Interfaith Food Pantry, Inc.

Financial Statements

December 31, 2019

(With Comparative Totals For 2018)

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Interfaith Food Pantry, Inc.
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Independent Auditors' Report

To the Board of Trustees
Interfaith Food Pantry, Inc.
Morris Plains, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Interfaith Food Pantry, Inc., (a New Jersey nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Interfaith Food Pantry, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Food Pantry, Inc. as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Interfaith Food Pantry, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Nisivoccia LLP

Mt. Arlington, New Jersey
July 8, 2020

Interfaith Food Pantry
Statement of Financial Position
December 31, 2019 and 2018

		2019		2018
ASSETS				
Cash and cash equivalents	$	314,981	$	279,041
Investments		455,564		435,584
Beneficial interest in assets held by				
the Community Foundation of New Jersey		425,186		373,853
Prepaid expenses		3,319		5,210
Inventory		304,454		295,309
Property and equipment, net		1,957,249		2,018,064
Total assets	$	3,460,753	$	3,407,061
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	$	23,801	$	16,753
Total liabilities		23,801		16,753
Net assets:				
Net assets without donor restrictions:				
Undesignated		600,249		501,935
Board designated		575,000		575,000
Invested in property, equipment, and inventory		2,261,703		2,313,373
Total net assets		3,436,952		3,390,308
Total liabilities and net assets	$	3,460,753	$	3,407,061

See Notes to Financial Statements

Interfaith Food Pantry
Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Summarized Totals for 2018)

	2019	2018
	Without donor restrictions	Without donor restrictions
Support and revenue:		
In-kind donations - food	$ 2,636,501	$ 2,531,549
Other income		20,821
Fundraising and development:		
Events, net	285,481	225,084
Contributions	928,061	861,549
Foundation grants	558,111	677,454
Investment income	21,973	22,068
Realized and unrealized gain (loss) on investments	54,463	(53,024)
Total support and revenue	4,484,590	4,285,501
Expenses:		
Program services	4,072,489	3,908,008
Management and general	118,563	119,834
Fundraising and development	246,894	235,998
Total expenses	4,437,946	4,263,840
Change in net assets (2018, as restated which includes $134,709 deferred revenue adjustment - see Note 12)	46,644	21,661
Net assets, beginning of year, as previously reported		3,368,647
Net assets, beginning of year, as restated	3,390,308	3,390,308
Net assets, end of year	$ 3,436,952	$ 3,390,308

Interfaith Food Pantry
Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Summarized Totals for 2018)

	2019				2018
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 778,141	$ 84,123	$ 189,277	$ 1,051,541	$ 1,030,426
Payroll taxes and employee benefits	173,423	18,748	42,184	234,355	212,277
Total personnel services	951,564	102,871	231,461	1,285,896	1,242,703
Donated food	2,627,356			2,627,356	2,523,844
Food purchased	135,229			135,229	110,322
Postage, printing and fees	28,476		15,433	43,909	35,518
Repairs and maintenance	57,726			57,726	52,339
Rent	28,200			28,200	28,200
Supplies, equipment, and software	38,936			38,936	45,160
Utilities	28,436			28,436	32,604
Professional fees	23,332	13,594		36,926	29,548
Insurance	25,397	2,098		27,495	25,635
Volunteer/staff training and travel	9,049			9,049	8,524
Community engagement miscellaneous expense	7,317			7,317	4,719
Client support	1,258			1,258	1,150
Total expenses before depreciation	3,962,276	118,563	246,894	4,327,733	4,140,266
Depreciation	110,213			110,213	123,574
Total expenses	$ 4,072,489	$ 118,563	$ 246,894	$ 4,437,946	$ 4,263,840

Interfaith Food Pantry
Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 46,644	$ 21,661
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,213	123,574
Realized gain on investments	(5,571)	(4,033)
Unrealized (gain) loss on investments	(48,892)	57,057
Donated investment securities		(4,732)
Changes in operating assets and liabilities:		
Accounts receivable		11,485
Prepaid expenses	1,891	(205)
Inventory	(9,145)	(7,705)
Accounts payable and accrued expenses	7,048	(875)
Deferred revenue		(145,084)
Net cash provided by operating activities	102,188	51,143
Cash flows from investing activities:		
Purchase of property and equipment	(49,398)	(11,021)
Purchase of investments, net	(9,193)	(50,500)
Proceeds from sale of investments	13,925	
Interest and dividends reinvested, net	(21,582)	(21,374)
Net cash used in investing activities	(66,248)	(82,895)
Net increase (decrease) in cash and cash equivalents	35,940	(31,752)
Cash and cash equivalents, beginning of year	279,041	310,793
Cash and cash equivalents, end of year	$ 314,981	$ 279,041
Supplemental disclosure of noncash flow information:		
In-kind donation of food	$ 2,636,501	$ 2,531,549
Unrealized gain (loss) on investments	$ 48,892	$ (57,057)
Donated investment securities received		$ 4,732
In-kind donation of vehicle	$ 23,238	

See Notes to Financial Statements

1. Nature of Activities

Interfaith Food Pantry, Inc. (the "Organization") was founded in 1994 and was incorporated as a non-profit corporation under the laws of the State of New Jersey in 1998. The mission of the Organization is to provide non-perishable and perishable supplemental and emergency food to eligible residents of Morris County, New Jersey. The Organization's primary sources of revenue and support are donations and fundraising events.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), *Accounting for Contributions Received and Made, and Presentation of Financial Statements of Not-for-Profit Entities. Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions are resources representing the portion of expendable funds available for support of the Organization's programs and activities. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees. Board designated funds amounted to $575,000 at December 31, 2019 and 2018.

Net Assets with Donor Restrictions are net assets subject to stipulations imposed by donors, and grantors.

Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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. The Organization did not have any net assets with donor restrictions at December 31, 2019 and 2018.

Adoption of New Accounting Standards

In May 2014, the FASB issued guidance Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ASU 2014-09, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization adopted ASC 606, as amended with a date of the initial application of January 1, 2019 as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Interfaith Food Pantry, Inc. applied ASC 606 using the modified retrospective method, with no effect recorded to net assets without donor restrictions at January 1, 2019.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Support and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been substantially met.

Revenue is measured based on consideration specified in a contract with a customer. This occurs with the transfer of control at a specific point in time. The Organization recognizes fundraising and special event revenue at the time the event occurs. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place. There are no multi-year contract and performance obligations are typically satisfied within one year or less.

Disaggregation of Revenue

	2019	2018
Performance obligations satisfied at a point in time	$ 381,438	$ 306,271
	$ 381,438	$ 306,271

Revenue from performance obligations satisfied at a point in time consists of fundraising and special events.

Cash and Cash Equivalents

The Organization considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for uncollectible accounts for the years ended December 31, 2019 and 2018, as management deemed all receivables to be collectible as of the date of the financial statements.

Property and Equipment

Purchased property and equipment additions exceeding $1,000 are capitalized and recorded at their original cost. Donations of property and equipment are recorded at their estimated fair value on the date of gift. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Expenditures for minor repairs and maintenance which do not improve or extend the life of the respective assets are charged to expense as incurred. Gifts of long-lived assets are reported as an increase in net assets without donor restrictions, unless there are explicit restrictions that specify how the assets are to be used.

Proceeds from the sale of fixed assets, if without donor restrictions, are transferred to net assets without donor restrictions, or, if restricted, to deferred amounts restricted for fixed asset acquisitions.

In accordance with FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization periodically evaluates property and equipment for impairment, relying on a number of factors including operating results, and future business plans. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to estimated future recoverability of the carrying amount of the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. There were no impairment losses charged to operations for the years ended December 31, 2019 and 2018.

Investments

The Organization follows FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with this accounting standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest, dividends and realized gains and losses on the sale of investments) are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by the donor or law. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established.

For the years ended December 31, 2019 and 2018, the Organization did not record any impairment charge in the statement of activities.

Beneficial Interest in Assets Held by the Community Foundation of New Jersey

The Organization follows FASB ASC, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This standard provides guidance for accounting in the case where a "resource provider" (nonprofit entity) transfers assets to a community foundation but specifies itself or its affiliate as the beneficiary of the assets. The transaction is deemed to be reciprocal because at the time of the transfer, the nonprofit entity expects to receive future distributions because it specifies itself as a beneficiary, and by acceptance of the transfer, the community foundation agrees to make distributions to the nonprofit entity. Because the transaction is deemed to be reciprocal, the nonprofit entity should recognize an asset and the community foundation should recognize a liability. At December 31, 2019 and 2018 the Organization recognized a beneficial interest in assets held by the Community Foundation of New Jersey.

Amounts reported in the statement of financial position represent the net cumulative transfers by the Organization to the Community Foundation of New Jersey (the "Foundation"), as well as net investment earnings thereon. The fair value of these investments totaled $425,186 and $373,853 at December 31, 2019 and 2018, respectively. The Foundation holds and invests the funds on behalf of the Organization. The Foundation has no variance power over the funds. Instead, the funds are distributed to the Organization upon request to the Foundation.

Inventory

The Organization follows the provisions of FASB ASU, "*Inventory (Topic 330)*" which provides guidance on the simplification to the measurement of inventory. Under this standard, an entity should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory, consisting of donated food, is stated at the lower of cost or net realizable value, determined by the first-in-first out (FIFO) method.

Donated food is valued based on a study conducted by Feeding America, a non-for-profit entity whose mission is to feed America's hungry through a nationwide network of member food banks and engage the country in the fight to end hunger. Feeding America is responsible for determining the approximate average wholesale value of one pound of donated product at the national level. The approximate average wholesale value of one pound of donated product at the national level is $2.15 for the years ended December 31, 2019 and 2018. Inventory amounted to $304,454 and $295,309 at December 31, 2019 and 2018, respectively.

Fair Value of Financial Instruments

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement.

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability).

A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset or liability'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. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Cash and cash equivalents, other assets, accounts payable and accrued expenses: the carrying amounts approximate fair value because of the short-term maturity of these instruments.

Mutual funds: the carrying amounts are valued at the net asset value (NAV) of shares held by the Organization at year end.

Beneficial Interest in Assets Held by the Community Foundation of New Jersey: The carrying amount of these investments is stated at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date, utilizing valuations provided by the investment funds.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's investments and the amounts reported in the statement of financial position and the statement of activities.

Income Taxes

The Organization is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is also exempt under Title 15 of the State of New Jersey *Corporations and Organizations Not-for-Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

The Organization follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the fiscal years ended December 31, 2019 and 2018. However, the Organization is subject to audit by tax authorities including a review of its nonprofit status which management believes would be upheld upon examination.

The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

As required by law, the Organization files informational returns with both the Federal and New Jersey State governments on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. These returns are subject to examination by these authorities within certain statutorily defined periods for Federal and for New Jersey.

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 of assets and liabilities, revenue and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization’s estimates may change in the near term.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited.

The financial statements may report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated based on estimates made by management. Program expenses are those related to food distribution, education, and resources. Management and general expenses relate to administrative expenses associated to those programs and are allocated based on estimates of time and effort considered by management to be reasonable. Fundraising relates to direct cost of special events, development activities carried on by the Organization as well as the allocation of employees' salaries, when applicable, and other costs involved in fundraising and special events.

Donated Services

Volunteers make significant contributions of time relative to general management and operations of the Organization. These donated services are not reflected in the financial statements for the years ended December 31, 2019 and 2018 since they do not meet the criteria for recognition as contributed services in accordance with U.S. generally accepted accounting principles. During the years ended December 31, 2019 and 2018, approximately 424 and 378 volunteers contributed a total of approximately 25,600 and 23,300 hours, respectively.

Vacation Accrual

The Organization's policy regarding accrued vacation is that staff are allowed to carry over one week of accrued vacation from the prior year with approval from the Executive Director. Upon termination or resignation, employees will be paid for any accrued vacation time earned but not used. Any vacation time which is not used in accordance with this policy will be forfeited. Accrued vacation amounted to $6,386 and $5,494 at December 31, 2019 and 2018, respectively.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents. At times, amounts invested with financial institutions may be in excess of FDIC insurance limits. The Organization invests with reputable financial institutions to limit their exposure and has not experienced any losses in such accounts. As a result, management believes it is not exposed to any significant risk related to cash and cash equivalents.

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class.

Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

New Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on the Organization's financial statements.

Reclassification

Certain prior period account balances have been reclassified to conform to current year presentation.

3. Liquidity and Availability

The adoption of FASB Update No. 2016-14 requires the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements.

Financial assets available for general expenditure, that is, without donor, internal or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

	2019
Financial assets at year end:	
Cash and cash equivalents	$ 314,981
Investments	455,564
Beneficial interest in assets held by the Community Foundation of New Jersey	425,186
Total financial assets	1,195,731
Less those unavailable for general expenditures within one year, due to:	
** Board designated funds	(575,000)
Financial assets available to meet general expenditures over the next twelve months:	$ 620,731

The Organization has a goal to maintain financial assets on hand to meet 4 months of normal operating expenses. In addition to these financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including contributions, foundation grant revenue, and fundraising and special event revenue. As part of its liquidity plan, excess cash is invested in short-term investments, including money markets. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

** In the event the need arises to utilize the board-designated funds for actual expenditures, the reserves could be drawn upon through board resolution.

4. Investments

The following financial instruments, measured on a recurring basis, are carried at fair value in the Organization's financial statements. The fair value disclosures include information regarding the valuation of the Organization's investments as of December 31, 2019 and 2018:

	2019		
	Cost Basis	Fair Market Value (Level 1)	Unrealized Gains (Losses)
Mutual funds:			
Fixed income funds	$ 455,485	$ 455,564	$ 79
Total investments	$ 455,485	$ 455,564	$ 79

	2018		
	Cost Basis	Fair Market Value (Level 1)	Unrealized Gains (Losses)
Mutual funds:			
Fixed income funds	$ 442,817	$ 435,584	$ (7,233)
Total investments	$ 442,817	$ 435,584	$ (7,233)

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets and liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs are based on estimates using present value or other valuation techniques where quoted market prices are not available. Financial assets of the Organization have been valued using level 1 inputs for the years ended December 31, 2019 and 2018.

Investment activity for the years ended December 31, 2019 and 2018 is comprised of the following:

	2019	2018
Beginning balance	$ 435,584	$ 427,161
Purchases	9,193	
Donated investments received		4,732
Sales	(13,925)	
Dividends reinvested	12,694	11,376
Realized gain on investments	9,970	
Unrealized gain (loss) on investments	2,048	(7,685)
Ending balance	$ 455,564	$ 435,584

Return on investments for the years ended December 31, 2019 and 2018 is comprised of the following:

	2019	2018
Interest and dividend income	$ 12,694	$ 14,130
Realized gain on investments	9,970	
Unrealized gain (loss) on investments	2,048	(7,685)
Total return on investments	$ 24,712	$ 6,445

5. Beneficial Interest in Assets held by the Community Foundation of New Jersey

	2019		
	Cost	Fair Value (Level 3)	Unrealized Gain/(Loss)
Community Foundation of New Jersey	$ 378,262	$ 425,106	$ 46,844

	2018		
	Cost	Fair Value (Level 3)	Unrealized Gain/(Loss)
Community Foundation of New Jersey	$ 417,892	$ 373,853	$ (44,039)

The beneficial interest in assets held at the Community Foundation of New Jersey (the "Foundation") has been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date, utilizing valuations provided by the investment funds. The Foundation values securities and other financial instruments on a fair value basis of accounting.

The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the Foundation is fully redeemable by the Organization as described in Note 2.

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2019 and 2018:

	2019	2018
Beginning balance	$ 373,853	$ 358,694
Interest and dividends reinvested, net	8,888	9,998
Deposits		50,500
Unrealized gain (loss)	46,844	(49,372)
Realized gain (loss)	(4,399)	4,033
Ending balance	$ 425,186	$ 373,853

Return on beneficial interest in assets held by the Foundation at December 31, 2019 and 2018, are comprised of the following:

	2019	2018
Interest and dividends reinvested, net	$ 8,888	$ 9,998
Realized gain (loss)	(4,399)	4,033
Unrealized gain (loss)	46,844	(49,372)
	$ 51,333	$ (35,341)

6. Property and Equipment

Property and equipment at December 31, 2019 and 2018 is comprised of the following:

	Useful Lives Years	2019	2018
Buildings and improvements	5 - 30	$ 2,595,534	$ 2,595,534
Furniture and equipment	5 - 10	293,278	290,358
Vehicles	5	138,219	91,741
		3,027,031	2,977,633
Less: accumulated depreciation		1,069,782	959,569
		$ 1,957,249	$ 2,018,064

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to $110,213 and $123,574, respectively.

7. In-Kind Food Donations

The Organization receives non-cash food donations. These items are valued based on a study conducted by Feeding America, as more fully described in Note 2. These items are sorted for sale and distribution to eligible residents of Morris County, New Jersey. The value of the donated items received is included in revenue. The value of the items that have been sold and distributed as of December 31, 2019 and 2018 have been included as an expense.

The revenue from donated food as of December 31, 2019 and 2018 is comprised of the following:

	2019	2018
Pounds donated	1,226,280	1,177,465
Average price per pound	$ 2.15	$ 2.15
Total in-kind food donations	$ 2,636,501	$ 2,531,549

The expense from donated food sold and distributed for the years ending December 31, 2019 and 2018 amounted to $2,627,356 and $2,523,844, respectively.

8. Leases

Morristown

In June 2016, the Organization entered into an operating lease for space to be used as a distribution facility with monthly rent of $2,350. The lease matured in May 2017. The Organization has continued to lease the space on a month to month basis with all terms remaining the same.

Morris Plains

On August 10, 2010, the Organization entered into a fifty-year ground lease for property located on Executive Drive in Morris Plains, New Jersey with the County of Morris. The land, including improvements made upon the land by the Organization, is being leased for $1 per year. At the end of the initial lease term, the Organization has the option to extend the lease for one single extension period of twenty-five years.

In addition, during April 2019 the Organization entered into an office equipment lease for a copy machine under an operating lease set to expire April 2023. The lease is for 4 years with monthly payments of $301.

The following is a schedule, by years, of future minimum lease payments required under operating leases that have an initial term in excess of one year as of December 31, 2019:

Year Ending December 31,	
2020	$ 3,616
2021	3,616
2022	3,616
2023	1,205
	$ 12,054

Total rent expense charged to operations for facility space amounted to $28,200 for the years ended December 31, 2019 and 2018.

Total rent expense charged to operations for equipment amounted to $3,816 and $4,431 for the years ended December 31, 2019 and 2018, respectively.

Solar Lease Agreement

In September 2012, the Organization entered into a roof top solar site lease agreement whereby the lessee agreed to develop, design, construct, own, and operate a roof top solar system for a period of 20 years. In addition, the Organization agreed to purchase electricity from the lessee for a period of 20 years at pre-determined rates per kilowatt hour.

9. Board Designated Net Assets

Included in net assets without donor restrictions as of December 31, 2019 and 2018, are $575,000 of board designated funds, to be used for the following:

	2019	2018
Facilities maintenance fund	$ 100,000	$ 100,000
Program expansion fund	150,000	200,000
Capital improvements fund	150,000	100,000
Vehicles fund	75,000	75,000
Food purchases fund	100,000	100,000
	$ 575,000	$ 575,000

10. Retirement Plan

The Organization has established a self-directed 403(b) retirement plan (the “Plan”) for the benefit of its employees. The Plan consists of discretionary employee payroll deductions.

The Organization may make discretionary employer contributions to the Plan, in which all eligible employees will either receive a uniform percentage of compensation or a uniform dollar amount. An employee is deemed eligible to receive employer contributions if they work at least 1 year of consecutive service and complete at least 1,000 hours of service during that time. Employer contributions to the plan were $53,750 and $40,044 for the years ended December 31, 2019 and 2018, respectively.

11. <u>Fundraising</u>

The Organization held several fundraising events during the years ended December 31, 2019 and 2018. The gross receipts from these events totaled $381,438 and $306,271 for 2019 and 2018, respectively. Direct expenses consisting of raffle tickets, facility costs, and other related expenses totaled $95,957 and $81,187 for 2019 and 2018, respectively, leaving net proceeds of $285,481 and $225,084 for 2019 and 2018, respectively.

12. <u>Prior Period Adjustment</u>

During the performance of the annual audit, management discovered that deferred revenue was overstated by $134,709 at December 31, 2018. As a result of the overstatement of deferred revenue, total revenue was understated by this amount. Net assets for the year ended December 31, 2018 have been restated to include this adjustment relating to the prior year. As a result of this correction, net assets increased by $134,709.

13. <u>Subsequent Events</u>

Management has reviewed subsequent events and transactions that occurred after December 31, 2019 through the date of the independent auditor’s report and the date the financial statements were available to be issued, July 8, 2020. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

However, the Coronavirus Disease 2019 ("COVID-19") global pandemic has created economic uncertainties, financial market volatility and other uncertainties that may have an impact on the Organizations' operations, financial statements and cash flows in the future. The extent of the impact of COVID-19 on the Organizations' operational and financial performance will depend on certain developments, including the duration and extent of the pandemic and mitigation measures implemented in the United States and New Jersey, impact on our donors, employees and suppliers all of which are uncertain and cannot be predicted. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and impact. Therefore, the Organization expects this matter may have an impact on its future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In April 2020, the Organization was approved and received funding in the amount of approximately $220,000 under the Paycheck Protection Program. Certain amounts will be forgiven if the Organization utilizes these funds in accordance with guidelines outlined under the program. Management is currently evaluating the use of these funds; therefore, the related financial impact and potential amount expected to be repaid cannot be reasonably estimated at this time.