Food Bank of the Rockies, Inc.

Consolidated Financial Report
with Supplemental Information
June 30, 2019

Contents

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Independent Auditor's Report

To the Board of Directors
Food Bank of the Rockies, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Food Bank of the Rockies, Inc. and its subsidiary (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of the Rockies, Inc. and its subsidiary as of June 30, 2019 and the results of their operations, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Organization adopted the provisions of Accounting Standards Codification (ASC) Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

To the Board of Directors
Food Bank of the Rockies, Inc.

Report on Prior Year Consolidated Financial Statements

The consolidated financial statements of Food Bank of the Rockies, Inc. and its subsidiary as of June 30, 2018 were audited by EKS&H LLLP, whose report dated October 3, 2018 expressed an unqualified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of Food Bank of the Rockies, Inc. and its subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Food Bank of the Rockies, Inc. and its subsidiary's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 11, 2019

Consolidated Statement of Financial Position

June 30, 2019 and 2018

		2019		2018
Assets				
Current Assets				
Cash and cash equivalents	$	361,143	$	383,866
Restricted cash and cash equivalents		382,502		707,398
Receivables:				
Agency support fees, net of allowance of $15,500		85,855		109,803
Pledges receivable		107,142		153,157
Contract receivables		524,670		529,751
Other accounts receivable		32,422		18,994
Total receivables		750,089		811,705
Donated inventory		4,593,664		4,275,738
Purchased inventory		682,856		850,671
Commodities inventory		2,148,838		1,493,325
Investments		6,090,100		4,960,000
Prepaid expenses and other current assets		261,477		375,392
Total current assets		15,270,669		13,858,095
Property and Equipment - Net		12,585,310		13,120,759
Property Held for Sale		-		261,315
Endowment Assets - Investments		2,993,490		3,022,711
Endowment Assets - Life insurance policy		18,332		19,564
Total noncurrent assets		15,597,132		16,424,349
Total assets	**$**	**30,867,801**	**$**	**30,282,444**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	536,710	$	753,024
Accrued liabilities and other		720,388		675,125
Deferred revenue		101,126		131,209
Current portion of capital lease obligations		13,571		12,939
Current portion of long-term debt		183,224		177,863
Total current liabilities		1,555,019		1,750,160
Long-term Debt - Net of current portion		3,010,624		3,194,639
Capital Lease Obligations - Net of current portion		1,160		14,731
Total liabilities		4,566,803		4,959,530
Net Assets				
Net assets without donor restrictions		16,688,024		16,680,555
Net assets with donor restrictions		9,612,974		8,642,359
Total net assets		26,300,998		25,322,914
Total liabilities and net assets	**$**	**30,867,801**	**$**	**30,282,444**

Food Bank of the Rockies, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Purchased food	$ 2,012,810	$ -	$ 2,012,810	$ 1,961,775	$ -	$ 1,961,775
Agency support fees	920,274	-	920,274	831,038	-	831,038
Promotions	411,928	-	411,928	417,527	-	417,527
Contributions	9,847,409	1,257,525	11,104,934	9,961,058	766,394	10,727,452
Donated materials and services	43,840	-	43,840	47,457	-	47,457
Government grants and contracts	3,192,819	-	3,192,819	3,476,511	-	3,476,511
Special event revenue	663,430	-	663,430	771,187	-	771,187
Net investment return and miscellaneous	304,212	99,547	403,759	194,623	180,049	374,672
Gain (loss) on sale of fixed assets	264,811	-	264,811	(6,685)	-	(6,685)
Food contributions	-	79,151,416	79,151,416	-	79,265,295	79,265,295
Commodities contributions	-	10,784,156	10,784,156	-	7,520,398	7,520,398
Net assets released from restrictions - Satisfaction of other restrictions	1,359,896	(1,359,896)	-	1,089,376	(1,089,376)	-
Net assets released from restrictions - Food distributions	88,962,133	(88,962,133)	-	87,414,406	(87,414,406)	-
Total revenue, gains, and other support	107,983,562	970,615	108,954,177	106,158,273	(771,646)	105,386,627
Expenses and Losses						
Program services:						
Agency Distribution	31,118,560	-	31,118,560	28,295,450	-	28,295,450
Nutrition Network	3,214,760	-	3,214,760	3,816,118	-	3,816,118
Mobile Pantry	6,730,472	-	6,730,472	9,220,206	-	9,220,206
Grocery Rescue	38,120,941	-	38,120,941	37,793,250	-	37,793,250
TEFAP	7,541,331	-	7,541,331	3,936,304	-	3,936,304
CSFP	2,717,469	-	2,717,469	2,577,948	-	2,577,948
Wyoming	14,548,082	-	14,548,082	16,777,198	-	16,777,198
Total program services	103,991,615	-	103,991,615	102,416,474	-	102,416,474
Support services:						
Administration and general	1,884,237	-	1,884,237	1,664,645	-	1,664,645
Fundraising	2,100,241	-	2,100,241	2,069,271	-	2,069,271
Total support services	3,984,478	-	3,984,478	3,733,916	-	3,733,916
Total expenses and losses	107,976,093	-	107,976,093	106,150,390	-	106,150,390
Increase (Decrease) in Net Assets	7,469	970,615	978,084	7,883	(771,646)	(763,763)
Net Assets - Beginning of year	16,680,555	8,642,359	25,322,914	16,672,672	9,414,005	26,086,677
Net Assets - End of year	**$ 16,688,024**	**$ 9,612,974**	**$ 26,300,998**	**$ 16,680,555**	**$ 8,642,359**	**$ 25,322,914**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services							Support Services		
	Colorado Agency Distribution	Colorado Nutrition Network	Colorado Mobile Pantry	Colorado Grocery Rescue	Colorado TEFAP	Colorado CSFP	Wyoming	Administration and General	Fundraising	Total
Salary and fringes	$ 2,482,226	$ 580,603	$ 204,182	$ 398,566	$ 411,336	$ 553,732	$ 657,918	$ 1,108,498	$ 782,244	$ 7,179,305
Contributed food distributed	23,655,566	678,463	6,276,868	37,413,318	-	-	10,809,274	-	-	78,833,489
Commodities food distributed	-	-	-	-	6,754,425	1,647,850	1,726,369	-	-	10,128,644
Purchased food distributed	2,035,479	-	111,759	-	1,335	-	348,292	-	-	2,496,865
Distribution costs	1,108,369	27,675	62,964	98,352	59,420	60,285	309,761	293	1,236	1,728,355
Occupancy	383,973	45,041	12,123	15,345	160,802	178,273	143,333	44,881	11,071	994,842
Professional and contract services	401,756	62,483	7,482	12,778	37,435	45,581	57,592	577,978	122,558	1,325,643
Cost of prepared meals and snacks	650	1,660,839	-	-	-	363	102,861	-	-	1,764,713
Special events expense	-	-	-	-	-	-	-	-	219,460	219,460
Direct mail	-	-	-	-	-	-	-	-	773,043	773,043
Other operating	539,920	48,303	17,099	94,783	37,319	153,426	203,669	98,825	175,640	1,368,984
Depreciation	510,621	111,353	37,995	87,799	79,259	77,959	189,013	53,762	14,989	1,162,750
Total functional expenses	**$ 31,118,560**	**$ 3,214,760**	**$ 6,730,472**	**$ 38,120,941**	**$ 7,541,331**	**$ 2,717,469**	**$ 14,548,082**	**$ 1,884,237**	**$ 2,100,241**	**$ 107,976,093**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services							Support Services		
	Colorado Agency Distribution	Colorado Nutrition Network	Colorado Mobile Pantry	Colorado Grocery Rescue	Colorado TEFAP	Colorado CSFP	Wyoming	Administration and General	Fundraising	Total
Salary and fringes	$ 2,576,951	$ 554,544	$ 173,311	$ 442,772	$ 348,628	$ 538,642	$ 681,188	$ 1,268,671	$ 794,248	$ 7,378,955
Contributed food distributed	21,066,084	1,059,082	8,804,786	37,039,679	-	-	11,821,472	-	-	79,791,103
Commodities food distributed	-	-	-	-	3,238,314	1,544,369	2,840,620	-	-	7,623,303
Purchased food distributed	1,889,998	-	91,746	-	-	4,993	352,449	-	-	2,339,186
Distribution costs	1,106,558	33,566	42,784	107,288	53,499	59,119	436,226	1,610	317	1,840,967
Occupancy	351,697	47,240	12,698	16,979	171,289	186,922	164,168	38,592	12,998	1,002,583
Professional and contract services	190,815	53,758	5,575	9,704	32,313	33,484	47,701	191,587	85,484	650,421
Cost of prepared meals and snacks	-	1,898,406	-	-	-	-	118,859	-	-	2,017,265
Special events expense	-	-	-	-	-	-	-	-	214,870	214,870
Direct mail	-	-	-	-	-	-	-	-	764,471	764,471
Other operating	537,167	53,835	16,173	96,840	39,472	142,811	194,558	130,873	183,177	1,394,906
Depreciation	576,180	115,687	73,133	79,988	52,789	67,608	119,957	33,312	13,706	1,132,360
Total functional expenses	**$ 28,295,450**	**$ 3,816,118**	**$ 9,220,206**	**$ 37,793,250**	**$ 3,936,304**	**$ 2,577,948**	**$ 16,777,198**	**$ 1,664,645**	**$ 2,069,271**	**$ 106,150,390**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 978,084	$ (763,763)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation expense	1,162,750	1,132,360
(Gain) loss on disposal of assets	(264,811)	6,685
Gain on investments	(100,779)	(179,981)
Contributed food distributed	88,962,133	87,414,406
Contributed food and commodities	(89,935,572)	(86,785,693)
Endowment contributions	-	(950)
Change in value of life insurance policy	1,232	(68)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Receivables	61,616	75,985
Purchased inventory	167,815	(432,560)
Prepaid expenses and other current assets	113,915	(1,752)
Accounts payable and accrued liabilities	(171,051)	544,776
Deferred revenue	(30,083)	89,559
Net cash and cash equivalents provided by operating activities	945,249	1,099,004
Cash Flows from Investing Activities		
Purchase of property and equipment	(627,301)	(1,276,789)
Proceeds from the sale of property and equipment	526,126	11,000
Purchases of investments	(14,098,100)	(441,324)
Proceeds from sales and maturities of investments	13,098,000	100,000
Net cash and cash equivalents used in investing activities	(1,101,275)	(1,607,113)
Cash Flows from Financing Activities		
Proceeds from long-term debt	-	600,000
Payments on long-term debt	(178,654)	(167,876)
Payments on capital leases	(12,939)	(56,923)
Endowment contributions	-	950
Net cash and cash equivalents (used in) provided by financing activities	(191,593)	376,151
Net Decrease in Cash and Cash Equivalents	(347,619)	(131,958)
Cash and Cash Equivalents - Beginning of year	1,091,264	1,223,222
Cash and Cash Equivalents - End of year	**$ 743,645**	**$ 1,091,264**
Consolidated Statement of Financial Position Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 361,143	$ 383,866
Restricted cash	382,502	707,398
Total cash and cash equivalents	**$ 743,645**	**$ 1,091,264**
Supplemental Cash Flow Information - Cash paid for interest	$ 114,567	$ 102,407

Note 1 - Nature of Business

Food Bank of the Rockies, Inc. (FBR) is a Colorado nonprofit corporation organized to solicit, collect, and distribute food to those in need of assistance through nonprofit member agencies. FBR is a member of Feeding America. Its service area includes 30 counties in Northern Colorado and the entire state of Wyoming.

FBR contracted with the State of Colorado during fiscal years 2019 and 2018 for administration of four United States Department of Agriculture (USDA) programs for northern Colorado: The Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program (CSFP), the Child and Adult Care Food Program (CACFP), and the Summer Food Service Program (SFSP). During fiscal year 2019, FBR contracted with the State of Wyoming for administration of TEFAP and CSFP. During fiscal year 2018, FBR contracted with the State of Wyoming for administration of TEFAP and the National School Lunch Program (NSLP).

TEFAP provides for the distribution of nutritious food to low-income residents upon self-declaration of need. FBR distributes TEFAP commodities to 118 Eligible Recipient Agencies (ERA) throughout Northern Colorado (38 of these ERAs are FBR mobile pantry sites conducting the distributions) and to 38 ERAs in Wyoming.

CSFP works to improve the health of low-income seniors over 60 years of age by supplementing their diets with nutritious USDA commodity foods. Those eligible must meet income guidelines established by the State of Colorado (which is 130 percent of the Federal Poverty Income Guidelines), establish local residency requirements, and be able to provide identification issued by a state or federal agency. FBR is allocated to serve up to 6,740 CSFP recipients monthly at 143 ERA sites throughout the 30-county service area. In Wyoming, FBR serves up to 500 CSFP recipients monthly at 5 ERA sites in 3 counties.

Both CACFP and SFSP are administered by the programs department with meals for low-income children at their 102 Kids Cafe sites. Kids Cafe programs serve meals to children at risk of hunger at locations offering recreation, tutoring, and mentoring programs. Also, through CACFP, the After-School Snacks Program supplies snacks to sites providing after-school tutoring to low-income students. Although not a federal program, FBR's Totes of Hope™ program is designed to meet the needs of hungry children at times when other resources are not available, such as weekends and school vacations. Children in the Totes of Hope™ program discreetly receive a backpack filled with food each Friday to take home for the weekend. FBR distributes 5,500 totes per week in Colorado and 1,200 totes per week in Wyoming.

Food Bank of the Rockies Endowment Fund (FBREF) is a Colorado nonprofit corporation organized for the sole purpose of holding, operating, and managing an endowment fund to support FBR.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The financial statements include the accounts of FBR and its controlled subsidiary, FBREF (collectively, the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Note 2 - Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

As of July 1, 2018, applied retrospectively to all years presented, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. For the year ended June 30, 2018, net assets that were previously reported as temporarily and permanently restricted have been identified as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. There were no restatements to the prior year as a result of adopting the amendment. Amounts previously recorded as permanently restricted and temporarily restricted as of June 30, 2018 were $1,870,441 and $6,771,918, respectively. These amounts combined to represent the amount with donor restrictions of $8,642,359 as of June 30, 2018.

Upcoming Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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 ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization has not yet determined which application method it will use.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Organization is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Organization’s financial statements as a result of the Organization's operating leases, as disclosed in Note 11, that will be reported on the consolidated balance sheet at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 - Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization's year ending June 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash balances in excess of the FDIC's insurance limit of $250,000.

Restricted Cash

Restricted cash represents contributions that have been received but have not been expended for their restricted purpose, as well as a debt service reserve fund.

Agency Support Fees Receivable

Balances represent agency support fees that have not yet been collected. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on the specific circumstances of the agencies. As of June 30, 2019 and 2018, the Organization reserved an allowance for doubtful accounts of $15,500.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value and those that are expected to be collected in future years are recorded at the present value of estimated future cash flows. As of June 30, 2019 and 2018, there were $107,142 and $153,157 in pledges receivable outstanding, respectively. The Organization expects that all promises to give are fully collectible; accordingly, there was no allowance for uncollectible pledges receivable. No discount has been recorded related to pledges receivable, as all outstanding amounts are expected to be collected within one year.

Note 2 - Significant Accounting Policies (Continued)

Contracts Receivable

Balances represent amounts due from the State of Colorado for contracted services based on contracted prices. The Organization provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on the specific circumstances. Management considers all contracts receivable collectible, and, therefore, an allowance for doubtful accounts has not been recorded at June 30, 2019 and 2018.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the consolidated statement of activities and changes in net assets. Certificates of deposits are recorded at amortized cost.

Food Inventory

Donated food inventory is valued at an average of the national wholesale prices, as determined by Feeding America. Purchased food inventory is valued at the cost of products purchased, as determined by the first-in, first-out method. Donated commodities inventory received from the USDA is valued based on prices provided by the USDA.

Property and Equipment

Property and equipment with unit costs of $5,000 or more are capitalized at cost if purchased and at fair value if contributed. Depreciation of property and equipment is computed on the straight-line method based upon the estimated useful lives of the assets, which range from 1 to 37 years.

Property Held for Sale

Property held for sale represents a certain building and land that the Organization decided to sell during 2018 and, therefore, ceased depreciating. During 2018, the Organization entered into a commitment for the sale of the property. The closing date of the sale occurred on July 2, 2018 for $526,126, net of closing costs, and was due in full upon the closing date of the sale. As of June 30, 2018, assets held for sale included cost and accumulated depreciation of $590,346 and $329,031, respectively.

Long-lived Assets

The Organization reviews the recoverability of long-lived assets, including buildings and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

As of June 30, 2019 and 2018, no impairment was required to be recognized.

Note 2 - Significant Accounting Policies (Continued)

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Donated Services

A number of volunteers have donated time to the Organization. During the years ended June 30, 2019 and 2018, volunteers from the community donated approximately 111,500 and 122,900 hours, respectively, which were valued based on the industry standards at approximately $3,123,614 and $3,291,000, respectively, to assist the Organization in achieving the goals of its programs; however, no value for these services has been recorded in the accompanying consolidated financial statements, as specialized skills were not required.

Deferred Revenue

Registration fees and other receipts relating to future years are deferred and recognized as revenue in the applicable future period when the related expenses are incurred.

Donated Food and Commodities

The Organization receives donated food and commodities from local area merchants, the USDA, and Feeding America.

During the year ended June 30, 2019, FBR received and distributed approximately 48,900,000 and 48,600,000 pounds, respectively, of donated usable food. During the year ended June 30, 2018, FBR received and distributed approximately 47,200,000 and 47,400,000 pounds, respectively, of donated usable food. As of June 30, 2019 and 2018, donated food inventory consisted of approximately 2,840,000 pounds at an average value of $1.62 per pound and approximately 2,560,000 pounds at an average value of $1.68 per pound, respectively. The inventory value is determined by Feeding America.

During the years ended June 30, 2019 and 2018, the Organization received approximately 13,200,000 and 10,000,000 pounds of commodities, respectively, and distributed approximately 12,500,000 and 10,100,000 pounds of commodities, respectively.

FBR purchases high-protein foods and produce to supplement contributed food. As of June 30, 2019 and 2018, purchased food inventory was $682,856 and $850,671, respectively.

Agency Support Fee Revenue

For the years ended June 30, 2019 and 2018, agencies in Colorado supported FBR with a maximum fee of $0.12 and $0.10 per donated pound, respectively, on selected categories of donated products to partially offset the handling and redistribution costs incurred by FBR. For the years ended June 30, 2019 and 2018, agencies in Wyoming supported FBR with a maximum fee of $0.19 per donated pound. Fees during 2019 and 2018 were based on the types of product distributed. The average support fee per donated pound was approximately $0.02 for the years ended June 30, 2019 and 2018 with approximately 48,600,000 and 47,400,000 donated pounds distributed for the years ended June 30, 2019 and 2018, respectively. The Organization distributed approximately 38,100,000 and 36,800,000 pounds of donated food at no fee in the years ended June 30, 2019 and 2018, respectively.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Salary-related costs are allocated based on the percentage of time spent by individuals working on multiple programs. Other shared costs are allocated between the various programs and support services based on the percentage of total square footage utilized. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 11, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated balance sheet date for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	$ 361,143	$ 383,866
Receivables:		
Agency support fees	85,855	109,803
Pledges	107,142	153,157
Contracts	524,670	529,751
Other	32,422	18,994
Investments	6,090,100	4,960,000
Total	$ 7,201,332	$ 6,155,571

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $2,980,000 and $2,930,000 at June 30, 2019 and 2018, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

The Organization has a line of credit with available borrowings of $1,000,000.

The Organization also realizes there could be unanticipated liquidity needs.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Investments:				
Corporate bonds	$ -	$ 1,088,058	$ -	$ 1,088,058
Municipal bonds	-	259,195	-	259,195
U.S. Treasurys	-	5,898,581	-	5,898,581
Money market mutual funds	394,488	-	-	394,488
Equities	1,191,288	-	-	1,191,288
Equity mutual funds	251,980	-	-	251,980
Total investments	$ 1,837,756	$ 7,245,834	$ -	$ 9,083,590

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Investments:				
Corporate bonds	$ -	$ 962,098	$ -	$ 962,098
Municipal bonds	-	277,454	-	277,454
U.S. Treasurys	-	49,309	-	49,309
Money market mutual funds	138,966	-	-	138,966
Equities	1,248,774	-	-	1,248,774
Equity mutual funds	346,110	-	-	346,110
CDs (not subject to fair value classification)				4,960,000
Total investments	$ 1,733,850	$ 1,288,861	$ -	$ 7,982,711

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

	2019	2018
Realized and unrealized gains	$ 100,779	$ 179,981
Interest from certificates of deposit and commercial paper	91,005	35,377
Total	$ 191,784	$ 215,358

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018
Buildings	$ 5,516,512	$ 5,516,512
Leasehold improvements	6,821,413	6,088,384
Transportation equipment	4,243,000	4,018,004
Furniture and equipment	3,247,717	3,177,087
Land	1,360,830	1,360,830
Construction in progress	23,124	919,677
Total cost	21,212,596	21,080,494
Accumulated depreciation	8,627,286	7,959,735
Net property and equipment	$ 12,585,310	$ 13,120,759

Note 6 - Line of Credit

Under a line of credit agreement with a bank, the Organization has available borrowings of approximately $1,000,000. Interest accrues at the greater of the prime rate or 5.25 percent (5.5 percent at June 30, 2019) and matures in August 2020. The line of credit is collateralized by the Denver headquarters building. There was no outstanding balance due on the line of credit at June 30, 2019 or 2018.

Note 7 - Capital Leases

The Organization leases equipment under long-term lease arrangements that are classified as capital leases. For financial statement purposes, the present values of the net minimum lease payments have been capitalized and are being amortized over the useful lives of the assets. Under the terms of the lease agreements, total payments of $1,165 are due monthly through July 2020. The lease is collateralized by the related assets. Amortization of the leased property is included in depreciation and amortization expense.

Property under capital leases consists of the following at June 30:

	2019	2018
Equipment	$ 62,069	$ 62,069
Less accumulated amortization	(49,656)	(37,242)
Long-term obligations under capital leases	$ 12,413	$ 24,827

The future minimum lease payments under capital leases are as follows:

Years Ending June 30	Amount
2020	$ 13,980
2021	1,165
Total	15,145
Less amount representing interest	414
Present value of net minimum lease payments	14,731
Less current obligations	13,571
Long-term obligations under capital leases	$ 1,160

Note 8 - Long-term Debt

Long-term debt at June 30 is as follows:

	2019	2018
Note payable to the USDA in monthly installments of $7,489, including interest at 3.25 percent. The note is collateralized by a building and is due in September 2054. The note also subjects the Organization to certain reserve requirements	$ 1,880,440	$ 1,909,041
Note payable to a bank in monthly installments of $13,203, including interest at 4 percent. The note is collateralized by a deed of trust on property owned by the Organization and is due in June 2025. The note also subjects the Organization to certain financial covenants	842,199	964,010
Note payable to the USDA in monthly installments of $3,656, including interest at 3.25 percent. The note is collateralized by equipment and is due in September 2032. The note also subjects the Organization to certain reserve requirements	471,209	499,451
Total	3,193,848	3,372,502
Less current portion	183,224	177,863
Long-term portion	$ 3,010,624	$ 3,194,639

The balance of the above debt matures as follows:

Years Ending	Amount
2020	$ 184,658
2021	191,889
2022	199,317
2023	207,036
2024	215,034
Thereafter	2,195,914
Total	$ 3,193,848

Note 9 - Net Assets

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Assets available for:		
Food distribution	$ 6,742,501	$ 5,769,062
Other restrictions	436,874	539,245
Endowment subject to endowment spending policy and appropriation	2,433,599	2,334,052
Total net assets with donor restrictions	$ 9,612,974	$ 8,642,359

As of June 30, 2019 and 2018, the board of directors has designated unrestricted net assets to function as a quasi-endowment in the amount of $578,223 and $708,223, respectively. During fiscal year 2019, the board of directors approved the release of $130,000 for the purchase of a truck.

Note 10 - Donor-restricted and Board-designated Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of directors of FBREF to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors of FBREF appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of FBREF has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 578,223	$ -	$ 578,223
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	1,870,441	1,870,441
Accumulated investment gains	-	563,158	563,158
Total donor-restricted endowment funds	-	2,433,599	2,433,599
Total	$ 578,223	$ 2,433,599	$ 3,011,822

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 708,223	$ 2,334,052	$ 3,042,275
Investment return:			
Investment return - Net appreciation	-	100,779	100,779
Change in value of life insurance policy	-	(1,232)	(1,232)
Total investment return	-	99,547	99,547
Appropriation of endowment assets for expenditure	(130,000)	-	(130,000)
Endowment net assets - End of year	$ 578,223	$ 2,433,599	$ 3,011,822

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 708,223	$ -	$ 708,223
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	1,870,441	1,870,441
Accumulated investment gains	-	463,611	463,611
Total donor-restricted endowment funds	-	2,334,052	2,334,052
Total	$ 708,223	$ 2,334,052	$ 3,042,275

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 608,223	$ 2,153,053	$ 2,761,276
Investment return:			
Investment return - Net appreciation	-	179,981	179,981
Change in value of life insurance policy	-	68	68
Total investment return	-	180,049	180,049
Contributions	-	950	950
Other changes - Transfer from FBR to FBREF to create board-designated endowment funds	100,000	-	100,000
Endowment net assets - End of year	$ 708,223	$ 2,334,052	$ 3,042,275

Endowment asset composition was as follows:

	2019	2018
Investments	$ 2,993,490	$ 3,022,711
Life insurance policy	18,332	19,564
Total	$ 3,011,822	$ 3,042,275

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support future activities while seeking the proper balance of preservation of capital. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the board of directors of FBREF, the endowment assets are invested in a manner that seeks a total annual return approach of the endowment and appropriate capital market measures, such as securities indices, while assuming a moderate level of investment risk. The Organization expects its endowment funds to provide an average rate of return of approximately 6.5 percent to 8.5 percent over the long term. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on optimal allocation of stocks and bonds, in which investment returns are achieved through bonds to satisfy current income requirements and control volatility, common stock to generate capital, and income growth to preserve and enhance the endowment. The Organization targets a diversified asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints. The board of directors of FBREF is responsible for selecting the asset mix and managers for the endowment. The asset allocation target ranges are as follows:

Equities	40% - 60%
Fixed income (including cash reserves)	40% - 60%
Cash reserves	As required

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions from the endowment fund will benefit the Organization and other approved organizations, as determined by the board of directors of FBREF. For the years ended June 30, 2019 and 2018, distributions available to the Organization were reinvested in the endowment fund.

Note 11 - Operating Leases

The Organization is obligated under noncancelable operating leases for a facility, expiring in May 2021. The leases require the Organization to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was $170,000 and $166,000 for the years ended June 30, 2019 and 2018, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending June 30	Amount
2020	$ 176,000
2021	165,000
Total	$ 341,000

Note 12 - Contingencies

Government Contracts

The Organization receives certain reimbursements from contracts with various governmental agencies. The disbursement of funds received under these contracts generally requires compliance with the terms and conditions specified in the contracts and is subject to audit by the contracting agencies. However, management believes that the amount of changes to these contracts that may be disallowed from any such audits would not have a significant impact on the consolidated financial statements; accordingly, no provision has been made in the consolidated financial statements for any liability that may result.

Note 13 - Retirement Plans

The Organization sponsors a 401(k) plan for substantially all employees. Under the retirement plan, employees who work at least 1,000 hours per year are eligible to participate, at which time the Organization will match 100 percent of the first 3 percent of the employee's contributions and 50 percent of the next 3 percent of the employee's contributions. Contributions to the plan totaled $165,344 and $166,444 in fiscal years 2019 and 2018, respectively.

Note 14 - Direct Mailing

Direct mail produced the following results for the years ended June 30:

	2019	2018
Direct mail contributions	$ 3,109,240	$ 3,360,578
Direct mail expense	(773,043)	(764,471)
Total	$ 2,336,197	$ 2,596,107

Supplemental Information

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Independent Auditor's Report on Supplemental Information

To the Board of Directors
Food Bank of the Rockies, Inc.

We have audited the consolidated financial statements of Food Bank of the Rockies, Inc. and its subsidiary as of and for the year ended June 30, 2019 and have issued our report thereon dated October 11, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2019 consolidated financial statements as a whole. The supplemental schedule of Wyoming revenue and expense activities is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2019 consolidated financial statements as a whole.

Plante & Moran, PLLC

October 11, 2019

Schedule of Wyoming Revenue and Expense Activities

Years Ended June 30, 2019 and 2018

	2019	2018
Revenue		
Agency support fee	$ 125,517	$ 183,910
Purchased food	264,452	295,417
Food contributions	10,809,274	11,821,472
Commodities contributions	1,726,369	2,840,620
Contributions	843,792	573,188
Government contract	175,000	379,331
Other income	346,790	94,740
Net assets released	228,801	200,822
Total revenue	14,519,995	16,389,500
Expenses		
Salaries and fringes	657,918	681,188
Contributed food distributed	10,809,274	11,821,472
Commodities food distributed	1,726,369	2,840,620
Purchased food distributed	348,292	352,449
Distribution costs	309,761	436,226
Other expenses	696,468	645,243
Total program expenses	14,548,082	16,777,198
Fundraising and administration expense	414,926	413,454
Total expenses	14,963,008	17,190,652
Excess of expenses over revenue	**$ (443,013)**	**$ (801,152)**