

FOOD BANK OF SOUTH JERSEY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

FOOD BANK OF SOUTH JERSEY, INC.

Table of Contents

December 31, 2015

	<u>Page Number</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Reports and Schedules Required by Government Auditing Standards and the Single Audit Act	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	17
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and State of New Jersey Circular 15-08 OMB	19
Schedule of Expenditures of Federal Awards and State Financial Assistance	21
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	23
Schedule of Findings and Questioned Costs	24

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Food Bank of South Jersey, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank of South Jersey, Inc. as of December 31, 2015, 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.

Other Matters

As discussed in Note 12 to the financial statements, it was discovered during the current year that donated inventory was not included in the statement of financial position as required by generally accepted accounting principles resulting in an understatement of previously reported inventory and net assets as of December 31, 2014. Accordingly, a correction has been made to inventory and net assets as of January 1, 2015.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State of New Jersey Circular 15-08 OMB, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 April 20, 2016, on our consideration of the Food Bank of South Jersey, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Food Bank of South Jersey, Inc.'s internal control over financial reporting and compliance.



Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
April 20, 2016

FOOD BANK OF SOUTH JERSEY, INC.
Statement of Financial Position
As of December 31, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 1,269,864
Accounts receivables, net of allowance for doubtful accounts of \$25,000	631,043
Promises to give	4,250
Inventory, donated	1,806,412
Inventory, purchased	232,901
Prepaid expenses	<u>102,035</u>

Total current assets 4,046,505

Cash, restricted 34,054

Property and equipment, net 4,752,287

\$ 8,832,846

LIABILITIES AND NET ASSETS

Current liabilities

Current portion of notes payable	\$ 77,511
Accounts payable and accrued expenses	447,633
Deferred revenue	<u>173,528</u>

Total current liabilities 698,672

Long-term liabilities

Notes payable, net of current portion 2,738,653

Total liabilities 3,437,325

Net assets

Unrestricted	
Donated food inventory	1,806,412
Other	3,503,765
Temporarily restricted	<u>85,344</u>

Total net assets 5,395,521

\$ 8,832,846

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

FOOD BANK OF SOUTH JERSEY, INC.
Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted			Temporarily Restricted	Total
	Other	Donated Food Inventory	Total		
Revenue and support					
Grants	\$ 1,810,289	\$ 4,027,659	\$ 5,837,948		\$ 5,837,948
Donated food		4,424,911	4,424,911		4,424,911
USDA revenue	463,683		463,683		463,683
Shared maintenance fees	351,808		351,808		351,808
Cooperative food sales	602,869		602,869		602,869
Contributions	1,560,331		1,560,331		1,560,331
Special events	565,491		565,491		565,491
Other revenues	71,200		71,200		71,200
Net assets released from restriction	465,135		465,135	\$ (465,135)	-
Total revenue and support	5,890,806	8,452,570	14,343,376	(465,135)	13,878,241
Expenses					
Program services	4,466,049	9,372,499	13,838,548		13,838,548
Supporting services					
Administrative	475,553		475,553		475,553
Fundraising	1,242,172		1,242,172		1,242,172
Total expenses	6,183,774	9,372,499	15,556,273	-	15,556,273
Change in net assets	(292,968)	(919,929)	(1,212,897)	(465,135)	(1,678,032)
Net assets beginning of year as originally reported	3,796,733		3,796,733	550,479	4,347,212
Prior period adjustment		2,726,341	2,726,341		2,726,341
Net assets beginning of year restated	3,796,733	2,726,341	6,523,074	550,479	7,073,553
Net assets end of year	<u>\$ 3,503,765</u>	<u>\$ 1,806,412</u>	<u>\$ 5,310,177</u>	<u>\$ 85,344</u>	<u>\$ 5,395,521</u>

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

FOOD BANK OF SOUTH JERSEY, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services				Support Services				Total
	Feedmore	Direct Service Programs	Healthy Living Initiative	Children's and Seniors Programs	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Advertising and marketing	\$ 9,088	\$ 2,183	\$ 497	\$ 668	\$ 12,436		\$ 37,308	\$ 37,308	\$ 49,744
Bad debts	19,048	4,303	250	1,399	25,000			-	25,000
Building occupancy	210,664	46,274	2,887	15,475	275,300	\$ 13,423		13,423	288,723
Conferences and Meetings	26,984	6,016	546	1,983	35,529	9,565	9,566	19,131	54,660
Contributed food distributed - donated	3,453,640	1,261,053		244,736	4,959,429			-	4,959,429
Contributed food distributed - government grants	3,618,702	574,864		219,504	4,413,070			-	4,413,070
Depreciation	183,401	40,492	2,928	13,472	240,293	31,222	21,286	52,508	292,801
Direct mail							511,344	511,344	511,344
Dues and subscriptions	9,287	2,053	152	683	12,175	1,522	1,522	3,044	15,219
Employee benefits	132,102	54,284	20,328	24,567	231,281	34,205	57,847	92,052	323,333
Equipment rental and repairs	12,417	2,760	233	913	16,323	3,497	3,497	6,994	23,317
Food purchases	467,987	29,708		86,946	584,641			-	584,641
Health Living Initiative			35,907		35,907			-	35,907
Hope Mobile		116,278			116,278			-	116,278
Insurance	13,002	2,866	196	956	17,020	1,532	1,021	2,553	19,573
Interest	83,812	18,422	1,174	6,157	109,565	4,755	3,093	7,848	117,413
Kid's Café Program		-		154,264	154,264			-	154,264
Miscellaneous	32,461	7,177	536	2,385	42,559	5,314	5,693	11,007	53,566
Office and computer supplies	53,413	11,907	1,082	3,924	70,326	10,819	27,048	37,867	108,193
Salaries & wages	922,489	379,066	141,952	171,556	1,615,063	238,854	403,954	642,808	2,257,871
Payroll taxes	98,516	40,481	15,159	18,321	172,477	25,508	43,139	68,647	241,124
Postage and shipping	10,393	2,344	264	763	13,764	2,530	10,102	12,632	26,396
Printing and duplicating	9,606	2,172	255	705	12,738	2,549	10,192	12,741	25,479
Professional fees	5,155	1,417	641	379	7,592	54,073		54,073	61,665
School Pantry		27,159			27,159			-	27,159
Special events		4,674			4,674		38,780	38,780	43,454
Consulting and temporary labor	55,640	52,294	7,300	19,726	134,960	17,838	28,870	46,708	181,668
Summer Feeding Program		174,342			174,342			-	174,342
Telephone	20,721	4,620	420	1,523	27,284	7,345	7,345	14,690	41,974
Travel	4,060	905	82	299	5,346	1,440	1,440	2,880	8,226
Vehicle rentals and expense	116,717	35,357	1,912	8,573	162,559	9,562	19,125	28,687	191,246
Warehouse equipment	53,982	11,840	705	3,966	70,493			-	70,493
Warehouse supplies	44,952	9,860	587	3,302	58,701			-	58,701
	<u>\$ 9,668,239</u>	<u>\$ 2,927,171</u>	<u>\$ 235,993</u>	<u>\$ 1,007,145</u>	<u>\$ 13,838,548</u>	<u>\$ 475,553</u>	<u>\$ 1,242,172</u>	<u>\$ 1,717,725</u>	<u>\$ 15,556,273</u>

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

FOOD BANK OF SOUTH JERSEY, INC.
Statement of Cash Flows
For the Year Ended December 31, 2015

Cash flows from operating activities	
Decrease in net assets	\$ (1,678,032)
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	293,337
(Increase) decrease in	
Accounts receivable	(13,098)
Inventory	1,079,214
Prepaid expenses	9,790
Promises to give	450,951
Increase (decrease) in	
Accounts payable and accrued expenses	(345,577)
Deferred revenue	<u>8,797</u>
Net cash used in operating activities	<u>(194,618)</u>
Cash flows from investing activities	
Purchase of equipment	<u>(80,772)</u>
Cash flows from financing activities	
Principal payments on notes payable	<u>(90,401)</u>
Net decrease in cash	(365,791)
Cash - beginning of year	<u>1,669,709</u>
Cash - end of year	<u><u>\$ 1,303,918</u></u>

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

**Food Bank of South Jersey, Inc.
Notes to the Financial Statements**

Note 1: ORGANIZATION

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

The Organization accomplished its mission through soliciting the donation of high quality nutritious surplus foods and non-essentials and providing these at a minimum cost to non-profit agencies who distribute them directly to the needy, the ill or infants. The Organization also assists in the development of agencies responsible for directly distributing food and non-food items and extends food bank services to underserved communities within the four counties served. Also, the Organization advocates the means that will eliminate hunger and malnutrition and the poverty that is their cause.

The Organization is able to distribute donated and purchased food provided by grants and donated food by individuals, businesses, other non-profit organizations and federal and state government programs.

In addition to their food distribution programs, the Organization has established additional programs such as the Co-op program which enables agencies to subsidize their allocation of donated food, the Kid's Café program which provides several sites where children can receive nutritionally balanced meals, and the Twilight Harvest Box programs in which low-income seniors living in public housing can receive supplemental food boxes.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statement presentation – The financial statements have been prepared on the accrual basis of accounting and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for non-profit organizations. Financial statement presentation also follows the recommendations of the relevant accounting standards which require the Organization to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

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

Operating activities – Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investments such as contributions for endowment and facilities and equipment, investment returns in excess of amounts designated for current operations, and changes in the fair value of the interest rate swap

**Food Bank of South Jersey, Inc.
Notes to the Financial Statements (continued)**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and support – The Organization's sources of funding include various grants from corporations, other non-profits and federal and state governmental agencies.

Grants and contributions are generally available for unrestricted use unless specifically restricted by the donor. Grants and contributions are reported as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. If the donor restrictions are met in the same year, the restricted contributions are reported as unrestricted support in the financial statements. During the prior year, the Organization received a grant to be used over a specific time period and to purchase specific equipment. During the prior, the Organization received a grant to be used to acquire a specific piece of equipment and to be used for specific programs and time periods.

Food contributed and distributed – During the year, the Organization distributed almost 3 million pounds of unrestricted, donated food to qualified charitable feeding programs. Furthermore, approximately 6.3 million pounds of food was received from the U.S. Department of Agriculture under The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP) and was distributed to qualified charitable feeding programs.

In the accompanying financial statements, unrestricted food donations are value at \$1.70 per pound, based on a study completed by Feeding America, Inc. Food received under TEFAP is valued at a weight of \$0.65 per pound, based on the USDA Commodities File Report.

In additions, Food Bank of South Jersey, Inc. is the recipient of a NJ State Food Purchase Program (SFPP) grant in which it receives money to purchase and distribute food. Approximately 800,000 pounds of food was purchased and distributed through this program.

Shared maintenance – The Organization solicits and distributes donated food to qualified agency charitable feeding programs. These agencies support the Donated Food program by contributing \$0.18 per pound in shared maintenance.

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

Debt issuance costs – During the year ended December 31, 2015, the Organization retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the income statement.

Accounts receivable – The Organization's accounts receivable consists primarily of amounts due from agencies and the NJ Department of Agriculture, less an allowance for doubtful accounts. The amount of the allowance for doubtful accounts is a significant estimate used in preparing these financial statements, and it is at least reasonably possible that the amount of the estimate will change within the next year. The Organization reviews its accounts receivable frequently and has determined that at year-end, an allowance of \$25,000 is required. It is the Organization's policy to write off bad debts during the course of the year. Bad debt expense was \$25,000 for the year ended December 31, 2015.

Promises to give – Unconditional promises to give are recognized as revenue in the period received and as assets. They are stated at net realizable value. Conditional promises to give are recognized only when the conditions, on which they depend, are substantially met and the promises become unconditional. The Organization did not have conditional promise to give at December 31, 2015.

**Food Bank of South Jersey, Inc.
Notes to the Financial Statements (continued)**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Compensated absences – Employees of the Organization are entitled to paid vacation, paid sick days and personal days off depending on scheduled work hours, length of service and other factors. Days earned are accrued annually as an expense. At December 31, 2015, the Organization had accrued vacation totaling \$33,072. This amount is included in “accounts payable and accrued expense” on the balance sheet.

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by the Organization has been limited by the donors to a specific time period or purpose.

Charity care – The Organization provides care to clients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Contributions and donor restrictions – The Organization accounts for contributions in accordance with the accounting principles generally accepted in the United States of America. According to the principle, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a time restriction expires, or when a use restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Food Bank of South Jersey, Inc.
Notes to the Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions and contributed services and materials – In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as unrestricted support unless explicit to donor stipulations specify how donated assets must be used.

The Organization recognizes the fair value of contributed services received if such services (a.) create or enhance nonfinancial assets or (b.) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not contributed. The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in programs and fundraising events. No amounts have been reflected in the financial statements since the recognition criteria were not met.

Inventory – The Organization maintains a substantial quantity of food items in inventory at all times. This inventory consists primarily of USDA and state donated commodities (valued at approximately \$544,853 as of year-end) and other foods and goods donated by third-party suppliers valued at approximately \$1,261,559. At December 31, 2015, donated inventory items are valued at \$1.70 per pound which is the approximate average wholesale value of one pound of donated product at the national level as outlined in the *Product Valuation Survey Methodology*, December 2014 prepared by Feeding America, a national food bank network nonprofit corporation. KPMG LLP, an international accounting firm, has performed certain agreed-upon procedures in accordance with standards established by the American Institute of Certified Public Accountants solely to assist Feeding America with respect to determining the approximate average wholesale value of one pound of donated product at the national level. Their report is available upon request. USDA commodities are valued at \$0.65 per pound.

In addition, inventory is recorded at cost and includes food items purchased for sale in the Co-Op program and for Kids' Café program, as well as the Organization's private label inventory. This inventory amount was \$232,901 at December 31, 2015.

Deferred revenue – Deferred revenue includes amounts received as corporate grants that are directly designated and credited to participating agency accounts for purchase of food through the co-op program.

Advertising expense – The Organization uses advertising to promote its programs among the audience it serves. The costs of advertising are expensed as incurred. Advertising expense was \$49,744 for the year ended December 31, 2015.

Functional allocation of expenses – Certain operating expenses have been allocated to program services based on the reasonable benefit that the programs derived from these expenses. There are various funding sources providing support towards the Organization's programs and most of the expenses charged to the programs represent direct expenses related to program operations and objectives.

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

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

Food Bank of South Jersey, Inc.
Notes to the Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events – Subsequent events were evaluated through April 20, 2016, the date the financial statements were available to be issued.

New Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to receive in exchange for those goods or services. The standard is effective for the fiscal year ending December 31, 2019 (with early adoption not permitted) and may be adopted either by restating all years presented in the organization's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the fiscal year ending December 31, 2018. The organization is assessing the potential impact this guidance will have on its financial statements.

Lease Accounting - Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases—capital (or finance) leases and operating leases. Previously, GAAP has required only capital leases to be recognized on lessee balance sheets. The standard will take effect for fiscal years beginning after Dec. 15, 2019, and for interim periods within fiscal years beginning after Dec. 15, 2020. Early application will be permitted.

Note 3: CASH

Cash consists of the following at December 31, 2015:

Unrestricted – cash in bank	\$ 1,269,864
Restricted	<u>34,054</u>
Total cash	<u>\$ 1,303,918</u>

Restricted cash includes funds that are required by their grant document to be kept in a separate account, and donor restricted funds. Restricted cash consists of the following as of December 31, 2015:

State Food Purchase Program	<u>\$ 34,054</u>
-----------------------------	------------------

Food Bank of South Jersey, Inc.
Notes to the Financial Statements (continued)

Note 4: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015:

Land	\$ 435,462
Building and improvements	4,963,039
Furniture and office equipment	954,933
Transportation equipment	<u>171,948</u>
	6,525,382
Less accumulated depreciation	<u>1,773,095</u>
Net property and equipment	<u>\$ 4,752,287</u>

Depreciation expense was \$292,801 for the year ended December 31, 2015.

Note 5: RETIREMENT PLAN

The Food Bank of South Jersey, Inc. has in effect a retirement plan covering all eligible employees. Full time employees are eligible after on full year of service. The Food Bank's contribution in 2015 is \$49,571, which is included in employee benefits.

Note 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2015:

Donor Restricted Program Infrastructure	\$ 50,000
Salem Health & Wellness	27,000
Walmart	<u>8,344</u>
	<u>\$ 85,344</u>

Net assets released from restrictions during the year were \$465,125 for grants whose donor restrictions were met during the year.

Food Bank of South Jersey, Inc.
Notes to the Financial Statements (continued)

Note 7: **NOTES PAYABLE**

Notes payable consist of the following at December 31, 2015:

Mortgage loan in the amount of \$3,000,000 for the expansion of warehouse and office facilities. The loan is due in monthly installments of \$15,932, including interest at a fixed rate of 4% over a term of ten years. The loan is secured by all organization assets.	\$ 2,817,595
Automobile loan, Subaru Motors Finance, payable in monthly installments of \$331.73, including interest at 6.44%, commencing November 4, 2013 to October 4, 2016.	3,211
Automobile loan, Subaru Motors Finance, payable in monthly installments of \$330.85, including interest at 6.44%, commencing November 4, 2013 to October 4, 2016.	3,203
Automobile loan, Subaru Motors Finance, payable in monthly installments of \$18.72, including interest at 6.44%, commencing November 4, 2013 to October 4, 2016.	3,086
Automobile loan, Subaru Motors Finance, payable in monthly installments of \$381.55, including interest at 6.19%, commencing April 6, 2013 to March 6, 2016.	<u>1,118</u>
Total notes payable	2,828,213
Less unamortized loan costs	<u>12,049</u>
Notes payable, less unamortized loan costs	2,816,164
Less current portion	<u>77,511</u>
Long-term portion	<u><u>\$ 2,738,653</u></u>

Total interest expense in 2015 for notes payable was \$48,130. Amortization of debt issuance costs amounts to \$536 in 2015.

Food Bank of South Jersey, Inc.
Notes to the Financial Statements (continued)

Note 7: NOTES PAYABLE (continued)

Scheduled principal payments for the notes payable as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>		
2016	\$	88,665
2017		81,591
2018		84,962
2019		88,473
2020		91,845
Thereafter		<u>2,392,677</u>
	\$	<u>2,828,213</u>

Note 8: LINE OF CREDIT

The Organization was granted a line of credit in the amount of \$300,000 maturing on June 30, 2016 at the fluctuating rate of the Wall Street Journal Prime Rate. At December 31, 2015 there was nothing drawn on the line. The line is secured by a security interest in all business assets and an unsecured second mortgage on the property owned by the Organization.

Note 9: OPERATING LEASE COMMITMENTS

The Organization has one non-cancelable operating lease for office equipment that expires in August 2020.

As of December 31, 2015, the future minimum lease payments under non-cancelable operating leases are as follows:

<u>Year Ending December 31,</u>		
2016	\$	125,075
2017		115,682
2018		85,676
2019		44,062
2020		36,294
Thereafter		<u>12,098</u>
	\$	<u>418,887</u>

Rental expense was \$130,772 for the year ended December 31, 2015.

Food Bank of South Jersey, Inc.
Notes to the Financial Statements (continued)

Note 10: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank accounts and other financial institutions, which, at times may exceed federally insured limits or collateralized amounts. The Organization has not experienced any loss in such accounts. As of December 31, 2015, the Organization had uninsured cash balances of \$787,615.

Note 11: CONTINGENCY

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

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

Note 12: PRIOR PERIOD ADJUSTMENT

During 2015, it was determined that the Organization's inventory for donated food was not recorded. Accordingly, an adjustment was identified and recorded during the year ended December 31, 2015 to increase beginning inventory and net assets in the amount of \$2,726,341.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Food Bank of South Jersey, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 April 20, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, Finding 2015-001, to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank of South Jersey, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
April 20, 2016

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

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

Report on Compliance for Each Major Federal and State Program

We have audited the Food Bank of South Jersey, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *15-08 OMB New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the Food Bank of South Jersey, Inc.'s major federal and state programs for the year ended December 31, 2015. The Food Bank of South Jersey, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Food Bank of South Jersey, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance, and State of New Jersey Circular 15-08 OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Food Bank of South Jersey, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Food Bank of South Jersey, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Food Bank of South Jersey, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Food Bank of South Jersey, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Food Bank of South Jersey, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08 OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank of South Jersey, Inc.'s internal control over compliance.

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

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

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

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
April 20, 2016

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass Through Grantor Number</u>	<u>Grant Period</u>		<u>Current Year's Expenditures</u>
			<u>From</u>	<u>To</u>	
U.S. Department of Agriculture					
Pass through New Jersey Department of Agriculture					
Division of Food and Nutrition					
Food Distribution Cluster:					
Commodity Supplemental Food Program (CSFP)	10.565	n/a	7/1/2014	6/30/2015	\$ 50,078
Commodity Supplemental Food Program (CSFP)	10.565	n/a	7/1/2015	6/30/2016	54,604
The Emergency Food Assistanct Program (TEFAP)					
Food Commodities	10.569	n/a	1/1/2015	12/31/2015	3,520,415
Administrative Cost	10.568	n/a	1/1/2015	12/31/2015	<u>264,428</u>
Total Food Distribution Cluster					<u>3,889,525</u>
Child Nutrition Cluster					
Child and Adult Care Food Program (CACFP)	10.558	7-1192	9/1/2014	8/1/2015	47,582
Child and Adult Care Food Program (CACFP)	10.558	7-1192	9/1/2015	8/1/2016	<u>19,584</u>
Total Child Nutrition Cluster					<u>67,166</u>
Summer Food Service Program for Children (SFSPC)	10.559	04-3611	6/22/2015	8/28/2015	<u>229,546</u>
Total U.S. Department of Agriculture					<u>4,186,237</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grant (CDBG)	14.228	n/a	9/1/2014	8/1/2015	24,658
Community Development Block Grant (CDBG)	14.228	n/a	9/1/2015	8/1/2016	<u>21,331</u>
Total U.S. Department of Housing and Urban Development					<u>45,989</u>
Total Federal Awards					<u>\$ 4,232,226</u>

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

**FOOD BANK OF SOUTH JERSEY, INC.
Schedule of State Financial Assistance
For the Year Ended December 31, 2015**

<u>State Grantor / Program Title</u>	<u>State Grant Award Number or Account Number</u>	<u>Grant Award Period</u>		<u>Current Year's Grant Expenditures</u>	<u>(Memo Only) Total Grant Expenditures to Date</u>
		<u>From</u>	<u>To</u>		
State of New Jersey Department of Agriculture					
Division of Food and Nutrition					
State Food Purchase Program (SFPP)	100-010-3350-064-055020	7/1/2014	6/30/2015	\$ 400,892	\$ 771,642
State Food Purchase Program (SFPP)	100-010-3350-064-055020	7/1/2015	6/30/2016	363,602	363,602
State Food Purchase Program (SFPP) - Admin Cost	100-010-3350-064-055021	7/1/2015	6/30/2016	88,867	88,867
Total State of New Jersey Department of Agriculture				<u>853,361</u>	<u>1,224,111</u>
State of New Jersey Department of Children and Families					
Division of Child Protection and Permanency					
Social Services Block Grant	15BIDS	1/1/2015	12/31/2016	47,846	47,846
Total State Awards				<u>\$ 901,207</u>	<u>\$ 1,271,957</u>

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

FOOD BANK OF SOUTH JERSEY, INC.
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended December 31, 2015

Note 1 - General

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

Note 2 - Basis of accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. This basis of accounting is described in Note 2 to the organization's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Circular 15-08 OMB.

Note 3 - Relationship to federal and state financial reports

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

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Major programs

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

**FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2015**

Part II- Schedule of Current Year Financial Statement Findings

Finding No. 2015-001

Criteria

All material transactions should be recorded in the accounting records.

Condition

The organization did not record amounts in the accounting records for all classes of inventory.

Effect

A material entry was proposed in order to fairly state the beginning and ending balances of inventory for 2015.

Cause

Management was unaware to record certain classes of inventory on the Statement of Financial Position.

Recommendation

We recommend recording all classes of inventory to the organization's financial statements.

View of the Responsible Official and Planned Corrective Action

Management did not record all inventory classes on the Statement of Financial Position. After discussions with the auditor and review of best practices, management will record inventory values in the accounting records for all classes of inventory in the future.

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

– NOT APPLICABLE –

**FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2015**

Part IV – Status of Prior Year Financial Statement
Audit Findings

– NOT APPLICABLE –

Part V – Status of Prior Year Federal Awards
Findings and Questioned Costs

- NOT APPLICABLE -

