



COMMUNITY FOOD BANK OF NEW JERSEY, INC.
Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

Community Food Bank of New Jersey, Inc.
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June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

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

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, 2024 and 2023, 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, 2024 and 2023, 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.

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.

Withum Smith & Brown, PC

December 12, 2024

Community Food Bank of New Jersey, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 8,019,605	\$ 10,029,074
Accounts receivable, net of allowance for uncollectible accounts of \$196,467 and \$187,155 at June 30, 2024 and 2023	559,051	202,351
Promises to give, net	2,096,383	1,135,869
Due from State of New Jersey	1,893,206	1,807,242
Inventory - donated	9,180,818	7,403,793
Inventory - purchased	10,753,817	7,932,574
Prepaid expense and other current assets	735,709	611,456
Investments	73,811,288	64,852,260
Right-of-use assets - operating, net	594,600	1,644,143
Property and equipment, net	<u>17,445,227</u>	<u>15,830,695</u>
 Total assets	 <u>\$ 125,089,704</u>	 <u>\$ 111,449,457</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 10,363,121	\$ 5,894,960
Loan payable	142,643	207,119
Deferred revenue	6,910,462	8,115,089
Operating lease liability	<u>605,778</u>	<u>1,659,499</u>
Total liabilities	<u>18,022,004</u>	<u>15,876,667</u>
 Net assets		
Without donor restrictions	102,994,992	91,449,346
With donor restrictions	<u>4,072,708</u>	<u>4,123,444</u>
Total net assets	<u>107,067,700</u>	<u>95,572,790</u>
 Total liabilities and net assets	 <u>\$ 125,089,704</u>	 <u>\$ 111,449,457</u>

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

Community Food Bank of New Jersey, Inc.
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Donated nonfinancial assets						
Donated food and commodities	\$ 129,152,086	\$ -	\$129,152,086	\$ 97,408,270	\$ -	\$ 97,408,270
Contributions of other nonfinancial assets	2,420,117	-	2,420,117	2,930,467	-	2,930,467
	<u>131,572,203</u>	<u>-</u>	<u>131,572,203</u>	<u>100,338,737</u>	<u>-</u>	<u>100,338,737</u>
Contributions and grants	21,174,881	5,565,003	26,739,884	22,142,912	5,267,151	27,410,063
Purchased food revenue	618,239	-	618,239	65,858	-	65,858
Government grant and contract revenue	64,422,957	-	64,422,957	59,210,846	-	59,210,846
Investment return, net	9,058,864	-	9,058,864	7,241,629	-	7,241,629
Miscellaneous income	219,730	-	219,730	186,487	-	186,487
Gain on sale of property	11,000	-	11,000	-	-	-
Catering income	1,326	-	1,326	354,845	-	354,845
Special events revenue	1,984,077	-	1,984,077	1,667,786	-	1,667,786
Direct costs of special events	<u>(332,417)</u>	<u>-</u>	<u>(332,417)</u>	<u>(334,533)</u>	<u>-</u>	<u>(334,533)</u>
Special events revenue, net	1,651,660	-	1,651,660	1,333,253	-	1,333,253
Net assets released from restrictions	<u>5,615,739</u>	<u>(5,615,739)</u>	<u>-</u>	<u>5,845,654</u>	<u>(5,845,654)</u>	<u>-</u>
	<u>234,346,599</u>	<u>(50,736)</u>	<u>234,295,863</u>	<u>196,720,221</u>	<u>(578,503)</u>	<u>196,141,718</u>
Expenses						
Program services	208,815,356	-	208,815,356	171,015,836	-	171,015,836
Management and general	7,355,998	-	7,355,998	7,548,590	-	7,548,590
Development	<u>6,629,599</u>	<u>-</u>	<u>6,629,599</u>	<u>6,409,729</u>	<u>-</u>	<u>6,409,729</u>
	<u>222,800,953</u>	<u>-</u>	<u>222,800,953</u>	<u>184,974,155</u>	<u>-</u>	<u>184,974,155</u>
Changes in net assets	11,545,646	(50,736)	11,494,910	11,746,066	(578,503)	11,167,563
Net assets						
Beginning 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>
End of year	<u>\$ 102,994,992</u>	<u>\$ 4,072,708</u>	<u>\$107,067,700</u>	<u>\$ 91,449,346</u>	<u>\$ 4,123,444</u>	<u>\$ 95,572,790</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Changes in net assets	\$ 11,494,910	\$ 11,167,563
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Donated food inventory on hand	(1,777,025)	(2,016,165)
Realized gains on investments	(2,469,832)	(3,851,897)
Unrealized gains on investments	(5,384,692)	(1,351,337)
Depreciation expense	2,206,673	1,710,441
Bad debt expense	54,312	152,357
Net present value adjustment	41,598	(18,538)
Gain on sale of property	(11,000)	-
Amortization of right of use asset, operating	1,049,543	647,339
Change in assets and liabilities:		
Accounts receivable	(411,012)	423,786
Promises to give	(1,002,112)	336,178
Due from State of New Jersey	(85,964)	1,399,243
Inventory - purchased food	(2,821,243)	(4,059,820)
Prepaid expense and other current assets	(124,253)	1,129,984
Accounts payable and accrued expenses	4,468,161	(300,811)
Deferred revenue	(1,204,627)	4,071,937
Operating lease liability	(1,053,721)	(631,983)
Net cash provided by operating activities	<u>2,969,716</u>	<u>8,808,277</u>
Investing activities		
Purchase of property and equipment	(3,821,205)	(2,909,667)
Proceeds from sale of property	11,000	-
Proceeds from sale of investments	18,222,592	19,185,551
Purchase of investments	(19,327,096)	(21,261,605)
Net cash used in investing activities	<u>(4,914,709)</u>	<u>(4,985,721)</u>
Financing activities		
Repayment of loan payable	(64,476)	(51,304)
Net cash used in financing activities	<u>(64,476)</u>	<u>(51,304)</u>
Net change in cash and cash equivalents	(2,009,469)	3,771,252
Cash and cash equivalents		
Beginning of year	<u>10,029,074</u>	<u>6,257,822</u>
End of year	<u>\$ 8,019,605</u>	<u>\$ 10,029,074</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 11,701</u>	<u>\$ 8,736</u>
Non-cash investing and financing transactions		
Right of use assets in exchange for operating lease liabilities	<u>\$ 104,568</u>	<u>\$ 2,291,482</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, 2024 and 2023

	2024				2023			
	Program Expenses	Management and General	Development Expenses	Total	Program Expenses	Management and General	Development Expenses	Total
Personnel	\$ 14,868,947	\$ 3,603,379	\$ 2,014,274	\$ 20,486,600	\$ 12,288,135	\$ 2,913,657	\$ 2,037,603	\$ 17,239,395
Fringe benefits	3,675,142	1,484,109	511,242	5,670,493	3,080,410	664,284	517,982	4,262,676
Temporary labor	1,043,653	499,753	21,549	1,564,955	2,214,111	1,187,595	62,556	3,464,262
Total salaries and related costs	19,587,742	5,587,241	2,547,065	27,722,048	17,582,656	4,765,536	2,618,141	24,966,333
Professional fees	2,396,660	543,614	223,851	3,164,125	1,937,280	1,163,319	245,685	3,346,284
Professional fees - in-kind	1,250,000	-	-	1,250,000	1,366,666	678,295	-	2,044,961
Travel and supplies - in-kind	-	-	22,494	22,494	2,500	-	87,314	89,814
Lease and occupancy expenses	2,388,086	36,146	31,055	2,455,287	2,188,109	15,308	17,533	2,220,950
Supplies	1,087,036	12,424	7,403	1,106,863	1,010,250	9,478	4,985	1,024,713
Insurance	-	210,370	-	210,370	-	190,303	-	190,303
Equipment expense	479,334	10,957	6,089	496,380	310,547	7,612	2,170	320,329
Transportation	1,505,814	-	-	1,505,814	1,495,582	-	-	1,495,582
Printing and postage	31,939	12,440	119,098	163,477	39,944	13,507	134,355	187,806
Technology	628,717	138,278	47,839	814,834	679,822	91,005	39,189	810,016
Food purchased distributed	43,054,768	-	-	43,054,768	43,637,895	-	-	43,637,895
Food commodities distributed - in-kind	127,391,996	-	-	127,391,996	95,436,397	-	-	95,436,397
Dues and subscriptions	52,046	36,067	20,152	108,265	59,387	70,452	23,209	153,048
Depreciation	2,145,467	32,922	28,284	2,206,673	1,683,515	11,718	15,208	1,710,441
Direct marketing expenses	-	-	2,139,971	2,139,971	-	-	2,039,007	2,039,007
Direct marketing expenses - in-kind	-	-	1,147,623	1,147,623	-	-	795,692	795,692
Grant expense	6,267,518	120,477	-	6,387,995	3,221,054	-	-	3,221,054
Interest expense	-	11,701	-	11,701	-	8,736	-	8,736
Bank fees	-	1,902	257,957	259,859	883	1,969	282,128	284,980
Direct costs, special events	20,873	53,825	332,417	407,115	3,643	19,764	334,533	357,940
Staff support expenses	416,562	421,788	14,383	852,733	227,702	382,280	34,694	644,676
Bad debt expense	-	54,312	-	54,312	-	97,107	55,250	152,357
Other administrative expenses	110,798	71,534	16,335	198,667	132,004	22,201	15,169	169,374
	208,815,356	7,355,998	6,962,016	223,133,370	171,015,836	7,548,590	6,744,262	185,308,688
Direct costs special events, netted with income	-	-	(332,417)	(332,417)	-	-	(334,533)	(334,533)
	<u>\$ 208,815,356</u>	<u>\$ 7,355,998</u>	<u>\$ 6,629,599</u>	<u>\$ 222,800,953</u>	<u>\$ 171,015,836</u>	<u>\$ 7,548,590</u>	<u>\$ 6,409,729</u>	<u>\$ 184,974,155</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, 2024 and 2023

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, 2024 and 2023, the Food Bank distributed approximately 112 and 108 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. Contributions with donor restrictions that are received and for which restrictions are met in the same year are recorded as net assets without donor 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 approximately 4.33% and 4.13% as of June 30, 2024 and 2023, 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, 2024 and 2023

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 government grants 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 approximately \$18,900,000 as of June 30, 2024. 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 deferred revenue 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 point in 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, 2024 and 2023

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 559,051	\$ 202,351	\$ 778,494
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, 2024 and 2023

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

Accounts receivable are uncollateralized, non-interest bearing and are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectable. The Food Bank separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the statements of financial position date, the Food Bank develops a loss rate for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

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:

Description	Estimated Life (Years)
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.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023. 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 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, is detailed 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 expenses	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 statements of financial position. The Food Bank had no finance leases during 2024 and 2023.

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.

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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.

New Accounting Pronouncements Adopted

Accounting Pronouncement Adopted in the Current Year

In June 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure and other financial instruments recorded at amortized cost. The Food Bank adopted the new standard effective January 1, 2023, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption. The adoption of this standard did not have a material impact on the financial statements.

3. PROMISES TO GIVE

At June 30, 2024 and 2023, promises to give consist of the following:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 1,301,121	\$ 930,259
One to five years	<u>856,000</u>	<u>224,750</u>
Total Promises to give	2,157,121	1,155,009
Less: Discount to present value	<u>(60,738)</u>	<u>(19,140)</u>
Promises to give, net	<u>\$ 2,096,383</u>	<u>\$ 1,135,869</u>

4. FAIR VALUE

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023. For the years ended June 30, 2024 and 2023, there were no issuances or purchases of Level 3 investments and no transfers in or out of Level 3.

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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, 2024 and 2023:

	2024			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 764,926	\$ 764,926	\$ -	\$ -
Mutual funds				
High yield fund	2,291,029	2,291,029	-	-
Small cap	1,252,946	1,252,946	-	-
International developed equity	6,144,982	6,144,982	-	-
International index fund	2,200,897	2,200,897	-	-
Exchange traded fund - US Equities	30,046,974	30,046,974	-	-
Government/corporate fixed income				
AAA - A- ratings	17,970,356	11,843,774	6,126,582	-
BBB - B- ratings	6,868,380	-	6,868,380	-
Equities - by sector				
Information technology	1,252,075	1,252,075	-	-
Financials	706,412	706,412	-	-
Consumer discretionary	783,830	783,830	-	-
Communication services	160,063	160,063	-	-
Industrials	1,394,031	1,394,031	-	-
Health care	929,308	929,308	-	-
Energy	190,927	190,927	-	-
Consumer staples	210,001	210,001	-	-
Materials	222,895	222,895	-	-
Utilities	176,701	176,701	-	-
Other	244,555	244,555	-	-
	<u>\$ 73,811,288</u>	<u>\$ 60,816,326</u>	<u>\$ 12,994,962</u>	<u>\$ -</u>

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	2023			
	Total	Level 1	Level 2	Level 3
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>

Investment return, net related to these investments at June 30, 2024 and 2023 was comprised of the following:

	2024	2023
Interest and dividend income	\$ 1,497,392	\$ 2,310,779
Realized gains	2,469,832	3,851,897
Unrealized gains	5,384,692	1,351,337
Advisory fees	(293,052)	(272,384)
	<u>\$ 9,058,864</u>	<u>\$ 7,241,629</u>

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5. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Financial assets		
Cash and cash equivalents	\$ 8,019,605	\$ 10,029,074
Accounts receivable, net	559,051	202,351
Promises to give, net	2,096,383	1,135,869
Due from State of New Jersey	1,893,206	1,807,242
Investments	<u>73,811,288</u>	<u>64,852,260</u>
	86,379,533	78,026,796
Less: Financial assets unavailable for general expenditures		
Net assets with donor restrictions	<u>(4,072,708)</u>	<u>(4,123,444)</u>
Total financial assets available within one year	<u>\$ 82,306,825</u>	<u>\$ 73,903,352</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.

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 3,169,161	3,169,161
Building and improvements	17,335,242	15,606,017
Furniture and fixtures	4,246,933	3,391,531
Transportation equipment	7,141,434	6,532,866
Computer equipment	1,865,348	951,506
Construction in progress	<u>941,141</u>	<u>1,607,215</u>
	34,699,259	31,258,296
Less: Accumulated depreciation	<u>(17,254,032)</u>	<u>(15,427,601)</u>
	<u>\$ 17,445,227</u>	<u>\$ 15,830,695</u>

Depreciation expense amounted to \$2,206,763 and \$1,710,441 for the years ended June 30, 2024 and 2023, respectively.

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7. LOAN PAYABLE

In April 2016, the Food Bank entered into a loan payable agreement for the purchase of two buildings with the seller of the properties. The loan payable, which is secured by the properties, bears interest at a rate of 6.5% maturing May 1, 2026. 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 \$142,643 and \$207,119 at June 30, 2024 and 2023, respectively.

Maturities of the loan payable are as follows:

2025	\$	69,316
2026		<u>73,327</u>
	\$	<u>142,643</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, 2024 and 2023, 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 years ended June 30, 2024 and 2023, the discretionary contribution rate was 3% of eligible employee salaries. The Food Bank's contributions to this plan for 2024 and 2023 including the matching and discretionary profit-sharing contributions were \$676,650 and \$597,578, respectively, 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.

9. NET ASSETS

Components of net assets with donor restrictions at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Agencies	\$ 544,713	\$ 984,965
Capital projects	117,802	235,507
Child feeding	757,996	1,146,359
Disaster relief	-	216,427
Fleet optimization project	363,875	-
Other	258	145,537
SNAP	250,000	70,000
Advocacy	223,234	275,000
Pantry	202,217	190,649
Workforce development	279,700	295,000
Time restriction - other	<u>1,332,913</u>	<u>564,000</u>
	<u>\$ 4,072,708</u>	<u>\$ 4,123,444</u>

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Net assets were released from restrictions for the years ended June 30, 2024 and 2023, as follows:

	<u>2024</u>	<u>2023</u>
Agencies	\$ 1,134,197	\$ 1,438,443
Advocacy	149,266	9,000
Capital projects	169,386	984,327
Diabetes	-	75,000
Family feeding program	-	5,000
Fleet optimization project	829,397	-
Disaster relief	216,427	441,045
Hygiene	66,264	514,072
Kids division programs	-	75,000
Other	365,099	801,063
SNAP	135,000	601,487
Workforce development	675,000	124,560
Pantry	268,432	109,351
Child feeding	1,167,331	264,300
Time restriction - other	439,940	403,006
	<u>\$ 5,615,739</u>	<u>\$ 5,845,654</u>

10. GIFTS-IN-KIND, DONATED FOOD, COMMODITIES AND SERVICES

Donated food and other goods and services for the years ended June 30, 2024 and 2023 included in the statements of activities and changes in net assets, were as follows:

	<u>2024</u>	<u>2023</u>
Food and commodities	\$ 129,152,086	97,408,270
Media	1,147,623	795,692
Professional fees	1,250,000	2,044,961
Travel and supplies	22,494	89,814
	<u>\$ 131,572,203</u>	<u>\$ 100,338,737</u>

The Food Bank recorded donated food and commodities of 66.0 million pounds and 53.4 million pounds for the years ended June 30, 2024 and 2023, respectively. The donated food is recorded in the financial statements as revenue 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 \$1.74 and \$1.57 for the years ended June 30, 2024 and 2023, respectively. These values were determined based upon calendar year 2022 and 2023 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, travel, 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.

11. 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.

The Food Bank leases a pantry under a non-cancelable operating lease agreement, which expires in March 2029. 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.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2024:

2025	\$ 532,238
2026	22,971
2027	23,660
2028	24,370
2029	<u>18,686</u>
Gross payments due	621,925
Less: Imputed interest	<u>(16,147)</u>
Lease liability at June 30, 2024	<u>\$ 605,778</u>

Lease expense totaled \$1,202,234 and \$697,856 for the years ended June 30, 2024, and 2023, respectively, and is included in lease and occupancy expenses in the statements of functional expenses.

The weighted average discount rate associated with operating leases as of June 30, 2024 and 2023 is 4.5%. The weighted average remaining lease term associated with operating leases as of June 30, 2024 and 2023 is 5.25 and 1.42 years, respectively. Operating cash flows from operating leases totaled \$1,206,413 and \$682,500 for the year ended June 30, 2024 and 2023, respectively.

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12. 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 promises to give. 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 28% and 17% 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, 2024 and 2023, respectively. The receivable from the U.S. Department of Agriculture at June 30, 2024 and 2023 comprised 29% and 39%, respectively, of total receivables.

Approximately 55% and 66% of promises to give are due from three donors for the years ended June 30, 2024 and 2023, respectively.

13. RELATED PARTY TRANSACTIONS

For the ended June 30, 2024, the Food Bank received contributions of non-financial assets of approximately \$1,250,000 for consulting services from one of its board members that is the managing director and partner of the company. There were no related party transactions during the year ended June 30, 2023.

14. 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 statements.

15. SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events through December 12, 2024, 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.