

Chester County Food Bank

Financial Statements
Years Ended June 30, 2021 and 2020



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CHESTER COUNTY FOOD BANK

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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, 2021 and 2020, 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. 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BBD, LLP

**Philadelphia, Pennsylvania
January 24, 2022**

CHESTER COUNTY FOOD BANK

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,103,269	\$ 1,882,818
Accounts receivable		
Government grants	-	145,134
Contributions	285,189	318,874
Other	12,903	7,237
Inventory	604,946	518,266
Investments	8,870,716	5,249,179
Prepaid expenses and other	21,037	2,680
Property and equipment, net	<u>3,703,440</u>	<u>3,650,789</u>
Total assets	<u>\$ 14,601,500</u>	<u>\$ 11,774,977</u>
LIABILITIES		
Notes payable	\$ -	\$ 698,717
Accounts payable	47,993	218,478
Accrued expenses	<u>100,066</u>	<u>50,516</u>
Total liabilities	<u>148,059</u>	<u>967,711</u>
NET ASSETS		
Without donor restrictions		
Undesignated	6,735,629	5,241,585
Property and equipment	3,703,440	3,381,806
Board designated	<u>3,683,536</u>	<u>1,840,000</u>
	14,122,605	10,463,391
With donor restrictions	<u>330,836</u>	<u>343,875</u>
Total net assets	<u>14,453,441</u>	<u>10,807,266</u>
Total liabilities and net assets	<u>\$ 14,601,500</u>	<u>\$ 11,774,977</u>

See accompanying notes

CHESTER COUNTY FOOD BANK

STATEMENTS OF ACTIVITIES

Years ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 5,097,989	\$ 282,449	\$ 5,380,438	\$ 4,206,743	\$ 177,351	\$ 4,384,094
Contributions in-kind	3,404,144	-	3,404,144	2,242,436	-	2,242,436
Government grants	1,310,587	55,346	1,365,933	350,172	-	350,172
Wholesale nutrition, net of food costs	59,736	-	59,736	152,559	-	152,559
Miscellaneous	2,360	-	2,360	3,581	-	3,581
Net assets released from restrictions	350,834	(350,834)	-	163,761	(163,761)	-
Total revenue and support	<u>10,225,650</u>	<u>(13,039)</u>	<u>10,212,611</u>	<u>7,119,252</u>	<u>13,590</u>	<u>7,132,842</u>
EXPENSES						
4- Program services	7,056,894	-	7,056,894	5,728,013	-	5,728,013
Support services						
Management and general	823,667	-	823,667	670,474	-	670,474
Fundraising	560,673	-	560,673	433,896	-	433,896
Total expenses	<u>8,441,234</u>	<u>-</u>	<u>8,441,234</u>	<u>6,832,383</u>	<u>-</u>	<u>6,832,383</u>
Change in net assets before other changes	<u>1,784,416</u>	<u>(13,039)</u>	<u>1,771,377</u>	<u>286,869</u>	<u>13,590</u>	<u>300,459</u>
OTHER CHANGES						
Investment income	1,195,064	-	1,195,064	135,273	-	135,273
Forgiveness of debt	679,734	-	679,734	-	-	-
Total other changes	<u>1,874,798</u>	<u>-</u>	<u>1,874,798</u>	<u>135,273</u>	<u>-</u>	<u>135,273</u>
CHANGE IN NET ASSETS	3,659,214	(13,039)	3,646,175	422,142	13,590	435,732
NET ASSETS						
Beginning of year	10,463,391	343,875	10,807,266	10,041,249	330,285	10,371,534
End of year	<u>\$ 14,122,605</u>	<u>\$ 330,836</u>	<u>\$ 14,453,441</u>	<u>\$ 10,463,391</u>	<u>\$ 343,875</u>	<u>\$ 10,807,266</u>

See accompanying notes

CHESTER COUNTY FOOD BANK

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2021 and 2020

	2021				2020			
	<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	\$ 1,308,686	\$ 389,724	\$ 211,829	\$ 1,910,239	\$ 1,230,137	\$ 324,459	\$ 160,903	\$ 1,715,499
Employee benefits	292,856	88,089	45,978	426,923	292,431	81,422	39,053	412,906
Payroll taxes	96,078	27,662	15,412	139,152	93,425	24,627	12,247	130,299
Total salaries and benefits	1,697,620	505,475	273,219	2,476,314	1,615,993	430,508	212,203	2,258,704
Advertising	2,717	52	139,966	142,735	2,099	322	108,620	111,041
Independent contractors	8,292	83	8,957	17,332	11,489	-	-	11,489
Depreciation	129,483	30,971	20,958	181,412	164,021	15,261	11,443	190,725
Donated food distributed	3,227,214	-	-	3,227,214	2,266,705	-	-	2,266,705
Donations to food cupboards	1,378,093	-	-	1,378,093	1,137,718	-	-	1,137,718
Dues and subscriptions	6,518	37,444	13,504	57,466	565	14,805	3,088	18,458
Event supplies	-	-	-	-	-	-	1,000	1,000
Insurance	31,015	8,700	530	40,245	20,731	11,100	-	31,831
Interest	-	586	-	586	-	13,248	-	13,248
License, tax and registrations	426	232	-	658	-	-	-	-
Meetings and training	1,747	2,856	1,101	5,704	2,592	1,045	3,812	7,449
Miscellaneous	225	1,060	2,613	3,898	60	5,145	4,641	9,846
Office expense	10,989	124,166	78,016	213,171	4,413	103,053	45,315	152,781
Professional services	2,538	73,026	4,500	80,064	-	62,654	-	62,654
Program supplies	252,763	32,896	8,402	294,061	189,457	198	37,613	227,268
Repairs and maintenance	89,499	74	3,485	93,058	52,795	2,027	-	54,822
Security	850	41	29	920	-	540	-	540
Telephone and internet	27,121	1,390	2,528	31,039	29,173	2,743	2,854	34,770
Travel	10,181	-	305	10,486	41,994	52	3,307	45,353
Utilities	57,674	4,615	2,560	64,849	57,167	7,773	-	64,940
Vehicle expense	121,929	-	-	121,929	131,041	-	-	131,041
Total expenses	\$ 7,056,894	\$ 823,667	\$ 560,673	\$ 8,441,234	\$ 5,728,013	\$ 670,474	\$ 433,896	\$ 6,832,383

See accompanying notes

CHESTER COUNTY FOOD BANK

STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 3,646,175	\$ 435,732
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Net realized and unrealized (gain) loss on investments	(1,067,867)	28,850
Depreciation	181,412	190,725
Forgiveness of debt	(679,734)	-
(Increase) decrease in		
Accounts receivable	173,153	(200,826)
Inventory	(86,680)	(69,178)
Deposits	-	52,000
Prepaid expenses and other	(18,357)	2,586
Increase (decrease) in		
Accounts payable	(170,485)	73,049
Accrued expenses	49,550	(28,503)
Net cash provided by operating activities	<u>2,027,167</u>	<u>484,435</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,188,604)	(1,313,550)
Proceeds from sale of investments	634,934	2,583,394
Purchase of property and equipment	(234,063)	(39,658)
Net cash provided by (used for) investing activities	<u>(2,787,733)</u>	<u>1,230,186</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on line of credit	-	(470,000)
Proceeds from issuance of note payable	-	429,734
Repayments on notes payable	(18,983)	(9,551)
Net cash used for financing activities	<u>(18,983)</u>	<u>(49,817)</u>
Net change in cash	(779,549)	1,664,804
CASH		
Beginning of year	<u>1,882,818</u>	<u>218,014</u>
End of year	<u>\$ 1,103,269</u>	<u>\$ 1,882,818</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 586</u>	<u>\$ 13,248</u>

See accompanying notes

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

(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 160 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, 2021 and 2020, the Food Bank collected and distributed more than 3.5 million and 3.4 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 12-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 160 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 2.93 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 3.5 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, 2021 and 2020

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 778 community volunteers who donated approximately 5050 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 86 active partner gardens with over 720 raised beds and 3 covered high tunnel gardens.

Weekend Food Backpack Program

The Food Bank provides backpacks filled with nutritious food for school children and their families from low-income households 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 7,800 packs for the approximately 400 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 15 locations that provide a monthly box to approximately 1,800 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 2020-2021, this program provided approximately 7,700 boxes of nutritious food specially designed to meet the needs of seniors. 721 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, 2021 and 2020

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 weekday 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, 2021 and 2020

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, 2021 and 2020, 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. Other accounts receivable are expected to be collected in 2022. 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, 2021 and 2020, 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, 2021 and 2020 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, 2021 and 2020.

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

Inventory consisted of approximately 604,000 and 487,000 pounds of food at June 30, 2021 and 2020, 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 5**). 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 contributions and government grants are recognized as revenue in the period the unconditional promises to give are received. Conditional contributions and government grants 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, 2021 and 2020, 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, 2021 and 2020.

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 11**.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$142,735 for 2021 and \$111,041 for 2020.

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, 2021 and 2020

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.

(4) CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2021 and 2020 are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
In less than one year	\$237,148	\$270,833
In one to five years	<u>50,000</u>	<u>50,000</u>
	287,148	320,833
Less discount to present value (at 2%)	<u>(1,959)</u>	<u>(1,959)</u>
	<u>\$285,189</u>	<u>\$318,874</u>

Contributions receivable were valued using Level 2 inputs.

(5) INVESTMENTS

Investments at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Mutual and exchange-traded funds		
Equity	\$4,332,928	\$2,458,655
Fixed income	<u>4,537,788</u>	<u>2,790,524</u>
	<u>\$8,870,716</u>	<u>\$5,249,179</u>

Investments were valued using Level 1 inputs.

Investment income consisted of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 157,479	\$ 190,491
Net realized and unrealized loss	1,067,867	(28,850)
Management fees	<u>(30,282)</u>	<u>(26,368)</u>
	<u>\$1,195,064</u>	<u>\$ 135,273</u>

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

(6) PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land, building and improvements	\$ 4,088,517	\$ 4,002,914
Vehicles	484,498	417,869
Equipment and furniture	<u>738,379</u>	<u>656,548</u>
	5,311,394	5,077,331
Less accumulated depreciation	<u>(1,607,954)</u>	<u>(1,426,542)</u>
Property and equipment - net	<u>\$ 3,703,440</u>	<u>\$ 3,650,789</u>

(7) LINE OF CREDIT

The Food Bank has a \$500,000 line of credit with a local bank that is renewed annually. Advances on the line bear interest at a variable rate based on the London Interbank Offered Rate (LIBOR) for maturities of one month (2.74% at June 30, 2021) 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, 2021 and 2020.

(8) NOTES PAYABLE

Notes payable at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
County of Chester Department of Community Development	\$ -	\$250,000
Term note payable to bank due in monthly payments of \$585, including interest at 5.95%, through March 2021.	-	5,140
Term note payable to bank due in monthly payments of \$332, including interest at 5.99%, through May 2024 paid in full during 2021.	-	13,843
Paycheck Protection Program loan, guaranteed by the Small Business Administration and forgiven in April 2021.	<u>-</u>	<u>429,734</u>
	<u>\$ -</u>	<u>\$698,717</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 was secured by a mortgage on the Food Bank's real estate located at 650 Pennsylvania Drive, Exton, PA. As a result of satisfying its obligations and responsibilities in accordance with the Federal Community Development Block Grants Program, which included maintaining the property as a community food bank for low-income persons for a period of 10 years through February 3, 2021, the loan was forgiven in February 2021.

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

(9) BOARD DESIGNATED NET ASSETS

The Food Bank's board of directors designated a portion of net assets without donor restrictions at June 30, 2021 and 2020 for the following purposes:

	<u>2021</u>	<u>2020</u>
Hunger relief	\$1,840,000	\$1,840,000
Capital assets for both the Food Bank and its partner agencies	<u>1,843,536</u>	<u>-</u>
	<u>\$3,683,536</u>	<u>\$1,840,000</u>

(10) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2021 and 2020:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2021</u>
<u>With purpose restrictions</u>				
Nutrition education	\$ -	\$ 5,000	\$ -	\$ 5,000
Partner agencies	-	28,862	-	28,862
Community kitchen	-	93,933	-	93,933
<u>With time restrictions</u>				
For future years	<u>343,875</u>	<u>210,000</u>	<u>(350,834)</u>	<u>203,041</u>
	<u>\$343,875</u>	<u>\$337,795</u>	<u>\$(350,834)</u>	<u>\$330,836</u>
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2020</u>
<u>With purpose restrictions</u>				
Grants	\$ 25,000	\$ -	\$ (25,000)	\$ -
SDEDS	13,431	-	(13,431)	-
Other	25,000	-	(25,000)	-
Repairs and maintenance	11,664	-	(11,664)	-
Office expenses	9,000	-	(9,000)	-
<u>With time restrictions</u>				
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>

(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, 2021 and 2020, the following in-kind contributions were received by the Food Bank:

	<u>2021</u>	<u>2020</u>
Contributions in-kind – government		
Food – state	<u>\$ 464,814</u>	<u>\$ 564,943</u>
Contributions in-kind – non-government		
Food drives	2,717,149	1,524,094
Growing program	185,862	112,101
Other	<u>36,319</u>	<u>41,298</u>
	<u>2,939,330</u>	<u>1,677,493</u>
	<u>\$3,404,144</u>	<u>\$2,242,436</u>

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, 2021 and 2020, based on the estimated dollar value of volunteer time calculated using the Pennsylvania Estimated Volunteer Wage rate, was \$320,520 and \$344,446, 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 \$18,555 in 2021 and \$21,329 in 2020.

(13) OPERATING LEASES

The Food Bank leases three trucks under noncancelable operating leases that expire in December 2022 April 2024. The amount of rent expense for these vehicles, including the base fee and mileage and other charges, was \$70,455 in 2021 and \$79,330 in 2020.

The minimum annual lease commitments for these leases as of June 30, 2021 are \$66,043 for 2022, \$46,300 for 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. There were no fees incurred in 2021.

(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, 2021 and 2020 and the amounts available within one year.

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,103,269	\$ 1,882,818
Accounts receivable	298,092	471,245
Investments	<u>8,870,716</u>	<u>5,249,179</u>
Total financial assets	10,272,077	7,603,242
Less financial assets not available within one year		
Board-designated assets, excluding release approved for subsequent year operations	(3,683,536)	(1,640,000)
Purpose restricted assets	(127,795)	-
Contributions receivable after one year	<u>(48,041)</u>	<u>(48,041)</u>
Financial assets available within one year	<u>\$ 6,412,705</u>	<u>\$ 5,915,201</u>

CHESTER COUNTY FOOD BANK

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June 30, 2021 and 2020

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 January 24, 2022, the date on which the financial statements were available to be issued.

The Food Bank responded to the COVID-19 pandemic for all of 2021. All operations, including programs at the Chester County Food Bank, continued in disaster response mode. Our business continuity plan remained activated and 100% of staff positions were retained and employees continued to adjust their normal schedules to aid in the Food Bank's response. The Food Bank's programs continued to adapt to the needs of the community and continued to follow CDC guidelines.

- 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 resumed the choice retail model with 7 markets per week. 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 had two cohorts of students using a hybrid model and the staff continued to focus on meal production to satisfy the need for frozen meals at senior centers and other outlets.
- The Agriculture program had a full, productive season securing 100,000 pounds of produce for distribution. 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 programs continued in pandemic response and were part of the daily food distribution to our agency partners and schools.
- The EatFresh educational program offered both an in person and virtual model to continue engagement with participants and classes were held in English and Spanish.

The COVID-19 pandemic impacted the Food Bank's programs for all of 2021. As supply chain challenges continue and prices are on the rise, the financial impact of these circumstances cannot be determined at this time.

No other material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.