



**COMMUNITY FOOD BANK OF NEW JERSEY, INC.**  
**Financial Statements**  
**June 30, 2023 and 2022**  
**With Independent Auditor's Report**

**Community Food Bank of New Jersey, Inc.**  
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**June 30, 2023 and 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Community Food Bank of New Jersey, Inc. (the "Food Bank"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2023 and 2022, 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.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Emphasis of a Matter

As described in Note 2 to the financial statements, the Food Bank adopted Topic 842, *Leases*, as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Food Bank's historic accounting under Topic 840, *Leases*. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

November 29, 2023

**Community Food Bank of New Jersey, Inc.**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,029,074	\$ 6,257,822
Accounts receivable, net of allowance for uncollectible accounts of \$187,155 and \$91,792 at June 30, 2023 and 2022	202,351	778,494
Promises to give, net	1,135,869	1,453,509
Due from State of New Jersey	1,807,242	3,206,485
Inventory - donated	7,403,793	5,387,628
Inventory - purchased	7,932,574	3,872,754
Prepaid expense and other current assets	611,456	1,741,440
Investments	64,852,260	57,572,972
Right-of-use assets - operating, net	1,644,143	-
Property and equipment, net	<u>15,830,695</u>	<u>14,631,469</u>
 Total assets	 <u>\$ 111,449,457</u>	 <u>\$ 94,902,573</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 5,894,960	\$ 6,195,771
Loan payable	207,119	258,423
Deferred revenue	8,115,089	4,043,152
Operating lease liability	1,659,499	-
Total liabilities	<u>15,876,667</u>	<u>10,497,346</u>
Net assets		
Without donor restrictions	91,449,346	79,703,280
With donor restrictions	4,123,444	4,701,947
Total net assets	<u>95,572,790</u>	<u>84,405,227</u>
 Total liabilities and net assets	 <u>\$ 111,449,457</u>	 <u>\$ 94,902,573</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, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>						
Donated nonfinancial assets						
Donated food and commodities	\$ 97,408,270	\$ -	\$ 97,408,270	\$ 99,582,188	\$ -	\$ 99,582,188
Other nonfinancial assets	2,930,467	-	2,930,467	2,284,228	-	2,284,228
	<u>100,338,737</u>	<u>-</u>	<u>100,338,737</u>	<u>101,866,416</u>	<u>-</u>	<u>101,866,416</u>
Contributions and grants	22,142,912	5,267,151	27,410,063	24,883,856	6,184,095	31,067,951
Agency handling fees and food purchase fees	65,858	-	65,858	230,565	-	230,565
Government grant and contract revenue	59,210,846	-	59,210,846	31,579,145	-	31,579,145
Investment return, net	7,241,629	-	7,241,629	(6,644,147)	-	(6,644,147)
Miscellaneous income	186,487	-	186,487	355,524	-	355,524
Sale or abandonment of property	-	-	-	111,424	-	111,424
Catering income	354,845	-	354,845	520,207	-	520,207
Special events revenue	1,667,786	-	1,667,786	1,924,598	-	1,924,598
Direct costs of special events	<u>(334,533)</u>	<u>-</u>	<u>(334,533)</u>	<u>(484,375)</u>	<u>-</u>	<u>(484,375)</u>
Special events revenue, net	1,333,253	-	1,333,253	1,440,223	-	1,440,223
Net assets released from restrictions	<u>5,845,654</u>	<u>(5,845,654)</u>	<u>-</u>	<u>6,146,038</u>	<u>(6,146,038)</u>	<u>-</u>
	<u>196,720,221</u>	<u>(578,503)</u>	<u>196,141,718</u>	<u>160,489,251</u>	<u>38,057</u>	<u>160,527,308</u>
<b>Expenses</b>						
Program services	171,015,836	-	171,015,836	157,375,304	-	157,375,304
Management and general	7,548,590	-	7,548,590	6,903,568	-	6,903,568
Development	<u>6,409,729</u>	<u>-</u>	<u>6,409,729</u>	<u>6,998,230</u>	<u>-</u>	<u>6,998,230</u>
	<u>184,974,155</u>	<u>-</u>	<u>184,974,155</u>	<u>171,277,102</u>	<u>-</u>	<u>171,277,102</u>
<b>Changes in net assets</b>	11,746,066	(578,503)	11,167,563	(10,787,851)	38,057	(10,749,794)
<b>Net assets</b>						
Beginning of year	<u>79,703,280</u>	<u>4,701,947</u>	<u>84,405,227</u>	<u>90,491,131</u>	<u>4,663,890</u>	<u>95,155,021</u>
End of year	<u>\$ 91,449,346</u>	<u>\$ 4,123,444</u>	<u>\$ 95,572,790</u>	<u>\$ 79,703,280</u>	<u>\$ 4,701,947</u>	<u>\$ 84,405,227</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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating activities</b>		
Changes in net assets	\$ 11,167,563	\$ (10,749,794)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Donated food inventory on hand	(2,016,165)	1,558,428
Realized gain on investments	(3,851,897)	(1,271,748)
Unrealized (gain) loss on investments	(1,351,337)	8,718,512
Depreciation expense	1,710,441	1,163,932
Bad debt expense	152,357	91,708
Net present value adjustment	(18,538)	19,606
Gain on sale or abandonment of property	-	(111,424)
Amortization of right of use asset, operating	647,339	-
Change in assets and liabilities:		
Accounts receivable	423,786	(552,580)
Promises to give	336,178	1,386,063
Due from State of New Jersey	1,399,243	(851,213)
Inventory - purchased food	(4,059,820)	2,321,356
Prepaid expense and other current assets	1,129,984	(924,525)
Accounts payable and accrued expenses	(300,811)	419,125
Deferred revenue	4,071,937	985,820
Operating lease liability	(631,983)	-
Net cash provided by operating activities	<u>8,808,277</u>	<u>2,203,266</u>
<b>Investing activities</b>		
Purchase of property and equipment	(2,909,667)	(3,477,764)
Proceeds from sale of property	-	111,424
Proceeds from sale of investments	19,185,551	12,028,552
Purchase of investments	<u>(21,261,605)</u>	<u>(14,746,004)</u>
Net cash used in investing activities	<u>(4,985,721)</u>	<u>(6,083,792)</u>
<b>Financing activities</b>		
Repayment of loan payable	<u>(51,304)</u>	<u>(61,423)</u>
Net cash used in financing activities	<u>(51,304)</u>	<u>(61,423)</u>
Net change in cash and cash equivalents	3,771,252	(3,941,949)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>6,257,822</u>	<u>10,199,771</u>
End of year	<u>\$ 10,029,074</u>	<u>\$ 6,257,822</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 8,736</u>	<u>\$ 21,119</u>
<b>Non-cash investing and financing transactions</b>		
Right of use assets in exchange for operating lease liabilities	<u>\$ 2,291,482</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, 2023 and 2022**

	2023				2022			
	Program Expenses	Management and General	Development Expenses	Total	Program Expenses	Management and General	Development Expenses	Total
Personnel	\$ 12,288,135	\$ 2,913,657	\$ 2,037,603	\$ 17,239,395	\$ 10,202,658	\$ 2,520,857	\$ 1,816,457	\$ 14,539,972
Fringe benefits	3,080,410	664,284	517,982	4,262,676	3,098,710	290,699	477,323	3,866,732
Temporary labor	2,214,111	1,187,595	62,556	3,464,262	1,089,751	1,227,396	32,518	2,349,665
Total salaries and related costs	17,582,656	4,765,536	2,618,141	24,966,333	14,391,119	4,038,952	2,326,298	20,756,369
Professional fees	1,937,280	1,163,319	245,685	3,346,284	1,550,160	1,815,352	214,848	3,580,360
Professional fees - in-kind	1,366,666	678,295	-	2,044,961	683,333	-	-	683,333
Travel and supplies - in-kind	2,500	-	87,314	89,814	-	-	29,572	29,572
Lease and occupancy expenses	2,188,109	15,308	17,533	2,220,950	1,649,862	24,714	25,579	1,700,155
Supplies	1,010,250	9,478	4,985	1,024,713	700,192	4,504	16,394	721,090
Insurance	-	190,303	-	190,303	-	154,191	-	154,191
Equipment expense	310,547	7,612	2,170	320,329	328,798	5,782	8,329	342,909
Transportation	1,495,582	-	-	1,495,582	1,066,468	-	-	1,066,468
Printing and postage	39,944	13,507	134,355	187,806	31,716	8,766	99,545	140,027
Technology	679,822	91,005	39,189	810,016	716,062	175,795	44,127	935,984
Food purchased distributed	43,637,895	-	-	43,637,895	32,435,351	-	-	32,435,351
Food commodities distributed - in-kind	95,436,397	-	-	95,436,397	101,134,416	-	-	101,134,416
Dues and subscriptions	59,387	70,452	23,209	153,048	54,543	6,750	57,053	118,346
Depreciation	1,683,515	11,718	15,208	1,710,441	1,106,090	28,423	29,419	1,163,932
Direct marketing expenses	-	-	2,039,007	2,039,007	20,397	-	2,146,788	2,167,185
Direct marketing expenses - in-kind	-	-	795,692	795,692	-	-	1,571,323	1,571,323
Grant expense	3,221,054	-	-	3,221,054	1,215,812	-	100,109	1,315,921
Interest expense	-	8,736	-	8,736	-	21,119	-	21,119
Bank fees	883	1,969	282,128	284,980	-	1,176	296,771	297,947
Direct costs, special events	3,643	19,764	334,533	357,940	7,382	3,668	484,375	495,425
Staff support expenses	227,702	382,280	34,694	644,676	180,694	302,555	5,351	488,600
Bad debt expense	-	97,107	55,250	152,357	-	91,708	-	91,708
Other administrative expenses	132,004	22,201	15,169	169,374	102,909	220,113	26,724	349,746
	171,015,836	7,548,590	6,744,262	185,308,688	157,375,304	6,903,568	7,482,605	171,761,477
Direct costs special events, netted with income	-	-	(334,533)	(334,533)	-	-	(484,375)	(484,375)
	<u>\$ 171,015,836</u>	<u>\$ 7,548,590</u>	<u>\$ 6,409,729</u>	<u>\$ 184,974,155</u>	<u>\$ 157,375,304</u>	<u>\$ 6,903,568</u>	<u>\$ 6,998,230</u>	<u>\$ 171,277,102</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, 2023 and 2022**

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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, 2023 and 2022, the Food Bank distributed approximately 108 and 103 million pounds of food, respectively, to the areas 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 4.13% and 3.30% as of June 30, 2023 and 2022, respectively. Amortization of the 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, 2023 and 2022**

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**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 incurring the expenditures 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 \$12,966,948 as of June 30, 2023. 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.

*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 or services are provided to the customer. The Food Bank does not have any significant financing components as payment is received 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 Income*

Catering income is 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, 2023 and 2022**

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The following table provides information about receivables and contract liabilities from contracts with customers as of June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 202,351	\$ 778,494	\$ 317,622
Contract liabilities	\$ -	\$ -	\$ -

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.

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

The value of donated food and commodities is determined based on the estimated average fair value of one pound of donated food product using national averages for 29 categories of food items from the 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 produces public service announcements (“PSAs”) that air on television. These PSAs are broadcasted at no charge to the Food Bank to assist in the achievement of its mission.

The Food Bank also receives free advertising through billboard advertisements that serve as platforms to market and brand its mission.

The Food Bank receives donated professional services that typically would be purchased if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value with a corresponding expense allocated to the programs benefitted when the services are provided.

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.

**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, except for those included in the Food Bank’s investment portfolio.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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**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. Promises to give to be received after one year are discounted using a risk-free rate. Amounts due from the State of New Jersey are expected to be collected within one year.

**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>Estimated Life (Years)</u>
Buildings and improvements	20-30
Furniture and fixtures	5
Transportation equipment	5
Computer equipment	5

**Valuation 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, 2023 and 2022. The Food Bank has no income tax related penalties or interest for the periods reported in these financial statements.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the valuation 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, the value of contributed non-financial direct marketing expenses and professional fees, the valuation of right of use assets and related liabilities, the 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
Lease and occupancy	Square footage
Insurance	Square footage
Depreciation	Square footage

**Leases**

The Food Bank categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Food Bank to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the balance sheet. The Food Bank had no finance leases during 2023 and 2022.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Food Bank accounts for these other services as a component of the lease. For all other leases, the services are accounted for separately and the Food Bank allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by landlord incentives, using a discount rate based on the risk-free rate. Right of use assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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**Reclassifications**

Certain prior year amounts have been reclassified to confirm to the current year presentation.

**New Accounting Pronouncements Adopted in the Current Year**

*Leases*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) amending the accounting for leases. The School adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the School utilized the practical expedient available under the guidance. Further, the School elected to implement the package of practical expedients, whereby the School did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact to the statements of activities and changes in net assets or cash flows.

Upon adoption on July 1, 2022, the Food Bank recognized \$2,291,482 in right-of-use (“ROU”) operating assets related to its leased property and equipment. Corresponding operating lease liabilities of \$2,291,482 were also recognized. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

**Accounting Pronouncements Not Yet Adopted**

*Measurement of Credit Losses on Financial Instruments*

In December 2019, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2022, and 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. Management is evaluating the impact this ASU will have on its financial statements.

**3. PROMISES TO GIVE**

At June 30, 2023 and 2022, promises to give consist of the following:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 930,259	\$ 918,033
One to five years	<u>224,750</u>	<u>573,154</u>
Total Promises to give	1,155,009	1,491,187
Less: Discount to present value	<u>(19,140)</u>	<u>(37,678)</u>
Promises to give, net	<u>\$ 1,135,869</u>	<u>\$ 1,453,509</u>

**3. 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).

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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, 2023 and 2022. For the years ended June 30, 2023 and 2022, there were no issuances 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.

The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of June 30, 2023 and 2022:

	<b>2023</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 421,543	\$ 421,543	\$ -	\$ -
Mutual funds				
High yield fund	2,032,870	2,032,870	-	-
Small cap	1,862,247	1,862,247	-	-
International developed equity	5,516,707	5,516,707	-	-
International index fund	1,441,658	1,441,658	-	-
Exchange traded fund - US Equities	20,581,796	20,581,796	-	-
Government/corporate fixed income				
AAA - A- ratings	16,228,099	10,391,133	5,836,966	-
BBB - B- ratings	5,672,314	-	5,672,314	-
All other ratings or non-rated	146,345	-	146,345	-
Equities - by sector				
Information technology	2,537,986	2,537,986	-	-
Financials	1,597,401	1,597,401	-	-
Consumer discretionary	939,849	939,849	-	-
Communication services	417,768	417,768	-	-
Industrials	1,730,655	1,730,655	-	-
Health care	1,716,388	1,716,388	-	-
Energy	357,821	357,821	-	-
Consumer staples	524,188	524,188	-	-
Materials	497,218	497,218	-	-
Utilities	186,272	186,272	-	-
Real estate	11,246	11,246	-	-
Other	431,889	431,889	-	-
	<u>\$ 64,852,260</u>	<u>\$ 53,196,635</u>	<u>\$ 11,655,625</u>	<u>\$ -</u>

**Community Food Bank of New Jersey, Inc.**  
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	<b>2022</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 972,054	\$ 972,054	\$ -	\$ -
Mutual funds				
High yield fund	1,823,643	1,823,643	-	-
Small cap	1,732,444	1,732,444	-	-
International developed equity	4,744,699	4,744,699	-	-
International index fund	1,598,848	1,598,848	-	-
Exchange traded fund - US Equities	15,596,681	15,596,681	-	-
Government/corporate fixed income				
AAA - A- ratings	16,045,315	10,754,668	5,290,647	-
BBB - B- ratings	6,115,839	-	6,115,839	-
All other ratings or non-rated	168,242	-	168,242	-
Equities - by sector				
Information technology	1,993,904	1,993,904	-	-
Financials	975,149	975,149	-	-
Consumer discretionary	796,446	796,446	-	-
Communication services	525,967	525,967	-	-
Industrials	1,039,292	1,039,292	-	-
Health care	1,566,539	1,566,539	-	-
Energy	265,097	265,097	-	-
Consumer staples	482,004	482,004	-	-
Materials	360,037	360,037	-	-
Utilities	197,166	197,166	-	-
Real estate	93,668	93,668	-	-
Other	479,938	479,938	-	-
	<u>\$ 57,572,972</u>	<u>\$ 45,998,244</u>	<u>\$ 11,574,728</u>	<u>\$ -</u>

Investment return, net related to these investments at June 30, 2023 and 2022 was comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 2,310,779	\$ 1,118,819
Realized gain	3,851,897	1,271,748
Unrealized gain (loss)	1,351,337	(8,718,512)
Advisory fees	(272,384)	(316,202)
	<u>\$ 7,241,629</u>	<u>\$ (6,644,147)</u>



**Community Food Bank of New Jersey, Inc.**  
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**4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 10,029,074	\$ 6,257,822
Accounts receivable, net	202,351	778,494
Promises to give, net	1,135,869	1,453,509
Due from State of New Jersey	1,807,242	3,206,485
Investments	<u>64,852,260</u>	<u>57,572,972</u>
	78,026,796	69,269,282
Less: Financial assets unavailable for general expenditures		
Net assets with donor restrictions	<u>(4,123,444)</u>	<u>(4,701,947)</u>
Total financial assets available within one year	<u>\$ 73,903,352</u>	<u>\$ 64,567,335</u>

In order to meet the ongoing and long-term needs of the communities served and maintain preparedness for unanticipated events, the Food Bank targets a cash and investment balance equivalent to nine months 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. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 3,169,161	\$ 3,169,161
Building and improvements	15,606,017	15,137,271
Furniture and fixtures	3,391,531	2,362,648
Transportation equipment	6,532,866	6,024,441
Computer equipment	951,506	653,479
Construction in progress	<u>1,607,215</u>	<u>1,001,629</u>
	31,258,296	28,348,629
Less: Accumulated depreciation	<u>(15,427,601)</u>	<u>(13,717,160)</u>
	<u>\$ 15,830,695</u>	<u>\$ 14,631,469</u>

Depreciation expense amounted to \$1,710,441 and \$1,163,932 for the years ended June 30, 2023 and 2022, respectively.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
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**6. 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 \$207,119 and \$258,423 at June 30, 2023 and 2022, respectively.

Maturities of the loan payable are as follows:

2024	\$	74,549
2025		69,316
2026		63,254
	\$	<u>207,119</u>

**7. 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, 2023 and 2022, 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, 2023, the discretionary contribution rate was 3% of eligible employee salaries. The Food Bank's contributions to this plan for 2023 and 2022 including the matching and discretionary profit-sharing contributions were \$597,578 and \$541,429 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.

**8. NET ASSETS**

Components of net assets with donor restrictions at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Agencies	\$ 984,965	\$ 1,627,150
Capital projects	235,507	44,961
Child feeding	1,146,359	-
Family feeding program	-	5,000
Disaster relief	216,427	492,472
Hygiene	-	255,293
Kids division programs	-	75,000
Workforce development	295,000	-
Other	145,537	727,326
SNAP	70,000	526,487
Advocacy	275,000	-
Pantry	190,649	-
Time restriction - other	564,000	948,258
	<u>\$ 4,123,444</u>	<u>\$ 4,701,947</u>

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Net assets were released from restrictions for the years ended June 30, 2023 and 2022, as follows:

	<u>2023</u>	<u>2022</u>
Agencies	\$ 1,438,443	\$ 31,750
Advocacy	9,000	-
Capital projects	984,327	1,366,043
Diabetes	75,000	92,133
Family feeding program	5,000	181,779
Food service training	-	380,163
Disaster relief	441,045	537,626
Hygiene	514,072	1,390,331
Kids division programs	75,000	951,616
Other	801,063	654,836
SNAP	601,487	250,000
Workforce development	124,560	-
Pantry	109,351	-
Child feeding	264,300	-
Time restriction - other	403,006	309,761
	<u>\$ 5,845,654</u>	<u>\$ 6,146,038</u>

**9. GIFTS-IN-KIND, DONATED FOOD, COMMODITIES AND SERVICES**

Donated food and other goods and services for the years ended June 30, 2023 and 2022 included in the statements of activities and changes in net assets, were as follows:

	<u>2023</u>	<u>2022</u>
Food and commodities	\$ 97,408,270	\$ 99,582,188
Media	795,692	1,571,323
Professional fees	2,044,961	683,333
Travel and supplies	89,814	29,572
	<u>\$ 100,338,737</u>	<u>\$ 101,866,416</u>

The Food Bank recorded donated food and commodities of 53.4 million pounds and 57.6 million pounds for the years ended June 30, 2023 and 2022, respectively. The donated food is recorded in the financial statements as public support and as program expense at the estimated average fair value of one pound of donated food product using national averages for 29 categories of food items with an overall average of \$1.57 and \$1.53 for the years ended June 30, 2023 and 2022, respectively. These values were determined based upon calendar year 2022 and 2021 studies performed by Feeding America. Each of the annual studies involves a review of 29 product categories and wholesale prices using a national wholesaler's pricing catalogs. Other independent sources may also be used as necessary for items not included in the catalogs. The average value of one pound of donated product will vary from year-to-year based on the mix of product items donated. As part of the study, Feeding America analyzes and reviews the results to determine the accuracy and understand the key components of the valuation and the year-over-year changes. There was no monetization of donated food or supplies by the Food Bank.

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Donated services include the value of donated media, professional fees, catering and supplies. Donated media includes the value of public service announcements (PSAs) that run on media outlets locally. The media outlets provide placements to the Food Bank, free of charge, as a contribution to help communicate the Food Bank’s mission and engage the general public. The media outlets have estimated the fair value of the donated media based on the date, time, and market in which the PSA is placed and are recognized as in-kind contributions at fair value with a corresponding expense recorded as direct marketing expenses – in-kind as part of development expenses as they are delivered to the public. The valuation of these advertisements is provided by the service provider, who estimates the fair value based upon the date, time, and market in which it is displayed.

Donated professional fees have been recorded based on the fair value of the services received using estimated values provided by the consulting firm for similar services and have been recorded within program and management and general expense in the statements of functional expenses based on the nature of the professional service. Donated travel and supplies have been valued based on the estimated value provided by the vendors for similar goods and supplies and have been included in the statements of functional expense as program and development expenses based on the nature of the donated item and program category benefitted.

**10. LEASES**

The Food Bank leases one of its warehouse facilities under a non-cancelable operating lease agreement which expires in December 2024. The renewal options have not been included in the lease liability calculation, since it is not reasonably certain that they will be exercised, based on general uncertainties that come with the passage of time.

ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease unless an entity elects the practical expedient to use the risk-free rate. The Food Bank has elected the practical expedient to utilize the risk-free rate of return for U.S. Treasury securities of a similar term at the date of inception.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2023:

2024	\$ 1,200,713
2025	<u>509,438</u>
Gross payments due	1,710,150
Less: Imputed interest	<u>(50,651)</u>
Lease liability at June 30, 2023	<u>\$ 1,659,499</u>

Lease expense totaled \$697,856 for the year ended June 30, 2023 and is included in lease and occupancy expense in the statements of functional expenses.

The weighted average discount rate associated with operating leases as of June 30, 2023 is 4.5%. The weighted average remaining lease term associated with operating leases as of June 30, 2023 is 1.42 years. Operating cash flows from operating leases totaled \$682,500 for the year ended June 30, 2023.

**Community Food Bank of New Jersey, Inc.**  
**Notes to Financial Statements**  
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**11. 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. The Food Bank has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Food Bank's financial condition, results of operations, and cash flows.

Cash equivalents and investments are in high-quality securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported on the statements of financial position. 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 food banks. 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 17% and 35% 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, 2023 and 2022. The receivable from the U.S. Department of Agriculture at June 30, 2023 and 2022 comprised 39% and 18%, respectively, of total receivables. Additionally, the Food Bank received significant donations of food and supplies from four outside donors that approximated 19% for the year ended June 30, 2023 and three outside donors that approximated 11% of revenue for the year ended June 30, 2022, respectively.

Approximately 66% and 61% of promises to give, respectively, are due from three donors at June 30, 2023 and 2022.

**12. LITIGATION**

The Food Bank is involved in various legal proceedings arising in the ordinary course of business. The Food Bank maintains liability on a claims-made basis through a commercial insurance carrier. In the opinion of management, although the outcome of any legal proceedings cannot be predicted, the ultimate liability of the Food Bank, net of any insurance proceeds, would not have a material adverse effect on the financial position or activities.

**13. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 29, 2023, 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 would require disclosure in or adjustments to the financial statements.