

# Chester County Food Bank

Financial Statements  
Years Ended June 30, 2020 and 2019



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**CHESTER COUNTY FOOD BANK**

**CONTENTS**

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**INDEPENDENT AUDITOR'S REPORT** 1

**FINANCIAL STATEMENTS**

*Statements of Financial Position* 3

*Statements of Activities* 4

*Statements of Functional Expenses* 5

*Statements of Cash Flows* 6

*Notes to Financial Statements* 7

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** 18

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Chester County Food Bank  
Exton, Pennsylvania**

We have audited the accompanying financial statements of Chester County Food Bank (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chester County Food Bank as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, on our consideration of Chester County Food Bank's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chester County Food Bank's internal control over financial reporting and compliance.

*BBD, LLP*

**Philadelphia, Pennsylvania  
October 8, 2020**

# CHESTER COUNTY FOOD BANK

## STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 1,882,818	\$ 218,014
Accounts receivable		
Government grants	145,134	8,341
Contributions	318,874	246,190
Other	7,237	15,888
Inventory	518,266	449,088
Investments	5,249,179	6,547,873
Deposits	-	52,000
Prepaid expenses	2,680	5,266
Property and equipment, net	<u>3,650,789</u>	<u>3,801,856</u>
<b>Total assets</b>	<b><u>\$ 11,774,977</u></b>	<b><u>\$ 11,344,516</u></b>
<b>LIABILITIES</b>		
Line of credit	\$ -	\$ 470,000
Notes payable	698,717	278,534
Accounts payable	218,478	145,429
Accrued expenses	<u>50,516</u>	<u>79,019</u>
<b>Total liabilities</b>	<b><u>967,711</u></b>	<b><u>972,982</u></b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	5,241,585	4,097,927
Property and equipment	3,381,806	3,523,322
Board designated for hunger relief programs	<u>1,840,000</u>	<u>2,420,000</u>
	10,463,391	10,041,249
With donor restrictions	<u>343,875</u>	<u>330,285</u>
<b>Total net assets</b>	<b><u>10,807,266</u></b>	<b><u>10,371,534</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 11,774,977</u></b>	<b><u>\$ 11,344,516</u></b>

See accompanying notes

# CHESTER COUNTY FOOD BANK

## STATEMENTS OF ACTIVITIES

Years ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 4,206,743	\$ 177,351	\$ 4,384,094	\$ 2,164,876	\$ 435,168	\$ 2,600,044
Contributions in-kind	2,242,436	-	2,242,436	1,947,874	-	1,947,874
Government grants	350,172	-	350,172	349,576	-	349,576
Wholesale nutrition, net of food costs	152,559	-	152,559	152,841	-	152,841
Miscellaneous	3,581	-	3,581	4,148	-	4,148
Net assets released from restrictions	163,761	(163,761)	-	330,828	(330,828)	-
<b>Total revenue and support</b>	<u>7,119,252</u>	<u>13,590</u>	<u>7,132,842</u>	<u>4,950,143</u>	<u>104,340</u>	<u>5,054,483</u>
<b>EXPENSES</b>						
↳ <b>Program services</b>	5,728,013	-	5,728,013	5,171,827	-	5,171,827
<b>Support services</b>						
Management and general	670,474	-	670,474	657,961	-	657,961
Fundraising	433,896	-	433,896	424,753	-	424,753
<b>Total expenses</b>	<u>6,832,383</u>	<u>-</u>	<u>6,832,383</u>	<u>6,254,541</u>	<u>-</u>	<u>6,254,541</u>
<b>Change in net assets before other changes</b>	286,869	13,590	300,459	(1,304,398)	104,340	(1,200,058)
<b>OTHER CHANGES</b>						
Investment income	135,273	-	135,273	238,758	-	238,758
<b>CHANGE IN NET ASSETS</b>	422,142	13,590	435,732	(1,065,640)	104,340	(961,300)
<b>NET ASSETS</b>						
Beginning of year	10,041,249	330,285	10,371,534	11,106,889	225,945	11,332,834
<b>End of year</b>	<u>\$ 10,463,391</u>	<u>\$ 343,875</u>	<u>\$ 10,807,266</u>	<u>\$ 10,041,249</u>	<u>\$ 330,285</u>	<u>\$ 10,371,534</u>

See accompanying notes

# CHESTER COUNTY FOOD BANK

## STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2020 and 2019

	2020				2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,230,137	\$ 324,459	\$ 160,903	\$ 1,715,499	\$ 1,196,472	\$ 287,153	\$ 111,671	\$ 1,595,296
Employee benefits	292,431	81,422	39,053	412,906	268,249	77,888	24,017	370,154
Payroll taxes	93,425	24,627	12,247	130,299	88,411	21,536	7,840	117,787
<b>Total salaries and benefits</b>	<b>1,615,993</b>	<b>430,508</b>	<b>212,203</b>	<b>2,258,704</b>	<b>1,553,132</b>	<b>386,577</b>	<b>143,528</b>	<b>2,083,237</b>
Advertising	2,099	322	108,620	111,041	2,232	105	130,309	132,646
Independent contractors	11,489	-	-	11,489	65,838	-	-	65,838
Depreciation	164,021	15,261	11,443	190,725	168,923	15,714	11,785	196,422
Donated food distributed	2,266,705	-	-	2,266,705	1,760,436	-	-	1,760,436
Donations to food cupboards	1,137,718	-	-	1,137,718	1,076,609	-	-	1,076,609
Dues and subscriptions	565	14,805	3,088	18,458	4,720	10,967	860	16,547
Event supplies	-	-	1,000	1,000	250	-	27,833	28,083
Insurance	20,731	11,100	-	31,831	23,416	4,877	-	28,293
Interest	-	13,248	-	13,248	-	21,637	-	21,637
License, tax and registrations	-	-	-	-	450	85	-	535
Meetings and training	2,592	1,045	3,812	7,449	9,568	8,540	3,696	21,804
Miscellaneous	60	5,145	4,641	9,846	1,859	2,373	4,146	8,378
Office expense	4,413	103,053	45,315	152,781	3,516	104,830	43,713	152,059
Professional services	-	62,654	-	62,654	5,460	61,040	-	66,500
Program supplies	189,457	198	37,613	227,268	166,044	297	52,383	218,724
Rent	-	-	-	-	275	1,125	-	1,400
Repairs and maintenance	52,795	2,027	-	54,822	86,516	8,011	-	94,527
Security	-	540	-	540	1,377	153	-	1,530
Telephone and internet	29,173	2,743	2,854	34,770	24,666	6,032	2,577	33,275
Travel	41,994	52	3,307	45,353	39,385	12,394	3,923	55,702
Utilities	57,167	7,773	-	64,940	52,492	8,118	-	60,610
Vehicle expense	131,041	-	-	131,041	124,663	5,086	-	129,749
<b>Total expenses</b>	<b>\$ 5,728,013</b>	<b>\$ 670,474</b>	<b>\$ 433,896</b>	<b>\$ 6,832,383</b>	<b>\$ 5,171,827</b>	<b>\$ 657,961</b>	<b>\$ 424,753</b>	<b>\$ 6,254,541</b>

See accompanying notes

# CHESTER COUNTY FOOD BANK

## STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 435,732	\$ (961,300)
<b>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</b>		
Net realized and unrealized (gain) loss on investments	28,850	12,425
Depreciation	190,725	196,422
Donation of kitchen equipment	-	-
(Increase) decrease in		
Accounts receivable	(200,826)	(35,881)
Inventory	(69,178)	(73,042)
Deposits	52,000	(52,000)
Prepaid expenses	2,586	(2,043)
Increase (decrease) in		
Accounts payable	73,049	(85,566)
Accrued expenses	(28,503)	(32,739)
<b>Net cash provided by (used for) operating activities</b>	<u>484,435</u>	<u>(1,033,724)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,313,550)	(1,468,200)
Proceeds from sale of investments	2,583,394	2,343,646
Purchase of property and equipment	(39,658)	(34,415)
<b>Net cash provided by investing activities</b>	<u>1,230,186</u>	<u>841,031</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings (repayments) on line of credit	(470,000)	195,000
Proceeds from issuance of note payable	429,734	-
Repayments on notes payable	(9,551)	(9,013)
<b>Net cash provided by (used for) financing activities</b>	<u>(49,817)</u>	<u>185,987</u>
<b>Net change in cash</b>	1,664,804	(6,706)
<b>CASH</b>		
Beginning of year	<u>218,014</u>	<u>224,720</u>
<b>End of year</b>	<u>\$ 1,882,818</u>	<u>\$ 218,014</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 13,248</u>	<u>\$ 21,637</u>

See accompanying notes

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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### (1) NATURE OF OPERATIONS

The Chester County Food Bank (the "**Food Bank**") was incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania on August 24, 2009. The purpose of the Food Bank is to provide for the acquisition, storage, collection, distribution, advocacy and growing of food to meet the needs of low-income citizens at risk of food insecurity within Chester County, Pennsylvania. The Food Bank is the largest distributor of food to low-income families and individuals in Chester County, Pennsylvania providing non-perishable groceries, fresh produce, dairy, bread and meat to over 153 nonprofit agencies, from senior centers and after-school programs to soup kitchens and food pantries. The Food Bank solicits donations from a large network of sources, including large corporations, supermarket chains, wholesalers, restaurant suppliers, the United States Department of Agriculture, growers and food drives, and then distributes these food commodities to qualifying public service agencies and neighborhood pantries.

For the years ended June 30, 2020 and 2019, the Food Bank collected and distributed more than 3.4 million and 3.3 million pounds of food, respectively. Fresh produce, proteins, staples and other nutritious items were distributed by the Food Bank.

The Food Bank receives revenues and support from the following government agencies:

**Pennsylvania Department of Agriculture – The Emergency Food Assistance Program (TEFAP):**

The TEFAP revenue represents funds which have been distributed through the Chester County Department of Human Services. These funds are administered at the federal level by the United States Department of Agriculture. These funds are designated to partially cover the costs of distributing mostly non-perishable food to nonprofit agencies serving low-income families and individuals through their emergency meal and pantry programs.

**State Food Purchase Program (SFPP):** SFPP is a grant from the Commonwealth of Pennsylvania through the Pennsylvania Department of Agriculture. SFPP provides funds for food program support and capital purchases which are distributed through the Chester County Department of Human Services.

### (2) PROGRAM SERVICES

Unique in our form and mission, the Food Bank has transformed the approach to food insufficiency in the county over its 11-year history. The combination of direct food support, a priority on fresh food and an investment in education programs has brought to bear the great resources of our area—agricultural bounty, volunteers, funders and partners to evolve how we address an invisible and insidious problem. While food drives and government programs provide a part of our support to the community, our work goes well beyond this. The relationship between adequate nutrition and health, wellness and appropriate physical, emotional and mental development are well established; however, rarely are these priorities made available to our most vulnerable neighbors. Our work bridges that gap.

**Food Distribution**

The Food Bank collects, stores, and delivers food to over 153 food providing organizations and other organizations that provide food for people in need. Food products include fresh produce, non-perishable items, dairy, bread, and meat. This past year, the Food Bank provided nutritious food equivalent to over 2.75 million meals for hungry people in Chester County. Hunger is an issue for approximately 50,000 individuals in Chester County. An increasing number of families, including children and seniors, have come to depend upon the Food Bank and our partner pantries, cupboards and meal sites. Provision of food to address the immediate need in the community has always been and always will be our highest priority. Our distribution is centralized at our main office and warehouse, located in Exton, PA, acquired in 2013 and renovated to accommodate the needs of the size of the operation and unique handling concerns of fresh food. With over 3.4 million pounds of food distributed in the past fiscal year (over 36% fresh food), the warehouse has well served the needs of the Food Bank's food-providing partners located throughout the county, including community agencies, schools and senior centers.

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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### **Fresh and Local (Agriculture Programs)**

Since its inception, the Food Bank has continued to improve upon our ability to leverage key partnerships and purposefully invest resources to acquire and distribute the healthiest food possible to Chester County residents. The priority of fresh and local food, our programming decisions, partnerships, resource allocation and strategic planning. More than 100,000 pounds of locally grown, fresh produce was harvested from farms and gardens throughout the county, utilizing our two on-staff farmers and the services of over 1,015 community volunteers who donated approximately 5,000 hours of their time. In addition, the Food Bank constructs raised bed vegetable gardens at various locations throughout the county, including churches, corporations, schools and civic organizations. The groups then maintain the beds and donate the food they grow to local pantries, feeding sites, and the Food Bank. The Food Bank has 85 active partner gardens with over 685 raised beds and 5 covered high tunnel gardens.

### **Weekend Food Backpack Program**

The Food Bank provides backpacks filled with nutritious food for school children from low-income families to take home every Friday during the school year so that they have food during the weekends when school-based meals are not served. The Food Bank provided food to fill approximately 30,800 packs for the approximately 1,000 children who were enrolled in the program during this past fiscal year.

### **Summer Student Food Program**

The Food Bank's Summer Food Box helps school age children and their families receive nutritious, easy-to-prepare non-perishable food during the summer vacation months at their participating member agency or youth center. Volunteers pack the Summer Food Box with a rotating variety of shelf stable items which are then distributed to 31 locations that provide a monthly box to nearly 2,000 qualifying children in Chester County.

### **Senior Food Program**

In October 2016, the Food Bank discontinued the Commodity Supplemental Food Program (CSFP) due to the administrative burden it placed on the Food Bank's operations. In its place, the Food Bank developed the Senior Food Box Program. In fiscal year 2019-2020, this program provided approximately 9,400 boxes of nutritious food specially designed to meet the needs of seniors. 809 low-income older adults were enrolled in this program during the past year.

### **Emergency Food Box Program**

The Food Bank provides hungry families and individuals facing emergencies with an immediate three-day supply of food from the Food Bank. These food boxes are distributed by our food providing partners, as well as schools, local and state government offices and community organizations. 13,057 pounds of emergency food was supplied through Emergency Boxes out of the Food Bank's warehouse in the past year, at no cost to recipients.

### **Food Security Initiatives**

Simply providing food, no matter how abundant and nutritious, is only a part of the solution to food insecurity. The Food Bank focuses on teaching sustainable methods of growing fresh produce and providing education on how to prepare and enjoy nutritious foods. Though the Food Bank is unable to fix many of the root causes of food insecurity (rising cost of housing, utilities, childcare expenses, income), we work with partners around the county to educate and collaborate on ways to tackle some of the issues together.

*EatFresh* combines nutrition education and hands-on cooking experience with an increased availability of fresh fruits and vegetables. The classes promote healthy food preparation and eating habits as a springboard to healthier lifestyle.

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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*The Best Choices Program* encourages and supports pantry leaders to thoughtfully rethink and redesign the pantry environment to "nudge" clients to choose the best options their agencies have to offer: fresh fruits, vegetables, and whole grains. Strategies include pantry rearrangement, *Tastelt!* Food demonstrations, recipe creation, and signs which have the potential to increase participant confidence while choosing foods to cook at home.

*The Fresh2You Mobile Market* connects low-income community members to the bounty of fresh produce grown in our region by working closely with the Food Bank's *Agricultural Program* and a network of partner farms. *Fresh2You* seeks to make high quality food affordable to the whole community at fair value to the farmer. Donated produce to the Food Bank is not sold as part of *Fresh2You*. *Fresh2You* helps customers shopping with food assistance benefits to stretch their food budgets by offering financial incentives. Shoppers using the SNAP (Food Stamps) and Farmer's Market Nutrition Program vouchers at the market receive a dollar-for-dollar match on all purchases of fresh fruits and vegetables with these benefits.

### **Meal Production**

As a community partnership effort with Meals on Wheels of Chester County and the Chester County Department of Aging, the Food Bank produces hot meals each week day for six Meals on Wheels chapters in Downingtown and West Chester. The Food Bank also produces frozen meals for distribution to clients referred through the Meals on Wheels and other social service agencies.

### **Fresh Start Kitchen**

Chester County Food Bank launched **FRESHstart Kitchen™** to educate and prepare under or unemployed residents for opportunities and sustainable employment in the food service industry. FRESH is an acronym for *Focusing Resources on Employment, Self-Sufficiency and Health*, directly aligned with strategic planning and programming for the Food Bank. FRESHstart Kitchen™ will instruct enrolled participants to acquire a specific skill set with a 12-week culinary arts training program. The program operates eight hours per day, Monday through Friday, and provides the following instruction and supports: culinary arts instruction and training, life skills and job readiness, internship, job search and placement assistance.

## (3) SIGNIFICANT ACCOUNTING PRINCIPLES

### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

### **Basis of Presentation**

The Food Bank reports information regarding its financial position and activities according to the following classes of net assets:

#### ***Without donor restrictions***

Net assets that are not subject to donor-imposed restrictions.

#### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Food Bank and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as **"net assets released from restrictions"**. Contributions and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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This category also includes net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of the Food Bank. As of June 30, 2020 and 2019, the Food Bank did not have any such net assets.

### Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### Concentration of Credit Risk

Cash and accounts receivable represent financial instruments that potentially subject the Food Bank to concentration of credit risk. The Food Bank maintains its cash at high-quality financial institutions. At times, such deposits may exceed federally-insured limits. The Food Bank has not experienced any losses on its deposits. Government grants and other accounts receivable are expected to be collected in 2021. The composition of contributions receivable is more fully described in **Note 4**.

### Fair Value Measurements of Assets and Liabilities

Accounting principles generally accepted in the United States of America ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Food Bank. Unobservable inputs reflect the Food Bank's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the Food Bank has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the Food Bank's own assumptions.

### Accounts Receivable

Accounts receivable represent amounts due from the County of Chester, stated at the amount the Food Bank expects to collect for USDA contract fees, and amounts due from local food banks for dairy products purchased in excess of allocated amounts. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Uncollectible receivables are charged against the allowance when the Food Bank determines that payments will not be received. As of June 30, 2020 and 2019, the Food Bank determined that no allowance for losses on receivables was required.

### Inventory

Inventory consists of food received from various government agencies, public donations and direct purchases. Inventory is valued at lower of cost or market for purchased food, at \$1.70 per pound for the years ended June 30, 2020 and 2019 for public donations, and published fair market values for government donations. This valuation is within the range utilized by Feeding America, \$1.70 per pound for each of the years ended June 30, 2020 and 2019.

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# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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Inventory consisted of 487,000 and 380,000 pounds of food at June 30, 2020 and 2019, respectively.

### **Investments and Investment Income**

Investments in debt and equity securities with readily determinable fair values are reported at fair value as determined by quoted market prices. Dividend and interest income is recorded as earned. Realized and unrealized gains and losses are included in the statements of activities.

The Food Bank invests in a professionally-managed portfolio that contains various types of securities (**See Note 6**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

### **Property and Equipment**

Property and equipment are recorded at cost if purchased or estimated fair value for donated items. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets which range from 5-39 years. Maintenance and repairs are charged to operations as incurred.

### **Contributions and Government Grants**

Contributions and government grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Unconditional promises to give are recognized as revenue in the period the unconditional promises to give are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### **Contributions In-Kind**

Except for food items donated by the TEFAP and SFPP, contributed food items are recorded as inventory at a per-pound value using a weighted average price per pound. This weighted average is based on data from Feeding America. For each of the years ended June 30, 2020 and 2019, the weighted average value for contributed food per Feeding America was \$1.70 per pound. The Food bank's weighted average price per pound was \$1.70 for the years ended June 30, 2020 and 2019.

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Food Bank would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Food Bank also receives donated services that do not require specific expertise but which are nonetheless central to the Food Bank's operations. While these contributed services are not reflected in the financial statements, the estimated value of these services is disclosed in Note 12.

### **Advertising**

Advertising costs are charged to operations when incurred. Advertising expense was \$111,041 for 2020 and \$132,646 for 2019.

### **Functional Allocation of Expenses**

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated, based upon either estimates of time and effort or relative poundage of food distributed.

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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### Income Tax Status

The Food Bank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Food Bank believes that it had no uncertain tax positions as defined in the standard.

### Accounting Pronouncement Adopted

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Food Bank adopted ASU 2014-09 on July 1, 2019 using the modified retrospective method approach.

The Food Bank performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The adoption of ASU 2014-09 had no impact on the amount of revenue recognized since revenue continues to be recognized as described above.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. The Food Bank adopted ASU 2018-08 on July 1, 2019.

#### (4) CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2020 and 2019 are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
In less than one year	\$ 270,833	\$ 140,500
In one to five years	<u>50,000</u>	<u>110,000</u>
	320,833	250,500
Less discount to present value (at 2%)	<u>(1,959)</u>	<u>(4,310)</u>
	<u>\$ 318,874</u>	<u>\$ 246,190</u>

Contributions receivable were valued using Level 2 inputs.

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# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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### (5) INVESTMENTS

Investments at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Mutual and exchange-traded funds		
Equity	\$ 2,458,655	\$ 3,078,906
Fixed income	<u>2,790,524</u>	<u>3,468,967</u>
	<u>\$ 5,249,179</u>	<u>\$ 6,547,873</u>

Investments were valued using Level 1 inputs.

Investment income consisted of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 190,491	\$ 279,715
Net realized and unrealized loss	(28,850)	(12,426)
Management fees	<u>(26,368)</u>	<u>(28,531)</u>
	<u>\$ 135,273</u>	<u>\$ 238,758</u>

### (6) PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land, building and improvements	\$ 4,002,914	\$ 3,982,481
Vehicles	417,869	417,869
Equipment and furniture	<u>656,548</u>	<u>637,323</u>
	5,077,331	5,037,673
Less accumulated depreciation	<u>(1,426,542)</u>	<u>(1,235,817)</u>
Property and equipment - net	<u>\$ 3,650,789</u>	<u>\$ 3,801,856</u>

### (7) LINE OF CREDIT

The Food Bank has a \$500,000 line of credit with a local bank. Advances on the line bear interest at a variable rate based on the London Interbank Offered Rate (LIBOR) for maturities of one month ( 2.82% at June 30, 2020) and are secured by substantially all of Food Bank's assets and a mortgage on the real estate located at 650 Pennsylvania Drive, Exton, PA.

There were no advances outstanding on the line of credit at June 30, 2020. Advances outstanding on the line of credit were \$470,000 at June 30, 2019.

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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### (8) NOTES PAYABLE

Notes payable at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
County of Chester Department of Community Development	\$ 250,000	\$ 250,000
Term note payable to bank due in monthly payments of \$585, including interest at 5.95%, through March 2021 secured by a vehicle with a net book value of \$8,298 at June 30, 2020.	5,140	11,647
Term note payable to bank due in monthly payments of \$332, including interest at 5.99%, through May 2024 secured by a vehicle with a net book value of \$14,292 at June 30, 2020.	13,843	16,887
Paycheck Protection Program loan, due in 18 monthly payments beginning in November 2021, including interest at 1%, through April 2022. The loan is guaranteed by the Small Business Administration, and may be forgiven in its entirety upon meeting certain requirements.	429,734	-
	<u>\$ 698,717</u>	<u>\$ 278,534</u>

On February 3, 2011, the Food Bank received a \$250,000 loan from the Department of Community Development of the County of Chester ("**DCD**") for the partial acquisition of a property to be used as a community food bank. The loan is secured by a mortgage on the Food Bank's real estate located at 650 Pennsylvania Drive, Exton, PA.

In the event the Food Bank satisfies its obligations and responsibilities in accordance with the Federal Community Development Block Grants Program, which includes maintaining the property as a community food bank for low-income persons for a period of 10 years through February 3, 2021, the loan will be forgiven. If the Food Bank fails to meet its obligations, the loan will be due on demand, including interest from the date of disbursement to the date of repayment at a rate of 1% per year.

The scheduled maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2021	\$ 447,380
2022	244,186
2023	3,658
2024	<u>3,493</u>
	<u>\$ 698,717</u>

### (9) BOARD DESIGNATED NET ASSETS

The Food Bank's Board of Directors designated \$2,000,000 of unrestricted Hunger Relief Campaign funds and \$1,000,000 of Doing More Campaign funds to a board designated fund for the use of the programs identified in the campaigns. The Board approved a release of \$580,000 from the board designated funds for each of the years ended June 30, 2020 and 2019 to supplement funding needs for operations.

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

### (10) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2020 and 2019:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2020</u>
<b><u>With purpose restrictions</u></b>				
Weekend Food Backpack Program	\$ 25,000	\$ -	\$ (25,000)	\$ -
Fresh2You Mobile Market	13,431	-	(13,431)	-
Senior Food Program	25,000	-	(25,000)	-
Workforce Development	11,664	-	(11,664)	-
Prenatal boxes	9,000	-	(9,000)	-
<b><u>With time restrictions</u></b>				
For future years	<u>246,190</u>	<u>177,351</u>	<u>(79,666)</u>	<u>343,875</u>
	<u>\$ 330,285</u>	<u>\$ 177,351</u>	<u>\$ (163,761)</u>	<u>\$ 343,875</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2019</u>
<b><u>With purpose restrictions</u></b>				
Meals on Wheels	\$ 30,000	\$ -	\$ (30,000)	\$ -
Weekend Food Backpack Program	47,733	25,000	(47,733)	25,000
Fresh2You Mobile Market	33,767	19,156	(39,492)	13,431
Senior Food Program	-	25,000	-	25,000
Workforce Development	-	50,038	(38,374)	11,664
Prenatal boxes	5,000	9,000	(5,000)	9,000
<b><u>With time restrictions</u></b>				
For future years	<u>109,445</u>	<u>306,974</u>	<u>(170,229)</u>	<u>246,190</u>
	<u>\$ 225,945</u>	<u>\$ 435,168</u>	<u>\$ (330,828)</u>	<u>\$ 330,285</u>

### (11) CONTRIBUTIONS IN-KIND

The estimated fair value of donated food, supplies and expert services received are recorded as contributions. During the years ended June 30, 2020 and 2019, the following in-kind contributions were received by the Food Bank:

	<u>2020</u>	<u>2019</u>
Contributions in-kind - government		
Food - state	\$ 564,943	\$ 471,703
Contributions in-kind - non-government		
Food drives	1,524,094	1,202,209
Growing program	112,101	212,718
Consulting services	-	1,000
Nutritional education	911	-
Advertising and marketing	34,509	40,512
Kitchen equipment and supplies	5,765	7,792
Video services	-	5,000
Beverages	-	6,368
Miscellaneous	113	572
	<u>1,677,493</u>	<u>1,476,171</u>
	<u>\$ 2,242,436</u>	<u>\$ 1,947,874</u>

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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The Food Bank also receives donated services that do not require specific expertise but which are nonetheless central to the Food Bank's operations. Volunteers are integral part of the Food Bank. The Food Bank relies on volunteers from the community to assist in all facets of the operations from sorting, cleaning and repacking donated food to assisting in the office. The estimated value of these services for the years ended June 30, 2020 and 2019, based on the estimated dollar value of volunteer time calculated using the Pennsylvania Estimated Volunteer Wage rate, was \$344,446 and \$428,588, respectively. The value of these services is not reflected in the financial statements.

### (12) RETIREMENT PLAN

The Food Bank participates in a SIMPLE IRA plan covering all eligible employees. The Food Bank's contributions to the plan were \$21,329 in June 30, 2020 and \$18,170 in June 30, 2019.

### (13) OPERATING LEASES

The Food Bank leases three trucks under noncancelable operating leases that expire in June 2020 and April 2024. The amount of rent expense for these vehicles, including the base fee and mileage and other charges, was \$79,330 in 2020 and \$80,340 in 2019.

The minimum annual lease commitments for these leases as of June 30, 2020 are \$26,556 for each of the years from 2021 through 2023, and \$22,130 for 2024.

### (14) RELATED PARTY TRANSACTIONS

The Food Bank received legal services from a law firm in which a member of the Food Bank's board of directors is a partner. The amount of fees incurred was \$338 in 2020 and \$8,440 in 2019.

### (15) CONTINGENCY

Government grants awarded to the Food Bank are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Food Bank could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the grants administered during the year.

### (16) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Food Bank's financial assets as of June 30, 2020 and 2019 and the amounts available within one year.

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,882,818	\$ 218,014
Accounts receivable	471,245	270,419
Investments	<u>5,249,179</u>	<u>6,547,873</u>
Total financial assets	7,603,242	7,036,306
Less financial assets not available within one year		
Board-designated assets, excluding release approved for		
FY 2021 and 2020 operations	(1,640,000)	(1,840,000)
Purpose restricted assets	-	(84,095)
Contributions receivable after one year	<u>(48,041)</u>	<u>(105,690)</u>
Financial assets available within one year	<u>\$ 5,915,201</u>	<u>\$ 5,006,521</u>

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# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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As part of the Food Bank's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Food Bank invests cash in excess of its requirements in a money market fund. In order to manage any liquidity deficiencies or unanticipated liquidity needs, the Food Bank maintains a \$500,000 bank line of credit.

### (17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 8, 2020, the date on which the financial statements were available to be issued.

On March 16, 2020, the Food Bank began its response to the COVID 19 pandemic. At that time, all operations including programs at the Chester County Food Bank shifted to disaster response mode. Our business continuity plan was activated and 100% of staff positions were retained and employees began adjusting their normal schedules to aid in the Food Bank's response. At that time, adjustments were made to the following Food Bank programs:

- All food purchases were prioritized for assembling prepackaged food boxes for quick and easy access to food for our agency partners and their clients.
- The Raised Bed Garden Program shifted from building new gardens and teaching Seed to Supper classes to the model of distributing plants directly to families with information on growing their own food.
- The Fresh2You Mobile Market began running fewer markets and shifted from a choice retail model to a preorder and pick up model. Additionally, the USDA Farm to Families food box and the prepacked produce boxes coming from the Mid-Atlantic Regional Co-op were distributed at no cost to the recipients.
- The FreshStart Kitchen discontinued running classes, and the staff of that program focused on meal production to satisfy the need for frozen meals at senior centers and other outlets.
- The Agriculture program, which was still not fully operational due to its seasonality went from planning mode to assisting with the COVID 19 response. As planting season began, the program increased crop production to meet the local needs.
- Other Direct Distribution programs such as the Backpack and Senior Box program were put on hold and the prepacked boxes from those programs were included in the pandemic response and used as part of the daily food distribution to our agency partners.
- The EatFresh educational program was adapted to a virtual model to continue engagement with participants.

The duration of the COVID-19 pandemic, its impact on the Food Bank's programs, and the related financial impact cannot be reasonably estimated at this time.

No other material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in the financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Directors  
Chester County Food Bank  
Exton, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chester County Food Bank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Chester County Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chester County Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Chester County Food Bank's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chester County Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania  
October 8, 2020**