

TRENTON AREA SOUP KITCHEN, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

Trenton Area Soup Kitchen, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Trenton Area Soup Kitchen, Inc.

We have audited the accompanying financial statements of Trenton Area Soup Kitchen, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2021, 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.

Auditor's 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 from 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 auditor's 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.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trenton Area Soup Kitchen, Inc. as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lear & Pannepacker, LLP

Princeton, New Jersey

April 12, 2022



Trenton Area Soup Kitchen, Inc.
Statement of Financial Position
June 30, 2021

Assets	
Cash	\$ 1,204,365
Investments	10,737,879
Pledges receivable	20,794
Accrued interest receivable	25,356
Grants receivable	104,360
Prepaid expenses and other assets	23,046
Property and equipment, net	<u>3,177,740</u>
Total assets	\$ <u>15,293,540</u>
Liabilities and net assets	
Liabilities	
Accounts payable	\$ 68,030
Accrued expenses	<u>57,686</u>
Total liabilities	125,716
Net assets	
Without donor restrictions	
Undesignated	5,160,793
Board-designated	8,941,420
With donor restrictions	<u>1,065,611</u>
Total net assets	<u>15,167,824</u>
Total liabilities and net assets	\$ <u>15,293,540</u>

See notes to financial statements

Trenton Area Soup Kitchen, Inc.
Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 7,527,519	\$ 2,796	\$ 7,530,315
Non-cash contributions	570,660	--	570,660
Grant income	367,708	--	367,708
PPP loan forgiveness	343,353	--	343,353
Investment income, net	<u>123,409</u>	<u>--</u>	<u>123,409</u>
Total support and revenue before net assets released from restrictions	8,932,649	2,796	8,935,445
Net assets released from restrictions	<u>--</u>	<u>--</u>	<u>--</u>
Total support and revenue	8,932,649	2,796	8,935,445
 Expenses			
Program expenses	3,907,066	--	3,907,066
General and administrative	590,061	--	590,061
Fundraising	<u>272,111</u>	<u>--</u>	<u>272,111</u>
Total expenses	<u>4,769,238</u>	<u>--</u>	<u>4,769,238</u>
Change in net assets	4,163,411	2,796	4,166,207
Net assets – beginning of year (restated, Note 12)	<u>9,938,802</u>	<u>1,062,815</u>	<u>11,001,617</u>
Net assets – end of year	<u>\$ 14,102,213</u>	<u>\$ 1,065,611</u>	<u>\$ 15,167,824</u>

See notes to financial statements

Trenton Area Soup Kitchen, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 983,939	\$ 388,084	\$ 146,148	\$ 1,518,171
Food	1,398,534	--	--	1,398,534
Employee benefits	308,730	62,931	45,281	416,942
Contributions	181,634	--	--	181,634
Depreciation	157,541	1,369	1,056	159,966
Payroll taxes	90,890	32,526	13,410	136,826
Kitchen supplies	119,948	--	--	119,948
Postage	82,200	10,005	7,446	99,651
Utilities and trash collection	65,869	--	--	65,869
Building and equipment maintenance	58,345	100	100	58,545
Case management/patron services	55,659	--	--	55,659
Day center services for patrons	55,000	--	--	55,000
Minor equipment	50,878	1,862	1,862	54,602
Advertising and marketing	43,634	5,134	2,567	51,335
Loss on disposal of fixed assets	45,564	--	--	45,564
Information technology	30,071	9,828	4,411	44,310
Temporary staffing	42,680	--	--	42,680
Fundraising consultant	--	--	41,194	41,194
Insurance	32,179	5,749	1,979	39,907
Adult educational program supplies	33,944	--	--	33,944
Credit card processing	--	28,497	--	28,497
Arts/ideas/kids time material and supplies	23,404	205	--	23,609
Professional fees	--	19,977	--	19,977
Culinary program	18,566	--	--	18,566
Telephone	9,285	3,142	1,857	14,284
Auto expenses	10,127	--	--	10,127
Office supplies	113	7,618	--	7,731
Community and volunteer services	6,579	--	--	6,579
Miscellaneous	--	5,986	--	5,986
Staff training	1,753	3,523	--	5,276
Database license	--	--	4,800	4,800
Bank charges and other fees	--	3,525	--	3,525
Total expenses	<u>\$ 3,907,066</u>	<u>\$ 590,061</u>	<u>\$ 272,111</u>	<u>\$ 4,769,238</u>

See notes to financial statements

Trenton Area Soup Kitchen, Inc.
Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities	
Change in net assets	\$ 4,166,207
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Forgiveness of Paycheck Protection Program loan	(343,353)
Depreciation expense	159,966
Net realized and unrealized gains on investments	(28,316)
Loss on disposal of property and equipment	45,564
Changes in operating assets and liabilities:	
Increase in accounts receivable	(20,794)
Decrease in accrued interest receivable	6,528
Increase in grants receivable	(104,360)
Increase in prepaid expenses and other assets	(23,046)
Increase in accounts payable	29,407
Decrease in accrued expenses	<u>(22,018)</u>
Net cash provided by operating activities	3,865,785
Cash flows from investing activities	
Purchases of investments	(10,780,448)
Proceeds from sales of investments	6,087,609
Purchase of property and equipment	<u>(132,793)</u>
Net cash used in investing activities	<u>(4,825,632)</u>
Decrease in cash	(959,847)
Cash at beginning of year	<u>2,164,212</u>
Cash at end of year	<u>\$ 1,204,365</u>
Supplemental disclosures of cash flow information	
Non-cash contributions - securities	<u>\$ 91,550</u>
Non-cash contributions - food and supplies	<u>\$ 570,660</u>

See notes to financial statements

Trenton Area Soup Kitchen, Inc.
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of significant accounting policies

Significant accounting policies followed by Trenton Area Soup Kitchen, Inc. (the "Organization") in the preparation of the accompanying financial statements are summarized below:

Nature of organization

Trenton Area Soup Kitchen, Inc. is an independent, nonprofit organization incorporated in 1982 under the laws of the State of New Jersey. The Trenton Area Soup Kitchen, Inc. feeds those who are hungry in the Trenton area and offers programs to encourage self-sufficiency and improve the quality of life of its patrons. The majority of the support for the organization is received from contributions from individuals, corporations, foundations and other similar entities.

Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following classifications to distinguish among restrictions:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions may be spent for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees. Contributions with donor imposed restrictions that are met during the same year as the contribution is received are included in net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions are 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, where by the donor has stipulated the funds must be maintained in perpetuity. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents

Cash consists of checking and savings accounts. For purposes of the financial statements, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization has no cash equivalents at June 30, 2021.

Investments

Investments with readily determinable fair values are measured at fair value based on quoted market prices in the accompanying financial statements. Investment income or loss (including gains and losses in investments, interest, dividends and investment fees) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Trenton Area Soup Kitchen, Inc.
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of significant accounting policies (continued)

Revenue and support recognition

Contributions, which include unconditional promises to give, are recognized in the period in which they are received or promised. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization recognizes grant revenues when awarded, and to the extent that expenses have been incurred for the purposes specified by the grantor for reimbursable grants.

Property and equipment

Property and equipment are recorded at cost. Generally, acquisitions over \$5,000 are capitalized. Maintenance and repairs that do not improve or extend the lives of assets are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. At time of retirement or other disposition of assets the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in revenues or expenses.

Contributed property and equipment is recorded at fair market value at the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Functional expenses

The costs of providing programs and other activities are summarized in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management. Expenses that are allocated include salaries, utilities, telephone and related expenses, which are allocated on the basis of estimates of time and efforts, as well as depreciation, which is allocated on a square footage basis. Other costs are allocated based upon direct cost method and historical percentages.

Advertising

The Organization expenses advertising and marketing costs as they are incurred. Total advertising expense for the year ended June 30, 2021 totaled \$51,335.

Income taxes

The Organization has been classified by the Internal Revenue Service as an organization described under Section 501(c)(3) of the Internal Revenue Code ("the Code") as exempt from federal income taxes under section 501(a) of the Code.

Trenton Area Soup Kitchen, Inc.
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of significant accounting policies (continued)

Income taxes (continued)

In accordance with ASC Topic 740 “Accounting for Uncertainty in Income Taxes”, the Organization has evaluated its tax positions. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a likelihood of being realized on examination of more than fifty percent. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Under the “more likely than not” threshold guidelines, the Organization believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. In addition, the Organization had no material unrecognized tax benefits or accrued interest and penalties.

The Organization’s policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in income tax expense.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

Note 2 – Adoption of new accounting pronouncement

In the year ended June 30, 2021, the Organization adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606). Management has analyzed the provisions of Topic 606 and has concluded that no changes are necessary to conform with the new standard.

Note 3 – Investments

The Organization states investments at market value. These consisted of equities and treasury bills held at a financial institution. Cost and fair value at June 30, 2021 is summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 296,119	\$ 296,119
Government securities	2,859,222	2,839,278
Corporate bonds	2,174,836	2,207,681
Mutual funds	5,056,530	5,216,972
Pooled investments	75,458	177,829
Total	<u>\$ 10,462,165</u>	<u>\$ 10,737,879</u>

The components of investment income consists of the following for the year ended June 30, 2021:

Dividends and interest	\$ 180,156
Realized and unrealized loss	(29,014)
Investment fees	<u>(27,733)</u>
Total	<u>\$ 123,409</u>

Trenton Area Soup Kitchen, Inc.
Notes to Financial Statements
June 30, 2021

Note 4 – Fair value measurements

Financial Accounting Standards Board ASC 820, Fair Value Measurements, provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. The 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 an active market for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments in investee funds totalling \$177,829 are valued using the net asset values (NAV) of the underlying investee fund as a practical expedient are not categorized within the fair value hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Organization's remaining assets at fair value as of June 30, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 296,119	\$ --	\$ --	\$ 296,119
Government securities	2,839,278	--	--	2,839,278
Corporate bonds	2,207,681	--	--	2,207,681
Mutual funds	<u>5,216,972</u>	--	--	<u>5,216,972</u>
	<u>\$ 10,560,050</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 10,560,050</u>

Note 5 – Property and equipment

Property and equipment consists of the following at June 30, 2021:

	<u>Estimated useful lives</u>	
Buildings and renovations	5 - 40	\$ 4,049,206
Equipment	5 - 15	360,921
Vehicles	5	56,130
Computers	5 - 10	38,266
Construction in progress		<u>94,412</u>
		4,598,935
Less: accumulated depreciation		<u>(1,421,195)</u>
Property and equipment, net		<u>\$ 3,177,740</u>

Depreciation expense for the year ended June 30, 2021 was \$159,966.

Trenton Area Soup Kitchen, Inc.
Notes to Financial Statements
June 30, 2021

Note 6 – Non-cash contributions of food and supplies

The Organization receives donations of food and supplies during the year in addition to food that is purchased. The donated food and supplies have been recorded as both a contribution and a program expense at a value equal to the estimated cost to purchase. Non-cash contributions of food and supplies consist of the following for the year ended June 30, 2021:

Food	\$ 560,298
Supplies	<u>10,362</u>
	<u>\$ 570,660</u>

Note 7 – Net assets

Net assets with donor restrictions consists of endowment funds held in perpetuity at June 30, 2021.

Board-designated net assets without donor restrictions consist of funds to be used for strategic initiatives approved by the board on a discretionary basis.

Note 8 – Endowment

The Organization's endowment consists of certificates of deposit, money market and corporate bonds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including designated by the Board of Trustees to function as endowments, are classified and are reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted the accounting guidance issued by the FASB related to Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. This provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which serves as a model act approved by the Uniform Law Commission and as a model act for states to use in enacting legislation. UPMIFA was enacted in the State of New Jersey in June 2009. This guidance also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and the Organization's board-designated endowment funds). The enhanced disclosures required as a result of the adoption of this guidance have been incorporated within this note.

The Organization has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds, explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of endowment funds are classified as net assets without donor restrictions.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets.

Trenton Area Soup Kitchen, Inc.
Notes to Financial Statements
June 30, 2021

Note 8 – Endowment (continued)

Endowment activity and investment balances for the year ended June 30, 2021 are as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets, beginning of year	\$ 4,503,470	\$ 1,062,815	\$ 5,566,285
Investment income	(58,100)	--	(58,100)
Transfers	4,586,577	--	4,586,577
Contributions	--	2,796	2,796
Appropriated for expenditures	<u>(90,527)</u>	<u> --</u>	<u>(90,527)</u>
Assets, end of year	<u>\$ 8,941,420</u>	<u>\$ 1,065,611</u>	<u>\$ 10,007,031</u>

Note 9 – Concentration of risk

During the year ended June 30, 2021, the Organization routinely maintained funds in excess of the FDIC insured maximum. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on such funds.

The Organization received approximately 19% of its revenue from a donor's bequest in the year ended June 30, 2021.

Note 10 – Retirement arrangement for staff employees

Trenton Area Soup Kitchen, Inc. offers staff employees the opportunity for participation in a 401(k) Profit Sharing Plan. Employees can contribute up to 15% of compensation to a maximum of \$19,500 for the year ended June 30, 2021 (an additional \$6,500 may be contributed if age 50 or older for a total of \$25,000). In addition, the Organization will make an annual employer base contribution of 5% of all eligible employees' annual compensation. Employees' are eligible for employer contribution after completing the first year of employment. The expense to the Organization under this arrangement was \$67,373 for the year ended June 30, 2021.

Note 11 – Liquidity and availability of financial assets

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. The following reflects the Organization's financial assets available to be used for general expenditures within one year of June 30, 2021:

Cash	\$ 1,204,365
Investments	10,737,879
Accounts receivable, net	--
Accrued interest receivable	25,356
Grants receivable	<u>104,360</u>
Total financial assets	12,071,960
Less those unavailable for general expenditures with one year due to:	
Donor restrictions	(1,065,611)
Board designations	<u>(8,941,420)</u>
Total financial assets available for general expenditures	<u>\$ 2,064,929</u>

Trenton Area Soup Kitchen, Inc.
Notes to Financial Statements
June 30, 2021

Note 12 – Correction of an error

During the year ended June 30, 2021, the Organization identified an error in previously issued financial statements for the year ended June 30, 2020. The Organization had previously understated net assets with donor restrictions.

The effect of the restatement on net assets is as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2020, as previously reported	\$ 10,400,324	\$ 601,293	\$ 11,001,617
Adjustment to net assets	(461,522)	<u>461,522</u>	<u>---</u>
Balance at June 30, 2020, as restated	<u>\$ 9,938,802</u>	<u>\$ 1,062,815</u>	<u>\$ 11,001,617</u>

Note 13 – COVID-19

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and U.S. markets. While management believes the Organization is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Organization and its financial statements is undetermined at this time.

In April 2020, the Organization received a loan of \$343,353, which was guaranteed by the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). This loan was forgiven in December 2020, at which time the Organization recognized it as income.

Note 14 – Subsequent events

The Organization evaluated subsequent events through April 12, 2022, which is the date the financial statements were available for issuance and has not noted any events to be disclosed.