

FOOD BANK OF SOUTH JERSEY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021



FOOD BANK OF SOUTH JERSEY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Food Bank of South Jersey, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Food Bank of South Jersey, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 present fairly, in all material respects, the financial position of Food Bank of South Jersey, Inc. as of December 31, 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 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 Food Bank of South Jersey, Inc. 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 opinions.

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 Food Bank of South Jersey, Inc.'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 generally accepted auditing standards 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 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Food Bank of South Jersey, Inc.'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 Food Bank of South Jersey Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *State of New Jersey Circular 15-08 OMB*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023, on our consideration of Food Bank of South Jersey, Inc.'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 Food Bank of South Jersey, Inc.'s 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 Food Bank of South Jersey, Inc.'s internal control over financial reporting and compliance.

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
June 15, 2023

FOOD BANK OF SOUTH JERSEY, INC.

Statements of Financial Position As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,309,241	\$ 11,438,940
Investments	3,994,769	-
Certificate of deposit	15,868	15,864
Accounts receivable, net of allowance for doubtful accounts of \$95,000 and \$106,000 in 2022 and 2021	192,451	193,751
Grants receivable	999,278	398,149
Inventory, donated	1,167,631	1,470,035
Inventory, purchased	778,976	697,422
Prepaid expenses	182,951	99,361
Total current assets	15,641,165	14,313,522
 Cash - restricted	 247,156	 235,347
Assets held by community foundation	610,029	27,197
Right-of-use asset - operating leases	803,892	-
Property and equipment, net	4,807,960	4,930,739
	<u>\$ 22,110,202</u>	<u>\$ 19,506,805</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	\$ -	\$ 99,886
Accounts payable and accrued expenses	802,886	559,521
Current portion of lease liability - operating	148,951	-
Refundable advances	4,465,874	1,536,137
Total current liabilities	5,417,711	2,195,544
 Long-term liabilities		
Lease liability - operating, net of current portion	654,941	-
Notes payable, net of current portion	-	2,188,033
Total liabilities	6,072,652	4,383,577
 Net assets		
Without donor restrictions		
Designated by the board for donated inventory	1,167,631	1,382,184
Undesignated	14,084,810	13,269,124
Total net assets without donor restrictions	15,252,441	14,651,308
 With donor restrictions	785,109	471,920
Total net assets	16,037,550	15,123,228
	<u>\$ 22,110,202</u>	<u>\$ 19,506,805</u>

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF SOUTH JERSEY, INC.
Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions				
	Undesignated	Board Designated for Donated Inventory	Total	With Donor Restrictions	Total
Revenue and support					
Federal and state grants	\$ 9,119,802	\$ 6,100,994	\$ 15,220,796	\$ -	\$ 15,220,796
Donated food	-	12,918,122	12,918,122	-	12,918,122
Donated goods - non-food	-	1,861,512	1,861,512	-	1,861,512
Corporation and foundation grants	1,949,554	-	1,949,554	-	1,949,554
Contributions	3,052,073	-	3,052,073	785,109	3,837,182
Special events	1,075,879	-	1,075,879	-	1,075,879
Other in-kind contributions	78,447	-	78,447	-	78,447
Cooperative food sales	141,363	-	141,363	-	141,363
Investment income	42,242	-	42,242	-	42,242
Change in value of assets held by community foundation	(27,334)	-	(27,334)	-	(27,334)
Other revenues	13,883	-	13,883	-	13,883
Net assets released from restriction	471,920	-	471,920	(471,920)	-
Total revenue and support	15,917,829	20,880,628	36,798,457	313,189	37,111,646
Expenses and losses					
Program services					
Feedmore	8,448,633	20,153,668	28,602,301	-	28,602,301
Health and wellness	1,183,051	-	1,183,051	-	1,183,051
Children's and seniors programs	3,277,705	941,513	4,219,218	-	4,219,218
Total program services	12,909,389	21,095,181	34,004,570	-	34,004,570
Supporting services					
General and administrative	694,365	-	694,365	-	694,365
Fundraising	1,482,962	-	1,482,962	-	1,482,962
Total supporting services	2,177,327	-	2,177,327	-	2,177,327
Total expenses	15,086,716	21,095,181	36,181,897	-	36,181,897
Loss on inventory obsolescence	15,427	-	15,427	-	15,427
Total expenses and losses	15,102,143	21,095,181	36,197,324	-	36,197,324
Change in net assets	815,686	(214,553)	601,133	313,189	914,322
Net assets beginning of year	13,269,124	1,382,184	14,651,308	471,920	15,123,228
Net assets end of year	\$ 14,084,810	\$ 1,167,631	\$ 15,252,441	\$ 785,109	\$ 16,037,550

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF SOUTH JERSEY, INC.
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions				
	Undesignated	Board Designated for Donated Inventory	Total	With Donor Restrictions	Total
Revenue and support					
Federal and state grants	\$ 9,986,859	\$ 8,220,392	\$ 18,207,251	\$ -	\$ 18,207,251
Donated food	-	8,796,946	8,796,946	-	8,796,946
Corporation and foundation grants	3,808,017	-	3,808,017	-	3,808,017
Contributions	2,775,328	-	2,775,328	471,920	3,247,248
Special events	932,128	-	932,128	-	932,128
Payroll protection program loan forgiveness	461,000	-	461,000	-	461,000
In-kind contributions	162,904	-	162,904	-	162,904
Cooperative food sales	261,474	-	261,474	-	261,474
Investment income	55,921	-	55,921	-	55,921
Other revenues	15,492	-	15,492	-	15,492
Net assets released from restriction	1,154,689	-	1,154,689	(1,154,689)	-
Total revenue and support	19,613,812	17,017,338	36,631,150	(682,769)	35,948,381
Expenses and losses					
Program services					
Feedmore	8,395,835	16,428,859	24,824,694	-	24,824,694
Health and wellness	704,771	-	704,771	-	704,771
Children's and seniors programs	4,496,069	1,073,667	5,569,736	-	5,569,736
Total program services	13,596,675	17,502,526	31,099,201	-	31,099,201
Supporting services					
General and administrative	820,344	-	820,344	-	820,344
Fundraising	1,383,481	-	1,383,481	-	1,383,481
Total supporting services	2,203,825	-	2,203,825	-	2,203,825
Total expenses	15,800,500	17,502,526	33,303,026	-	33,303,026
Loss on disposal of equipment	1,689	-	1,689	-	1,689
Loss on inventory obsolescence	19,843	-	19,843	-	19,843
Total expenses and losses	15,822,032	17,502,526	33,324,558	-	33,324,558
Change in net assets	3,791,780	(485,188)	3,306,592	(682,769)	2,623,823
Net assets beginning of year	9,477,344	1,867,372	11,344,716	1,154,689	12,499,405
Net assets end of year	\$ 13,269,124	\$ 1,382,184	\$ 14,651,308	\$ 471,920	\$ 15,123,228

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF SOUTH JERSEY, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services				Support Services			
	Feedmore	Health and Wellness	Children's and Seniors Programs	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total
Advertising and marketing	\$ -	\$ -	\$ 4,916	\$ 4,916	\$ 250	\$ 140,066	\$ 140,316	\$ 145,232
Bad debts	-	-	-	-	-	-	-	-
Building occupancy	218,290	14,180	97,556	330,026	5,249	5,590	10,839	340,865
Conferences and meetings	8,630	13,966	5,886	28,482	67,990	6,139	74,129	102,611
Consulting and temporary labor	44,714	29,693	171,659	246,066	23,939	57,460	81,399	327,465
Contributed food distributed - donated	12,755,891	-	-	12,755,891	-	-	-	12,755,891
Contributed food distributed - government grants	5,323,459	-	941,513	6,264,972	-	-	-	6,264,972
Contributed non-food distributed	2,074,318	-	-	2,074,318	-	-	-	2,074,318
Depreciation	282,157	18,329	126,098	426,584	6,785	7,226	14,011	440,595
Dues and subscriptions	11,391	1,517	2,026	14,934	3,357	501	3,858	18,792
Employee benefits	297,867	103,567	185,323	586,757	46,197	127,702	173,899	760,656
Equipment rental and repairs	8,493	5,736	7,092	21,321	594	966	1,560	22,881
Food purchases	4,433,825	57,114	1,245,959	5,736,898	-	102	102	5,737,000
Insurance	13,694	5,108	8,201	27,003	6,967	4,997	11,964	38,967
Interest	18,111	1,176	8,094	27,381	436	464	900	28,281
Miscellaneous	47,103	10,549	13,103	70,755	22,139	55,489	77,628	148,383
Non-food purchases	536,598	-	3,600	540,198	-	-	-	540,198
Office and computer supplies	96,816	115,437	89,724	301,977	40,358	48,396	88,754	390,731
Payroll taxes	161,762	62,151	96,109	320,022	32,596	58,377	90,973	410,995
Postage and shipping	828	4,636	7,991	13,455	2,145	50,561	52,706	66,161
Printing and duplicating	380	3,275	10,960	14,615	-	195,960	195,960	210,575
Professional fees	23,743	18,538	16,217	58,498	74,136	7,490	81,626	140,124
Salaries & wages	1,799,418	679,947	1,049,595	3,528,960	336,627	639,346	975,973	4,504,933
Special events	-	-	-	-	-	53,954	53,954	53,954
Freight	24,520	1,326	9,122	34,968	488	523	1,011	35,979
Telephone	26,400	9,871	17,132	53,403	3,474	9,656	13,130	66,533
Travel	6,977	6,179	3,388	16,544	5,228	425	5,653	22,197
Vehicle rentals and expense	281,705	13,682	49,291	344,678	12,808	8,784	21,592	366,270
Warehouse equipment	33,918	2,238	15,394	51,550	823	882	1,705	53,255
Warehouse supplies	71,293	4,836	33,269	109,398	1,779	1,906	3,685	113,083
	<u>\$ 28,602,301</u>	<u>\$ 1,183,051</u>	<u>\$ 4,219,218</u>	<u>\$ 34,004,570</u>	<u>\$ 694,365</u>	<u>\$ 1,482,962</u>	<u>\$ 2,177,327</u>	<u>\$ 36,181,897</u>

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF SOUTH JERSEY, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services				Support Services			
	Feedmore	Health and Wellness	Children's and Seniors Programs	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total
Advertising and marketing	\$ 1,173	\$ -	\$ 210	\$ 1,383	\$ 418	\$ 168,672	\$ 169,090	\$ 170,473
Building occupancy	222,949	15,423	69,964	308,336	25,263	31,139	56,402	364,738
Conferences and meetings	6,700	5,923	6,326	18,949	32,347	5,677	38,024	56,973
Consulting and temporary labor	80,279	19,267	151,217	250,763	63,147	21,764	84,911	335,674
Contributed food distributed - donated	8,853,263	-	90,703	8,943,966	-	-	-	8,943,966
Contributed food distributed - government grants	7,575,596	-	982,964	8,558,560	-	-	-	8,558,560
Depreciation	266,308	17,092	110,103	393,503	1,208	7,932	9,140	402,643
Dues and subscriptions	6,097	266	1,102	7,465	11,155	2,972	14,127	21,592
Employee benefits	300,047	79,585	186,200	565,832	45,025	98,546	143,571	709,403
Equipment rental and repairs	28,441	3,736	17,076	49,253	11,538	6,390	17,928	67,181
Food purchases	4,781,473	85,836	2,490,773	7,358,082	22	411	433	7,358,515
Insurance	11,584	2,712	7,370	21,666	1,700	4,019	5,719	27,385
Interest	44,281	5,525	25,063	74,869	9,732	11,146	20,878	95,747
Miscellaneous	21,949	5,508	13,342	40,799	32,175	57,728	89,903	130,702
Non-food purchases	766,746	-	-	766,746	-	-	-	766,746
Office and computer supplies	46,845	63,884	93,176	203,905	45,144	21,610	66,754	270,659
Payroll taxes	143,216	34,132	101,627	278,975	29,324	60,928	90,252	369,227
Postage and shipping	1,908	4,879	5,957	12,744	6,622	47,631	54,253	66,997
Printing and duplicating	6,730	195	23,505	30,430	472	151,138	151,610	182,040
Professional fees	14,169	11,452	15,017	40,638	145,043	7,767	152,810	193,448
Salaries & wages	1,355,524	318,998	975,580	2,650,102	309,780	605,632	915,412	3,565,514
Special events	-	-	-	-	-	18,850	18,850	18,850
Freight	17,618	-	42,167	59,785	-	-	-	59,785
Telephone	25,441	3,154	14,305	42,900	12,727	6,362	19,089	61,989
Travel	2,029	1,043	1,821	4,893	3,922	-	3,922	8,815
Vehicle rentals and expense	152,100	21,721	116,191	290,012	25,996	38,210	64,206	354,218
Warehouse equipment	29,746	1,801	11,732	43,279	3,257	3,634	6,891	50,170
Warehouse supplies	62,482	2,639	16,245	81,366	4,327	5,323	9,650	91,016
	<u>\$ 24,824,694</u>	<u>\$ 704,771</u>	<u>\$ 5,569,736</u>	<u>\$ 31,099,201</u>	<u>\$ 820,344</u>	<u>\$ 1,383,481</u>	<u>\$ 2,203,825</u>	<u>\$ 33,303,026</u>

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF SOUTH JERSEY, INC.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 914,322	\$ 2,623,823
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	440,595	402,643
Loss on disposal of equipment	-	1,689
Change in value of assets held by community foundation	(27,334)	-
Amortization of the right-of-use assets - operating leases	271,244	-
Amortization of debt issuance costs	536	536
Paycheck Protection Program loan forgiveness	-	(461,000)
(Increase) decrease in		
Accounts receivable	1,300	450
Grants receivable	(601,129)	769,788
Inventory	220,850	663,140
Prepaid expenses	(83,590)	67,484
Increase (decrease) in		
Accounts payable and accrued expenses	243,365	(807,353)
Lease liability - operating	(271,244)	-
Refundable advances	2,929,737	379,391
Net cash provided by operating activities	<u>4,038,652</u>	<u>3,640,591</u>
Cash flows from investing activities		
Proceeds from certificate of deposit	(4)	(5)
Purchases of investments	(3,987,512)	(27,197)
Purchase of assets held by community foundation	(610,166)	-
Proceeds from investments	47,411	-
Purchases of property and equipment	(317,816)	(880,483)
Net cash used in investing activities	<u>(4,868,087)</u>	<u>(907,685)</u>
Cash flows from financing activities		
Principal payments on notes payable	(2,288,455)	(102,408)
Net cash used in financing activities	<u>(2,288,455)</u>	<u>(102,408)</u>
Net change in cash and cash equivalents	(3,117,890)	2,630,498
Cash and cash equivalents - beginning of year	<u>11,674,287</u>	<u>9,043,789</u>
Cash and cash equivalents - end of year	<u>\$ 8,556,397</u>	<u>\$ 11,674,287</u>
(including \$247,156 and \$262,544 reported as restricted at December 31, 2022 and 2021, respectively)		

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements

Note 1: ORGANIZATION

Food Bank of South Jersey, Inc. (the "Organization") is a non-profit organization operating in Pennsauken, New Jersey. The Organization redirects potentially wasted food to more than 200 member feeding organizations. Its primary mission is to eliminate hunger and malnutrition in Camden, Burlington, Gloucester and Salem counties through various programs.

Feedmore – The solicitation of donations of high quality nutritious surplus foods and non-essentials and providing these at a minimum cost to non-profit agencies who distribute them directly to the needy. The Organization also assists in the development of agencies responsible for directly distributing food and non-food items and extends food bank services to underserved communities within the four counties served. Also, the Organization advocates the means that will eliminate hunger and malnutrition and the poverty that is their cause. The Organization is able to distribute donated and purchased food provided by grants and donated food by individuals, businesses, other non-profit organizations and federal and state government programs.

Health and Wellness – Providing the tools and resources necessary to the four counties served to ensure the people of those counties lead a sustainable healthy life. This is accomplished by hosting classroom instruction and hands-on cooking classes to teach nutritional awareness, implementing physical activity programs, and providing support that impacts the emotional well-being of the people being served.

Children and Seniors programs – The Organization has established several children and senior programs that include the following: the Kid's Café program which provides several sites where children can receive nutritionally balanced meals, the School Pantry that delivers food to selected schools, Summer Meals which provides breakfast, lunch, and dinner to children throughout the summer, Kids Pack provides prepacked meals for children on weekends, and the Twilight Harvest Box programs in which low-income seniors can receive supplemental food boxes.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statement presentation – The financial statements have been prepared on the accrual basis of accounting and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for non-profit organizations. Financial statement presentation also follows the recommendations of the relevant accounting standards which require the Organization to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Operating activities – Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investments such as contributions for endowment and facilities and equipment, investment returns in excess of amounts designated for current operations, and unrealized gains and losses on investments.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food contributed and distributed – During the year, the Organization distributed 8 million pounds of donated food without donor restrictions to qualified charitable feeding programs. Furthermore, approximately 4 million pounds of food was received from the U.S. Department of Agriculture under The Emergency Food Assistance Program (TEFAP), Trade Mitigation (TM), Coronavirus Food Assistance Program (CPAP), Coronavirus Aid, Relief, and Economic Security (CARES) Act, Families First Coronavirus Response Act (FFCRA), and the Commodity Supplemental Food Program (CSFP) and was distributed to qualified charitable feeding programs.

In the accompanying financial statements, food donations without donor restrictions are valued at \$1.92 and \$1.79 per pound for the years ended December 31, 2022 and 2021, respectively, based on a study completed by Feeding America, Inc. Food received under TEFAP is valued by weight at approximately \$1.35 and \$0.97 per pound for the years ended December 31, 2022 and 2021, respectively, based on the USDA Commodities File Report.

In addition, Food Bank of South Jersey, Inc. is the recipient of a NJ State Food Purchase Program (SFPP) grant in which it receives money to purchase and distribute food. Approximately 842,000 and 760,000 pounds of food was distributed through this program for the years ended December 31, 2022 and 2021, respectively.

Cash and cash equivalents – For the purpose of the statement of cash flows, cash and cash equivalents includes unrestricted time deposits and highly liquid debt instruments with original maturities of three months or less.

Restricted cash – Amounts classified as restricted cash represent deposits received for the State Food Purchase Program and the Emergency Food and Shelter Program.

Accounts receivable – The Organization's accounts receivable consists primarily of amounts due from agencies, less an allowance for doubtful accounts. The amount of the allowance for doubtful accounts is a significant estimate used in preparing these financial statements, and it is at least reasonably possible that the amount of the estimate will change within the next year.

Grants receivable – The Organization's grants receivable consists primarily of amounts due from federal and state agencies.

Promises to give – Unconditional promises to give are recognized as revenue in the period received and as assets. They are stated at net realizable value. Conditional promises to give are recognized only when the conditions, on which they depend, are substantially met and the promises become unconditional. The Organization did not have conditional promise to give at December 31, 2022 and 2021.

Investments - The organization records investment purchases of brokered certificates at cost. Thereafter, investments are reported at their fair values in the statements of financial position. Investments that can be readily converted to cash without exit charges are classified as short-term investments and other investments are classified as long-term investments in the statement of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Certificates of deposit – Certificates of deposit with original maturities greater than three months that are not debt securities are presented separately from other investments. Those with original maturities greater than three months and remaining maturities less than one year are classified as short-term. Those with remaining maturities greater than one year are classified as non-current.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held by community foundation – During 2021 the Organization established a sustainability fund that is held by the Community Foundation of New Jersey and consists of government securities and publicly traded funds. The assets held are reflected in the accompanying financial statements at fair values on the statements of financial position.

Restricted assets – Restricted assets consist of cash and cash equivalents, the use of which is restricted by various funding requirements.

Property and equipment – Land, buildings and building improvements, furniture, equipment and transportation equipment are recorded at cost, except for donated items which are recorded at the fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Building and building improvements	10-40 years
Furniture, equipment and transportation equipment	5-10 years

Repairs and maintenance, which do not extend the useful lives of the related assets, are expensed as occurred.

Compensated absences – Employees of the Organization are entitled to paid vacation, paid sick days and personal days off depending on scheduled work hours, length of service and other factors. Days earned are accrued annually as an expense. At December 31, 2022 and 2021, the Organization had accrued vacation totaling \$77,054 and \$72,896, respectively. This amount is included in “accounts payable and accrued expense” on the balance sheet.

Net assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for donated food inventory.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory – The Organization maintains a substantial quantity of food items in inventory at all times. This inventory consists primarily of USDA and state donated commodities (valued at approximately \$574,854 and \$826,682 for the years ended December 31, 2022 and 2021, respectively) and other foods and goods donated by third-party suppliers valued at approximately \$592,777 and \$643,353 for the years ended December 31, 2022 and 2021, respectively. Donated inventory items were valued at \$1.92 and \$1.79 per pound for the years ended December 31, 2022 and 2021, respectively, which is the approximate average wholesale value of one pound of donated product at the national level as outlined in the *Product Valuation Survey Methodology*, June 2016 prepared by Feeding America, a national food bank network nonprofit corporation. RSM US LLP, an international accounting firm, has performed certain agreed-upon procedures in accordance with standards established by the American Institute of Certified Public Accountants solely to assist Feeding America with respect to determining the approximate average wholesale value of one pound of donated product at the national level. Their report is available upon request. USDA commodities are valued at \$1.35 and \$0.97 per pound for the years ended December 31, 2022 and 2021, respectively.

In addition, inventory is recorded at cost and includes food items purchased for sale in the Co-Op program, for Kids' Café program, or direct distribution. This inventory amount was \$778,976 and \$697,422 for the years ended December 31, 2022 and 2021, respectively.

Refundable advances – Refundable advances includes amounts received as grants that are potentially due back to the grantor if conditions aren't met.

Advertising expense – The Organization uses advertising to promote its programs among the audience it serves. The costs of advertising are expensed as incurred. Advertising expense was \$145,232 and \$170,473 for the years ended December 31, 2022 and 2021, respectively.

Functional expense allocation – The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and support services. Such allocations are determined by management on an equitable basis. Salaries and wages, payroll taxes, and employee benefits are allocated based on estimates of time and effort. All other expenses are allocated based on the food distribution percentage of each program.

Income taxes – The Organization claims exemption from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code, and accordingly, do not record a provision for income taxes on related income.

The Organization regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. The Organization believes that in the event of an examination by taxing authorities, the Organization's positions would prevail based upon the technical merits of such positions. Therefore, the Organization has concluded that no tax benefits or liabilities are required to be recognized in accordance with the new requirements.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

- Grants – Grant revenue includes federal, state, and county grant funding based on grant agreements. The Organization recognizes revenue as eligible expenditures are incurred. Advances from government agencies are recorded as refundable advances. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both as a result of any noncompliance with the terms of the grant.
- Corporation and foundation grants – The Organization also receives grants from corporations and foundations. These grants may have certain requirements that must be met in order for the organization to recognize the related revenue. When such requirements are not met, any advances are classified as liabilities in the statement of financial position.
- Donated food – Donated food is accounted for by weight throughout the year and valued at year-end using the weighted-average wholesale value per pound of food, as determined by an annual study performed by Feeding America (a national organization for food banks).
- Shared maintenance – The Organization solicits and distributes donated food to qualified agency charitable feeding programs. These agencies support the Donated Food program by contributing approximately \$0.18 per pound in shared maintenance in 2019 and through mid-March 2020, when it was eliminated due to the COVID-19 pandemic.
- Cooperative food sales – The Organization operates a cooperative buying program for its member agencies, where we purchase needed items in large quantities and then resell the food to the member agencies. The Coop Program helps supplement the donated food inventory, enabling the Organization to meet most of the food needs of its member agencies. Due to the COVID-19 pandemic, this food was distributed at no cost to the Organization's member agencies.
- Contributions – The Organization records contributions when received as with or without donor restrictions, depending on the existence or nature of any donor restrictions. All donor support is reported as an increase in net assets with or without donor restrictions depending on the nature of the restriction. When a time restriction expires, or when a use restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met within the same year as received are reflected as contributions without restrictions in the accompanying financial statements.
- Special events – Revenue from special events is recorded equal to the cost of direct benefits to donors and contribution revenue is recognized for the difference.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Donated services and in-kind donations – Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation and are reported as without donor restrictions unless explicit donor stipulations specify how donated assets must be used.
- Other revenues – The Organization distributes food to qualified agencies and charges delivery fees as food is distributed. This was suspended in April 2020 due to the COVID-19 pandemic. In addition, the Organization teaches nutrition classes and earns related revenue based on individual corporate agreements, sells scrap pallets and record insurance reimbursements.

Newly adopted accounting pronouncements

Leases – Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases—capital (or finance) leases and operating leases. Previously, GAAP has required only capital leases to be recognized on lessee balance sheets. The adoption of this standard had a material impact on the financial statements. The Organization adopted the standard using the modified retrospective approach with January 1, 2022, as the date of initial adoption. The results for reporting periods after January 1, 2022 are presented under Topic 842, while prior periods have not been adjusted.

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. The Organization also elected the practical expedient to not separate lease components from non-lease components.

As a result of adopting the new standard, the Organization recorded additional net lease assets and lease liabilities of \$1,075,136. Adoption of the new standard did not materially impact the Organization's change in net assets as of January 1, 2022.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets – Issued in September 2020, Accounting Standards Update (ASU) No. 2020-07 improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The requirements of this standard have been adopted for the year ending December 31, 2022. The adoption of the standard did not change the recognition and measurement requirements for contributed nonfinancial assets.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements

Financial Instruments—Credit Losses – Issued in June 2016, Accounting Standards Update (ASU) No. 2016-13 requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. In addition, credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. The standard will take effect for fiscal years beginning January 1, 2023. The Organization continues to evaluate the effects the adoption of ASU 2016-13 will have on the financial statements and related disclosures.

Note 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Unrestricted – cash in bank	\$ 8,309,241	\$ 11,438,940
Restricted – State Food Purchase Program and Emergency Food and Shelter Program	<u>247,156</u>	<u>235,347</u>
	<u>\$ 8,556,397</u>	<u>\$ 11,674,287</u>

Note 4: LIQUIDITY AND AVAILABILITY

The Organization strives to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in money market accounts held at various banks.

The Organization's financial assets available within one year to meet cash needs for general expenditures are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 8,556,397	\$ 11,674,287
Investments	3,994,769	-
Accounts receivable	192,451	193,751
Grants receivable	999,278	398,149
Certificates of deposit	<u>15,868</u>	<u>15,864</u>
Total financial assets	13,758,763	12,282,051
Less amounts not available to be used within one year:		
Restricted cash	(247,156)	(235,347)
Net assets with donor restrictions – purpose restricted	<u>(785,109)</u>	<u>(471,920)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 12,726,498</u>	<u>\$ 11,574,784</u>

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 4: LIQUIDITY AND AVAILABILITY (continued)

As described in Note 3 to the financial statements, the Organization is required to maintain certain separate accounts under its regulatory agreement. As disclosed in Note 15, the Organization also has a \$2,000,000 line of credit available for cash flow needs.

Note 5: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Land	\$ 435,462	\$ 435,462
Building and improvements	5,427,949	5,388,165
Furniture and office equipment	2,461,303	2,220,550
Transportation equipment	<u>337,869</u>	<u>300,589</u>
	8,662,583	8,344,766
Less accumulated depreciation	<u>3,854,623</u>	<u>3,414,027</u>
Net property and equipment	<u>\$ 4,807,960</u>	<u>\$ 4,930,739</u>

Depreciation expense was \$440,595 and \$402,643 for the years ended December 31, 2022 and 2021, respectively.

Note 6: FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level disclosure hierarchy has been established to indicate the level of judgment used to estimate fair value measurements:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment. These values are generally determined using pricing models that utilize management's estimates of market participant assumptions.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 6: FAIR VALUE MEASUREMENTS AND DISCLOSURES (continued)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This pricing methodology applies to our Level 1 investments such as fixed income mutual funds and equity securities. The Organization also invests in corporate bonds and CDs traded in the financial markets. These CDs are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The table below sets forth, by level, the Organization's financial assets that were accounted for at fair value as of December 31, 2022. The table does not include either cash on hand or assets that are measured at historical cost or any basis other than fair value.

Fair Value Measurements as of December 31, 2022				
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Brokered certificates of deposits	\$ 3,993,170	\$ -	\$ 3,993,170	\$ -
Equities – stocks	1,599	1,599	-	-
	<u>\$ 3,994,769</u>	<u>\$ 1,599</u>	<u>\$ 3,993,170</u>	<u>\$ -</u>

Note 7: INVESTMENTS

Investments at fair value consist of the following as of December 31, 2022:

Brokered certificates of deposit	\$ 3,993,170
Equities - stocks	<u>1,599</u>
	<u>\$ 3,994,769</u>

Investment return is summarized as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 68,808	\$ 55,921
Realized loss	(980)	-
Investment fees	<u>(4,396)</u>	<u>-</u>
Investment income (loss)	63,432	55,921
Net unrealized gains (loss)	<u>(21,190)</u>	<u>-</u>
	<u>\$ 42,242</u>	<u>\$ 55,921</u>

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 8: ASSETS HELD BY COMMUNITY FOUNDATION

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)
Year ended December 31, 2022	Assets held by Community Foundation
Balance at December 31, 2021	\$ 27,197
Purchases/contributions of investments	610,166
Investment return, net	<u>(27,334)</u>
Balance at December 31, 2022	<u>\$ 610,029</u>

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)
Year ended December 31, 2021	Assets held by Community Foundation
Balance at December 31, 2020	\$ -
Purchases/contributions of investments	26,018
Investment return, net	<u>1,179</u>
Balance at December 31, 2021	<u>\$ 27,197</u>

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 9: LEASES

Leases - The Organization leases office equipment from various vendors under a non-cancelable lease agreement. The following summarizes the line items in the statements of Food Bank of South Jersey, Inc., which include amounts for operating leases as of December 31, 2022:

Operating Leases	
Operating lease right-of-use assets	<u>\$ 803,892</u>
Operating lease liabilities – current portion	\$ 148,951
Operating lease liabilities – long-term portion	<u>654,941</u>
	<u>\$ 803,892</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term	
Operating lease	5.27 years
Weighted Average Discount Rate	
Operating lease	1.37%

The maturities of lease liabilities as of December 31, 2022 are as follows:

Year Ending December 31:	
2023	\$ 163,172
2024	163,172
2025	162,092
2026	161,042
2027	155,792
Thereafter	<u>168,970</u>
Total lease payments	974,240
Less: imputed interest	<u>170,348</u>
Present value of lease liabilities	<u>\$ 803,892</u>

Supplemental cash flow information related to leases was as follows for the year ended December 31, 2022:

Operating cash flows from operating leases	\$ 158,880
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FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 10: REFUNDABLE ADVANCES

The Organization has recorded refundable advances for contributions where cash has been received but conditions to recognize revenue have not been yet, as described in the table below:

	December 31,	
	<u>2022</u>	<u>2021</u>
State Grant – NJDA	\$ 3,885,464	\$ -
Summer meals program	166,711	621,000
Pandemic relief fund	-	271,648
Other advances	413,699	643,489
	<u>\$ 4,465,874</u>	<u>\$ 1,536,137</u>

Note 11: RETIREMENT PLAN

The Food Bank of South Jersey, Inc. has in effect a retirement plan covering all eligible employees. Full time employees are eligible after one full year of service. The Food Bank's contribution was \$120,863 and \$127,009 for the years 2022 and 2021, respectively, which is included in employee benefits.

Note 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for various purposes from the following donors:

	December 31,	
	<u>2022</u>	<u>2021</u>
Food purchase	\$ 10,609	\$ 194,340
Time restriction	287,500	98,025
Health and Wellness program	-	27,000
COVID-19 response	-	30,000
Program expense	252,000	32,500
Food collective	85,000	35,055
Sustainability fund	150,000	55,000
	<u>\$ 785,109</u>	<u>\$ 471,920</u>

Net assets released from restrictions during the year were \$471,920 and \$1,154,689 for grants whose donor restrictions were met during the years ended December 31, 2022 and 2021, respectively.

Note 13: IN-KIND CONTRIBUTIONS

Food and non-food – The Organization receives donated and government food, which is recorded as federal and state grants, donated food, and donated – non-food items on the accompanying statement of activities. In-kind food contributions are valued at fair value based on the per pound valuation as described in Note 2. Donated non-food items are measured at estimated fair values.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 13: IN-KIND CONTRIBUTIONS (continued)

Other in-kind goods/services – The Organization also receives donated services which include professional fees, computer support, legal, and landscaping services. These services are valued using the fair value of billing rates at the time the services were incurred.

The Organization's financial statements include the following in-kind contributions revenue and support:

	December 31,	
	<u>2022</u>	<u>2021</u>
Food and non-food	\$ 20,880,628	\$ 17,017,338
Other in-kind goods/services	<u>78,447</u>	<u>-</u>
	<u>\$ 20,959,075</u>	<u>\$ 17,017,338</u>

Note 14: NOTES PAYABLE

Notes payable consist of the following at:

	As of December 31,	
	<u>2022</u>	<u>2021</u>
On June 6, 2013, the Organization secured a note payable in the amount of \$3,000,000 for the expansion of warehouse and office facilities. The loan was due in monthly installments of \$15,932, including interest at a fixed rate of 4% over a term of ten years. The loan was secured by all organization assets. On March 25, 2022 the Organization paid off the loan balance and wrote off the remaining unamortized cost.	\$ -	\$ 2,296,755
Less unamortized loan costs	<u>-</u>	<u>8,836</u>
Notes payable, less unamortized loan costs	-	2,287,919
Less current portion	<u>-</u>	<u>99,886</u>
Long-term portion	<u>\$ -</u>	<u>\$ 2,188,033</u>

Total interest expense in 2022 and 2021 for notes payable was \$19,445 and \$95,211, respectively. Amortization of debt issuance costs amounted to \$8,836 and \$536 in 2022 and 2021, respectively.

Note 15: LINE OF CREDIT

The Organization was granted a line of credit in the amount of \$2,000,000 with an interest rate of the floating Wall Street Journal Prime Rate minus .50%, that matures on January 1, 2025. At December 31, 2022 and 2021, \$0 was drawn on the line. The line is secured by a security interest in all business assets on the property owned by the Organization. The Organization is in compliance with the financial covenants of the line of credit agreement. Total interest expense was \$0 at December 31, 2022 and 2021.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to the Financial Statements (continued)

Note 16: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank accounts and other financial institutions, which, at times may exceed federally insured limits or collateralized amounts. The Organization has not experienced any loss in such accounts. As of December 31, 2022 and 2021, the Organization had uninsured cash balances of \$8,189,707 and \$11,224,634, respectively.

Note 17: CONTINGENCY

The financial information and conditions included in these financial statements and supplemental information is subject to possible audit by the New Jersey Department of Agriculture which administers both major programs, and other grantors. Failure to fulfill the conditions of the grant could result in the return of funds to the grantors and loss of future grants. Management deems the contingency remote and believes that it has either complied with the conditions of the grants or has implemented appropriate corrective action, where necessary.

The Organization is occasionally involved in certain legal claims arising in the ordinary course of operations. In the opinion of management, all matters are adequately covered by insurance or are without merit.

Note 18: PPP LOAN FORGIVENESS

On April 23, 2020, the Organization received a loan in the amount of \$461,000 under the Payroll Protection Program ("PPP Loan"). The loan accrues interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement of the Organization and the Small Business Administration ("SBA"). The PPP loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties.

Under the terms of the loan, a portion or all of the loan is forgivable to the extent the loan proceeds are used to fund qualifying payroll, rent, and utilities during a designated twenty-four week period. Payments are deferred until the SBA determines the amount to be forgiven. The Organization intends to utilize the proceeds of the PPP loan in a manner which will enable the qualification as a forgiven loan. However, no assurance can be provided that all or any portion of the PPP loan will be forgiven. On February 16, 2021, the SBA forgave the loan balance in the amount of \$461,000 therefore recognizing the amount as revenue as of December 31, 2021.

Note 19: SUBSEQUENT EVENTS

On March 3, 2023, the Organization closed on the purchase of a new building in the amount of \$3,200,000. The Organization began construction on March 6, 2023, for improvements to the facilities.

Subsequent events were evaluated through June 15, 2023, the date the financial statements were available to be issued.

**FOOD BANK OF SOUTH JERSEY, INC.
REPORTS AND SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND THE SINGLE AUDIT ACT**

**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**

To the Board of Trustees of
Food Bank of South Jersey, Inc.

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 Food Bank of South Jersey, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 June 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Food Bank of South Jersey, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Food Bank of South Jersey, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Food Bank of South Jersey, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The 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.

A handwritten signature in black ink that reads "Bowman + Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
June 15, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY CIRCULAR 15-08 OMB**

To the Board of Trustees of
Food Bank of South Jersey, Inc.

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Food Bank of South Jersey, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of Food Bank of South Jersey, Inc.'s major federal and state programs for the year ended December 31, 2022. The Food Bank of South Jersey, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Food Bank of South Jersey, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements of the State of New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under those standards, the Uniform Guidance, and State of New Jersey Circular 15-08 OMB are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Food Bank of South Jersey, Inc and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Food Bank of South Jersey, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Food Bank of South Jersey, Inc.'s federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Food Bank of South Jersey, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State of New Jersey Circular 15-08 OMB will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Food Bank of South Jersey, Inc.'s compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State of New Jersey Circular 15-08 OMB, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Food Bank of South Jersey, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Food Bank of South Jersey, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08 OMB, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of South Jersey, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
June 15, 2023

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor / Program Title	Assistance Listing Number	Federal Award Identification Number	State or Pass-Through Grantor Number	Grant Period		Expenditures			Passed through to Subrecipients
						From Pass-Through Awards	From Direct Awards	Total	
				From	To				
U.S. Department of Agriculture									
Pass through New Jersey Department of Agriculture									
Division of Food and Nutrition									
Food Distribution Cluster:									
The Emergency Food Assistant Program (TEFAP)									
Food Commodities - non cash assistance	10.569	n/a	n/a	10/1/2021	9/30/2022	\$ 3,359,580	\$ -	\$ 3,359,580	\$ -
Administrative costs	10.568	221NJ824Y8105	n/a	10/1/2021	9/30/2022	142,399	-	142,399	-
Food Commodities - non cash assistance	10.569	n/a	n/a	10/1/2022	9/30/2023	1,046,341	-	1,046,341	-
Administrative costs	10.568	231NJ824Y8105	n/a	10/1/2022	9/30/2023	42,921	-	42,921	-
Administrative costs - TEFAP Bonus	10.568	211NJ874J7003	n/a	10/1/2020	9/30/2021	48,779	-	48,779	-
Administrative costs - TEFAP Bonus	10.568	211NJ874J7003	n/a	10/1/2021	9/30/2022	341,665	-	341,665	-
Administrative costs - BBB	10.568	221NJ894P1103	n/a	7/1/2021	9/30/2022	116,808	-	116,808	-
Coronavirus Food Assistance Program (CPAP) - CARES - non cash assistance	10.568	n/a	n/a	1/1/2021	12/30/2021	18,375	-	18,375	-
Coronavirus Food Assistance Program (CPAP) - FFCRA - non cash assistance	10.568	n/a	n/a	1/1/2021	12/30/2021	105,159	-	105,159	-
Coronavirus Food Assistance Program (CPAP) - COSUP - non cash assistance	10.568	n/a	n/a	10/1/2020	9/30/2021	106,093	-	106,093	-
CFPF - non cash assistance	10.569	n/a	n/a	1/1/2022	12/31/2022	13,572	-	13,572	-
BBB - non cash assistance	10.569	n/a	n/a	7/1/2021	12/31/2022	422,503	-	422,503	-
Pass through Community Food Bank of New Jersey									
Food Distribution Cluster:									
Commodity Supplemental Food Program (CSFP) - non cash assistance	10.565	221NJ814Y8005	n/a	10/1/2021	9/30/2022	319,675	-	319,675	-
Commodity Supplemental Food Program (CSFP)	10.565	221NJ814Y8005	n/a	10/1/2021	9/30/2022	65,149	-	65,149	-
Commodity Supplemental Food Program (CSFP) - non cash assistance	10.565	231NJ814Y8005	n/a	10/1/2022	9/30/2023	82,474	-	82,474	-
Commodity Supplemental Food Program (CSFP)	10.565	231NJ814Y8005	n/a	10/1/2022	9/30/2023	16,813	-	16,813	-
Total Food Distribution Cluster						6,248,306	-	6,248,306	-
Child Nutrition Cluster									
Summer Food Service Program for Children (SFSPC)	10.559	221NJ304N1199	04-3611	10/1/2021	9/30/2022	781,280	-	781,280	-
Total Child Nutrition Cluster						781,280	-	781,280	-
Pass through New Jersey Department of Health									
Division of Family Health Services									
SNAP Cluster									
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	221NJ451Q3903	DFHS20SNA004	10/1/2021	9/30/2022	418,240	-	418,240	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	231NJ451Q3903	DFHS23SNA007	10/1/2022	9/30/2023	141,728	-	141,728	-
Pass through New Jersey Department of Agriculture									
Division of Food and Nutrition									
SNAP Outreach Program	10.561	806418257	806418257	10/1/2021	9/30/2022	71,736	-	71,736	-
SNAP Outreach Program	10.561	806418257	806418257	10/1/2022	9/30/2023	30,385	-	30,385	-
Total SNAP Cluster						662,089	-	662,089	-
Total U.S. Department of Agriculture						7,691,675	-	7,691,675	-

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended December 31, 2022

<u>Federal Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Federal Award Identification Number</u>	<u>State or Pass-Through Grantor Number</u>	<u>Grant Period</u>		<u>Expenditures</u>			<u>Passed through to Subrecipients</u>
				<u>From</u>	<u>To</u>	<u>From Pass-Through Awards</u>	<u>From Direct Awards</u>	<u>Total</u>	
U.S. Department of the Treasury									
Pass through New Jersey Department of Agriculture									
Division of Food and Nutrition									
Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP1024 & SLFRP2615	n/a	11/1/2021	10/31/2022	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -
Total U.S. Department of the Treasury						1,500,000	-	1,500,000	-
U.S. Department of Homeland Security									
Pass through Community Planning Advocacy Council									
Emergency Food and Shelter National Board Program - Phase 39	97.024	EMW-2021-FS-00001	n/a	11/1/2021	12/31/2023	85,000	-	85,000	-
Emergency Food and Shelter National Board Program - Phase 39-A	97.024	EMW-2021-FS-00001	n/a	11/1/2021	12/31/2023	221,000	-	221,000	-
Total U.S. Department of Homeland Security						306,000	-	306,000	-
U.S. Department of Housing and Urban Development									
CDBG - Entitlement Grants Cluster									
Community Development Block Grant (CDBG) - Gloucester County	14.218	B-21-UC-34-0109	n/a	9/1/2021	8/31/2022	35,850	-	35,850	-
Community Development Block Grant (CDBG) - Gloucester County	14.218	B-22-UC-34-0109	n/a	9/1/2022	8/31/2023	24,005	-	24,005	-
Coronavirus Relief Funds - Burlington County	14.218	n/a	n/a	9/1/2021	9/30/2023	172,531	-	172,531	-
Total CDBG - Entitlement Grants Cluster						232,386	-	232,386	-
Total U.S. Department of Housing and Urban Development						232,386	-	232,386	-
U.S. Department of Health and Human Services									
Pass through New Jersey Department of Health									
Vaccination Supplement Education	93.268	221NJ451Q3903	DFHS22SNA010	1/1/2022	6/30/2022	27,750	-	27,750	-
Immunization Cooperative Agreements	93.268	NH23IP922594	n/a	4/1/2022	6/30/2023	76,329	-	76,329	-
Total U.S. Department Health and Human Services						104,079	-	104,079	-
Total Federal Awards						\$ 9,834,140	\$ -	\$ 9,834,140	\$ -

The accompanying Notes to Financial Statements and Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2022

<u>State Grantor / Program Title</u>	<u>State Grant Award Number or Account Number</u>	<u>Grant Award Period</u>		<u>Current Year's Grant Expenditures</u>	(Memo Only) <u>Total Grant Expenditures to Date</u>
		<u>From</u>	<u>To</u>		
State of New Jersey Department of Agriculture					
Division of Food and Nutrition					
State Food Purchase Program (SFPP) - non cash assistance	100-010-3350-064-055020	7/1/2021	6/30/2022	\$ 557,230	\$ 639,560
State Food Purchase Program (SFPP) - non cash assistance	100-010-3350-064-055020	7/1/2022	6/30/2023	324,778	324,778
State Food Purchase Program (SFPP) - administrative cost	100-010-3350-064-055020	7/1/2021	6/30/2022	57,352	123,855
State Food Purchase Program (SFPP) - administrative cost	100-010-3350-064-055020	7/1/2022	6/30/2023	39,719	39,719
				<u>979,079</u>	<u>1,127,912</u>
SNAP Outreach Program	N/A	10/1/2021	9/30/2022	58,750	
NJDOA-FBSJ Grant Agreement	N/A	1/1/2021	6/30/2021	1,994,930	1,994,930
NJDOA-FBSJ Grant Agreement	N/A	7/1/2021	9/30/2022	2,489,537	2,489,537
				<u>4,484,467</u>	<u>4,484,467</u>
Total State of New Jersey Department of Agriculture				<u>5,522,296</u>	<u>5,612,379</u>
Total State Awards				<u>\$ 5,522,296</u>	<u>\$ 5,612,379</u>

The accompanying Notes to Financial Statements and Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

FOOD BANK OF SOUTH JERSEY, INC.
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended December 31, 2022

Note 1: GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance present the activity of all federal and state award programs of the organization. All federal and state awards, with current year activity, received directly from federal, state, and local agencies, as well as federal and state awards passed through other government agencies, are included in the schedule.

Note 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. This basis of accounting is described in Note 2 to the organization's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08 OMB. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree, in all material respects, with the amounts reported in related federal and state financial statements.

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree, in all material respects, with the amounts reported in related federal and state financial reports. However, the basis of accounting prescribed by the pass-through agency for the preparation of expenditure reports is different than the accrual basis of accounting. The basic difference between the two bases of accounting is that the equipment purchased with program funds are included as expenditures in the expenditure reports, while GAAP requires these items to be capitalized and depreciated over their useful lives.

Note 5: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued _____ Unmodified _____

Internal control over financial reporting:

Material weaknesses identified? _____ yes x none noted

Were significant deficiencies identified that were not considered to be a material weakness? _____ yes x none noted

Noncompliance material to financial statements noted? _____ yes x none noted

Federal Awards

Internal control over compliance:

Material weaknesses identified? _____ yes x none noted

Were significant deficiencies identified that were not considered to be material weaknesses? _____ yes x none noted

Type of auditor's report on compliance for major programs _____ Unmodified _____

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? _____ yes x no

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
_____ 10.561 _____	SNAP Cluster: _____
_____	State Administrative Matching Grants for the Supplemental Assistance Program _____
_____	SNAP Outreach Program _____
_____ 21.027 _____	Coronavirus State and Local Fiscal Recovery Funds _____
_____	_____
_____	_____

Dollar threshold used to determine Type A programs \$ _____ 750,000 _____

Auditee qualified as low-risk auditee? x yes _____ no

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over compliance:

Material weaknesses identified? ☐ yes ☒ none noted

Were significant deficiencies identified that were
not considered to be material weaknesses? ☐ yes ☒ none noted

Type of auditor's report on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with New Jersey Circular 15-08 OMB? ☐ yes ☒ none noted

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
<u>N/A</u>	<u>NJDOA-FBSJ Grant Agreement</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to determine Type A programs \$ 750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2022

Part II- Schedule of Current Year Financial Statement Findings

– NOT APPLICABLE –

Part III - Schedule of Current Year Federal Award and
State Financial Assistance Findings and Questioned Costs

– NOT APPLICABLE –

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2022

Part IV – Status of Prior Year Financial Statement
Audit Findings

This section identifies the status of prior-year findings related to the financial statements and Federal and State awards that are required to be reports in accordance with Chapter 6.12 of *Government Auditing Standards*.

– NOT APPLICABLE –