

Center for Food Action in New Jersey, Inc.

Financial Statements

Years Ended December 31, 2023 and 2022

Center for Food Action in New Jersey, Inc.

Financial Statements

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Independent Auditor's Report

Officers and Board of Directors
Center for Food Action in New Jersey, Inc.
Englewood, New Jersey

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Center for Food Action in New Jersey, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization, as of and for the year ended December 31, 2022, were audited by other auditors, whose report, dated May 2, 2023 expressed an unmodified opinion on those statements.

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 Center for Food Action in New Jersey, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Organization'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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of 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 *NJ OMB Circular 15-08* 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 information 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 March 20, 2024 on our consideration of Center for Food Action in New 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 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 Center for Food Action in New 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 the Organization's internal control over financial reporting and compliance.



Parsippany, New Jersey
March 20, 2024

Center for Food Action in New Jersey, Inc.

Statements of Financial Position

	December 31,	
	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,763,719	\$ 3,572,900
Investments	745,049	689,440
Grants receivables	38,462	52,570
Contributions receivable	45,093	66,914
Total current assets	<u>3,592,323</u>	<u>4,381,824</u>
PROPERTY AND EQUIPMENT		
Property, plant and equipment	2,168,443	2,088,301
Less accumulated depreciation	<u>(1,362,727)</u>	<u>(1,274,853)</u>
Property, plant and equipment, net	<u>805,716</u>	<u>813,448</u>
OTHER ASSETS		
Right-of-use ("ROU") asset	<u>138,165</u>	<u>260,145</u>
TOTAL ASSETS	<u>\$ 4,536,204</u>	<u>\$ 5,455,417</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 39,767	\$ 19,620
Current portion of operating lease liabilities	<u>81,169</u>	<u>76,832</u>
Total current liabilities	<u>120,936</u>	<u>96,452</u>
LONG-TERM LIABILITIES		
Operating lease liabilities, less current portion	60,436	191,895
Deferred revenue	<u>14,320</u>	<u>24,361</u>
Total long-term liabilities	<u>74,756</u>	<u>216,256</u>
NET ASSETS		
Without donor restrictions	4,290,512	5,142,709
With donor restrictions	<u>50,000</u>	<u>-</u>
Total net assets	<u>4,340,512</u>	<u>5,142,709</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,536,204</u>	<u>\$ 5,455,417</u>

See accompanying Notes to Financial Statements.

Center for Food Action in New Jersey Inc.

Statements of Activities

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Support						
Federal, state and county grants	\$ 1,124,314	\$ -	\$ 1,124,314	\$ 1,687,414	\$ -	\$ 1,687,414
Contributions	1,300,264	100,000	1,400,264	1,477,579	-	1,477,579
Special appeals	1,150,664	-	1,150,664	965,675	-	965,675
Special events (net of expenses with a direct benefit to donors)	237,676	-	237,676	267,129	-	267,129
Contributions of nonfinancial assets - food	8,855,924	-	8,855,924	8,552,818	-	8,552,818
Contributions of nonfinancial assets - rent	27,600	-	27,600	27,600	-	27,600
Net assets released from restrictions	50,000	(50,000)	-	-	-	-
Total support	<u>12,746,442</u>	<u>50,000</u>	<u>12,796,442</u>	<u>12,978,215</u>	<u>-</u>	<u>12,978,215</u>
Revenue						
Interest and dividend income	101,825	-	101,825	21,762	-	21,762
Realized and unrealized loss on Investments	(5,048)	-	(5,048)	(41,665)	-	(41,665)
Total revenue	<u>96,777</u>	<u>-</u>	<u>96,777</u>	<u>(19,903)</u>	<u>-</u>	<u>(19,903)</u>
Total support and revenue	<u>12,843,219</u>	<u>50,000</u>	<u>12,893,219</u>	<u>12,958,312</u>	<u>-</u>	<u>12,958,312</u>
Expenses						
Program services	12,576,238	-	12,576,238	12,594,231	-	12,594,231
Fundraising expenses	309,800	-	309,800	243,552	-	243,552
Management and general	809,378	-	809,378	695,417	-	695,417
Total expenses	<u>13,695,416</u>	<u>-</u>	<u>13,695,416</u>	<u>13,533,200</u>	<u>-</u>	<u>13,533,200</u>
Change In net assets	(852,197)	50,000	(802,197)	(574,888)	-	(574,888)
NET ASSETS, <i>beginning of year</i>	<u>5,142,709</u>	<u>-</u>	<u>5,142,709</u>	<u>5,717,597</u>	<u>-</u>	<u>5,717,597</u>
NET ASSETS, <i>end of year</i>	<u>\$ 4,290,512</u>	<u>\$ 50,000</u>	<u>\$ 4,340,512</u>	<u>\$ 5,142,709</u>	<u>\$ -</u>	<u>\$ 5,142,709</u>

See accompanying Notes to Financial Statements.

Center for Food Action in New Jersey Inc.

Statements of Functional Expenses

Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	Fundraising Expenses	Management and General	Total Expenses	Program Services	Fundraising Expenses	Management and General	Total Expenses
Salaries	\$ 1,185,376	\$ 123,100	\$ 325,017	\$ 1,633,493	\$ 1,150,552	\$ 116,473	\$ 247,527	\$ 1,514,552
Payroll taxes	100,902	10,479	27,666	139,047	93,414	9,457	20,097	122,968
Employee benefits	183,879	19,096	50,418	253,393	197,737	20,017	42,541	260,295
Total personnel	1,470,157	152,675	403,101	2,025,933	1,441,703	145,947	310,165	1,897,815
Professional fees	-	36,719	98,949	135,668	-	-	46,899	46,899
Event and program expense	-	102,851	-	102,851	-	51,271	-	51,271
Food distribution	9,724,678	-	-	9,724,678	9,519,111	-	-	9,519,111
Printing expense	-	46,198	5,133	51,331	-	42,755	4,750	47,505
Postage expense	8,563	8,563	-	17,126	3,254	3,254	6,508	13,016
Office expense	95,062	-	46,818	141,880	47,466	-	92,142	139,608
Telephone expense	26,469	-	13,037	39,506	25,721	-	13,849	39,570
Bank charges	-	-	31,013	31,013	-	-	21,200	21,200
Rent expense	128,992	-	-	128,992	127,154	-	-	45,685
Emergency services	986,201	-	-	986,201	1,304,663	-	-	1,304,663
Maintenance and repairs	59,805	-	6,645	66,450	48,899	-	5,433	54,332
Utilities	26,923	-	8,974	35,897	27,678	-	9,226	36,904
Insurance	-	-	92,634	92,634	-	-	99,492	99,492
Travel and transportation	42,554	-	7,510	50,064	27,202	-	4,800	32,002
Staff training & volunteer expense	6,834	-	-	6,834	7,267	-	1/0/1900	7,267
Dues and subscriptions	-	-	7,690	7,690	-	-	4,949	4,949
Interest expense	-	-	-	-	14,113	325	651	15,089
Total expenses before depreciation	11,106,081	194,331	318,403	11,618,815	11,152,528	97,605	309,899	11,560,032
Depreciation	-	-	87,874	87,874	-	-	75,353	75,353
Total expenses	12,576,238	347,006	809,378	13,732,622	12,594,231	243,552	695,417	13,533,200
Less direct special events expenses netted with revenue	-	(37,206)	-	(37,206)	-	-	-	-
Total functional expenses	\$ 12,576,238	\$ 309,800	\$ 809,378	\$ 13,695,416	\$ 12,594,231	\$ 243,552	\$ 695,417	\$ 13,533,200

See accompanying Notes to Financial Statements.

Center for Food Action in New Jersey Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2023	2022
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Changes in net assets	\$ (802,197)	\$ (574,888)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	87,874	83,936
Net operating lease - ROU asset amortization	121,980	-
Realized and unrealized loss on investments	5,048	41,665
(Increase) decrease in assets		
Grants receivable	14,108	50,573
Donations receivable	21,821	80,001
Increase (decrease) in liabilities		
Account payable and accrued expenses	20,147	(75,833)
Deferred revenue	(10,041)	24,361
Operating lease obligation reduction	(127,122)	-
Net cash used for operating activities	<u>(668,382)</u>	<u>(370,185)</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Purchase of investments	(60,657)	(109,367)
Acquisitions of fixed assets	(80,142)	(6,598)
Net cash used for investing activities	<u>(140,799)</u>	<u>(115,965)</u>
Net decrease in cash and cash equivalents	(809,181)	(486,150)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>3,572,901</u>	<u>4,059,051</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 2,763,718</u>	<u>\$ 3,572,901</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ 15,089</u>

See accompanying Notes to Financial Statements.

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 1 - Nature of Operations

The Center for Food Action in New Jersey, Inc., (the "Organization") established in 1976, is a non-profit organization that provides direct emergency relief, advocacy and education for people who are without food in Bergen County. The Organization also coordinates a statewide network of over 900 emergency food pantries, soup kitchens and multi-social service organizations in New Jersey. The network provides a clearinghouse for information on hunger and technical assistance. Starting in 1987, the Organization also provided funds for emergency housing and has expanded its role to include a clearinghouse for information and technical assistance for other emergency food organizations.

Note 2 - Summary of Significant Accounting Policies

A summary of significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

a. *Basis of Accounting*

The Organization reports all items of income and expense using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b. *Basis of Presentation*

The financial statements are presented in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 2016-14 *Not-For Profit Entities* ("Topic 958") *Presentation of Financial Statements of Not-For Profit Entities*. FASB ASC 958 requires the Organization to report information regarding its financial position and activities according to two classes of net assets. Net assets without donor restrictions and net assets with donor restrictions:

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 restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor-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 those 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. 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.

c. *Revenue and Support Recognition*

The Organization derives its revenues and support primarily from grants and contributions, and special events. Under FASB ASC 606, revenue is recognized when performance obligations to a customer are satisfied, and revenue is earned. The Organization applied the guidance under FASB ASC 958 - *Non-Profit Entities* to recognize support received that is not subject to revenue recognition under ASC 606.

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies - Continued

c. Revenue and Support Recognition - Continued

Federal, state, and county grants, special appeals and contributions that are received from a donor follow guidance under ASC 958 and are recognized as income at the time they are received unless the amount received is conditional. Unconditional contributions are recognized as revenue at the time received as an increase in net assets without donor restriction or as an increase in net assets with donor restriction. When a restriction expires, net assets with a donor restriction are reclassified to net assets without a donor restriction and reported in the statement of activities as net assets released from restrictions. If the restriction expires in the reporting period in which the support is recognized, then the contribution is recorded as an increase in net assets without donor restriction. When a contribution is conditional, the amount is deferred and not recognized as revenue until the conditions are satisfied.

Special event revenue is comprised of payments received from third parties to support and/or attend fundraising events. Special event revenue includes an exchange transaction component for the value of the goods or services rendered, which follows revenue recognition guidance under ASC 606. The amount paid by third parties that is above the value of goods or services is considered a contribution. Revenue is recognized at the time the fundraising event occurs.

d. Contributed Nonfinancial Assets

The Organization accepts donations of food and other items from individuals as well as from other non-profit organizations for distribution. A value is placed on these donations by management based upon a self-conducted study that determined an average "per bag" or "per box" fair market value. Distributions of food and other items to clients were also accounted for on a "per bag" basis with the value varying depending upon the number and ages of persons in the household receiving the food and other items. These contributions are used 100% for programs. The total value of these contributions for years ended December 31, 2023 and 2022 were \$8,855,924 and \$8,552, 818, respectively.

Donated services are recognized in circumstances when they create or enhance non-financial assets or where those services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. No amounts have been reflected in the accompanying financial statements for donated services.

The Organization occupies space for programs provided at no cost to the Organization.

A substantial number of volunteers have made significant contributions of their time in support of the Organization's mission. The value of contributed services is not recorded in the accompanying financial statements as these services do not require specialized skills and are not susceptible to objective measurement or valuation.

e. Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies - Continued

f. 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

g. Cash and Cash Equivalents

For the purposes of balance sheet classification and statement of cash flows presentation, financial instruments with an original maturity of three months or less are considered cash equivalents with the exception of money market funds held in investments with a third party broker.

h. Concentration of Credit Risk

The Organization maintains cash balances at commercial banks. Accounts at these banks are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times during the year, balances in these institutions may exceed the FDIC insurance level. Generally, these deposits may be redeemed upon demand and therefore, bear minimal risk.

i. Grants Receivable

Unconditional grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional grants are received and expended within one year. Unconditional grants that are expected to be collected in future years are recorded at the present value of their estimated cash flows. All receivables are assessed for collectability. Based on a review of several factors, including credit worthiness of the grantor and historical experience, no allowance for doubtful accounts has been established.

j. Investments and Fair Value

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income (loss) includes the Organization's gains and losses of investments bought and sold as well as held during the year. Donated investments are valued based upon the average price of the investment using the high and low price of the date of the donation.

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 2 - Summary Of Significant Accounting Policies - Continued

j. *Investments and Fair Value - Continued*

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 active 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.

The asset's 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of the cash equivalents and marketable securities has been determined using quoted prices in active markets for identical assets, which is Level 1 in the hierarchy for ranking quality and reliability of the information used to determine fair values.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

k. *Fixed Assets*

Purchased assets in excess of \$1,000 with a useful life of more than one year are carried at cost and donated assets are carried at fair value at the date of the donation. All assets are depreciated over the estimated useful lives as follows:

Buildings	20-39 years- Straight Line
Leasehold Improvements	1-30 years- Straight Line
Furniture and Fixtures	5 years - Straight Line
Equipment	5-15 years - Straight Line
Vehicles	5 years - Straight Line

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies - Continued

k. Fixed Assets - Continued

When assets are retired or otherwise disposed of in the normal course of business, the assets and related accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged to expense or credited to revenue. As of December 31, 2023 and 2022, there were no impairments of fixed assets.

l. Income Taxes

In November of 1978, the Internal Revenue Service granted tax exempt status to the Organization under Section 501(c)(3) of the Internal Revenue Code relieving the Organization from any liability arising from income and excise taxes.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles ("GAAP"), with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023 and 2022.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2020.

The Organization's policy is to classify income tax related interest and penalties in interest expense and general and administrative expenses, respectively.

m. Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that are identified with a specific program or support services are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimates of the relative effort expended for the related functions. The expenses that are allocated include depreciation, office, rent, utilities, insurance and miscellaneous costs which are allocated based on usage, as well as salaries, payroll taxes, and benefits, which are allocated on the basis of estimates of time and effort.

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies - Continued

n. Leases

The Organization adopted ASC Topic 842, *Leases*, for fiscal years beginning after December 15, 2021 and interim periods in fiscal years beginning after December 31, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to annual reporting periods beginning on January 1, 2022 and interim reporting periods beginning January 1, 2023, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

Topic 842 requires lessees to recognize most leases on their statement of financial positions as a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public entities to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

o. Advertising Costs

Advertising costs are expensed as they are incurred.

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies - Continued

p. Comparative Financial Information

The financial statements include certain prior year summarized comparative information. As a result, such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2022, from which the summarized information was derived.

q. Recently Adopted Accounting Pronouncement

On January 1, 2023, the Organization adopted FASB Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"). Financial assets, which potentially subject the Organization to credit losses, consist primarily of held-to-maturity marketable securities, contracts receivable and contract assets. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

Based on the analysis performed on the open grants receivable aging and detail analysis of the grantors, the Organization did not record an allowance for bad debt as of December 31, 2023. The impact of the adoption was not material to the financial statements.

r. Subsequent Events

The Organization has evaluated subsequent events for potential recognition and disclosure through March 20, 2024, the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability

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

	December 31,	
	2023	2022
Financial assets at year end		
Cash	\$ 2,763,719	\$ 3,572,901
Investments	745,049	689,440
Grants receivable	38,462	52,570
Contributions receivable	45,093	66,914
Less amounts unavailable for general expenditures within one year, due to		
Purpose restricted funds for programs	(50,000)	-
Total	<u>\$ 3,542,323</u>	<u>\$ 4,381,825</u>

The Organization's operations are covered by the grants received throughout the year. The Organization has done fundraisers previously as a means to raise additional revenue to cover operations.

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 4 - Leasing

The Organization leases real estate, including other locations under operating lease agreements that have initial terms ranging from 1 to 5 years. Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term up to 5 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended December 31, 2023 and 2022:

	December 31,	
	2023	2022
Statement of financial position supplemental information		
Operating lease ROU assets	\$ 138,165	\$ 260,145
Operating lease liabilities, current	\$ 81,169	\$ 76,832
Operating lease liabilities, non-current	60,436	191,895
Total operating lease liabilities	\$ 141,605	\$ 268,727
Statement of activities supplemental information		
Operating lease cost	\$ 89,411	\$ 104,941
Donated facilities	27,600	27,600
Cash flow statement supplemental information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows - payments on operating leases	\$ 89,411	\$ 104,941
Weighted average lease term and discount rates		
Weighted-average remaining lease term	1.79 years	3 years
Weighted-average discount rate	1.32%	5.00%

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 4 - Leasing - Continued

The aggregate future lease payments for operating leases as of December 31, 2023 were as follows:

Future lease payments	
2024	\$ 82,445
2025	60,816
Total Lease Payments	<u>\$ 143,261</u>
Less imputed Interest	(1,656)
Total present value of lease liabilities	<u>\$ 141,605</u>

The Organization has space donated to the Organization. The locations and annual donated rent expense are as follows:

Location	2023	2022
Ringwood, NJ	\$ 3,600	\$ 3,600
Bergen Community College, Paramus, NJ	6,000	6,000
Mahwah, NJ	18,000	18,000
	<u>\$ 27,600</u>	<u>\$ 27,600</u>

The Organization estimates the fair rental value of donated locations for 2023 and 2022 at \$27,600. The in-kind rental donations have been recorded as support along with rental expense for years ended December 31, 2023 and 2022.

Note 5 - Investments and Fair Value Measurements

Investments are stated at fair market value and are summarized as follows:

	December 31, 2023		
	Cost	Fair Value	Cumulative Unrealized Gain/Loss
Money market funds	\$ 433,965	\$ 433,965	\$ -
Common stocks	283,738	311,084	27,346
Investments	<u>\$ 717,703</u>	<u>\$ 745,049</u>	<u>\$ 27,346</u>
	December 31, 2022		
	Cost	Fair Value	Cumulative Unrealized Gain/Loss
Money market funds	\$ 433,965	\$ 433,965	\$ -
Common stocks	243,783	255,476	11,693
Investments	<u>\$ 677,748</u>	<u>\$ 689,441</u>	<u>\$ 11,693</u>

Center for Food Action in New Jersey Inc.

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

Note 5 - Investments and Fair Value Measurements - Continued

The following tables set forth by level, withing the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023 and 2022:

	December 31, 2023			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 433,965	\$ -	\$ -	\$ 433,965
Common stocks	311,084	-	-	311,084
Total assets at fair value	<u>\$ 745,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,049</u>

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 433,965	\$ -	\$ -	\$ 433,965
Common stocks	255,476	-	-	255,476
Total assets at fair value	<u>\$ 689,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 689,441</u>

Note 6 - Property and Equipment

Property and equipment consist of the following:

	December 13,	
	2023	2022
Buildings	\$ 1,383,647	\$ 1,383,647
Leasehold Improvements	74,968	34,198
Furniture and Fixtures	88,018	85,922
Equipment	346,473	309,197
Vehicles	275,337	275,337
Less accumulated depreciation	(1,362,727)	(1,274,853)
Property and equipment, net	<u>\$ 805,716</u>	<u>\$ 813,448</u>

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions of \$50,000 was purpose restricted for the homelessness prevention program for the year ended December 31, 2023

Center for Food Action in New Jersey Inc.
Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2023

State Grantor Department/ Program Title/Name	State Grant Award Number	Grant Award Period	Fiscal Year Expenditures	Total Grant Expenditures To Date
New Jersey Department of Children and Families				
Emergency Food - Food Pantry	02-213-42-340-308-451	01/01/2023 - 12/31/2023	\$ 425,798	\$ 425,798
Emergency Homeless Prevention - Seniors Program	N/A	01/01/2023 - 12/31/2023	70,000	70,000
Total State Financial Assistance			\$ 495,798	\$ 495,798

Center for Food Action in New Jersey Inc.

Notes To The Schedule of Expenditures of State Financial Assistance

For The Year Ended December 31, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the "Schedule") included all government grants to the Organization that had activity during the fiscal year ended December 31, 2023. The information in this Schedule 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 *NJ OMB Circular 15-08*. Because the Schedule presents only a selected portion of the operations of Center for Food Action in New Jersey, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Center for Food Action in New Jersey, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Relationship to Basic Financial Statements

State award expenditures are reported on the statement of activities as functional and supporting expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the Schedule due to program expenditures exceeding grant limitations or capitalization policies required by accounting principles generally accepted in the United States of America.



**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***

Independent Auditor's Report

Officers and Board of Directors
Center for Food Action in New 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 Center for Food Action in New Jersey, Inc., which comprise the statement of financial position as of December 31, 2023, 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 March 20, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center for Food Action in New 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sax LLP

Parsippany, New Jersey
March 20, 2024