

THE RIVER FOOD PANTRY, INC.

FINANCIAL STATEMENTS

December 31, 2019 and 2018

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The River Food Pantry, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of The River Food Pantry, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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.

Auditor's 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 from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 The River Food Pantry, Inc. as of December 31, 2019 and 2018, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, The River Food Pantry, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs; No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*; and ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP
Madison, Wisconsin
March 25, 2020

THE RIVER FOOD PANTRY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and restricted cash	\$ 818,265	\$ 419,745
Prepaid expenses	7,441	8,695
Unconditional promises to give	130,367	82,602
Other receivables	1,513	4,753
Equipment and leasehold improvements, net	187,365	158,956
Total assets	\$ 1,144,951	\$ 674,751
LIABILITIES		
Accounts payable	\$ 15,685	\$ 14,459
Payroll liabilities	43,250	44,701
Capital lease obligation	3,100	4,724
Total liabilities	62,035	63,884
NET ASSETS		
Without donor restrictions	749,870	525,867
With donor restrictions	333,046	85,000
Total net assets	1,082,916	610,867
Total liabilities and net assets	\$ 1,144,951	\$ 674,751

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Donated materials and services	\$ 4,938,444	\$ 5,508,104
Contributions	1,385,834	1,128,184
Special event income	31,573	24,615
Fiscal sponsorship admin fee	12,781	-
Interest income	1,076	476
Other income	2,185	637
	<u>6,371,893</u>	<u>6,662,016</u>
EXPENSES		
Food pantry	5,881,625	6,418,179
Management and general	229,650	187,418
Fundraising	83,215	110,992
	<u>6,194,490</u>	<u>6,716,589</u>
Net assets released from restrictions	<u>46,600</u>	<u>-</u>
Change in net assets without donor restrictions	224,003	(54,573)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	294,646	85,000
Net assets released from restrictions	(46,600)	-
	<u>248,046</u>	<u>85,000</u>
Change in net assets with donor restrictions	<u>248,046</u>	<u>85,000</u>
Change in net assets	472,049	30,427
Net assets at beginning of year	<u>610,867</u>	<u>580,440</u>
Net assets at end of year	<u>\$ 1,082,916</u>	<u>\$ 610,867</u>

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	<u>Food Pantry</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Assistance to individuals - food	\$ 4,341,151	\$ -	\$ -	\$ 4,341,151
Assistance to individuals - clothing	766,122	-	-	766,122
Personnel	565,810	113,710	66,917	746,437
Rent	56,173	1,293	1,292	58,758
Professional fees	6,000	54,620	-	60,620
Office and program supplies	11,443	33,763	136	45,342
Depreciation	37,371	860	860	39,091
Insurance	18,303	3,678	2,165	24,146
Utilities	21,973	505	506	22,984
Dues and subscriptions	-	17,491	-	17,491
Vehicles	17,277	-	-	17,277
Printing and postage	16,401	-	-	16,401
Repairs and maintenance	14,852	342	342	15,536
Telephone	5,394	1,084	638	7,116
Marketing and promotion	-	-	10,320	10,320
Miscellaneous	-	2,238	-	2,238
Volunteer supplies	3,026	-	-	3,026
Travel	329	66	39	434
Total expenses	<u><u>\$ 5,881,625</u></u>	<u><u>\$ 229,650</u></u>	<u><u>\$ 83,215</u></u>	<u><u>\$ 6,194,490</u></u>

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	<u>Food Pantry</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Assistance to individuals - food	\$ 4,523,026	\$ -	\$ -	\$ 4,523,026
Assistance to individuals - clothing	1,143,462	-	-	1,143,462
Personnel	573,568	99,202	85,286	758,056
Rent	51,546	1,186	1,186	53,918
Professional fees	-	38,915	-	38,915
Office and program supplies	8,953	34,027	109	43,089
Depreciation	27,617	636	636	28,889
Insurance	14,266	2,548	2,121	18,935
Utilities	31,213	718	718	32,649
Dues and subscriptions	-	2,733	-	2,733
Vehicles	8,902	1,590	1,324	11,816
Printing and postage	10,275	1,835	1,527	13,637
Repairs and maintenance	17,014	392	392	17,798
Telephone	4,349	777	646	5,772
Marketing and promotion	-	-	17,004	17,004
Miscellaneous	-	2,807	-	2,807
Volunteer supplies	3,699	-	-	3,699
Travel	289	52	43	384
Total expenses	<u><u>\$ 6,418,179</u></u>	<u><u>\$ 187,418</u></u>	<u><u>\$ 110,992</u></u>	<u><u>\$ 6,716,589</u></u>

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 472,049	\$ 30,427
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	-	(85,000)
Depreciation	39,091	28,889
(Increase) decrease in assets		
Prepaid expenses	1,254	6,034
Unconditional promises to give	(47,765)	(58,948)
Other receivables	3,240	(4,753)
Increase (decrease) in liabilities		
Accounts payable	1,226	2,054
Payroll liabilities	(1,451)	42,683
Net cash flows from operating activities	467,644	(38,614)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(67,500)	(13,950)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lease payable	-	4,724
Payments on lease payable	(1,624)	-
Proceeds from contributions restricted for investment in equipment	-	85,000
Net cash flows from financing activities	(1,624)	89,724
Change in cash and restricted cash	398,520	37,160
Cash and restricted cash at beginning of year	419,745	382,585
Cash and restricted cash at end of year	\$ 818,265	\$ 419,745

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The River Food Pantry, Inc. is a non-profit, volunteer-driven, community-funded organization that provides food, resources, and faith to build a stronger community. Programs include groceries, hot, nutritious meals, clothing, and a mobile lunch program for children when they are not in school. The River treats those served with respect and builds them up through hope and encouragement.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected. All unconditional promises to give are receivable in less than one year.

Equipment and Leasehold Improvements

The River capitalizes all expenditures for equipment and leasehold improvements in excess of \$1,000 while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Equipment and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the River with programs throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. Based on a national study of volunteers, the value of the unrecognized volunteer time is estimated for December 31, 2019 and 2018 to be approximately \$1,420,000 and \$1,213,000.

Fiscal Sponsorship

The River entered into a fiscal sponsorship agreement with Food 4 Thought Initiative. The River is the guardian of all funds for Food 4 Thought Initiative. As part of the agreement, the River receives a service fee from Food 4 Thought Initiative for 7% on all revenues gifted or granted to Food 4 Thought Initiative.

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of time and effort include personnel, travel, vehicles, telephone, insurance, and printing and postage. The expenses that are allocated on the basis of square footage include repairs and maintenance, depreciation, rent, utilities, and certain office and program supplies.

The following program service and supporting activities are included in the accompanying financial statements:

Food pantry—Provides respect and hope to those in need by providing food; hot, nutritious meals; and clothing to those in need, along with a mobile lunch program for children.

Management and general—Includes the functions necessary to ensure an adequate working environment, proper administration of activities, and manage the financial and budgetary responsibilities of the River.

Fundraising—Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Income Tax Status

The River is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Adoption of New Accounting Guidance

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance 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 new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The River adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the River's elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The River's revenue is recognized at a point in time based on the transfer of control. In addition, the River's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on the River's financial statements. The majority of the River's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the River's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on November 17, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. The ASU requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Previously, transfers between cash and restricted cash were classified as operating, investing, or financing activities, or as a combination of those activities, in the statement of cash flows. The River adopted the requirements of the ASU as of January 1, 2019, using a retrospective transition method. Accordingly, net cash flows from operating activities decreased \$5 as compared to previously reported amounts on the statement of cash flows for the year ended December 31, 2019.

In addition, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The River adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date. The effect of adopting this new standard was not significant to the River's financial statements.

Date of Management's Review

Management has evaluated subsequent events through March 25, 2020, the date which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact future contributions to the Pantry. Other financial impacts could occur; however, the financial impact and duration cannot be reasonably estimated at this time.

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The River maintains cash balances at several financial institution located in Madison, Wisconsin. The Federal Deposit Insurance Corporation or National Credit Union Administration insures accounts at the institutions up to \$250,000. The River had uninsured cash balances at December 31, 2019 and 2018 of approximately \$429,800 and \$113,500.

NOTE 3 – CASH AND RESTRICTED CASH

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that equal the total amounts on the statements of cash flows as of December 31.

	2019	2018
Cash	\$ 516,781	\$ 412,907
Cash restricted for Food 4 Thought Initiative	294,646	-
Cash restricted for unemployment reserve fund	6,838	6,838
	\$ 818,265	\$ 419,745

NOTE 4 – PROMISSORY NOTE

On July 9, 2019, the River entered into a \$3,000,000 promissory note that was unused as of December 31, 2019. The promissory note has a fixed interest rate of 3%. This note is secured by the mortgage of the property that would be purchased using the funds from this note.

NOTE 5 – UNEMPLOYMENT RESERVE FUND

The River has elected the reimbursement method to finance the cost of unemployment compensation benefits. Under this method, unemployment compensation expense is charged to operations when paid or when the amount of claims can be reasonably estimated. In order to guarantee payment of eligible benefits, the Treasurer of the Wisconsin Unemployment Reserve Fund requires the River to have a reserve totaling \$6,838 available. The River has two separate checking accounts to comply with this requirement.

NOTE 6 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Leasehold improvements	\$ 195,447	\$ 184,130
Equipment	217,604	202,166
Vehicles	180,315	139,570
Website	8,400	8,400
Equipment and leasehold improvements	601,766	534,266
Less accumulated depreciation	414,401	375,310
Equipment and leasehold improvements, net	\$ 187,365	\$ 158,956

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7 – LEASES

Operating Leases

The River leases food pantry and office space under a noncancelable operating lease that expired October 2019 and was renewed through December 2024 and requires monthly payments of \$4,379, with annual increases of 3%. The River entered into a month-to-month office space lease in October 2018 that requires monthly payments of \$500. The River had a month-to-month storage space lease that required monthly payments of \$105. The storage space lease agreement ended in April 2019 and was not renewed. Rent expense for the years ended December 31, 2019 and 2018 was \$58,758 and \$53,918.

Future minimum payments due under the noncancelable operating leases for the years ending December 31:

2020		\$	54,118
2021			55,738
2022			57,410
2023			59,132
2024			60,906
			60,906
		\$	287,304

Capital Lease

In November 2018, the River entered into a copier lease under a noncancelable capital lease that expires November 2021 and requires monthly lease payments of \$143. The economic substance of the lease is that the River is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the River's assets and liabilities. At December 31, 2019, the leased equipment had a cost of \$4,724 and related accumulated depreciation of \$1,024. During 2019, principal payments totaled \$1,624 and interest payments totaled \$235.

Future minimum payments due under the capital lease are as follows:

2020		\$	1,573
2021			1,527
			1,527
Future minimum lease payments			3,100
Less amount representing interest			189
			189
Present value of minimum lease payments		\$	2,911

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 8 – DONATED MATERIALS AND SERVICES

In 2019 and 2018, the donated food was valued at \$1.95 and \$1.81 per pound. In 2019 and 2018, the donated used clothing was valued at \$5.25 per pound and bulk donated new clothing was valued at its fair market value. During the audit, additional donated food was discovered based on review of the invoices. The amount was \$307,323 for 2018 and was added to the previously stated revenue and expenses. The River's donated materials consist of the following:

	2019	2018
Food	\$ 4,128,060	\$ 4,322,482
Clothing	766,122	1,143,462
Office and program supplies	16,672	23,660
Donated materials	\$ 4,910,854	\$ 5,489,604

The fair value of donated services included as contributions in the financial statements and the corresponding expenses are as follows:

2019			
	Food Pantry	Management and General	Fundraising
Building maintenance	\$ 9,560	\$ 220	\$ 220
Band performances	6,000	-	-
Architecture services	-	5,000	-
Consulting services	-	4,800	-
Advertising services	-	-	1,790
	\$ 15,560	\$ 10,020	\$ 2,010
	\$ 15,560	\$ 10,020	\$ 2,010
2018			
	Food Pantry	Management and General	Fundraising
Building maintenance	\$ 9,560	\$ 220	\$ 220
Band performances	6,000	-	-
Architecture services	-	2,500	-
	\$ 15,560	\$ 2,720	\$ 220
	\$ 15,560	\$ 2,720	\$ 220

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 9 – LIQUIDITY AND AVAILABILITY

The following reflects the River's financial assets, which are made up of cash and restricted cash, unconditional promises to give, and other receivables, at the date of the statements of financial position, reduced by amounts that are not available to meet general expenditures within one year of the date of the statements of financial position because of contractual or donor-imposed restrictions:

	2019	2018
Financial assets	\$ 950,145	\$ 507,100
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(333,046)	(85,000)
Restricted for unemployment reserve fund	(6,838)	(6,838)
Financial assets available to meet cash need for general expenditures within one year	\$ 610,261	\$ 415,262

As part of the River's liquidity management, it structures financial assets to be available as its general expenditures, liabilities, and other obligations come due. The River also has a promissory note available for use. The River's goal is to have a minimum of three months on hand at all times.

NOTE 10 – COMMITMENTS

On December 14, 2018, the River entered into a three-year agreement with Aberdeen Consulting LLC beginning January 1, 2019 for information and technology services that requires monthly payments of \$808. Future minimum payments due under the contract are \$9,694 per year for 2020 and 2021.

NOTE 11 – NET ASSETS

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Vehicle	\$ 38,400	\$ 85,000
Food 4 Thought Initiative	294,646	-
	\$ 333,046	\$ 85,000