



**COMMUNITY FOOD BANK OF NEW JERSEY, INC.**  
**Financial Statements**  
**June 30, 2019 and 2018**  
**With Independent Auditor's Reports**

**Community Food Bank of New Jersey, Inc.**  
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**June 30, 2019 and 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Community Food Bank of New Jersey, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Food Bank of New Jersey, Inc. (the "Food Bank"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits 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 Food Bank'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 Food Bank'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 Community Food Bank of New Jersey, Inc. as of June 30, 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.



December 23, 2019

**Community Food Bank of New Jersey, Inc.**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,958,496	\$ 2,738,775
Accounts receivable, net of allowance for uncollectible accounts of \$307,386 in 2019 and \$284,436 in 2018	892,966	610,834
Pledges receivable, net	1,046,232	1,612,990
Due from State of New Jersey	2,256,982	782,277
Inventory - donated	5,206,954	4,530,179
Inventory - purchased	483,735	379,483
Prepaid expense	43,152	80,084
Investments	14,603,936	8,331,098
Property and equipment, net	<u>10,859,580</u>	<u>11,373,593</u>
 Total assets	 <u>\$ 38,352,033</u>	 <u>\$ 30,439,313</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,269,701	\$ 2,293,312
Loan payable	423,457	470,438
Deferred income	<u>1,115,077</u>	<u>849,539</u>
Total liabilities	<u>3,808,235</u>	<u>3,613,289</u>
Net assets		
Without donor restrictions	32,119,182	23,979,723
With donor restrictions	<u>2,424,616</u>	<u>2,846,301</u>
Total net assets	<u>34,543,798</u>	<u>26,826,024</u>
 Total liabilities and net assets	 <u>\$ 38,352,033</u>	 <u>\$ 30,439,313</u>

The Notes to Financial Statements are an integral part of these statements.

**Community Food Bank of New Jersey, Inc.**  
**Statements 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 and support						
Contributions and grants	\$ 12,108,604	\$ 2,464,958	\$ 14,573,562	\$ 13,606,293	\$ 3,183,957	\$ 16,790,250
Donated food and commodities	72,251,879	-	72,251,879	64,161,255	-	64,161,255
Agency handling fees and food purchase fees	2,070,012	-	2,070,012	2,096,893	-	2,096,893
Special events, net	1,422,310	-	1,422,310	1,215,020	-	1,215,020
Government grant and contract revenue	15,887,762	-	15,887,762	6,816,109	-	6,816,109
Investment return, net	852,901	-	852,901	473,026	-	473,026
Miscellaneous income	611,315	-	611,315	193,237	-	193,237
Loss on sale of property	-	-	-	(7,127)	-	(7,127)
Net assets released from restrictions	2,886,643	(2,886,643)	-	1,515,478	(1,515,478)	-
	<u>108,091,426</u>	<u>(421,685)</u>	<u>107,669,741</u>	<u>90,070,184</u>	<u>1,668,479</u>	<u>91,738,663</u>
Expenses						
Program services	93,924,180	-	93,924,180	85,101,125	-	85,101,125
Management and general	2,469,881	-	2,469,881	3,641,629	-	3,641,629
Development	3,557,906	-	3,557,906	3,256,218	-	3,256,218
	<u>99,951,967</u>	<u>-</u>	<u>99,951,967</u>	<u>91,998,972</u>	<u>-</u>	<u>91,998,972</u>
Changes in net assets	<u>8,139,459</u>	<u>(421,685)</u>	<u>7,717,774</u>	<u>(1,928,788)</u>	<u>1,668,479</u>	<u>(260,309)</u>
Net assets						
Beginning of year before restatement	23,979,723	2,846,301	26,826,024	25,420,545	1,177,822	26,598,367
Restatement	-	-	-	487,966	-	487,966
Beginning of year after restatement	<u>23,979,723</u>	<u>2,846,301</u>	<u>26,826,024</u>	<u>25,908,511</u>	<u>1,177,822</u>	<u>27,086,333</u>
End of year	<u>\$ 32,119,182</u>	<u>\$ 2,424,616</u>	<u>\$ 34,543,798</u>	<u>\$ 23,979,723</u>	<u>\$ 2,846,301</u>	<u>\$ 26,826,024</u>

The Notes to Financial Statements are an integral part of these statements.

**Community Food Bank of New Jersey, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating activities</b>		
Changes in net assets	\$ 7,717,774	\$ (260,309)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Donated food inventory on hand	(676,775)	1,560,256
Realized gain on investments	(339,864)	(427,594)
Unrealized (gain) loss on investments	(315,328)	123,028
Depreciation expense	904,804	1,125,652
Bad debt expense	22,950	101,362
Net present value adjustment	(53,338)	77,600
Loss on sale of property	-	7,127
Change in assets and liabilities		
Accounts receivable	(305,082)	(707,989)
Pledges receivable	620,096	(1,630,590)
Due from State of New Jersey	(1,474,705)	58,579
Inventory - purchased food	(104,252)	(79,229)
Prepaid expense	36,932	(24,459)
Accounts payable and accrued expenses	(23,611)	585,163
Deferred income	265,538	328,599
Net cash provided by operating activities	<u>6,275,139</u>	<u>837,196</u>
<b>Investing activities</b>		
Purchase of property and equipment	(390,791)	(246,812)
Proceeds from sale of investments	4,804,276	4,322,160
Purchase of investments	<u>(10,421,922)</u>	<u>(3,113,527)</u>
Net cash provided by (used in) investing activities	<u>(6,008,437)</u>	<u>961,821</u>
<b>Financing activities</b>		
Repayment of loan payable	<u>(46,981)</u>	<u>(46,738)</u>
Net cash used in financing activities	<u>(46,981)</u>	<u>(46,738)</u>
Net change in cash and cash equivalents	219,721	1,752,279
<b>Cash</b>		
Beginning of year	<u>2,738,775</u>	<u>986,496</u>
End of year	<u>\$ 2,958,496</u>	<u>\$ 2,738,775</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 29,390</u>	<u>\$ 31,645</u>
<b>Non-cash transactions</b>		
Inventory of donated product	\$ (676,775)	\$ 1,560,256
Donated inventory revenue	<u>676,775</u>	<u>(1,560,256)</u>
Cash used	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

**Community Food Bank of New Jersey, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2019 and 2018**

	2019				2018			
	Program Expenses	Management and General	Development Expenses	Total	Program Expenses	Management and General	Development Expenses	Total
Personnel	\$ 7,301,699	\$ 1,127,665	\$ 1,394,559	\$ 9,823,923	\$ 5,670,488	\$ 1,318,018	\$ 1,290,283	\$ 8,278,789
Fringe benefits	2,051,533	312,566	389,167	2,753,266	1,905,080	442,133	433,206	2,780,419
Temporary labor	247,688	220,751	3,013	471,452	85,277	355,403	17,240	457,920
Total salaries and related costs	9,600,920	1,660,982	1,786,739	13,048,641	7,660,845	2,115,554	1,740,729	11,517,128
Professional fees	265,434	256,218	110,568	632,220	43,803	633,359	20,796	697,958
Occupancy	645,517	26,220	26,220	697,957	733,196	29,873	11,031	774,100
Supplies	1,008,163	22,991	43,764	1,074,918	343,205	20,039	36,213	399,457
Insurance	4,641	102,211	202	107,054	54,194	30,888	821	85,903
Equipment expense	345,245	7,062	7,806	360,113	193,715	2,115	1,880	197,710
Transportation	699,552	2,609	1,168	703,329	430,992	46,147	3,705	480,844
Printing and postage	34,489	3,651	35,574	73,714	8,912	15,339	37,127	61,378
Technology	1,035,923	105,445	83,396	1,224,764	805,767	100,676	92,927	999,370
Advertising	-	3,907	-	3,907	-	18,049	-	18,049
Food and food commodities distributed	78,787,498	-	-	78,787,498	73,292,097	-	-	73,292,097
Dues and subscriptions	26,243	51,937	25,170	103,350	35,328	27,291	18,597	81,216
Depreciation	833,054	35,875	35,875	904,804	1,100,976	13,064	11,612	1,125,652
Direct marketing expenses	-	-	1,276,257	1,276,257	-	-	1,246,187	1,246,187
Grant expense	381,287	-	-	381,287	307,920	-	-	307,920
Interest expense	-	29,390	-	29,390	679	30,966	-	31,645
Bank fee	-	16,117	48,172	64,289	55	24,861	2,276	27,192
Special event expenses	-	-	686,910	686,910	-	-	465,644	465,644
Staff support expenses	235,549	89,127	24,620	349,296	65,403	243,835	18,613	327,851
Bad debt expense	-	22,950	-	22,950	-	101,362	-	101,362
Other administrative expenses	20,665	33,189	52,375	106,229	24,038	188,211	13,704	225,953
	93,924,180	2,469,881	4,244,816	100,638,877	85,101,125	3,641,629	3,721,862	92,464,616
Special event expenses, netted with income	-	-	(686,910)	(686,910)	-	-	(465,644)	(465,644)
	<u>\$ 93,924,180</u>	<u>\$ 2,469,881</u>	<u>\$ 3,557,906</u>	<u>\$ 99,951,967</u>	<u>\$ 85,101,125</u>	<u>\$ 3,641,629</u>	<u>\$ 3,256,218</u>	<u>\$ 91,998,972</u>

The Notes to Financial Statements are an integral part of these statements.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**1. ORGANIZATION AND OPERATIONS**

Community Food Bank of New Jersey, Inc. (the "Food Bank") was incorporated in the State of New Jersey pursuant to the Not-for-Profit Corporation Law in August 1982. The Food Bank was organized to solicit, collect, warehouse and distribute surplus and donated food products, clothing and food supplies to qualified, tax-exempt organizations in New Jersey, which provide free food to the poor, the elderly, the ill, the needy and children. During the years ended June 30, 2019 and 2018, the Food Bank distributed approximately 56 million pounds of food to the area it serves. In addition, the Food Bank offers job training in the food service industry to low income people in need of marketable skills.

The mission of the Food Bank is to fight hunger and poverty by the distribution of food and grocery products, education and training, creating model programs and involving all sectors of society in this battle. Significant revenues are received from contributions and donations of food.

As New Jersey's largest anti-hunger organization, the Food Bank's programs reach hard-working men and women struggling to make ends meet, as well as children, seniors, veterans and people with disabilities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Food Bank have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require it to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Food Bank. These net assets may be used at the discretion of the Food Bank's management and the board of directors.

**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 Food Bank or by passage of time. When restrictions are satisfied, they are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Revenue and Support Recognition**

*Contributions and Grants*

Contributions are reported as revenue when they are received or unconditionally pledged and are recorded as net assets with donor restrictions or net assets without donor restrictions according to donor stipulations if the related assets are limited by donor-imposed time or purpose restrictions.

Conditional pledges are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are reflected at the present value of estimated future cash flows using a discount rate of .88% for contributions made in the fiscal year. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Additional revenues are obtained from various fundraising projects and public contributions. These revenues are not restricted in their use and are used to offset management and general expenses and client expenses which are not funded by contract budgets. Revenues from these sources are recognized at the time the allocation or donation is received.



**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**Inventory of Donated Food and Commodities and Purchased Food**

The value of donated food and commodities is determined using an average wholesale cost per pound, which is based on an annual study prepared by Feeding America, the national organization of food banks nationwide. Food that has been donated but not distributed is shown as inventory in the statements of financial position. Donated food and commodities that have been distributed are shown in the statements of activities and changes in net assets as donated food distributed. Distributed food is released from inventory at the fair value on the date of distribution. Due to normally short periods between receipt of food donations and their subsequent distribution the fair value on the date of receipt generally approximates the fair value on the date of distribution. Purchased food that is distributed is valued at cost with the resulting expense upon distribution also being recorded at cost due to the relatively short time frame between purchase and distribution.

**Government Grant and Contract Revenue**

The Food Bank generally accounts for contract and grant revenues as exchange transactions in the statements of activities and changes in net assets. Grant revenue under these contracts is recognized to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each program are used as guidance. Unexpended contract funds are recorded as program liabilities at the end of the contract period. Funds received in advance of their use are accounted for as deferred revenue in the statements of financial position.

**Agency Handling Fees and Food Purchase Fees**

Agency handling fees are charged for the delivery of purchased or donated food to agencies and is recorded at the time the delivery has occurred. Agency handling fees are not charged on the delivery of governmental food donations. Food purchase fees are charged to the agencies for food purchased by the Food Bank and are based on the cost of the food plus a percentage markup over cost. The food purchase fees are recorded as revenue at the time the purchase is made. These fees are shown as support with no donor restrictions in the statements of activities and changes in net assets.

**Donated Services**

The Food Bank also receives significant donated services from volunteers, officers and directors and affiliated organizations to support operations, fundraising and administrative efforts. The value of these donated services is not included in these financial statements as they do not meet the criteria for recognition under not for profit accounting standards.

**Valuation of Long-Lived Assets**

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Food Bank reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments including, accounts receivable, short term contributions receivable, accounts payable and accrued expenses, and deposits payable approximate their fair values because of the relatively short maturity of these instruments.

**Cash and Cash Equivalents**

Cash and cash equivalents include funds held in money market accounts and other instruments with a maturity of three months or less at the time of acquisition.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**Income Taxes**

The Food Bank is a not-for-profit organization exempt from Federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and from New Jersey State income taxes under applicable state law. Accordingly, no provision for Federal or state income taxes has been recorded in the statements of activities and changes in net assets. Management has determined that there are no uncertain tax positions at the Food Bank as of June 30, 2019 and 2018. The Food Bank has no income tax related penalties or interest for the periods reported in these financial statements.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. There were significant estimates recorded in these financial statements for the value of donated food and commodity inventories and revenues for donations received and the associated value of food and supplies that were distributed.

**Investments**

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the statements of financial position. Donated investments are recorded at the fair value at the date of receipt. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

**Receivables and Credit Policies**

In the normal course of business, the Food Bank extends credit directly to agencies, after a credit analysis based on financial and other criteria, and generally requires no collateral, nor is interest charged on overdue accounts. Payments are applied to the oldest invoice outstanding. The Food Bank reviews the receivables and has established an allowance for uncollectible accounts. Pledges receivable are reviewed for collectability based on prior years' experience with the individual donors and managements analysis of pledges made. An allowance for uncollectible is established for any pledges which are determined to be uncollectible.

**Property and Equipment**

Property and equipment purchases are recorded at cost, except for donated items which are recorded at their fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred.

The principal rates for computing depreciation by major asset category are as follows:

<u>Description</u>	<u>Estimate Life (Years)</u>
Buildings and improvements	27-30
Furniture and fixtures	5
Transportation equipment	5
Computer equipment	5

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
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**Functional Allocation of Expenses**

The cost of providing the various programs, which include food distribution and other ancillary programs of the Food Bank, has been shown in the statements of functional expenses. The smaller related programs have not been shown separately because none of the programs are individually significant in relation to the food distribution program. Certain costs have been allocated between program and supporting services on an equitable basis, as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Fringe benefits	Time and effort
Occupancy	Square footage
Telephone	Square footage
Insurance	Square footage
Repairs and maintenance	Square footage
Depreciation	Square footage

**3. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE**

In May 2014, the FASB issued accounting standards update ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This ASU, which was deferred by ASU 2015-14, is effective for annual periods and interim periods beginning after December 15, 2018. The ASU is to be applied retrospectively or using a cumulative effect transition method. Early adoption is permitted.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of the Food Bank’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021.

In June 2016, the FASB issued two standards that address the accounting for financial instruments. ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which is effective for fiscal years beginning after December 15, 2020, which includes guidance for equity investments held by a not-for-profit organization and adds guidance on the comprehensibility of investments in debt securities. It also requires the measurement of certain equity investments such as venture capital funds, partnership interests in accordance with ASC 958-321. ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which is effective for fiscal years beginning after December 2022, requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will now use forward-looking information to better inform their credit loss estimates.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018.

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In June 2018 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date would be for fiscal years ending in 2020.

Management is evaluating the impact these ASU will have on its financial statements.

**4. PLEDGES RECEIVABLE**

At June 30, 2019 and 2018, pledges receivable which include both those with no purpose restrictions and assets whose use is restricted to capital campaign, consist of the following:

	<u>2019</u>	<u>2018</u>
Total receivables	\$ 1,070,494	\$ 1,690,590
Discount to present value	<u>(24,262)</u>	<u>(77,600)</u>
Pledges receivable, net	1,046,232	1,612,990
Current portion	<u>380,494</u>	<u>780,590</u>
Pledges receivable, long term	<u>\$ 665,738</u>	<u>\$ 832,400</u>

Pledges receivable, net are due as follows:

2020	\$ 380,494
2021	212,665
2022	91,742
2023	72,428
2024	72,272
Thereafter	<u>216,631</u>
	<u>\$ 1,046,232</u>

**5. FAIR VALUE**

The Food Bank has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The Food Bank values such assets (liabilities) using quoted market prices in active markets (Level 1) for identical assets to the extent possible. To the extent that such market prices are not available, the Food Bank attempts to value such assets (liabilities) using observable measurement criteria, including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Food Bank develops measurement criteria based on the best information available (Level 3).

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of June 30, 2019 and 2018, along with the basis for the determination of fair value as follows:

	<b>2019</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets Level 1</b>	<b>Observable Measurement Criteria Level 2</b>	<b>Unobservable Measurement Criteria Level 3</b>
Money market funds	\$ 54,113	\$ -	\$ 54,113	\$ -
Fixed income mutual funds				
High yield fund	1,165,795	1,165,795	-	-
Strategic income fund	505,579	505,579	-	-
Indexfunds				
Small cap growth	4,759,190	4,759,190	-	-
International developed equity	1,895,309	1,895,309	-	-
Government/corporate fixed income				
AAA - A- ratings	3,043,670	-	3,043,670	-
BBB - B- ratings	748,350	-	748,350	-
Equities - by sector				
Information technology	558,417	558,417	-	-
Financials	258,952	258,952	-	-
Consumer discretionary	263,963	263,963	-	-
Industrials	286,725	286,725	-	-
Health care	414,585	414,585	-	-
Energy	66,354	66,354	-	-
Consumer staples	141,331	141,331	-	-
Materials	66,012	66,012	-	-
Utilities	43,619	43,619	-	-
Real estate	31,444	31,444	-	-
Other	300,528	300,528	-	-
	<u>\$ 14,603,936</u>	<u>\$ 10,757,803</u>	<u>\$ 3,846,133</u>	<u>\$ -</u>

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
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	2018			
	Total	Quoted Prices in Active Markets Level 1	Observable Measurement Criteria Level 2	Unobservable Measurement Criteria Level 3
Money market funds	\$ 716,108	\$ -	\$ 716,108	\$ -
Fixed income mutual funds				
High yield fund	542,299	542,299	-	-
Government/corporate fixed income				
AAA - A- ratings	1,456,436	-	1,456,436	-
BBB - B- ratings	538,871	-	538,871	-
All other ratings or non-rated	48,553	-	48,553	-
Equities - by sector				
Information technology	318,405	318,405	-	-
Financials	172,147	172,147	-	-
Consumer discretionary	139,688	139,688	-	-
Industrials	165,139	165,139	-	-
Health care	181,222	181,222	-	-
Energy	51,463	51,463	-	-
Consumer staples	64,456	64,456	-	-
Materials	30,491	30,491	-	-
Utilities	20,368	20,368	-	-
Real estate	14,968	14,968	-	-
Telecommunication services	11,591	11,591	-	-
Other	3,347,864	3,347,864	-	-
	<u>8,058,789</u>	<u>\$ 5,298,821</u>	<u>\$ 2,759,968</u>	<u>\$ -</u>
Investments measured at net asset value ("NAV")	272,309			
	<u>\$ 8,331,098</u>			

Investment return, net related to these investments at June 30, 2019 and 2018, was comprised of the following:

	2019	2018
Interest and dividend income	\$ 240,920	\$ 214,473
Realized gain	339,864	427,594
Unrealized loss	315,328	(123,028)
Advisory fees	(43,211)	(46,013)
	<u>\$ 852,901</u>	<u>\$ 473,026</u>

**Community Food Bank of New Jersey, Inc.**  
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**6. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 1,735,628	\$ 1,735,628
Building and improvements	15,059,974	14,738,394
Furniture and fixtures	1,574,946	1,555,663
Transportation equipment	4,187,172	4,119,925
Computer equipment	438,748	427,223
Construction in progress	96,265	125,109
	<u>23,092,733</u>	<u>22,701,942</u>
Less: Accumulated depreciation	<u>12,233,153</u>	<u>11,328,349</u>
	<u>\$ 10,859,580</u>	<u>\$ 11,373,593</u>

Depreciation expense amounted to \$904,804 and \$1,125,652 for the years ended June 30, 2019 and 2018, respectively.

**7. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of June 30, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	\$ 2,958,496	\$ 2,738,775
Accounts receivable, net	892,966	610,834
Pledges receivable, net	1,046,232	1,612,990
Due from State of New Jersey	2,256,982	782,277
Prepaid expense	43,152	80,084
Investments	<u>14,603,936</u>	<u>8,331,098</u>
	21,801,764	14,156,058
Less: Financial assets unavailable for general expenditures		
Pledges receivable, long term	(665,738)	(832,400)
Net assets with donor restrictions	<u>(2,424,616)</u>	<u>(2,846,301)</u>
Total financial assets available within one year	<u>\$ 18,711,410</u>	<u>\$ 10,477,357</u>

The Food Bank looks to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in investments for long-term growth. Significant contributions and government funding are received annually to fund annual operating expenses.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
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**8. LOAN PAYABLE**

In April 2016, the Food Bank entered into a loan payable agreement for the purchase of two buildings with the seller of the properties. The loan payable, which is secured by the properties, bears interest at a rate of 6.5% maturing May 1, 2026. The Food Bank will make monthly payments of \$7,267 of principal and interest due on the first of every month commencing on June 1, 2016. The loan balance was \$423,457 and \$470,438 at June 30, 2019 and 2018, respectively.

Maturities of the loan payable are as follows:

2020	\$	50,127
2021		53,484
2022		57,066
2023		60,888
2024		64,965
Thereafter		<u>136,927</u>
	<u>\$</u>	<u>423,457</u>

**9. RETIREMENT PLANS**

The Food Bank sponsors retirement plans for eligible employees in accordance with Sections 401(k) and 403(b) of the Internal Revenue Code.

The Food Bank maintains a defined contribution 401(k) pension plan that allows for discretionary employer contributions that are determined annually. The plan excludes employees that are covered by a collective bargaining agreement. As of June 30, 2019 and 2018 the Food Bank had no employees subject to a collective bargaining agreement.

The Food Bank has the option to make an annual discretionary matching contribution each calendar year. For the plan year ended June 30, 2018, the discretionary contribution rate was 3% of eligible employee salaries. The Food Bank's contributions to this plan for 2019 and 2018 including the matching and discretionary profit sharing contributions were \$267,979 and \$332,364 and are included in the fringe benefits expense line in the statements of functional expenses. It is the Food Bank's policy to fund the plan currently.

In addition, the Food Bank maintains a cash deferral plan 403(b) for eligible employees. Employees may make voluntary contributions not to exceed the amount specified by law. There are no matching contributions to this plan.

**10. CONCENTRATION OF CREDIT RISK**

The Food Bank's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, accounts receivable and contributions receivable. At times during the year, cash of the Food Bank deposited in financial institutions exceeds the FDIC limit. The management of the Food Bank deposits cash funds in high quality institutions to lessen the amount of uninsured exposure.

Cash equivalents and investments are in high-quality, securities. Although subject to market fluctuations this investment policy somewhat limits the Food Bank's exposure to concentrations of credit risk. The Food Bank has a long-standing history of collecting its receivables which are from various individuals, agencies, corporations and foundations. An allowance for uncollectible accounts is recorded in the financial statements for amounts considered uncollectible which limits the Food Bank's exposure to credit risk.



**Community Food Bank of New Jersey, Inc.**  
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The Food Bank received 27% and 18% of its revenue, from the U.S. Department of Agriculture in the form of food commodities and funding for handling fees for the years ended June 30, 2019 and 2018, respectively. The receivable from the U.S. Department of Agriculture at June 30, 2019 and 2018 comprised 15% and 16, respectively of total receivables. Additionally, the Food Bank received significant donations of food and supplies from four outside donors that approximated 14% and 21% of revenue for the years ended June 30, 2019 and 2018.

Approximately 67% and 81% of pledges receivable are due from two and three donors at June 30, 2019 and 2018, respectively

**11. NET ASSETS**

Components of net assets with donor restrictions at June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Agencies	\$ 27,500	\$ 24,281
Capital projects	523,827	670,141
Diabetes	63,500	-
Endowment	-	15,000
Equipment	75,850	65,850
Family feeding program	95,834	95,834
Farmers market	--	134,925
Food service training	300,000	449,423
Information technology	107,400	-
IT hardware	25,000	-
Kids division programs	209,067	251,368
Mobile pantries	54,573	100,000
Other	86,573	162,855
Produce	33,333	25,000
SNAP	102,253	81,724
Time restriction - other	719,906	769,900
	<u>\$ 2,424,616</u>	<u>\$ 2,846,301</u>

Net assets as of June 30, 2018 included an endowment fund with a historical gift value of \$15,000, the income from which can be used to defray operating expenses. The principal must be maintained in perpetuity. The Board of Directors has interpreted the law related to the investment and management of endowment funds as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary. All earnings of the fund were appropriated for expenditures in 2019. These funds were transferred back to the donor in 2019.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
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Net assets were released from restrictions for the years ended June 30, 2019 and 2018, as follows:

	<u>2019</u>	<u>2018</u>
Agencies	\$ 49,281	\$ 170,719
Capital projects	328,975	2,793
Diabetes	156,500	125,000
Diapers	-	10,000
Endowment	15,000	-
Equipment	-	10,150
Farmers market	205,862	193,981
Food service training	574,998	456,977
Information technology	392,600	-
Kids division programs	568,967	437,527
Mobile pantries	71,566	10,718
Other	277,940	82,348
Period initiative	31,050	-
Produce	64,439	13,265
SNAP	99,471	2,000
Time restriction - other	49,994	-
	<u>\$ 2,886,643</u>	<u>\$ 1,515,478</u>

**12. RESTATEMENT**

The net assets of the Food Bank as of July 1, 2017, have been restated from the amounts previously reported to reflect \$487,966 of revenue from the valuation of donated commodities on hand. The effect of this adjustment increased the opening net asset value for the year ended June 30, 2017 and increased donated food and commodities inventory by \$487,966.

**13. SUBSEQUENT EVENTS**

The Food Bank has evaluated subsequent events occurring after the statement of financial position date through the date of December 23, 2019, which is the date the financial statements were available to be issued. Based upon this evaluation, the Food Bank has determined that no subsequent events have occurred, which require disclosure in or adjustment to the financial statements other than a donation of land with a fair value of \$590,000, which was received in October 2019.