

# Chester County Food Bank

Financial Statements  
Years Ended June 30, 2023 and 2022



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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 the Chester County Food Bank (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 the Chester County Food Bank as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 U.S. generally accepted 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 U.S. generally accepted 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 the 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 the 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.

*BBD, LLP.*

Philadelphia, Pennsylvania  
November 8, 2023

# CHESTER COUNTY FOOD BANK

## STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash	\$ 1,392,304	\$ 1,088,632
Grants and contributions receivable	747,205	620,432
Inventory	319,571	714,838
Investments	10,062,829	8,355,303
Prepaid expenses and other	27,725	23,810
Property and equipment, net	<u>4,010,956</u>	<u>3,915,984</u>
<b>Total assets</b>	<u>\$ 16,560,590</u>	<u>\$ 14,718,999</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 215,836	\$ 16,788
Accrued expenses	<u>117,328</u>	<u>80,328</u>
<b>Total liabilities</b>	<u>333,164</u>	<u>97,116</u>
 <b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	7,372,449	6,422,783
Property and equipment	4,010,956	3,915,984
Board designated	<u>4,095,418</u>	<u>3,693,767</u>
	15,478,823	14,032,534
With donor restrictions	<u>748,603</u>	<u>589,349</u>
<b>Total net assets</b>	<u>16,227,426</u>	<u>14,621,883</u>
 <b>Total liabilities and net assets</b>	<u>\$ 16,560,590</u>	<u>\$ 14,718,999</u>

See accompanying notes

# **CHESTER COUNTY FOOD BANK**

## **STATEMENTS OF ACTIVITIES**

Years ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 4,442,745	\$ 553,330	\$ 4,996,075	\$ 5,010,904	\$ 687,097	\$ 5,698,001
Contributions in-kind	2,185,833	-	2,185,833	3,273,278	-	3,273,278
Government grants	1,923,315	-	1,923,315	528,999	-	528,999
Wholesale nutrition, net of food costs	127,212	-	127,212	162,503	-	162,503
Net assets released from restrictions	394,076	(394,076)	-	428,584	(428,584)	-
<b>Total revenue and support</b>	<b>9,073,181</b>	<b>159,254</b>	<b>9,232,435</b>	<b>9,404,268</b>	<b>258,513</b>	<b>9,662,781</b>
<b>EXPENSES</b>						
<b>Program services</b>	6,828,733	-	6,828,733	7,013,693	-	7,013,693
<b>Support services</b>	841,270	-	841,270	777,834	-	777,834
Management and general	596,881	-	596,881	626,115	-	626,115
Fundraising	8,266,884	-	8,266,884	8,417,642	-	8,417,642
<b>Total expenses</b>	<b>806,297</b>	<b>159,254</b>	<b>965,551</b>	<b>986,626</b>	<b>258,513</b>	<b>1,245,139</b>
<b>Change in net assets before other changes</b>						
<b>OTHER CHANGES</b>						
Investment income (loss)	639,992	-	639,992	(1,076,697)	-	(1,076,697)
<b>CHANGE IN NET ASSETS</b>	1,446,289	159,254	1,605,543	(90,071)	258,513	168,442
<b>NET ASSETS</b>						
Beginning of year	14,032,534	589,349	14,621,883	14,122,605	330,836	14,453,441
<b>End of year</b>	<b>\$ 15,478,823</b>	<b>\$ 748,603</b>	<b>\$ 16,227,426</b>	<b>\$ 14,032,534</b>	<b>\$ 589,349</b>	<b>\$ 14,621,883</b>

See accompanying notes

# CHESTER COUNTY FOOD BANK

## STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2023 and 2022

	2023			2022		
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising
Salaries	\$ 1,166,121	\$ 475,383	\$ 271,263	\$ 1,114,996	\$ 396,428	\$ 318,994
Employee benefits	178,798	84,858	42,405	202,795	87,868	57,967
Payroll taxes	89,526	29,579	20,392	87,974	25,329	25,066
<b>Total salaries and benefits</b>	<b>1,434,445</b>	<b>589,820</b>	<b>334,060</b>	<b>1,405,765</b>	<b>509,625</b>	<b>402,027</b>
Advertising	8,216	-	84,860	1,922	-	70,337
Depreciation	143,965	58,689	33,489	120,827	42,959	34,568
Donated food distributed	2,228,524	-	-	3,309,493	-	-
Donations to food cupboards	2,298,519	-	-	1,626,219	-	-
Dues and subscriptions	45,633	29,113	37,106	29,236	24,831	23,786
Event supplies	-	-	69,345	-	-	60,424
Independent contractors	16,768	-	-	-	-	-
Insurance	28,442	27,611	-	23,168	24,207	-
Meetings and training	7,861	9,280	1,265	1,105	6,170	485
Miscellaneous	21,772	12,786	1,117	1,553	22,438	3,251
Office expense	31,444	76,954	27,851	1,629	99,741	21,571
Professional services	-	25,370	-	-	31,406	-
Program supplies	175,320	184	2,088	167,641	1,253	3,199
Repairs and maintenance	112,727	-	-	107,630	3,458	-
Telephone and internet	13,568	5,532	3,155	15,141	5,384	4,332
Travel	76,179	950	658	16,970	1,829	192
Utilities	56,610	4,403	1,887	58,283	4,533	1,943
Vehicle expense	128,740	578	-	127,111	-	-
<b>Total expenses</b>	<b>\$ 6,828,733</b>	<b>\$ 841,270</b>	<b>\$ 596,881</b>	<b>\$ 7,013,693</b>	<b>\$ 777,834</b>	<b>\$ 626,115</b>
			<b>\$ 8,266,884</b>			<b>\$ 8,417,642</b>

# CHESTER COUNTY FOOD BANK

## STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,605,543	\$ 168,442
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Net realized and unrealized (gain) loss on investments	(407,889)	1,369,951
Depreciation	236,143	198,354
(Increase) decrease in		
Grants and contributions receivable	(126,773)	(322,340)
Inventory	395,267	(109,892)
Prepaid expenses and other	(3,915)	(2,773)
Increase (decrease) in		
Accounts payable	71,303	(31,205)
Accrued expenses	37,000	(19,738)
Net cash provided by operating activities	<u>1,806,679</u>	<u>1,250,799</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(3,643,499)	(2,035,015)
Proceeds from sale of investments	2,343,862	1,180,477
Purchase of property and equipment	<u>(203,370)</u>	<u>(410,898)</u>
Net cash used for investing activities	<u>(1,503,007)</u>	<u>(1,265,436)</u>
Net change in cash	303,672	(14,637)
<b>CASH</b>		
Beginning of year	<u>1,088,632</u>	<u>1,103,269</u>
End of year	<u>\$ 1,392,304</u>	<u>\$ 1,088,632</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Purchase of property and equipment in accounts payable	<u>\$ 127,745</u>	<u>\$ -</u>

See accompanying notes



# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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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 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, 2023 and 2022, the Food Bank collected and distributed more than 3.67 million and 3.5 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. Provisions 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, 2023 and 2022

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### **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 1,782 community volunteers who donated approximately 4,781 hours of their time. The Food Bank's agricultural program planted and harvested at two locations in FY23. The Raised Bed Garden program had 81 active partner garden sites with over 741 beds, 1 high tunnel garden and 1 green house.

### **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 16,128 backpacks for the approximately 1,000 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 1,715 qualifying students in Chester County.

### **Senior Food Program**

In fiscal year 2022-2023, this program provided 5,563 boxes of nutritious food specially designed to meet the needs of 673 low-income older adults who 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 28,000 pounds of food were distributed through this program in fiscal year 2022-2023.

### **Emergency Food Box Program**

As the central hunger relief organization in the County, the Food Bank 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, 2023 and 2022

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### 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, *Tastell!* 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:

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# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### *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, 2023 and 2022, 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 grants and contributions 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. The composition of grants and contributions receivable is more fully described in **Note 4**.

### **Fair Value Measurements of Assets and Liabilities**

U.S. generally accepted accounting principles ("**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, 2023 and 2022

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### 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 \$1.92 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 233,000 and 465,000 pounds of food at June 30, 2023 and 2022, 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, 2023 and 2022, the weighted average value for contributed food per Feeding America was \$1.92 and \$1.70 per pound. The Food Bank's weighted average price per pound was \$1.92 and \$1.70 for the years ended June 30, 2023 and 2022, respectively.

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 10**.

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$93,076 for 2023 and \$72,259 for 2022.

### 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.

### Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

## (4) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2023 and 2022 are expected to be collected as follows:

	<u>2023</u>	<u>2022</u>
In less than one year	\$369,556	\$377,782
In one to five years	<u>395,000</u>	<u>260,000</u>
	764,556	637,782
Less discount to present value (at 2%)	<u>(17,351)</u>	<u>(17,351)</u>
	<u>\$747,205</u>	<u>\$620,432</u>

Grants and contributions receivable were valued using Level 2 inputs.

## (5) INVESTMENTS

Investments at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 1,988,757	\$1,262,648
Mutual and exchange-traded funds		
Equity	4,170,242	3,821,534
Fixed income	<u>3,903,830</u>	<u>3,271,121</u>
	<u>\$10,062,829</u>	<u>\$8,355,303</u>

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Investments were valued using Level 1 inputs.

Investment income (loss) consisted of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 261,744	\$ 324,058
Net realized and unrealized gain (loss)	407,889	(1,369,951)
Management fees	<u>(29,641)</u>	<u>(30,804)</u>
	<u>\$ 639,992</u>	<u>\$(1,076,697)</u>

### (6) PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land, building and improvements	\$ 4,423,493	\$ 4,265,437
Vehicles	721,795	602,187
Equipment and furniture	<u>908,119</u>	<u>854,668</u>
	6,053,407	5,722,292
Less accumulated depreciation	<u>(2,042,451)</u>	<u>(1,806,308)</u>
Property and equipment - net	<u>\$ 4,010,956</u>	<u>\$ 3,915,984</u>

### (7) LINE OF CREDIT

The Food Bank had a \$500,000 line of credit with a local bank. Advances on the line bore interest at a variable rate based on the London Interbank Offered Rate (LIBOR) for maturities of one month and were 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. The line of credit was not renewed and was closed in March 2023.

### (8) BOARD DESIGNATED NET ASSETS

The Food Bank's board of directors designated a portion of net assets without donor restrictions at June 30, 2023 and 2022 for the following purposes:

	<u>2023</u>	<u>2022</u>
Hunger relief	\$1,840,000	\$1,840,000
Capital assets for both the Food Bank and its partner agencies	<u>2,255,418</u>	<u>1,853,767</u>
	<u>\$4,095,418</u>	<u>\$3,693,767</u>

### (9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2023 and 2022:

# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2023</u>
<b><u>With purpose restrictions</u></b>				
Community kitchen	\$ 89,700	\$ -	\$ (40,439)	\$ 49,261
Mobile Market	100,000	30,030	(35,030)	95,000
Nutrition education	10,000	4,000	(12,000)	2,000
Raised bed	-	16,000	(8,000)	8,000
Workforce development	10,000	22,800	(32,800)	-
<b><u>With time restrictions</u></b>				
For future years	<u>379,649</u>	<u>480,500</u>	<u>(265,807)</u>	<u>594,342</u>
	<u>\$589,349</u>	<u>\$553,330</u>	<u>\$(394,076)</u>	<u>\$748,603</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2022</u>
<b><u>With purpose restrictions</u></b>				
Community kitchen	\$ 93,933	\$ 80,000	\$ (84,233)	\$ 89,700
Mobile Market	-	187,500	(87,500)	100,000
Nutrition education	5,000	27,000	(22,000)	10,000
Partner agencies	28,862	-	(28,862)	-
Workforce development	-	40,989	(30,989)	10,000
<b><u>With time restrictions</u></b>				
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>

### (10) 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, 2023 and 2022, the following in-kind contributions were received by the Food Bank:

	<u>2023</u>	<u>2022</u>
Contributions in-kind – government		
Food – state	\$ 629,138	\$ 396,176
Contributions in-kind – non-government		
Food drives	1,456,746	2,712,292
Growing program	94,649	161,656
Other	<u>5,300</u>	<u>3,154</u>
	<u>1,556,695</u>	<u>2,877,102</u>
	<u>\$2,185,833</u>	<u>\$3,273,278</u>

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 an 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, 2023 and 2022, based on the estimated dollar value of volunteer time calculated using the Pennsylvania Estimated Volunteer Wage rate, was \$529,462 and \$454,596, respectively. The value of these services is not reflected in the financial statements.



# CHESTER COUNTY FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### (11) RETIREMENT PLAN

The Food Bank participates in a SIMPLE IRA plan covering all eligible employees. The Food Bank's contributions to the plan were \$21,809 in 2023 and \$19,787 in 2022.

### (12) 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.

### (13) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Food Bank's financial assets as of June 30, 2023 and 2022 and the amounts available within one year.

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,392,304	\$ 1,088,632
Accounts receivable	747,205	620,432
Investments	<u>10,062,829</u>	<u>8,355,303</u>
Total financial assets	12,202,338	10,064,367
Less financial assets not available within one year		
Board-designated assets, excluding release approved for subsequent year operations	(4,095,418)	(3,693,767)
Purpose restricted assets	(154,261)	(209,700)
Contributions receivable after one year	<u>(377,649)</u>	<u>(242,649)</u>
Financial assets available within one year	<u>\$ 7,575,010</u>	<u>\$ 5,918,251</u>

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 2023, 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.

### (14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2023, the date on which the financial statements were available to be issued.

After coming out of the pandemic and right into extraordinary inflation the Food Bank continues to work to rise to the challenges to meet the needs of our neighbors experiencing food insecurity. The reduction in SNAP benefits has created a 26% increase of people in need of food due to their monthly allotment being cut. The Food Bank has been innovative and will work to ensure the mission will be upheld despite the challenges.

## CHESTER COUNTY FOOD BANK

### *NOTES TO FINANCIAL STATEMENTS*

June 30, 2023 and 2022

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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, 2023 that required recognition or disclosure in the financial statements.