
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable	\$ 56,138	\$ 7,750	\$ 4,528	\$ 68,416	\$ 181,665
Accrued expenses	240,324	88,717	-	329,041	199,091
Total current liabilities	296,462	96,467	4,528	397,457	380,756
Net Assets:					
Unrestricted net assets:					
Undesignated	2,861,469	-	3,074	2,864,543	2,629,842
Board designated:					
Contingency reserve	2,336,365	-	-	2,336,365	1,832,487
Invested in property and equipment	-	-	6,458,231	6,458,231	6,577,179
Total unrestricted net assets	5,197,834	-	6,461,305	11,659,139	11,039,508
Temporarily restricted net assets	-	652,297	119,068	771,365	1,268,652
Total net assets	5,197,834	652,297	6,580,373	12,430,504	12,308,160
Total Liabilities and Net Assets	\$ 5,494,296	\$ 748,764	\$ 6,584,901	\$12,827,961	\$ 12,688,916

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)



	2011				2010
	Operations		Plant	Total	Total
	Unrestricted	Restricted			
Changes in unrestricted net assets:					
Public support and revenue:					
Annual campaign/memberships	\$ 4,095,551	\$ -	\$ -	\$ 4,095,551	\$ 4,012,096
Shared maintenance	331,901	-	-	331,901	361,426
Cooperative buying program	702,900	-	-	702,900	708,013
Special events revenue, net of event expense of approximately \$55,800 and \$46,100 for 2011 and 2010, respectively	138,074	-	-	138,074	64,021
Government grants and contracts	166,753	-	-	166,753	119,515
In-kind contributions	41,500	-	-	41,500	40,332
Promotion sales	17,912	-	-	17,912	39,506
Return on investments	403,256	-	-	403,256	116,563
Other	9,018	-	21,219	30,237	9,922
Gain on disposal of fixed asset	-	-	3,260	3,260	1,800
Total unrestricted support and revenue	<u>5,906,865</u>	<u>-</u>	<u>24,479</u>	<u>5,931,344</u>	<u>5,473,194</u>
Net assets released from restrictions	9,793,865	-	123,118	9,916,983	11,453,754
Total unrestricted public support and revenue	<u>15,700,730</u>	<u>-</u>	<u>147,597</u>	<u>15,848,327</u>	<u>16,926,948</u>
Expenses:					
Program services:					
Food distribution and related services	13,226,314	-	258,678	13,484,992	14,845,222
Supporting services:					
Management and general	721,755	-	14,372	736,127	783,727
Development	993,206	-	14,371	1,007,577	1,038,753
Total supporting services	<u>1,714,961</u>	<u>-</u>	<u>28,743</u>	<u>1,743,704</u>	<u>1,822,480</u>
Total expenses	<u>14,941,275</u>	<u>-</u>	<u>287,421</u>	<u>15,228,696</u>	<u>16,667,702</u>
Changes in unrestricted net assets	759,455	-	(139,824)	619,631	259,246
Changes in temporarily restricted assets:					
Return on investments	-	-	2,630	2,630	826
Food contributions	-	7,640,024	-	7,640,024	9,325,235
USDA food contributions	-	239,536	-	239,536	927,022
Foundation grants	-	898,546	111,150	1,009,696	1,107,951
Government grants and contracts	-	527,810	-	527,810	253,494
Net assets released from restrictions	-	(9,793,865)	(123,118)	(9,916,983)	(11,453,754)
Changes in temporarily restricted net assets	<u>-</u>	<u>(487,949)</u>	<u>(9,338)</u>	<u>(497,287)</u>	<u>160,774</u>
Total changes in net assets	<u>759,455</u>	<u>(487,949)</u>	<u>(149,162)</u>	<u>122,344</u>	<u>420,020</u>
Net assets, beginning of year	4,460,482	1,140,246	6,707,432	12,308,160	11,888,140
Transfers	(22,103)	-	22,103	-	-
Net assets, end of year	<u>\$ 5,197,834</u>	<u>\$ 652,297</u>	<u>\$ 6,580,373</u>	<u>\$ 12,430,504</u>	<u>\$12,308,160</u>

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services				Supporting Services			Total Expenses
	Nutrition Education	Community Kitchen and Kid's Café	Food Distribution	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries and Related Expenses:								
Salaries	\$ 12,575	\$ 203,173	\$ 1,226,266	\$ 1,442,014	\$ 363,696	\$ 465,916	\$ 829,612	\$ 2,271,626
Employees' health, retirement and fringe benefits	2,326	38,592	229,703	270,621	90,735	87,797	178,532	449,153
Payroll taxes	1,016	16,418	98,897	116,331	40,801	37,104	77,905	194,236
Total salaries and related expenses	15,917	258,183	1,554,866	1,828,966	495,232	590,817	1,086,049	2,915,015
Administrative and Program Expenses:								
Advertisement and promotional	-	-	2,112	2,112	-	15,990	15,990	18,102
Agency grants	-	-	92,075	92,075	-	-	-	92,075
Bad debt	-	-	-	-	4,386	-	4,386	4,386
Bank and payroll services fees	-	-	-	-	44,189	-	44,189	44,189
Consultants	21,980	4,032	18,936	44,948	18,189	52,342	70,531	115,479
Direct mail	907	14,648	88,406	103,961	25,400	229,124	254,524	358,485
Dues and subscriptions	-	225	10,938	11,163	3,009	4,752	7,761	18,924
Equipment and maintenance	1,341	9,237	88,797	99,375	18,320	29,470	47,790	147,165
Donated food distributed	-	-	7,890,653	7,890,653	-	-	-	7,890,653
USDA food distributions	-	-	336,064	336,064	-	-	-	336,064
Cooperative buying program	-	-	634,701	634,701	-	-	-	634,701
Food distributions - other	21,469	82,302	1,348,544	1,452,315	-	-	-	1,452,315
Freight and product processing	-	-	199,189	199,189	-	-	-	199,189
Insurance	260	1,042	22,139	23,441	7,773	1,302	9,075	32,516
Lobbying expenses - In-kind	-	-	-	-	36,000	-	36,000	36,000
Other In-kind	-	-	-	-	-	5,500	5,500	5,500
Meetings, conferences and staff training	9,886	424	13,368	23,678	15,445	6,852	22,297	45,975
Mileage	47	1,920	6,990	8,957	430	2,173	2,603	11,560
Miscellaneous	-	-	1,119	1,119	8,801	246	9,047	10,166
Postage	-	1,223	2,820	4,043	5,032	22,840	27,872	31,915
Printing and publication	1,016	1,684	780	3,480	177	18,521	18,698	22,178
Professional fees	-	-	-	-	25,787	-	25,787	25,787
Site reimbursements	-	68,908	-	68,908	-	-	-	68,908
Student expenses	-	31,150	-	31,150	-	-	-	31,150
Supplies	243	17,234	46,334	63,811	4,798	4,625	9,423	73,234
Telephone	135	1,354	10,099	11,588	3,114	2,979	6,093	17,681
Temporary personnel	-	-	26,053	26,053	-	-	-	26,053
Transportation	-	-	99,876	99,876	-	-	-	99,876
Trash removal	-	15,184	35,430	50,614	-	-	-	50,614
Utilities	1,135	4,539	96,446	102,120	5,673	5,673	11,346	113,466
Volunteer expense	-	-	11,954	11,954	-	-	-	11,954
Total administrative and program expenses	58,419	255,106	11,083,823	11,397,348	226,523	402,389	628,912	12,026,260
Depreciation and Amortization	2,874	11,496	244,308	258,678	14,372	14,371	28,743	287,421
Total expenses	\$ 77,210	\$ 524,785	\$ 12,882,997	\$ 13,484,992	\$ 736,127	\$ 1,007,577	\$ 1,743,704	\$ 15,228,696

See accompanying notes to financial statements and independent auditors' report.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Total changes in net assets	\$ 122,344	\$ 420,020
Adjustments to reconcile total changes in net assets to net cash provided by operating activities:		
Depreciation	287,421	275,401
Net change in donated food inventory	347,157	(153,868)
Contribution restricted for purchase of fixed assets	(111,150)	(102,566)
Net realized and unrealized gain on investments	(355,941)	(96,353)
Bad debt expense	4,386	840
Gain on disposal of fixed assets	(3,260)	(1,800)
Donated asset	(21,219)	-
Inventory held for DHS	(88,717)	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Pledges receivable	48,625	(7,410)
Accounts receivable	40,295	(68,546)
Food inventory	(231,902)	(88,427)
Prepaid expenses	(26,625)	(4,119)
Increase (decrease) in:		
Accounts payable	(113,248)	(5,103)
Accrued expenses	129,950	(65,373)
Net cash provided by operating activities	<u>28,116</u>	<u>102,696</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	419,167	1,978,585
Purchase of investments	(467,793)	(1,754,507)
Proceeds from sale of fixed assets	3,260	-
Purchase of property and equipment, net	(147,254)	(38,885)
Net cash provided (used) by investing activities	<u>(192,620)</u>	<u>185,193</u>
Cash Flows from Financing Activities:		
Contribution restricted for purchase of fixed assets	111,150	102,566
Net cash provided by financing activities	<u>111,150</u>	<u>102,566</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(53,354)	390,455
Cash and Cash Equivalents, beginning of year	<u>1,417,820</u>	<u>1,027,365</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,364,466</u></u>	<u><u>\$ 1,417,820</u></u>

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

1. Nature of Operations

The Rhode Island Community Food Bank Association (the Food Bank) is a not-for-profit entity organized under the general laws of the State of Rhode Island. The Food Bank's mission is to provide quality food for distribution by its certified member agencies, community leadership, nutrition training, public information and effective solutions aimed at the elimination of hunger in Rhode Island.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Food Bank is presented to assist the reader in understanding the Food Bank's financial statements. The financial statements and notes are representations of the Food Bank's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The net assets of the Food Bank have been broken down into three different classifications as follows:

Unrestricted net assets - consist of unrestricted amounts that are available for use in carrying out the mission of the Food Bank. The Board has designated the unrestricted net assets as follows:

Undesignated - consists of unrestricted funds available for current use.

Contingency reserve - consists of funds set aside to protect the programs of the Food Bank in the event of economic downturn, unforeseen expenditures, or catastrophic events, which might prevent or inhibit the Food Bank from accomplishing its mission.

Temporarily restricted net assets - consist of those amounts which are donor restricted for a specific purpose. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - result from contributions from donors who place restrictions on the use of donated funds mandating that the original principal remain invested in perpetuity.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

In addition, the activities of the Food Bank are reported in self-balancing fund groups as follows:

Operations Fund - represents funds which are available for support of the Food Bank's programs and day-to-day activities.

Plant Fund - represents funds expended on fixed assets as well as resources designated for further fixed asset acquisitions.

Basis of Accounting

The Food Bank's financial statements are presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of six months or less, except for those amounts contained in the long-term investment portfolio.

Pledges and Accounts Receivable

The Food Bank carries its pledges and accounts receivable at net realizable value. On a periodic basis, the Food Bank evaluates its pledges and accounts receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions.

The Food Bank does not accrue interest on accounts and pledges receivable. A receivable is considered past due if payment has not been received within stated terms. The Food Bank will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to allowance for doubtful accounts.

At year-end, accounts receivable are reported in the statement of financial position net of reserves of approximately \$2,500.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Food Inventory

The majority of the food distributed by the Food Bank is donated. This activity is recorded in the financial statements as a contribution based on per-pound values established by Feeding America, the national food bank network. The Food Bank maintains a perpetual inventory system which was used to determine the year-end inventory balances.

The Food Bank also supplements its donated food supply by purchasing nutritious food items not normally donated to the Food Bank. Purchases made using the Food Bank's unrestricted funds are either distributed free of charge or are sold at a small percentage above the Food Bank's cost. Purchases made using restricted grant funds are distributed to members in the normal course of business or, if requested by the donor, free of charge. Purchased food inventory on hand at year-end is recorded in the accompanying statement of financial position at the lower of cost or market.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. Depreciation is provided using the straight-line method over the respective assets estimated useful lives, ranging from 3 to 40 years.

Investments

Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at fair value in the accompanying financial statements. Short-term investments consist of highly liquid investments with maturities of twelve months or less. Unrealized gains and losses are included in the changes in net assets.

Shared Maintenance Revenue

Shared maintenance revenue arises from a per pound fee charged to member agencies for the Food Bank's product. The revenue is used to help defray operating costs. Shared maintenance fees for the year ended June 30, 2011 were \$0.10 and \$0.18 per pound of product, for emergency and non-emergency providers, respectively.

Revenue Recognition

The Food Bank recognizes contributions in the fiscal year in which the contribution is made. Contributions are recorded either as, unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor imposed restrictions. In-kind contributions of property, goods and/or professional services received are recognized at their respective fair values at the date the contribution was made.

The Food Bank recognizes fees for service and grant revenue when services have been rendered and/or contractual obligations have been met. Until such time that the revenue is earned, the funds received are reported as deferred revenue on the statement of financial position.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Income Taxes

The Food Bank is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Food Bank operates in a manner consistent with its tax-exempt status at both the state and federal level.

Authoritative guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Food Bank's tax returns to determine whether the tax positions are "more likely than not" to be sustained by the applicable tax authority. Tax positions not deemed to meet the "more likely than not" threshold would be recorded as a tax benefit or expense in the current year.

The Food Bank annually files IRS Form 990 - *Return of Organization Exempt From Income Tax* reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities and the federal income tax returns for 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed. The Food Bank currently has no tax examinations in progress.

Estimates and Assumptions

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 and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through October 13, 2011, which is the date these financial statements were available to be issued.

3. Program Service Accomplishments (Unaudited)

With Rhode Island still experiencing record double-digit unemployment, more people turned to the Rhode Island Community Food Bank for support in Fiscal Year 2011. During the fiscal year ended June 30, 2011, the Food Bank distributed nearly 9.4 million pounds of food to its 185 member agencies with 257 program sites. Most of the food distributed, 85 percent, was core, nutritious food including fresh produce, grains, protein and dairy products.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

The financial crisis continued to impact family budgets, resulting in more households experiencing financial hardships and more people visiting the Food Bank's member agencies for food, many for the first time in their lives. The Food Bank's food pantries served 60,000 people on average each month; a 58 percent increase since 2008.

The Food Bank's main function is food acquisition and distribution, yet its programs reach beyond food distribution to better the lives of the poor in the state. Direct service programs such as *Community Kitchen*, *Kids Cafe*, *Neighborhood Pantry Express* and *Raising the Bar on Nutrition* diversify the means by which the problem of hunger can be addressed.

Community Kitchen is a full-time 14 week culinary job-training program for adults transitioning into the workforce. As part of their training, students create nutritious meals for distribution to the *Kids Cafe* after school meal program. During the year ending June 30, 2011, the Food Bank completed three *Community Kitchen* classes. A total of 39 students were enrolled in the program, with 37 students graduating. Approximately 92 percent of the Fiscal Year 2011 graduates have secured employment in the food service industry.

Kids Cafe serves wholesome evening meals to children at risk of hunger, supplementing the federal School Breakfast and School Lunch programs. In Fiscal Year 2011, the Food Bank operated eleven *Kids Cafe* sites in the high-need cities of Providence and Newport in collaboration with existing after school programs in each community: six in collaboration with the Boys & Girls Clubs of Providence; one at the Sackett Street Recreation Center in Providence; one at the West End Community Center in Providence and three at the Boys & Girls Clubs of Newport County. The program provided 2,000 meals each week to more than 500 children who may not otherwise have had access to a nutritious, evening meal.

Raising the Bar on Nutrition (RTB) is the Food Bank's adult nutrition education program which is run in conjunction with its member agencies. The program teaches people with limited resources the best ways to use the food available from the Food Bank to create healthy meals, and how to stretch dollars further in the grocery store by planning recipes and utilizing the Supplemental Nutrition Assistance Program (SNAP) – formerly the federal Food Stamp Program. In Fiscal Year 2011, the Food Bank introduced the program to its Newport agencies.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Neighborhood Pantry Express is a mobile food pantry that uses a farmers' market approach to deliver fresh fruits and vegetables, and other nutritious foods, to areas of high need in the state. The fifth year of the Neighborhood Pantry Express program began in Summer 2010 with weekly deliveries to seven locations - Woonsocket, Newport (two locations), Warwick, Providence, South Kingstown, and Westerly. During the 2010 season, the Food Bank delivered approximately 300,000 pounds of produce and served over 1,100 households with fresh produce through this program. Each household received approximately 250 pounds of produce over the 4 month program. The estimated number of individuals served for the season was 2,817 with each person receiving approximately 105 pounds of produce. About 1/3 of those served were children and 15 percent were seniors. Five local community farms provided fresh produce, but the majority of produce came from Feeding America. Their produce was donated by large farms and growers across the United States.

The Backpack Program served 80 children through the Sullivan School Family Center in Newport during the recent school year. Children identified as "in need" were given a backpack full of nutritious and easy-to-prepare food each Friday to take home on weekends and school vacations. This weekly contact between the participating children and the Center staff facilitated reaching out to parents and connecting them with needed services in the Newport community.

Volunteers helping at the Food Bank were a critical part of meeting the labor requirements of the food sorting and salvage operation. Volunteers also provided transportation, fundraising and administrative support. For the year ending June 30, 2011, volunteers contributed 21,626 hours of service to the Food Bank.

Advocacy, Education and Outreach: The Food Bank provided leadership and information to support increased utilization of government nutrition assistance programs. It also supported efforts to develop effective solutions toward the alleviation of hunger. Highlights of the Food Bank's advocacy and public education included:

- *SNAP (formerly called Food Stamps) Outreach:*
In collaboration with URI's Feinstein Center for a Hunger Free America and the Rhode Island Department of Human Services (DHS), the Food Bank's outreach workers worked with emergency food programs in the high-need cities of Newport and Woonsocket. They worked to increase awareness of SNAP, offered pre-screening for SNAP eligibility and provided assistance in completing the SNAP application.
- *Status Report on Hunger:* In November 2010, the Food Bank released its fourth annual *Status Report on Hunger*, describing the issue of hunger including the root economic causes, efforts to help those who cannot afford food and the challenges facing the organization as the prevalence of hunger increases.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011



- *Hunger Conference:* In cooperation with Edesia Global Nutrition Solutions and Brown University, the Food Bank sponsored a conference, “Hungry for Answers” which invited experts from different fields to address barriers to better nutrition in the United States and around the world.

Summary: The Food Bank continues to acquire and distribute food to its 185 member agencies to meet the growing demand for food assistance in Rhode Island. Additionally, the Food Bank continued to advocate on behalf of the people it serves as well as provide them with the skills necessary to break the cycle of poverty and hunger.

4. Pledges Receivable

At year-end, the Food Bank had several outstanding pledges receivable from individuals and organizations. Payment on these pledges is expected as follows:

Within one year	\$ 47,125
One to two years	10,000
Two to three years	10,248
	<hr/>
Total pledges receivable	<u><u>\$ 67,373</u></u>

5. Property and Equipment

Property and equipment at year-end consists of the following:

Land	\$ 308,000
Building	2,492,000
Building improvements	4,406,551
Motor vehicles	571,751
Equipment	863,789
Furniture and fixtures	66,039
	<hr/>
	8,708,130
Less accumulated depreciation	<hr/> 2,249,899
	<hr/>
Property and equipment, net	<u><u>\$ 6,458,231</u></u>

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

6. Investments, at Fair Value

Authoritative guidance relating to fair value establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Food Bank has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs are developed based on the best information available in the circumstances and may include the Food Bank's own data.)

The Food Bank reports investments at fair value on a recurring basis. These investments are classified as levels 1 and 2 within the fair value hierarchy.

Level 1 investments owned by the Food Bank and listed on a National Securities Exchange, are valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Level 2 investment values are determined by obtaining non-binding market prices from the Food Bank's third party portfolio managers as of the financial statement reporting date. These investments are less actively traded in the market, but quoted market prices exist for similar instruments that are actively traded.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011



The following represents the Food Bank's fair value hierarchy for its investments measured at fair value on a recurring basis at June 30, 2011:

	Level 1	Level 2	Total
Money markets	\$ 1,733,290	\$ -	\$ 1,733,290
Mutual funds:			
Blended funds	227,457	-	227,457
Growth funds	756,428	-	756,428
Value funds	278,100	-	278,100
Bond funds	310,307	-	310,307
Currency funds	18,266	-	18,266
Fixed income funds	81,369	-	81,369
Total mutual funds	<u>1,671,927</u>	<u>-</u>	<u>1,671,927</u>
Equities:			
Energy	5,202	-	5,202
Consumer staples	11,450	-	11,450
Consumer technology	7,032	-	7,032
Financials	13,533	-	13,533
Healthcare	10,446	-	10,446
Information technology	17,634	-	17,634
Materials	9,558	-	9,558
Telecommunication	8,638	-	8,638
Total equities	<u>83,493</u>	<u>-</u>	<u>83,493</u>
Certificates of deposit	<u>-</u>	<u>1,585</u>	<u>1,585</u>
Total	<u>\$ 3,488,710</u>	<u>\$ 1,585</u>	<u>\$ 3,490,295</u>

Total investment income for the year ended June 30, 2011 consisted of \$62,320 in interest and dividends, and \$355,941 in net realized and unrealized gains, less \$12,375 in investment fees.

7. Line of Credit

In July 2011, the Food Bank obtained a line of credit facility providing for borrowings up to \$500,000 with interest payable monthly at the LIBOR rate (0.19% at June 30, 2011) plus 2%, and will change automatically on the first of every month. The line of credit is secured by the Food Bank's cash and investment portfolio.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

8. Temporarily Restricted Net Assets

At year-end, temporarily restricted net assets are available for the following purposes:

	Restricted Operations	Plant	Total
Restricted for major capital improvements and fixed asset acquisition	\$ -	\$ 119,068	\$ 119,068
SNAP Outreach	12,500	-	12,500
Pantry Express	22,250	-	22,250
Agency Shared Maintenance Credit	2,000	-	2,000
Kids Café	35,000	-	35,000
Community Kitchen	20,000	-	20,000
Raising the Bar on Nutrition	10,310	-	10,310
Inventory	550,237	-	550,237
Total	\$ 652,297	\$ 119,068	\$ 771,365

9. In-Kind Contributions

The Food Bank actively solicits and receives support from the community and local businesses in the form of contributed goods and services related to its efforts in responding to local needs, fundraising and administrative functions. Donated materials are recorded at their fair value at the date of the gift.

The Food Bank engaged the services of a pro-bono lobbyist to help secure funding from the State of Rhode Island. The services are included in the statement of activities and changes in net assets at their estimated fair value of \$36,000.

In addition, a substantial number of volunteers have made significant contributions of their time to assist in providing quality program services to the Food Bank. The contributed services consisted primarily of food sorting and salvage operations. For the year ended June 30, 2011, approximately 21,626 hours in volunteer services, were provided to the Food Bank. In accordance with authoritative guidance, however, these services have not been recorded in the financial statements.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

10. Advertising Costs

The Food Bank uses various forms of advertising to promote its programs and recruit for new employees. During the year ended June 30, 2011, the Food Bank expended approximately \$18,102 for advertising, of which approximately \$3,200 was for the recruitment of employees.

11. Allocation of Joint Costs

During the year ended June 30, 2011, the Food Bank conducted activities that included requests for contributions as well as program components. These activities included direct mail campaigns and newsletters. The costs of conducting these activities included a total of \$358,485 of joint costs which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

Program	\$ 103,961
Management and general	25,400
Development	<u>229,124</u>
Total	<u>\$ 358,485</u>

12. Membership Dues

The Food Bank is a member of Feeding America, which is the nation's largest domestic hunger relief organization, consisting of a network of over 200 autonomous food banks and food rescue programs. As a member, the Food Bank is required to distribute all of the food donations received during the fiscal year to other tax-exempt organizations. Membership dues are charged by Feeding America based on two components. The first component is a flat rate, which is charged to all member food banks. Added to the flat rate, is an incremental fee calculated using the food bank's goal factor. The goal factor is determined by using the poverty population rate in the member food bank's service area as compared to the total poverty rate in the U.S. During the year ended June 30, 2011, the Food Bank paid approximately \$9,300 in membership dues.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

13. Pension Plan

The Food Bank provides a 401(k) employee and employer contribution plan and a 403(b) employee contribution plan. Under the 401(k) plan, employees become eligible upon employment with the employer match beginning the first quarter after the employee completes three months of service. There is also a discretionary employer contribution determined by the Board of Directors for all employees with at least three months of service and at least 1,000 hours of service during the year of eligibility.

Pension plan expense for the year ended June 30, 2011 was approximately \$43,100. The 403(b) plan is entirely funded by employee contributions.

14. Supplemental Cash Flow Information

Net cash flows from operating activities for the year ended June 30, 2011, as reported in the accompanying statement of cash flows, excludes the effect of non-cash transactions. During the year ended June 30, 2011, the Food Bank received approximately \$7,879,000 of donated food and health related items. Donated food distributions for the year then ended totaled approximately \$8,226,000.

15. Concentrations of Credit Risk And Market Risk

Financial instruments, which potentially subject the Food Bank to concentrations of credit risk, are cash and cash equivalents, accounts receivable, pledges receivable and investments.

The Food Bank's cash and cash investments are with several financial institutions. The concentration of credit risk, with respect to cash and temporary cash investments, consist of amounts on hand at the financial institutions that are in excess of the federally insured limits. Management does not believe that significant market risk exists at year-end.

A portion of the Food Bank's accounts receivable is due from not-for-profit organizations located in Rhode Island and consist of shared maintenance charges. The financial strength of these organizations are largely unknown.

The Food Bank has a diversified portfolio for all of its investments and retains an investment advisor to attain a prudent level of diversification.

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed-through Rhode Island Department Human Services			
Food donation	10.569	Unknown	\$ 336,064
Emergency food assistance	10.568ARRA	FNSARRA 11-09	268,921
Passed-through Rhode Island Department of Education			
Child and Adult Care Food Program	10.558	38801	135,846
Summer Food Supplemental Feeding Program	10.559	38801	<u>30,907</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 771,738</u></u>

RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Food Bank presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133*, Audits of States, Local Governments and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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***

To the Board of Directors of
Rhode Island Community Food Bank Association:

We have audited the financial statements of the Food Bank as of and for the year ended June 30, 2011, and have issued our report thereon dated October 13, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Food Bank's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over financial reporting.

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 organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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*, (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free of 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 determination of financial statement amounts. 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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, the finance committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kalu, Litwin, Kenya & Co., Ltd.

October 13, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
Rhode Island Community Food Bank Association:

Compliance

We have audited the Food Bank's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended June 30, 2011. The Food Bank's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Food Bank's management. Our responsibility is to express an opinion on the Food Bank's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Food Bank's compliance with those requirements.

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 June 30, 2011.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133, (CONTINUED)**

Internal Control Over Compliance

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Food Bank's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the finance committee, Board of Director's, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kalu, Litwin, Penza & Co., Ltd.

October 13, 2011

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**



SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statements:

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X none reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.569	Food Donations
10.568ARRA	Emergency Food Assistance

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee X Yes _____ No

**RHODE ISLAND COMMUNITY FOOD BANK ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.