

Chester County Food Bank

Financial Statements
Years Ended June 30, 2022 and 2021



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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**

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General. 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 Chester County 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.

Responsibility of Management 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, 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 Chester County Food Bank's ability to continue as a going concern within 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* 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 to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgement 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 of the effectiveness of Chester County 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 Chester County 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022, 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
September 27, 2022**

CHESTER COUNTY FOOD BANK

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 1,088,632 | \$ 1,103,269 |
| Accounts receivable | | |
| Contributions | 579,349 | 285,189 |
| Other | 41,083 | 12,903 |
| Inventory | 714,838 | 604,946 |
| Investments | 8,355,303 | 8,870,716 |
| Prepaid expenses and other | 23,810 | 21,037 |
| Property and equipment, net | <u>3,915,984</u> | <u>3,703,440</u> |
| Total assets | <u>\$ 14,718,999</u> | <u>\$ 14,601,500</u> |
| | | |
| LIABILITIES | | |
| Accounts payable | \$ 16,788 | \$ 47,993 |
| Accrued expenses | <u>80,328</u> | <u>100,066</u> |
| Total liabilities | <u>97,116</u> | <u>148,059</u> |
| | | |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 6,422,783 | 6,735,629 |
| Property and equipment | 3,915,984 | 3,703,440 |
| Board designated | <u>3,693,767</u> | <u>3,683,536</u> |
| | 14,032,534 | 14,122,605 |
| With donor restrictions | <u>589,349</u> | <u>330,836</u> |
| Total net assets | <u>14,621,883</u> | <u>14,453,441</u> |
| | | |
| Total liabilities and net assets | <u>\$ 14,718,999</u> | <u>\$ 14,601,500</u> |

See accompanying notes

CHESTER COUNTY FOOD BANK

STATEMENTS OF ACTIVITIES

Years ended June 30, 2022 and 2021

| | 2022 | | | 2021 | | |
|--|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND SUPPORT | | | | | | |
| Contributions | \$ 5,010,904 | \$ 687,097 | \$ 5,698,001 | \$ 5,097,989 | \$ 282,449 | \$ 5,380,438 |
| Contributions in-kind | 3,273,278 | - | 3,273,278 | 3,404,144 | - | 3,404,144 |
| Government grants | 492,430 | - | 492,430 | 1,310,587 | 55,346 | 1,365,933 |
| Wholesale nutrition, net of food costs | 8,051 | - | 8,051 | 59,736 | - | 59,736 |
| Miscellaneous | - | - | - | 2,360 | - | 2,360 |
| Net assets released from restrictions | 428,584 | (428,584) | - | 350,834 | (350,834) | - |
| Total revenue and support | <u>9,213,247</u> | <u>258,513</u> | <u>9,471,760</u> | <u>10,225,650</u> | <u>(13,039)</u> | <u>10,212,611</u> |
| EXPENSES | | | | | | |
| Program services | 6,822,672 | - | 6,822,672 | 7,056,894 | - | 7,056,894 |
| Support services | | | | | | |
| Management and general | 777,834 | - | 777,834 | 823,667 | - | 823,667 |
| Fundraising | 626,115 | - | 626,115 | 560,673 | - | 560,673 |
| Total expenses | <u>8,226,621</u> | <u>-</u> | <u>8,226,621</u> | <u>8,441,234</u> | <u>-</u> | <u>8,441,234</u> |
| Change in net assets before other changes | <u>986,626</u> | <u>258,513</u> | <u>1,245,139</u> | <u>1,784,416</u> | <u>(13,039)</u> | <u>1,771,377</u> |
| OTHER CHANGES | | | | | | |
| Investment income (loss) | (1,076,697) | - | (1,076,697) | 1,195,064 | - | 1,195,064 |
| Forgiveness of debt | - | - | - | 679,734 | - | 679,734 |
| Total other changes | <u>(1,076,697)</u> | <u>-</u> | <u>(1,076,697)</u> | <u>1,874,798</u> | <u>-</u> | <u>1,874,798</u> |
| CHANGE IN NET ASSETS | (90,071) | 258,513 | 168,442 | 3,659,214 | (13,039) | 3,646,175 |
| NET ASSETS | | | | | | |
| Beginning of year | 14,122,605 | 330,836 | 14,453,441 | 10,463,391 | 343,875 | 10,807,266 |
| End of year | <u>\$ 14,032,534</u> | <u>\$ 589,349</u> | <u>\$ 14,621,883</u> | <u>\$ 14,122,605</u> | <u>\$ 330,836</u> | <u>\$ 14,453,441</u> |

See accompanying notes

CHESTER COUNTY FOOD BANK

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2022 and 2021

| | 2022 | | | | 2021 | | | |
|------------------------------------|-------------------------|-------------------------------|--------------------|---------------------|-------------------------|-------------------------------|--------------------|---------------------|
| | <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 | \$ 1,114,996 | \$ 396,428 | \$ 318,994 | \$ 1,830,418 | \$ 1,308,686 | \$ 389,724 | \$ 211,829 | \$ 1,910,239 |
| Employee benefits | 202,795 | 87,868 | 57,967 | 348,630 | 292,856 | 88,089 | 45,978 | 426,923 |
| Payroll taxes | 87,974 | 25,329 | 25,066 | 138,369 | 96,078 | 27,662 | 15,412 | 139,152 |
| Total salaries and benefits | 1,405,765 | 509,625 | 402,027 | 2,317,417 | 1,697,620 | 505,475 | 273,219 | 2,476,314 |
| Advertising | 1,922 | - | 70,337 | 72,259 | 2,717 | 52 | 139,966 | 142,735 |
| Independent contractors | - | - | - | - | 8,292 | 83 | 8,957 | 17,332 |
| Depreciation | 120,827 | 42,959 | 34,568 | 198,354 | 129,483 | 30,971 | 20,958 | 181,412 |
| Donated food distributed | 3,309,493 | - | - | 3,309,493 | 3,227,214 | - | - | 3,227,214 |
| Donations to food cupboards | 1,376,558 | - | - | 1,376,558 | 1,378,093 | - | - | 1,378,093 |
| Dues and subscriptions | 29,236 | 24,831 | 23,786 | 77,853 | 6,518 | 37,444 | 13,504 | 57,466 |
| Event supplies | - | - | 60,424 | 60,424 | - | - | - | - |
| Insurance | 23,168 | 24,207 | - | 47,375 | 31,015 | 8,700 | 530 | 40,245 |
| Interest | - | - | - | - | - | 586 | - | 586 |
| License, tax and registrations | 150 | - | - | 150 | 426 | 232 | - | 658 |
| Meetings and training | 1,105 | 6,170 | 485 | 7,760 | 1,747 | 2,856 | 1,101 | 5,704 |
| Miscellaneous | 1,403 | 21,898 | 3,251 | 26,552 | 225 | 1,060 | 2,613 | 3,898 |
| Office expense | 1,629 | 99,741 | 21,571 | 122,941 | 10,989 | 124,166 | 78,016 | 213,171 |
| Professional services | - | 31,406 | - | 31,406 | 2,538 | 73,026 | 4,500 | 80,064 |
| Program supplies | 226,281 | 1,253 | 3,199 | 230,733 | 252,763 | 32,896 | 8,402 | 294,061 |
| Repairs and maintenance | 107,630 | 3,458 | - | 111,088 | 89,499 | 74 | 3,485 | 93,058 |
| Security | - | 540 | - | 540 | 850 | 41 | 29 | 920 |
| Telephone and internet | 15,141 | 5,384 | 4,332 | 24,857 | 27,121 | 1,390 | 2,528 | 31,039 |
| Travel | 16,970 | 1,829 | 192 | 18,991 | 10,181 | - | 305 | 10,486 |
| Utilities | 58,283 | 4,533 | 1,943 | 64,759 | 57,674 | 4,615 | 2,560 | 64,849 |
| Vehicle expense | 127,111 | - | - | 127,111 | 121,929 | - | - | 121,929 |
| Total expenses | \$ 6,822,672 | \$ 777,834 | \$ 626,115 | \$ 8,226,621 | \$ 7,056,894 | \$ 823,667 | \$ 560,673 | \$ 8,441,234 |

See accompanying notes

CHESTER COUNTY FOOD BANK

STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Change in net assets</i> | \$ 168,442 | \$ 3,646,175 |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities | | |
| Net realized and unrealized (gain) loss on investments | 1,369,951 | (1,067,867) |
| Depreciation | 198,354 | 181,412 |
| Forgiveness of debt | - | (679,734) |
| (Increase) decrease in | | |
| Accounts receivable | (322,340) | 173,153 |
| Inventory | (109,892) | (86,680) |
| Prepaid expenses and other | (2,773) | (18,357) |
| Increase (decrease) in | | |
| Accounts payable | (31,205) | (170,485) |
| Accrued expenses | (19,738) | 49,550 |
| Net cash provided by operating activities | <u>1,250,799</u> | <u>2,027,167</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (2,035,015) | (3,188,604) |
| Proceeds from sale of investments | 1,180,477 | 634,934 |
| Purchase of property and equipment | (410,898) | (234,063) |
| Net cash used for investing activities | <u>(1,265,436)</u> | <u>(2,787,733)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments on notes payable | - | (18,983) |
| Net change in cash | (14,637) | (779,549) |
| CASH | | |
| Beginning of year | <u>1,103,269</u> | <u>1,882,818</u> |
| End of year | <u>\$ 1,088,632</u> | <u>\$ 1,103,269</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | <u>\$ -</u> | <u>\$ 586</u> |

See accompanying notes

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(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 congregate meal sites 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, 2022 and 2021, the Food Bank collected and distributed more than 3.5 million and 3.4 million pounds of food, respectively. Fresh produce, staples, proteins, 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 3 million meals for food insecure residents of Chester County. Food insecurity is an issue for approximately 8% of 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 50% 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, 2022 and 2021

Fresh and Local (Agriculture Programs)

The Chester County Food Bank maintains 50% of all distributed food being fresh fruits and vegetables. Along with donated funds, CCFB receives an annual allotment through the Pennsylvania Agricultural Surplus System which allows for reimbursement on costs involved in harvesting, processing, packaging and transporting Pennsylvania grown and produced commodities.

During June to November, the Food Bank procures over 75% fruits and vegetables from Pennsylvania growers. In addition to fruits and vegetables purchased through local Partnerships, the Chester County Food Bank's Agricultural and Raised Bed Garden Programs produce more than 100,000 pounds of fresh produce with the assistance of 1,209 community volunteers who donated approximately 5,699 hours of their time. The Food Bank's agricultural program planted and harvested at two locations in FY22. The Raised Bed Garden program had 83 active partner garden sites with over 771 beds and 3 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 11,200 backpacks for the approximately 530 students enrolled in the program.

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 21 locations that provide a monthly box to approximately 1800 qualifying students in Chester County.

Senior Food Program

In fiscal year 2021-2022, this program provided approximately 6,609 boxes of nutritious food specially designed to meet the needs of seniors. 586 low-income older adults were enrolled in this program during the past year.

Essential Food Box Program

Each Essential Food Box contains pantry essentials to feed a family of four for 3-5 days. The boxes are composed of heart-healthy ingredients that can be supplied to any person or family in need, being mindful of most potential dietary restrictions. A majority of the food for these boxes is purchased to ensure offerings are consistent for those being served and also to secure sufficient inventory. Essential boxes are requested by our network of hunger relief partners across Chester County so they can distribute to individuals and families in need. Approximately 25,000 pounds of food were distributed through this program in fiscal year 2021-2022.

Emergency Food Box Program

As the central hunger relief organization in the County, CCFB works to ensure that community members facing food insecurity have access to a food cupboard or pantry location in the County. If a community member is unsure where they can access food resources, they can come directly to the Food Bank for one-time emergency food assistance. The Food Bank has an in-house pantry for emergency food clients. Clients are then referred to a food cupboard or pantry that can best serve their needs. Approximately 21,000 pounds of food were distributed through emergency food assistance.

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.

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 four 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 10-12 week culinary arts training program. The program operates six 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:

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.

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, 2022 and 2021, 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 2023. 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.

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021, 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. Quarterly surveys are sent out to partner agencies to assess product needs. This data collection, along with pricing and product availability, influence procurement of purchased foods. Purchased foods are valued at their inbound cost per pound. Donated foods are valued at \$1.70 per pound, based on the valuation utilized by Feeding America.

Inventory from the Emergency Food Assistance Program, TEFAP entitlement, and Bonus TEFAP is valued by the USDA. Entitlement offerings are released monthly.

Bonus TEFAP offerings are released by the Agricultural Marketing Services/Food and Nutrition Services (AMS/FNS) and sent out by the Pennsylvania Department of Agriculture. Inventory consisted of approximately 465,000 and 604,000 pounds of food at June 30, 2022, and 2021 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, 2022 and 2021, 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, 2022 and 2021.

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 \$72,259 for 2022 and \$142,735 for 2021.

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.

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, 2022 and 2021 are expected to be collected as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------------|-------------------------|
| In less than one year | \$336,700 | \$237,148 |
| In one to five years | <u>260,000</u> | <u>50,000</u> |
| | 596,700 | 287,148 |
| Less discount to present value (at 2%) | <u>(17,351)</u> | <u>(1,959)</u> |
| | <u>\$579,349</u> | <u>\$285,189</u> |

Contributions receivable were valued using Level 2 inputs.

(5) INVESTMENTS

Investments at June 30, 2022 and 2021 consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|---------------------------|---------------------------|
| Mutual and exchange-traded funds | | |
| Equity | \$4,533,769 | \$4,537,788 |
| Fixed income | <u>3,821,534</u> | <u>4,332,928</u> |
| | <u>\$8,355,303</u> | <u>\$8,870,716</u> |

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Investments were valued using Level 1 inputs.

Investment income (loss) consisted of the following for the years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|------------------------------|----------------------------|
| Interest and dividends | \$ 324,058 | \$ 157,479 |
| Net realized and unrealized gain (loss) | (1,369,951) | 1,067,867 |
| Management fees | <u>(30,804)</u> | <u>(30,282)</u> |
| | <u><u>\$ (1,076,697)</u></u> | <u><u>\$ 1,195,064</u></u> |

(6) PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|----------------------------|----------------------------|
| Land, building and improvements | \$ 4,265,437 | \$ 4,088,517 |
| Vehicles | 602,187 | 484,498 |
| Equipment and furniture | <u>854,668</u> | <u>738,379</u> |
| | 5,722,292 | 5,311,394 |
| Less accumulated depreciation | <u>(1,806,308)</u> | <u>(1,607,954)</u> |
| Property and equipment - net | <u><u>\$ 3,915,984</u></u> | <u><u>\$ 3,703,440</u></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 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, 2022 and 2021.

(8) NOTES PAYABLE

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, and the loan proceeds of \$250,000 were reported as "forgiveness of debt" in the accompanying 2021 statement of activities.

In April 2020, the Food Bank received a loan of \$429,734 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. Under the terms of the Paycheck Protection Program, the loan was forgiven in April 2021 and the loan proceeds of \$429,734 were reported as forgiveness of debt in the accompanying 2021 statement of activities.

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(9) BOARD DESIGNATED NET ASSETS

The Food Bank's board of directors designated a portion of net assets without donor restrictions at June 30, 2022 and 2021 for the following purposes:

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| Hunger relief | \$1,840,000 | \$1,840,000 |
| Capital assets for both the Food Bank and its partner agencies | <u>1,853,767</u> | <u>1,843,536</u> |
| | <u>\$3,693,767</u> | <u>\$3,683,536</u> |

(10) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2022 and 2021:

| | <u>July 1, 2021</u> | <u>Additions</u> | <u>Releases</u> | <u>June 30, 2022</u> |
|---|-------------------------|------------------|--------------------|--------------------------|
| <u>With purpose restrictions</u> | | | | |
| Nutrition education | \$ 5,000 | \$ 27,000 | \$ (22,000) | \$ 10,000 |
| Partner agencies | 28,862 | - | (28,862) | - |
| Community kitchen | 93,933 | - | (84,233) | 9,700 |
| Mobile Market | - | 187,500 | (87,500) | 100,000 |
| Workforce development | - | 120,989 | (30,989) | 90,000 |
| <u>With time restrictions</u> | | | | |
| For future years | <u>203,041</u> | <u>351,608</u> | <u>(175,000)</u> | <u>379,649</u> |
| | <u>\$330,836</u> | <u>\$687,097</u> | <u>\$(428,584)</u> | <u>\$589,349</u> |
| | | | | |
| | <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> |

(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, 2022 and 2021, the following in-kind contributions were received by the Food Bank:

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| Contributions in-kind – government | | |
| Food – state | <u>\$ 396,176</u> | <u>\$ 464,814</u> |
| Contributions in-kind – non-government | | |
| Food drives | 2,712,292 | 2,717,149 |
| Growing program | 161,656 | 185,862 |
| Other | <u>3,154</u> | <u>36,319</u> |
| | <u>2,877,102</u> | <u>2,939,330</u> |
| | <u>\$3,273,278</u> | <u>\$3,404,144</u> |

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021, based on the estimated dollar value of volunteer time calculated using the Pennsylvania Estimated Volunteer Wage rate, was \$454,596 and \$320,520, 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 \$19,787 in 2022 and \$18,555 in 2021.

(13) OPERATING LEASES

The Food Bank leases three trucks under noncancelable operating leases that expire at various dates through October 2024. The amount of rent expense for these vehicles, including the base fee and mileage and other charges, was \$75,191 in 2022 and \$70,455 in 2021.

The minimum annual lease commitments for these leases as of June 30, 2022 are \$67,266 for 2023, 50,897 for 2024 and \$7,497 for 2025.

(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 Food Bank incurred fees of \$900 in 2022 and did not incur any fees 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, 2022 and 2021 and the amounts available within one year.

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Cash | \$ 1,088,632 | \$ 1,103,269 |
| Accounts receivable | 620,432 | 298,092 |
| Investments | <u>8,355,303</u> | <u>8,870,716</u> |
| Total financial assets | 10,064,367 | 10,272,077 |
| Less financial assets not available within one year | | |
| Board-designated assets, excluding release approved for subsequent year operations | (3,693,767) | (3,683,536) |
| Purpose restricted assets | (209,700) | (127,795) |
| Contributions receivable after one year | <u>(242,649)</u> | <u>(48,041)</u> |
| Financial assets available within one year | <u>\$ 5,918,251</u> | <u>\$ 6,412,705</u> |

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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. In FY22 the Food Bank invested cash in excess of its requirements in multiple funds; a Capital Fund to assist with partner agency needs to effectively distribute food, an Emergency Food Fund to utilize if the need for food and cost increases beyond budget and 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 September 27, 2022, the date on which the financial statements were available to be issued.

The Food Bank continued to respond to COVID, local flooding and increased need due to inflation over the course of the fiscal year. Severe flooding as a result of hurricane forces created increased need for emergency food and new methods of distribution for those housed in hotels or shelters without the appropriate appliances for cooking. The Food Bank adjusted and adapted services to provide options that were necessary to sustain a displaced population amidst COVID on the rise.

As supply chain issues continue, fuel, food, and labor costs on the rise due to inflation; the Food Bank is working to sustain the resources to provide the support needed in the community. There is no way to predict the financial impact this will have at this time.

No material subsequent events have occurred since June 30, 2022 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, 2022, 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 September 27, 2022.

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) as a basis for designing 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 were not 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 financial statements. 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
September 27, 2022**