



COMMUNITY FOOD BANK OF NEW JERSEY, INC.
Financial Statements
June 30, 2021 and 2020
With Independent Auditor's Reports

Community Food Bank of New Jersey, Inc.
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June 30, 2021 and 2020

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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, 2021 and 2020, 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 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, 2021 and 2020, 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.

Withum Smith + Brown, PC

February 3, 2022

Community Food Bank of New Jersey, Inc.
Statements of Financial Position
June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 10,199,771 | \$ 7,706,566 |
| Accounts receivable, net of allowance for uncollectible accounts of \$477,386 and \$307,386 at June 30, 2021 and 2020 | 317,622 | 810,669 |
| Promises to give, net | 2,859,178 | 2,485,883 |
| Due from State of New Jersey | 2,355,272 | 1,944,183 |
| Inventory - donated | 6,946,056 | 5,159,689 |
| Inventory - purchased | 6,194,110 | 537,123 |
| Prepaid expense | 816,915 | 77,045 |
| Investments | 62,302,284 | 36,501,984 |
| Property and equipment, net | <u>12,317,637</u> | <u>12,066,872</u> |
| Total assets | <u>\$ 104,308,845</u> | <u>\$ 67,290,014</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 5,776,646 | \$ 3,288,473 |
| Loan payable | 319,846 | 373,331 |
| Deferred revenue | <u>3,057,332</u> | <u>1,713,203</u> |
| Total liabilities | <u>9,153,824</u> | <u>5,375,007</u> |
| Net assets | | |
| Without donor restrictions | 90,491,131 | 58,167,511 |
| With donor restrictions | <u>4,663,890</u> | <u>3,747,496</u> |
| Total net assets | <u>95,155,021</u> | <u>61,915,007</u> |
| Total liabilities and net assets | <u>\$ 104,308,845</u> | <u>\$ 67,290,014</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, 2021 and 2020

| | 2021 | | | 2020 | | |
|---|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and support | | | | | | |
| Contributions and grants | \$ 27,521,963 | \$ 8,271,042 | \$ 35,793,005 | \$ 31,988,727 | \$ 4,519,021 | \$ 36,507,748 |
| Donated food and commodities | 136,162,602 | - | 136,162,602 | 112,687,444 | - | 112,687,444 |
| Agency handling fees and food purchase fees | 1,577,867 | - | 1,577,867 | 1,374,701 | - | 1,374,701 |
| Government grant and contract revenue | 35,047,216 | - | 35,047,216 | 18,280,047 | - | 18,280,047 |
| Investment return, net | 9,533,450 | - | 9,533,450 | 1,120,259 | - | 1,120,259 |
| Miscellaneous income | 336,514 | - | 336,514 | 228,374 | - | 228,374 |
| Sale or abandonment of property | 65,508 | - | 65,508 | (208,850) | - | (208,850) |
| Catering income | 259,887 | - | 259,887 | 441,338 | - | 441,338 |
| Special events revenue | 1,721,610 | - | 1,721,610 | 1,257,937 | - | 1,257,937 |
| Direct costs of special events | (192,289) | - | (192,289) | (289,054) | - | (289,054) |
| Special events revenue, net | 1,529,321 | - | 1,529,321 | 968,883 | - | 968,883 |
| Net assets released from restrictions | 7,354,648 | (7,354,648) | - | 3,196,141 | (3,196,141) | - |
| | <u>219,388,976</u> | <u>916,394</u> | <u>220,305,370</u> | <u>170,077,064</u> | <u>1,322,880</u> | <u>171,399,944</u> |
| Expenses | | | | | | |
| Program services | 178,124,195 | - | 178,124,195 | 137,577,325 | - | 137,577,325 |
| Management and general | 4,731,348 | - | 4,731,348 | 3,115,536 | - | 3,115,536 |
| Development | 4,209,813 | - | 4,209,813 | 3,335,874 | - | 3,335,874 |
| | <u>187,065,356</u> | <u>-</u> | <u>187,065,356</u> | <u>144,028,735</u> | <u>-</u> | <u>144,028,735</u> |
| Changes in net assets | 32,323,620 | 916,394 | 33,240,014 | 26,048,329 | 1,322,880 | 27,371,209 |
| Net assets | | | | | | |
| Beginning 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> |
| End of year | <u>\$ 90,491,131</u> | <u>\$ 4,663,890</u> | <u>\$ 95,155,021</u> | <u>\$ 58,167,511</u> | <u>\$ 3,747,496</u> | <u>\$ 61,915,007</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|---------------------|
| Operating activities | | |
| Changes in net assets | \$ 33,240,014 | \$ 27,371,209 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Donated food inventory on hand | (1,786,367) | (14,794) |
| Realized (gain) loss on investments | (620,950) | 17,343 |
| Unrealized gain on investments | (8,350,867) | (767,823) |
| Depreciation expense | 1,147,491 | 874,351 |
| Bad debt expense | 312,500 | 130,030 |
| Net present value adjustment | (7,295) | 1,105 |
| (Gain) loss on sale or abandonment of property | (65,508) | 208,850 |
| Donated land | - | (590,000) |
| Change in assets and liabilities | | |
| Accounts receivable | 180,547 | (47,733) |
| Promises to give | (366,000) | (1,440,756) |
| Due from State of New Jersey | (411,089) | 312,799 |
| Inventory - purchased food | (5,656,987) | 8,671 |
| Prepaid expense | (739,870) | (33,893) |
| Accounts payable and accrued expenses | 2,488,173 | 1,018,772 |
| Deferred income | 1,344,129 | 598,126 |
| Net cash provided by operating activities | <u>20,707,921</u> | <u>27,646,257</u> |
| Investing activities | | |
| Purchase of property and equipment | (1,400,611) | (1,700,493) |
| Proceeds from sale of property | 67,863 | - |
| Proceeds from sale of investments | 8,502,480 | 4,804,276 |
| Purchase of investments | <u>(25,330,963)</u> | <u>(25,951,844)</u> |
| Net cash used in investing activities | <u>(18,161,231)</u> | <u>(22,848,061)</u> |
| Financing activities | | |
| Repayment of loan payable | <u>(53,485)</u> | <u>(50,126)</u> |
| Net cash used in financing activities | <u>(53,485)</u> | <u>(50,126)</u> |
| Net change in cash and cash equivalents | 2,493,205 | 4,748,070 |
| Cash and cash equivalents | | |
| Beginning of year | <u>7,706,566</u> | <u>2,958,496</u> |
| End of year | <u>\$ 10,199,771</u> | <u>\$ 7,706,566</u> |
| Supplemental disclosure of cash flow information | | |
| Interest paid | <u>\$ 22,692</u> | <u>\$ 26,098</u> |
| Non-cash transactions | | |
| Inventory of donated product | \$ (1,786,367) | \$ (14,794) |
| Donated inventory revenue | 1,786,367 | 14,794 |
| Donated land | - | (590,000) |
| Contributions | <u>-</u> | <u>590,000</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, 2021 and 2020

| | 2021 | | | | 2020 | | | |
|---|-----------------------|------------------------|----------------------|-----------------------|-----------------------|------------------------|----------------------|-----------------------|
| | Program Expenses | Management and General | Development Expenses | Total | Program Expenses | Management and General | Development Expenses | Total |
| Personnel | \$ 8,632,035 | \$ 1,880,327 | \$ 1,582,400 | \$ 12,094,762 | \$ 7,688,887 | \$ 1,404,876 | \$ 1,304,144 | \$ 10,397,907 |
| Fringe benefits | 2,310,707 | 554,142 | 301,348 | 3,166,197 | 2,200,318 | 474,896 | 273,883 | 2,949,097 |
| Temporary labor | 1,356,053 | 675,433 | 76,245 | 2,107,731 | 852,638 | 283,944 | 70,431 | 1,207,013 |
| Total salaries and related costs | 12,298,795 | 3,109,902 | 1,959,993 | 17,368,690 | 10,741,843 | 2,163,716 | 1,648,458 | 14,554,017 |
| Professional fees | 683,996 | 843,189 | 201,202 | 1,728,387 | 412,400 | 499,819 | 49,494 | 961,713 |
| Occupancy | 1,442,444 | 48,654 | 18,770 | 1,509,868 | 798,802 | 29,145 | 19,241 | 847,188 |
| Supplies | 652,328 | 15,326 | 28,121 | 695,775 | 753,088 | 6,117 | 35,234 | 794,439 |
| Insurance | - | 135,904 | - | 135,904 | - | 100,852 | - | 100,852 |
| Equipment expense | 353,298 | 4,947 | 5,268 | 363,513 | 179,129 | 580 | 969 | 180,678 |
| Transportation | 779,738 | 1,048 | - | 780,786 | 620,752 | - | - | 620,752 |
| Printing and postage | 72,540 | 18,672 | 59,218 | 150,430 | 66,676 | 2,866 | 40,581 | 110,123 |
| Technology | 1,595,166 | 85,770 | 90,688 | 1,771,624 | 1,173,209 | 52,881 | 49,960 | 1,276,050 |
| Food purchased distributed | 20,968,961 | - | - | 20,968,961 | 8,895,633 | - | - | 8,895,633 |
| Food commodities distributed - in kind | 134,382,659 | - | - | 134,382,659 | 112,648,788 | - | - | 112,648,788 |
| Dues and subscriptions | 35,040 | 5,833 | 13,230 | 54,103 | 34,071 | 47,389 | 13,964 | 95,424 |
| Depreciation | 1,109,918 | 15,846 | 21,727 | 1,147,491 | 855,805 | 6,940 | 11,606 | 874,351 |
| Direct marketing expenses | - | - | 1,471,204 | 1,471,204 | - | 44,620 | 1,264,476 | 1,309,096 |
| Grant expense | 3,676,738 | - | - | 3,676,738 | 191,425 | - | - | 191,425 |
| Interest expense | - | 22,692 | - | 22,692 | - | 26,098 | - | 26,098 |
| Bank fees | - | 1,916 | 317,354 | 319,270 | - | 8,238 | 35,460 | 43,698 |
| Direct costs, special events | - | - | 192,289 | 192,289 | - | - | 289,054 | 289,054 |
| Staff support expenses | 72,574 | 48,974 | 4,019 | 125,567 | 148,408 | 92,156 | 29,472 | 270,036 |
| Bad debt expense | - | 312,500 | - | 312,500 | - | - | 130,030 | 130,030 |
| Other administrative expenses | - | 60,175 | 19,019 | 79,194 | 57,296 | 34,119 | 6,929 | 98,344 |
| | 178,124,195 | 4,731,348 | 4,402,102 | 187,257,645 | 137,577,325 | 3,115,536 | 3,624,928 | 144,317,789 |
| Direct costs special events, netted with income | - | - | (192,289) | (192,289) | - | - | (289,054) | (289,054) |
| | <u>\$ 178,124,195</u> | <u>\$ 4,731,348</u> | <u>\$ 4,209,813</u> | <u>\$ 187,065,356</u> | <u>\$ 137,577,325</u> | <u>\$ 3,115,536</u> | <u>\$ 3,335,874</u> | <u>\$ 144,028,735</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, 2021 and 2020

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, 2021 and 2020, the Food Bank distributed approximately 102 and 80 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 on the accrual basis of accounting 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 promises to give, that is, those with a measurable performance or other barrier, and a right of return, 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% and 1.98% as of June 30, 2021 and 2020, respectively. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

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 \$5,228,945. 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.

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 is 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 Revenue

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 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 the event is held.

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 without 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.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

The following table provides information about receivables and contract liabilities as of June 30:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|----------------------|-------------|-------------|-------------|
| Accounts receivable | \$ 317,622 | \$ 810,669 | \$ 892,966 |
| Contract liabilities | \$ - | \$ - | \$ - |

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.

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 management's 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.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

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

| <u>Description</u> | <u>Estimate Life (Years)</u> |
|----------------------------|------------------------------|
| Buildings and improvements | 20-30 |
| 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.

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, 2021 and 2020. 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, fair value of investments, allowance for uncollectible accounts, and depreciation.

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 |
| Insurance | Square footage |
| Depreciation | Square footage |

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

New Accounting Pronouncements Adopted in the Current Year

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements. There was no material impact to the financial statements as a result of adoption.

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.

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’s will have on its financial statements.

Reclassification

Certain items at June 30, 2020 were reclassified to conform to the presentation at June 30, 2021 in the statements of financial position. There was no effect on net assets as a result of the reclassification.

3. PROMISES TO GIVE

At June 30, 2021 and 2020, promises to give, which include both those with no purpose restrictions and assets whose use is restricted, consist of the following:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-------------------|-------------------|
| Total receivables | \$ 2,877,250 | \$ 2,511,250 |
| Discount to present value | <u>(18,072)</u> | <u>(25,367)</u> |
| Promises to give, net | 2,859,178 | 2,485,883 |
| Current portion | <u>2,290,000</u> | <u>2,007,907</u> |
| Promises to give, long-term | <u>\$ 569,178</u> | <u>\$ 477,976</u> |

Promises to give, net is due as follows:

| | |
|------------|---------------------|
| 2022 | \$ 2,290,000 |
| 2023 | 320,988 |
| 2024 | 73,160 |
| 2025 | 72,256 |
| 2026 | 71,364 |
| Thereafter | <u>31,410</u> |
| | <u>\$ 2,859,178</u> |

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2021 and 2020, 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>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 10,199,771 | \$ 7,706,566 |
| Accounts receivable, net | 317,622 | 810,669 |
| Promises to give, net | 2,859,178 | 2,485,883 |
| Due from State of New Jersey | 2,355,272 | 1,944,183 |
| Investments | <u>62,302,284</u> | <u>36,501,984</u> |
| | 78,034,127 | 49,449,285 |
| Less: Financial assets unavailable for general expenditures | | |
| Net assets with donor restrictions | <u>(4,663,890)</u> | <u>(3,747,496)</u> |
| Total financial assets available within one year | <u>\$ 73,370,237</u> | <u>\$ 45,701,789</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.

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).

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, 2021 and 2020. For the years ended June 30, 2021 and 2020, there were no issuance or purchases of Level 3 investments and no transfers in or out of Level 3.

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Corporate bonds are 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 are valued at the daily closing price as reported by the fund. Mutual funds held by the Food Bank 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.

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The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of June 30, 2021 and 2020, along with the basis for the determination of fair value as follows:

| | 2021 | | | |
|------------------------------------|----------------------|--|--|--|
| | Total | Quoted Prices in Active Markets Level 1 | Observable Measurement Criteria Level 2 | Unobservable Measurement Criteria Level 3 |
| Money market funds | \$ 585,959 | \$ 585,959 | \$ - | \$ - |
| Fixed income mutual funds | | | | |
| High yield fund | 2,033,718 | 2,033,718 | - | - |
| Small cap | 1,848,779 | 1,848,779 | - | - |
| International developed equity | 4,893,785 | 4,893,785 | - | - |
| International index fund | 1,808,202 | 1,808,202 | - | - |
| Exchange traded fund - US Equities | 18,150,172 | 18,150,172 | - | - |
| Government/corporate fixed income | | | | |
| AAA - A- ratings | 15,967,495 | 9,889,222 | 6,078,273 | - |
| BBB - B- ratings | 6,104,216 | - | 6,104,216 | - |
| All other ratings or non-rated | 117,180 | - | 117,180 | - |
| Equities - by sector | | | | |
| Information technology | 2,788,525 | 2,788,525 | - | - |
| Financials | 1,687,445 | 1,687,445 | - | - |
| Consumer discretionary | 1,296,429 | 1,296,429 | - | - |
| Communication services | 909,844 | 909,844 | - | - |
| Industrials | 1,398,490 | 1,398,490 | - | - |
| Health care | 1,078,454 | 1,078,454 | - | - |
| Energy | 484,954 | 484,954 | - | - |
| Consumer staples | 364,581 | 364,581 | - | - |
| Materials | 207,814 | 207,814 | - | - |
| Utilities | 183,826 | 183,826 | - | - |
| Real estate | 88,444 | 88,444 | - | - |
| Other | 303,972 | 303,972 | - | - |
| | <u>\$ 62,302,284</u> | <u>\$ 50,002,615</u> | <u>\$ 12,299,669</u> | <u>\$ -</u> |

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| | 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 | - | - |
| Strategic income 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 | 5,303,050 | 4,314,288 | - |
| 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>\$ 29,193,735</u> | <u>\$ 7,308,249</u> | <u>\$ -</u> |

Investment return, net related to these investments at June 30, 2021 and 2020 was comprised of the following:

| | 2021 | 2020 |
|------------------------------|---------------------|---------------------|
| Interest and dividend income | \$ 765,291 | \$ 450,211 |
| Realized gain (loss) | 620,950 | (17,343) |
| Unrealized gain | 8,350,867 | 767,823 |
| Advisory fees | (203,658) | (80,432) |
| | <u>\$ 9,533,450</u> | <u>\$ 1,120,259</u> |

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6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 consists of the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|----------------------|
| Land and improvements | \$ 3,169,161 | \$ 3,169,161 |
| Building and improvements | 14,206,358 | 13,976,476 |
| Furniture and fixtures | 2,278,108 | 2,032,731 |
| Transportation equipment | 3,979,753 | 3,825,626 |
| Computer equipment | 653,479 | 452,948 |
| Construction in progress | <u>584,006</u> | <u>549,529</u> |
| | 24,870,865 | 24,006,471 |
| Less: Accumulated depreciation | <u>(12,553,228)</u> | <u>(11,939,599)</u> |
| | <u>\$ 12,317,637</u> | <u>\$ 12,066,872</u> |

Depreciation expense amounted to \$1,147,491 and \$874,351 for the years ended June 30, 2021 and 2020, respectively.

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. Monthly payments of \$6,347 of principal and interest are due on the first of every month commencing on June 1, 2017. The loan balance was \$319,846 and \$373,331 at June 30, 2021 and 2020, respectively.

Maturities of the loan payable are as follows:

| | |
|------|-------------------|
| 2022 | \$ 57,066 |
| 2023 | 60,888 |
| 2024 | 64,965 |
| 2025 | 69,316 |
| 2026 | <u>67,611</u> |
| | <u>\$ 319,846</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, 2021 and 2020, 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, 2021, the discretionary contribution rate was 3% of eligible employee salaries. The Food Bank's contributions to this plan for 2021 and 2020 including the matching and discretionary profit sharing contributions were \$426,244 and \$432,522 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.

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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.

9. NET ASSETS

Components of net assets with donor restrictions at June 30, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|---------------------|---------------------|
| Agencies | \$ 20,500 | \$ 5,500 |
| Capital projects | 919,092 | 1,057,301 |
| Diabetes | 42,133 | 32,727 |
| Equipment | - | 75,850 |
| Family feeding program | 27,369 | 95,834 |
| Food service training | - | 110,000 |
| Food distributions | - | 1,000,000 |
| IT hardware | - | 18,272 |
| Kids division programs | 603,116 | 154,985 |
| Mobile pantries | 39,080 | 55,000 |
| Other | 512,470 | 450,132 |
| Hygiene | 1,345,624 | 35,919 |
| SNAP | 656,487 | 32,320 |
| Time restriction - other | 498,019 | 623,656 |
| | <u>\$ 4,663,890</u> | <u>\$ 3,747,496</u> |

Net assets were released from restrictions for the years ended June 30, 2021 and 2020 as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|---------------------|---------------------|
| Agencies | \$ 1,372,600 | \$ 22,000 |
| Advocacy | 25,000 | - |
| Capital projects | 603,981 | 537,044 |
| Diabetes | 80,594 | 118,273 |
| Equipment | 75,850 | - |
| Family feeding program | 313,324 | - |
| Food distributions | 1,000,000 | 635,994 |
| Food service training | 465,000 | 448,000 |
| Information technology | - | 107,400 |
| IT hardware | 73,272 | 6,728 |
| Kids division programs | 476,869 | 365,142 |
| Mobile pantries | 30,920 | 84,573 |
| Other | 1,892,699 | 584,171 |
| Hygiene | 495,059 | 30,050 |
| Produce | - | 90,583 |
| SNAP | 275,833 | 69,933 |
| Time restriction - other | 173,647 | 96,250 |
| | <u>\$ 7,354,648</u> | <u>\$ 3,196,141</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% 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, 2021 and 2020. The receivable from the U.S. Department of Agriculture at June 30, 2021 and 2020 comprised 25% and 41%, respectively, of total receivables. Additionally, the Food Bank received significant donations of food and supplies from four outside donors that approximated 13% and 10% of revenue for the years ended June 30, 2021 and 2020, respectively.

Approximately 72% and 74% of promises to give are due from three donors at June 30, 2021 and 2020, respectively.

11. RISK AND UNCERTAINTIES

Management continues to evaluate the impact of the COVID-19 pandemic and 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 February 3, 2022, 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.