



COMMUNITY FOOD BANK OF NEW JERSEY, INC.
Financial Statements
June 30, 2020 and 2019
With Independent Auditor's Report

Community Food Bank of New Jersey, Inc.
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June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 in the notes to financial statements, during 2020, the Food Bank adopted the following Accounting Standards Updates ("ASU"): ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), ASU 2016-01 *Financial Instruments* (Topic 825) and ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to these matters.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC". The signature is written in a cursive, flowing style.

November 2, 2020

Community Food Bank of New Jersey, Inc.
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 7,706,566	\$ 2,958,496
Accounts receivable, net of allowance for uncollectible accounts of \$307,386 for both 2020 and 2019	810,669	892,966
Promises to give, net	2,485,883	1,046,232
Due from State of New Jersey	1,944,183	2,256,982
Inventory - donated	5,221,748	5,206,954
Inventory - purchased	475,064	483,735
Prepaid expense	77,045	43,152
Investments	36,501,984	14,603,936
Property and equipment, net	<u>12,066,872</u>	<u>10,859,580</u>
 Total assets	 <u>\$ 67,290,014</u>	 <u>\$ 38,352,033</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,288,473	\$ 2,269,701
Loan payable	373,331	423,457
Deferred income	<u>1,713,203</u>	<u>1,115,077</u>
Total liabilities	<u>5,375,007</u>	<u>3,808,235</u>
Net assets		
Without donor restrictions	58,167,511	32,119,182
With donor restrictions	<u>3,747,496</u>	<u>2,424,616</u>
Total net assets	<u>61,915,007</u>	<u>34,543,798</u>
 Total liabilities and net assets	 <u>\$ 67,290,014</u>	 <u>\$ 38,352,033</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Contributions and grants	\$ 31,988,727	\$ 4,519,021	\$ 36,507,748	\$ 12,108,604	\$ 2,464,958	\$ 14,573,562
Donated food and commodities	112,687,444	-	112,687,444	72,251,879	-	72,251,879
Agency handling fees and food purchase fees	1,374,701	-	1,374,701	2,070,012	-	2,070,012
Special events, net	968,883	-	968,883	1,422,310	-	1,422,310
Government grant and contract revenue	18,280,047	-	18,280,047	15,887,762	-	15,887,762
Investment return, net	1,120,259	-	1,120,259	852,901	-	852,901
Miscellaneous income	228,374	-	228,374	308,450	-	308,450
Sale or abandonment of property	(208,850)	-	(208,850)	-	-	-
Catering income	441,338	-	441,338	302,865	-	302,865
Net assets released from restrictions	3,196,141	(3,196,141)	-	2,886,643	(2,886,643)	-
	<u>170,077,064</u>	<u>1,322,880</u>	<u>171,399,944</u>	<u>108,091,426</u>	<u>(421,685)</u>	<u>107,669,741</u>
Expenses						
Program services	137,577,325	-	137,577,325	93,924,180	-	93,924,180
Management and general	3,115,536	-	3,115,536	2,469,881	-	2,469,881
Development	3,335,874	-	3,335,874	3,557,906	-	3,557,906
	<u>144,028,735</u>	<u>-</u>	<u>144,028,735</u>	<u>99,951,967</u>	<u>-</u>	<u>99,951,967</u>
Changes in net assets	26,048,329	1,322,880	27,371,209	8,139,459	(421,685)	7,717,774
Net assets						
Beginning 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>
End of year	<u>\$ 58,167,511</u>	<u>\$ 3,747,496</u>	<u>\$ 61,915,007</u>	<u>\$ 32,119,182</u>	<u>\$ 2,424,616</u>	<u>\$ 34,543,798</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ 27,371,209	\$ 7,717,774
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Donated food inventory on hand	(14,794)	(676,775)
Realized gain (loss) on investments	17,343	(339,864)
Unrealized gain on investments	(767,823)	(315,328)
Depreciation expense	874,351	904,804
Bad debt expense	130,030	22,950
Net present value adjustment	1,105	(53,338)
Sale or abandonment of property	208,850	-
Donated land	(590,000)	-
Change in assets and liabilities		
Accounts receivable	(47,733)	(305,082)
Promises to give	(1,440,756)	620,096
Due from State of New Jersey	312,799	(1,474,705)
Inventory - purchased food	8,671	(104,252)
Prepaid expense	(33,893)	36,932
Accounts payable and accrued expenses	1,018,772	(23,611)
Deferred income	598,126	265,538
Net cash provided by operating activities	<u>27,646,257</u>	<u>6,275,139</u>
Investing activities		
Purchase of property and equipment	(1,700,493)	(390,791)
Proceeds from sale of investments	4,804,276	4,804,276
Purchase of investments	<u>(25,951,844)</u>	<u>(10,421,922)</u>
Net cash used in investing activities	<u>(22,848,061)</u>	<u>(6,008,437)</u>
Financing activities		
Repayment of loan payable	<u>(50,126)</u>	<u>(46,981)</u>
Net cash used in financing activities	<u>(50,126)</u>	<u>(46,981)</u>
Net change in cash and cash equivalents	4,748,070	219,721
Cash and cash equivalents		
Beginning of year	<u>2,958,496</u>	<u>2,738,775</u>
End of year	<u>\$ 7,706,566</u>	<u>\$ 2,958,496</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 26,098</u>	<u>\$ 29,390</u>
Non-cash transactions		
Inventory of donated product	\$ (14,794)	\$ (676,775)
Donated inventory revenue	14,794	676,775
Donated land	(590,000)	-
Contributions	<u>590,000</u>	<u>-</u>
Cash and cash equivalents 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, 2020 and 2019

	2020				2019			
	Program Expenses	Management and General	Development Expenses	Total	Program Expenses	Management and General	Development Expenses	Total
Personnel	\$ 7,688,887	\$ 1,404,876	\$ 1,304,144	\$ 10,397,907	\$ 7,301,699	\$ 1,127,665	\$ 1,394,559	\$ 9,823,923
Fringe benefits	2,200,318	474,896	273,883	2,949,097	2,051,533	312,566	389,167	2,753,266
Temporary labor	852,638	283,944	70,431	1,207,013	247,688	220,751	3,013	471,452
Total salaries and related costs	10,741,843	2,163,716	1,648,458	14,554,017	9,600,920	1,660,982	1,786,739	13,048,641
Professional fees	412,400	499,819	49,494	961,713	265,434	256,218	110,568	632,220
Occupancy	798,802	29,145	19,241	847,188	645,517	26,220	26,220	697,957
Supplies	753,088	6,117	35,234	794,439	1,008,163	22,991	43,764	1,074,918
Insurance	-	100,852	-	100,852	4,641	102,211	202	107,054
Equipment expense	179,129	580	969	180,678	345,245	7,062	7,806	360,113
Transportation	620,752	-	-	620,752	699,552	2,609	1,168	703,329
Printing and postage	66,676	2,866	40,581	110,123	34,489	3,651	35,574	73,714
Technology	1,173,209	52,881	49,960	1,276,050	1,035,923	105,445	83,396	1,224,764
Advertising	-	44,620	-	44,620	-	3,907	-	3,907
Food and food commodities distributed	121,544,421	-	-	121,544,421	78,787,498	-	-	78,787,498
Dues and subscriptions	34,071	47,389	13,964	95,424	26,243	51,937	25,170	103,350
Depreciation	855,805	6,940	11,606	874,351	833,054	35,875	35,875	904,804
Direct marketing expenses	-	-	1,264,476	1,264,476	-	-	1,276,257	1,276,257
Grant expense	191,425	-	-	191,425	381,287	-	-	381,287
Interest expense	-	26,098	-	26,098	-	29,390	-	29,390
Bank fee	-	8,238	35,460	43,698	-	16,117	48,172	64,289
Special event expenses	-	-	289,054	289,054	-	-	686,910	686,910
Staff support expenses	148,408	92,156	29,472	270,036	235,549	89,127	24,620	349,296
Bad debt expense	-	-	130,030	130,030	-	22,950	-	22,950
Other administrative expenses	57,296	34,119	6,929	98,344	20,665	33,189	52,375	106,229
	137,577,325	3,115,536	3,624,928	144,317,789	93,924,180	2,469,881	4,244,816	100,638,877
Special event expenses, netted with income	-	-	(289,054)	(289,054)	-	-	(686,910)	(686,910)
	<u>\$ 137,577,325</u>	<u>\$ 3,115,536</u>	<u>\$ 3,335,874</u>	<u>\$ 144,028,735</u>	<u>\$ 93,924,180</u>	<u>\$ 2,469,881</u>	<u>\$ 3,557,906</u>	<u>\$ 99,951,967</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, 2020 and 2019

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, 2020 and 2019, the Food Bank distributed approximately 80 and 56 million pounds of food, respectively, 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.

New Accounting Pronouncements Adopted in the Current Year

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Food Bank has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets or changes in net assets. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

In June 2018 the FASB issued ASU 2018-08 – *Not-for-profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). ASU 2018-08 was issued to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there was 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. ASU 2018-08 was adopted using the modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Financial Instruments

During 2020, the Food Bank adopted ASU 2016-01, *Financial Instruments* (Topic 825). This ASU required all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). In addition, the amendments in this ASU eliminated the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. Adoption of this accounting pronouncement had no effect on the Food Bank’s 2018 and 2019 financial statements.

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 promises to give and grants 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 1.25% 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.

Government Grant and Contract Revenue

Revenue from government grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as deferred revenue. Grant funds expended in advance of reimbursement from the funding source are classified as grants and contracts receivable in the statements of financial position. The Food Bank receives funding from federal and state agencies under grants and contracts, of which some have a commitment spanning multiple years. The Food Bank had remaining available award balances on government conditional grants and contracts for sponsored projects of \$11,434,662. These awards are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

Other revenues are obtained from investment income and other miscellaneous income items. These revenues are not restricted in their use and are used to offset management and general expenses and program expenses. Revenues from these sources are recognized at the time the investment income is received or miscellaneous income is earned.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
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Revenue from Contracts with Customers

The Food Bank accounts for agency handling fees and food purchase fees and catering income as exchange transactions in the statements of activities and changes in net assets. Revenue from contracts with customers are treated as revenues without donor restrictions. Performance obligations are satisfied at the point in time when the related goods are provided to the customer. The Food Bank does not have any significant financing components as payment is received at shortly after revenue is recognized. Funds received in advance from customers for work that has not been performed have been recorded as contract liabilities and are shown as deferred revenue in the statements of financial position.

The following summarizes the Food Bank's performance obligations:

Special Events Fundraising Benefit

Special event revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Food Bank does not have any significant financing components as payment is received at or shortly after the point of sale. The contribution portion is recognized as revenue when received. For the exchange portion, funds received in advance of the event date are recorded as contract liabilities in the statements of financial position. Revenue from the exchange portion is recognized at a point in time, at the date of the event held. During the year ended June 30, 2020, the donors did not receive anything of value in exchange for the price paid; therefore, there was no exchange portion, and all special event income was treated as contribution income.

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.

Catering Fees

Catering fees are charged for full-service catering services provided to outside customers. All services are provided by program participants receiving professional training by an executive chef in a program run by the Food Bank to provide job training in the food service industry. Revenues are recorded at a specific point in time at the delivery of the service. Rates are set using a fixed rate per person.

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.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

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.

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.

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. Promises to give are reviewed for collectability based on prior years' experience with the individual donors and managements analysis of pledges made. An allowance for uncollectible accounts 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

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.

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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. The carrying value of the Food Bank's loan payable approximates fair value as of June 30, 2020, based on current incremental borrowing rates for similar types of borrowing arrangements.

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, 2020 and 2019. 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.

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

Accounting Pronouncements Not Yet Adopted

Leases

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 statements of financial position for all of the Food Bank's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021.

Community Food Bank of New Jersey, Inc.
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In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

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

3. PROMISES TO GIVE

At June 30, 2020 and 2019, promises to give which include both those with no purpose restrictions and assets whose use is restricted to capital campaign, consist of the following:

	<u>2020</u>	<u>2019</u>
Total receivables	\$ 2,511,250	\$ 1,070,494
Discount to present value	<u>(25,367)</u>	<u>(24,262)</u>
Promises to give, net	2,485,883	1,046,232
Current portion	<u>2,007,907</u>	<u>380,494</u>
Promises to give, long term	<u>\$ 477,976</u>	<u>\$ 665,738</u>

Promises to give, net are due as follows:

2021	\$ 2,007,907
2022	92,669
2023	92,669
2024	73,160
2025	73,160
Thereafter	<u>146,318</u>
	<u>\$ 2,485,883</u>

4. 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).

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

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Common stocks (equities) - valued at the closing price reported on the active market on which the individual securities are traded. Corporate bonds (government/corporate fixed income) - valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. Mutual funds/money market funds - valued at the daily closing price as reported by the fund. Mutual funds are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held are deemed to be actively traded.

The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of June 30, 2020 and 2019, along with the basis for the determination of fair value as follows:

	2020			
	Total	Quoted Prices in Active Markets Level 1	Observable Measurement Criteria Level 2	Unobservable Measurement Criteria Level 3
Money market funds	\$ 2,699,884	\$ -	\$ 2,699,884	\$ -
Fixed income mutual funds				
High yield fund	1,097,530	1,097,530	-	-
Large fund	9,565,952	9,565,952	-	-
Small cap	510,627	510,627	-	-
Foreign large blend	3,690,263	3,690,263	-	-
Global real estate	629,834	629,834	-	-
Government/corporate fixed income				
AAA - A- ratings	9,617,338	-	9,617,338	-
BBB - B- ratings	2,993,961	-	2,993,961	-
Equities - by sector				
Information technology	1,333,494	1,333,494	-	-
Financials	901,799	901,799	-	-
Consumer discretionary	562,156	562,156	-	-
Industrials	554,388	554,388	-	-
Health care	424,067	424,067	-	-
Energy	291,577	291,577	-	-
Consumer staples	143,729	143,729	-	-
Materials	70,781	70,781	-	-
Utilities	90,317	90,317	-	-
Real estate	682,484	682,484	-	-
Other	641,803	641,803	-	-
	<u>\$ 36,501,984</u>	<u>\$ 21,190,801</u>	<u>\$ 15,311,183</u>	<u>\$ -</u>

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	2019			
	Total	Quoted Prices in Active Markets Level 1	Observable Measurement Criteria Level 2	Unobservable Measurement Criteria Level 3
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	-	-
Index funds				
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>

There were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3 for the years ended June 30, 2020 and 2019.

Investment return, net related to these investments at June 30, 2020 and 2019, was comprised of the following:

	2020	2019
Interest and dividend income	\$ 450,211	\$ 240,920
Realized gain	(17,343)	339,864
Unrealized loss	767,823	315,328
Advisory fees	(80,432)	(43,211)
	<u>\$ 1,120,259</u>	<u>\$ 852,901</u>

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5. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 7,706,566	\$ 2,958,496
Accounts receivable, net	810,669	892,966
Promises to give, net	2,485,883	1,046,232
Due from State of New Jersey	1,944,183	2,256,982
Investments	<u>36,501,984</u>	<u>14,603,936</u>
	49,449,285	21,758,612
Less: Financial assets unavailable for general expenditures		
Promises to give, long term	(477,976)	(665,738)
Net assets with donor restrictions	<u>(3,747,496)</u>	<u>(2,424,616)</u>
Total financial assets available within one year	<u>\$ 45,223,813</u>	<u>\$ 18,668,258</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.

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019, consists of the following:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 3,169,161	\$ 1,735,628
Building and improvements	13,976,476	15,059,974
Furniture and fixtures	2,032,731	1,574,946
Transportation equipment	3,825,626	4,187,172
Computer equipment	452,948	438,748
Construction in progress	<u>549,529</u>	<u>96,265</u>
	24,006,471	23,092,733
Less: Accumulated depreciation	<u>11,939,599</u>	<u>12,233,153</u>
	<u>\$ 12,066,872</u>	<u>\$ 10,859,580</u>

Depreciation expense amounted to \$874,351 and \$904,804 for the years ended June 30, 2020 and 2019, respectively.

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7. 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 \$6,347 of principal and interest due on the first of every month commencing on June 1, 2017. The loan balance was \$373,331 and \$423,457 at June 30, 2020 and 2019, respectively.

Maturities of the loan payable are as follows:

2021	\$	53,484
2022		57,066
2023		60,888
2024		64,965
2025		69,316
Thereafter		<u>67,612</u>
	\$	<u>373,331</u>

8. 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, 2020 and 2019 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, 2019, the discretionary contribution rate was 3% of eligible employee salaries. The Food Bank's contributions to this plan for 2020 and 2019 including the matching and discretionary profit sharing contributions were \$432,522 and \$328,725 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.

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9. NET ASSETS

Components of net assets with donor restrictions at June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Agencies	\$ 5,500	\$ 27,500
Capital projects	1,057,301	523,827
Diabetes	32,727	63,500
Equipment	75,850	75,850
Family feeding program	95,834	95,834
Food service training	110,000	300,000
Food distributions	1,000,000	-
Information technology	-	107,400
IT hardware	18,272	25,000
Kids division programs	154,985	209,067
Mobile pantries	55,000	54,573
Other	450,132	86,573
Period initiative	35,919	-
Produce	-	33,333
SNAP	32,320	102,253
Time restriction - other	623,656	719,906
	<u>\$ 3,747,496</u>	<u>\$ 2,424,616</u>

Net assets were released from restrictions for the years ended June 30, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Agencies	\$ 22,000	\$ 49,281
Capital projects	537,044	328,975
Diabetes	118,273	156,500
Endowment	-	15,000
Farmers market	-	205,862
Food distributions	635,994	-
Food service training	448,000	574,998
Information technology	107,400	392,600
IT hardware	6,728	-
Kids division programs	365,142	568,967
Mobile pantries	84,573	71,566
Other	584,171	277,940
Period initiative	30,050	31,050
Produce	90,583	64,439
SNAP	69,933	99,471
Time restriction - other	96,250	49,994
	<u>\$ 3,196,141</u>	<u>\$ 2,886,643</u>

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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.

The Food Bank received 33% and 27% 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, 2020 and 2019, respectively. The receivable from the U.S. Department of Agriculture at June 30, 2020 and 2019 comprised 41% and 24%, respectively of total receivables. Additionally, the Food Bank received significant donations of food and supplies from four outside donors that approximated 10% and 12% of revenue for the years ended June 30, 2020 and 2019, respectively.

Approximately 74% and 67% of promises to give are due from three and two donors at June 30, 2020 and 2019, respectively.

11. RISK AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus ("COVID-19") a "Public Health Emergency of International Concern" and in early March 2020, declared the Coronavirus outbreak a global pandemic. Management is currently evaluating the impact of the COVID-19 pandemic has concluded that while it is reasonably possible that the virus could have a negative effect on the Food Bank's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

12. SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events occurring after the statement of financial position date through the date of November 2, 2020, 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.