



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

CHESTER COUNTY FOOD BANK
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2024 AND 2023

CHESTER COUNTY FOOD BANK

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Board of Directors
Chester County Food Bank
Exton, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chester County Food Bank, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chester County Food Bank as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note C to the financial statements, effective July 1, 2023, management adopted Accounting Standards Update (ASU 2016—13) – *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of Chester County Food Bank for the year ended June 30, 2023 were audited by another accountant who expressed an unmodified opinion on those statements on November 8, 2023.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chester County Food Bank's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chester County Food Bank's internal control. Accordingly, no such opinion is expressed.

Auditor’s Responsibilities for the Audit of the Financial Statements (Continued)

- 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 October 29, 2024 on our consideration of Chester County Food Bank’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of 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.

Whisman Giordano & Associates, LLC

Newark, Delaware
October 29, 2024

CHESTER COUNTY FOOD BANK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
Cash	\$ 1,413,912	\$ 1,392,304
Grants and Contributions receivable	2,487,945	747,205
Inventory	576,488	319,571
Investments	11,084,815	10,062,829
Prepaid expenses and others	41,331	27,725
Property and equipment, net	5,039,868	4,010,956
TOTAL ASSETS	\$ 20,644,359	\$ 16,560,590

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 155,148	\$ 215,836
Accrued expenses	108,927	117,328
Total Liabilities	264,075	333,164
Net Assets		
Without donor restrictions		
Undesignated	9,357,944	7,372,449
Property and equipment	5,039,868	4,010,956
Board designated	3,687,436	4,095,418
	18,085,248	15,478,823
With donor restrictions	2,295,036	748,603
Total Net Assets	20,380,284	16,227,426
TOTAL LIABILITIES AND NET ASSETS	\$ 20,644,359	\$ 16,560,590

See accompanying notes to financial statements.

CHESTER COUNTY FOOD BANK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 5,418,172	\$ 2,341,189	\$ 7,759,361
Contributions in-kind	2,610,627	-	2,610,627
Government grants	1,033,669	732,745	1,766,414
Wholesale nutrition, net of food costs	113,904	-	113,904
Net assets released from restrictions	1,527,501	(1,527,501)	-
TOTAL REVENUE AND SUPPORT	10,703,873	1,546,433	12,250,306
EXPENSES			
Program services	7,570,371	-	7,570,371
Support Services			
Management and general	963,024	-	963,024
Fundraising	614,574	-	614,574
TOTAL EXPENSES	9,147,969	-	9,147,969
Change in net assets before other changes	1,555,904	1,546,433	3,102,337
OTHER CHANGES			
Investment income	1,050,521	-	1,050,521
CHANGE IN NET ASSETS	2,606,425	1,546,433	4,152,858
NET ASSETS - BEGINNING OF YEAR	15,478,823	748,603	16,227,426
NET ASSETS - END OF YEAR	\$ 18,085,248	\$ 2,295,036	\$ 20,380,284

See accompanying notes to financial statements.

CHESTER COUNTY FOOD BANK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 4,442,745	\$ 553,330	\$ 4,996,075
Contributions in-kind	2,185,833	-	2,185,833
Government grants	1,923,315	-	1,923,315
Wholesale nutrition, net of food costs	127,212	-	127,212
Net assets released from restrictions	394,076	(394,076)	-
TOTAL REVENUE AND SUPPORT	9,073,181	159,254	9,232,435
EXPENSES			
Program services	6,828,733	-	6,828,733
Support Services			
Management and general	841,270	-	841,270
Fundraising	596,881	-	596,881
TOTAL EXPENSES	8,266,884	-	8,266,884
Change in net assets before other changes	806,297	159,254	965,551
OTHER CHANGES			
Investment income	639,992	-	639,992
CHANGE IN NET ASSETS	1,446,289	159,254	1,605,543
NET ASSETS - BEGINNING OF YEAR	14,032,534	589,349	14,621,883
NET ASSETS - END OF YEAR	\$ 15,478,823	\$ 748,603	\$ 16,227,426

See accompanying notes to financial statements.

CHESTER COUNTY FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and Benefits				
Salaries	\$ 1,146,370	\$ 443,323	\$ 323,246	\$ 1,912,939
Employee benefits	180,784	84,991	49,610	315,385
Payroll Taxes	89,723	30,190	24,644	144,557
Total salaries and benefits	<u>1,416,877</u>	<u>558,504</u>	<u>397,500</u>	<u>2,372,881</u>
Advertising	2,808	-	49,131	51,939
Donated food distributed	2,458,149	-	-	2,458,149
Donations to food cupboards	2,921,114	-	-	2,921,114
Dues and subscriptions	42,322	64,462	22,620	129,404
Event supplies	-	-	78,533	78,533
Independent contractors	1,014	-	-	1,014
Insurance	33,004	30,900	-	63,904
Meetings and training	13,080	25,049	1,009	39,138
Miscellaneous	10,291	7,423	618	18,332
Office expense	18,431	115,169	23,717	157,317
Professional services	1	82,152	-	82,153
Program supplies	148,372	3,841	250	152,463
Repairs and maintenance	108,436	-	-	108,436
Telephone and internet	13,750	5,635	3,156	22,541
Travel	3,526	1,841	593	5,960
Utilities	64,704	5,032	2,157	71,893
Vehicle expenses	141,144	-	-	141,144
Total expenses before depreciation	<u>7,397,023</u>	<u>900,008</u>	<u>579,284</u>	<u>8,876,315</u>
Depreciation	<u>173,348</u>	<u>63,016</u>	<u>35,290</u>	<u>271,654</u>
TOTAL EXPENSES	<u>\$ 7,570,371</u>	<u>\$ 963,024</u>	<u>\$ 614,574</u>	<u>\$ 9,147,969</u>

See accompanying notes to financial statements.

CHESTER COUNTY FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and Benefits				
Salaries	\$ 1,166,121	\$ 475,383	\$ 271,263	\$ 1,912,767
Employee benefits	178,798	84,858	42,405	306,061
Payroll Taxes	89,526	29,579	20,392	139,497
Total salaries and benefits	<u>1,434,445</u>	<u>589,820</u>	<u>334,060</u>	<u>2,358,325</u>
Advertising	8,216	-	84,860	93,076
Donated food distributed	2,228,524	-	-	2,228,524
Donations to food cupboards	2,298,519	-	-	2,298,519
Dues and subscriptions	45,633	29,113	37,106	111,852
Event supplies	-	-	69,345	69,345
Independent contractors	16,768	-	-	16,768
Insurance	28,442	27,611	-	56,053
Meetings and training	7,861	9,280	1,265	18,406
Miscellaneous	21,772	12,786	1,117	35,675
Office expense	31,444	76,954	27,851	136,249
Professional services	-	25,370	-	25,370
Program supplies	175,320	184	2,088	177,592
Repairs and maintenance	112,727	-	-	112,727
Telephone and internet	13,568	5,532	3,155	22,255
Travel	76,179	950	658	77,787
Utilities	56,610	4,403	1,887	62,900
Vehicle expenses	128,740	578	-	129,318
Total expenses before depreciation	<u>6,684,768</u>	<u>782,581</u>	<u>563,392</u>	<u>8,030,741</u>
Depreciation	143,965	58,689	33,489	236,143
TOTAL EXPENSES	<u>\$ 6,828,733</u>	<u>\$ 841,270</u>	<u>\$ 596,881</u>	<u>\$ 8,266,884</u>

See accompanying notes to financial statements.

CHESTER COUNTY FOOD BANK

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,152,858	\$ 1,605,543
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) on investments	(621,790)	(407,889)
Depreciation	271,654	236,143
(Increase) decrease in		
Grants and contributions receivable	(1,740,740)	(126,773)
Inventory	(256,917)	395,267
Prepaid expenses and other	(13,606)	(3,915)
(Decrease) increase in		
Accounts payable	(60,688)	71,303
Accrued expenses	(8,401)	37,000
Net cash provided by operating activities	1,722,370	1,806,679
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of investments	(3,583,913)	(3,643,499)
Proceeds from sale of investments	3,183,717	2,343,862
Acquisition of property and equipment	(1,300,566)	(203,370)
Net cash (used for) investing activities	(1,700,762)	(1,503,007)
INCREASE IN CASH AND CASH EQUIVALENTS	21,608	303,672
CASH AND CASH EQUIVALENTS - BEGINNING	1,392,304	1,088,632
CASH AND CASH EQUIVALENTS - ENDING	\$ 1,413,912	\$ 1,392,304
NONCASH SUPPLEMENTAL DISCLOSURE		
Purchase of property and equipment in accounts payable	\$ 3,778	\$ 127,745

See accompanying notes to financial statements.

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES

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, 2024 and 2023, the Food Bank collected and distributed more than 4.67 million and 3.67 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 Agricultural Surplus System (PASS): PASS is specifically intended to support PA farmers and growers. PASS funds are also administered through the State and released once per year. These funds can be used for harvesting, processing, packaging, and transporting PA grown foods. CCFB primarily focuses on supporting producers and farmers right here in Chester County using PASS dollar.

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.

USDA Local Food Purchase Program: This program is a funded program aiming to increase purchasing and distribution of PA grown and produced items. This funding is intended to help increase economic stability for farmers and producers who are socially disadvantaged.

CHESTER COUNTY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE B - PROGRAM SERVICES

Unique in our form and mission, the Food Bank has transformed the approach to food insufficiency in the county over its 14-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 100 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 3.9 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 4.5 million pounds of food distributed in the past fiscal year (over 60% 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.

Fresh and Local (Agriculture Distribution Initiative)

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 prioritize the production of culturally familiar food with the assistance of 2,548 visits from community volunteers who donated 7,038 hours of their time. The Food Bank's agricultural program planted and harvested at two locations in FY24. The Raised Bed Garden program had 79 active partner garden sites with over 742 beds, 1 high tunnel garden, 1 greenhouse and distributed 50,000 plants to the community.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE B - PROGRAM SERVICES (CONTINUED)

Weekend Food Backpack Distribution Initiative

The Food Bank provides backpacks with nutritious food for school children and their families from low-income households to take home every Friday during the school year to have food on weekends when school-based meals aren't served. The Food Bank provided food to fill 12,512 bags, and these bags provided food for 772 unduplicated students enrolled in the program.

Summer Student Food Distribution Initiative

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 30 locations that provide a monthly box to 1,733 qualifying students in Chester County.

Senior Food Distribution Initiative

In fiscal year 2024, this program provided 7,675 boxes of nutritious food specially designed to meet the needs of 700 low-income older adults who were enrolled in this program during the past year.

Essential Food Box Distribution Initiative

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. The Food Bank secures sufficient inventory to ensure offerings per box are consistent for those being served. Essential boxes are requested by our network of hunger relief partners across Chester County so they can distribute to individuals and families in need. 12,136 pounds of food were distributed through this program in fiscal year 2024.

Emergency Food Box Distribution Initiative

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. 16,984 pounds of food were distributed through emergency food assistance.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE B - PROGRAM SERVICES (CONTINUED)

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.

Eat/Fresh 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, *TasteIt!* 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 while purchasing food at fair value from the local farmers. 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.

The Fruit and Vegetable Prescription program is a collaboration between CCFB, local healthcare facilities, and social services clinics. Our goal is to identify food-insecure households in Chester County and connect them with locally source fresh produce paired with food as medicine focused education.

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.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE B - PROGRAM SERVICES (CONTINUED)

Culinary Job Training

Chester County Food Bank launched the Culinary Job Training program to educate and prepare under or unemployed residents for opportunities and sustainable employment in the food service industry. The Culinary Job Training program 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, Tuesday 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.

NOTE C - 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

NOTE C - SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Changes in estimates are recorded in the period identified. Accounting measurements that are most affected by management's estimates of future events include the realization of grants and contributions receivable, the fair value of inventory, the useful lives selected for depreciating property and equipment, and the timing of the recognition of certain revenue.

Management does not believe that any of its estimates involve assumptions that are highly uncertain or that different, reasonable estimates, or changes in accounting estimates that are reasonably likely to occur, would have a material impact on the financial statements. To the extent there are material differences between management's estimates and actual results, future results of operations will be affected.

Financial Instruments – Credit Losses

On July 1, 2023, management adopted Accounting Standards Codification (ASC) 326 *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. This standard replaces the incurred loss methodology with an expected loss policy that is referred to as the current expected credit loss (CECL). CECL requires an estimate of credit losses for the remaining estimated life of a financial asset and generally applies to those assets measured at amortized cost, including contribution and notes receivable and, when applicable, held to maturity debt securities. Financial assets measured at amortized cost are presented at the net amount expected to be ultimately collected or realized.

The adoption of ASC 326 did not have a significant impact on the 2024 financial statements.

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 D**.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE C - SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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- The fair value of U.S. government securities, mutual funds and the money market portfolio is based on quoted market prices.

- Level 2- The fair value of corporate bonds and certain U.S. government securities is based on quoted market that are not active, or for which all significant inputs are observable.

- Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The valuation methodologies for assets measured at fair value produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, although the entity believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE C - SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Fair Value Measurements of Assets and Liabilities (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds: Valued at the quoted net asset value.

Equity mutual funds: Valued at the quoted net asset value.

Fixed Income: Valued at the quoted net asset value.

There have been no changes in the methodologies used at June 30, 2024 and 2023.

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.

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 291,800 and 233,000 pounds of food at June 30, 2024 and 2023, 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.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE C - SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Investments and Investment Income (Continued)

The Food Bank invests in a professionally-managed portfolio that contains various types of securities (**see Note E**). 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, 2024 and 2023, the weighted average value for contributed food per Feeding America ranged from \$1.74 to \$1.97 and \$1.57 to \$1.93 per pound, with the higher values including paper products, pet care products, and other non-food products. The Food Bank's weighted average price per pound was \$1.70 for each of the years ended June 30, 2024 and 2023, 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 J**.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE C - SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$51,939 for 2024 and \$93,076 for 2023.

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

Chester County Food Bank is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the financial statements. In addition, the Entity has been classified as one that is not a private foundation within the meaning of Section 509 (a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Although the Entity is not subject to federal and state income taxes, the Entity is required to adhere to Accounting Standards Codification (ASC) 740, “*Accounting for Income Taxes*”, which applies to all entities including those that are tax exempt under 501(c)(3). ASC 740 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. ASC 740 prescribes a comprehensive model for the financial statement’s recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns.

Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if the respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the June 30, 2021, 2022, and 2023 tax years are open and subject to examination by the Internal Revenue Service and PA Department of Revenue. However, the Entity is not currently under audit nor has the Entity been contacted by this jurisdiction. Any interest and penalties related to income taxes would be recorded as income tax expense. There are no interest and penalties as of June 30, 2024 and 2023.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE D - GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2024 and 2023 are expected to be collected as follows:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 1,969,564	\$ 369,556
One to five years	<u>535,000</u>	<u>395,000</u>
	2,504,564	764,556
Less discount to present value (at 2%)	<u>(16,619)</u>	<u>(17,351)</u>
	<u><u>\$ 2,487,945</u></u>	<u><u>\$ 747,205</u></u>

NOTE E - INVESTMENTS

Investments at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 2,471,478	\$ 1,988,757
Bank Deposits	870	-
Mutual and exchange-traded funds		
Equity	4,772,843	4,170,242
Fixed income	<u>3,839,624</u>	<u>3,903,830</u>
	<u><u>\$ 11,084,815</u></u>	<u><u>\$ 10,062,829</u></u>

Investment income consisted of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 458,467	\$ 261,744
Net realized and unrealized gain	621,790	407,889
Management fees	<u>(29,736)</u>	<u>(29,641)</u>
	<u><u>\$ 1,050,521</u></u>	<u><u>\$ 639,992</u></u>

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE F - PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Land, building and improvements	\$ 5,513,067	\$ 4,423,493
Vehicles	827,285	721,795
Equipment and Furniture	<u>1,013,621</u>	<u>908,119</u>
	7,353,973	6,053,407
Less accumulated depreciation	<u>(2,314,105)</u>	<u>(2,042,451)</u>
Net property and equipment	<u>\$ 5,039,868</u>	<u>\$ 4,010,956</u>

NOTE G - 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 in Exton, Pennsylvania.

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.

NOTE H - BOARD DESIGNATED NET ASSETS

The Food Bank's board of directors designated a portion of net assets without donor restrictions at June 30, 2024 and 2023 for the following purposes:

	<u>2024</u>	<u>2023</u>
Hunger relief	\$ 2,048,985	\$ 1,840,000
Capital assests for both the Food Bank and its partner agencies	<u>1,638,451</u>	<u>2,255,418</u>
	<u>\$ 3,687,436</u>	<u>\$ 4,095,418</u>

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2024 and 2023:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2024</u>
<u>With purpose restrictions</u>				
Agencies/Warehouse	\$ -	\$ 69,010	\$ -	\$ 69,010
Backpack General	-	67,303	(52,303)	15,000
Community kitchen	49,261	26,058	(55,619)	19,700
CCFB	-	2,266,123	(958,640)	1,307,483
Mobile market	95,000	172,466	(218,623)	48,843
Nutrition education	2,000	-	(2,000)	-
Raised bed	8,000	7,316	(15,316)	-
Workforce development	-	-	-	-
<u>With time restrictions</u>				
For future years	594,342	465,658	(225,000)	835,000
	<u>\$ 748,603</u>	<u>\$ 3,073,934</u>	<u>\$ (1,527,501)</u>	<u>\$ 2,295,036</u>

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2023</u>
<u>With purpose restrictions</u>				
Agencies/Warehouse	\$ -	\$ -	\$ -	\$ -
Backpack General	-	-	-	-
Community kitchen	89,700	-	(40,439)	49,261
CCFB	-	-	-	-
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)	-
<u>With time restrictions</u>				
For future years	379,649	480,500	(265,807)	594,342
	<u>\$ 589,349</u>	<u>\$ 553,330</u>	<u>\$ (394,076)</u>	<u>\$ 748,603</u>

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE J - 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, 2024 and 2023, the following in-kind contributions were received by the Food Bank:

	2024	2023
Contributions in-kind - government		
Food - state	\$ 1,583,681	\$ 629,138
Contributions in-kind - non-government		
Food drives	957,458	1,456,746
Growing program	67,988	94,649
Other	1,500	5,300
	1,026,946	1,556,695
	\$ 2,610,627	\$ 2,185,833

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 value of these services for the years ended June 30, 2024 and 2023, based on the estimated dollar value of volunteer time calculated using the Pennsylvania Estimated Volunteer Wage rate, was \$659,385 and \$529,462, respectively. The value of these services is not reflected in the financial statements.

NOTE K - RETIREMENT PLAN

The Food Bank participates in a SIMPLE IRA plan covering all eligible employees. The Food Bank's contributions to the plan amounted to \$22,843 in 2024 and \$21,809 in 2023.

NOTE L - 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.

CHESTER COUNTY FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE M - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Food Bank's financial assets as of June 30, 2024 and 2023 and the amounts available within one year:

Description	2024	2023
Cash	\$ 1,413,912	\$ 1,392,304
Accounts receivable	2,487,945	747,205
Investments	<u>11,084,815</u>	<u>10,062,829</u>
Total financial assets	<u>14,986,672</u>	<u>12,202,338</u>
Less financial assets not available within one year		
Board-designated assets excluding release approved for subsequent year operations	(3,687,436)	(4,095,418)
Purpose restricted assets	(1,460,036)	(154,261)
Contributions receivable after one year	<u>(518,381)</u>	<u>(377,649)</u>
Financial assets available within one year	<u>\$ 9,320,819</u>	<u>\$ 7,575,010</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 2024, the Food Bank continued to invest cash in excess of its working capital requirements in multiple funds; a Capital Fund that continued to assist with partner agency needs to effectively distribute food, an Emergency Fund account that continued to be available when the need for food and cost increases went beyond budget, and a money market fund.

NOTE N - SUBSEQUENT EVENTS

Management has reviewed and evaluated all subsequent events through October 29, 2024 the date the financial statements were available to be issued and has determined there were no matters that require adjustment to or disclosure in the June 30, 2024 financial statements.