

FOOD BANK OF SOUTH JERSEY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016



FOOD BANK OF SOUTH JERSEY, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Food Bank of South Jersey, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Food Bank of South Jersey, Inc. as of December 31, 2017 and 2016, 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.

Other Matters

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 25, 2018, on our consideration of Food Bank of South Jersey, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Food Bank of South Jersey, Inc.'s internal control over financial reporting and compliance.

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
April 25, 2018

FOOD BANK OF SOUTH JERSEY, INC.
Statements of Financial Position
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,317,645	\$ 933,587
Cash - restricted	205,054	29,264
Certificate of deposit	15,845	15,840
Investments	13,005	-
Accounts receivables, net of allowance for doubtful accounts of \$125,000 and \$75,000 in 2017 and 2016	549,665	743,431
Promises to give	4,000	4,000
Inventory, donated	1,218,900	1,670,028
Inventory, purchased	149,294	133,284
Prepaid expenses	51,517	66,179
	<hr/>	<hr/>
Total current assets	3,524,925	3,595,613
Property and equipment, net	<hr/>	<hr/>
	4,232,536	4,503,451
	<hr/>	<hr/>
	\$ 7,757,461	\$ 8,099,064
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	\$ 84,426	\$ 81,055
Line of credit	297,190	-
Accounts payable and accrued expenses	400,964	641,464
Deferred revenue	402,422	162,786
	<hr/>	<hr/>
Total current liabilities	1,185,002	885,305
Long-term liabilities		
Notes payable, net of current portion	<hr/>	<hr/>
	2,562,554	2,646,987
	<hr/>	<hr/>
Total liabilities	3,747,556	3,532,292
	<hr/>	<hr/>
Net assets		
Unrestricted		
Donated food inventory	1,218,900	1,670,028
Other	2,635,165	2,736,133
Temporarily restricted	<hr/>	<hr/>
	155,840	160,611
	<hr/>	<hr/>
Total net assets	4,009,905	4,566,772
	<hr/>	<hr/>
	\$ 7,757,461	\$ 8,099,064
	<hr/>	<hr/>

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, 2017

	Unrestricted			Temporarily Restricted	
	Other	Donated Food Inventory	Total		Total
Revenue and support					
Grants	\$ 2,604,987	\$ 3,976,496	\$ 6,581,483	\$ 120,840	\$ 6,702,323
Donated food		9,173,207	9,173,207		9,173,207
USDA revenue	292,935		292,935		292,935
Shared maintenance fees	428,008		428,008		428,008
Cooperative food sales	179,123		179,123		179,123
Contributions	1,861,233		1,861,233		1,861,233
Special events	620,670		620,670		620,670
Other revenues	98,896		98,896		98,896
Investment income	1,810		1,810		1,810
Net assets released from restriction	125,611		125,611	(125,611)	-
Total revenue and support	6,213,273	13,149,703	19,362,976	(4,771)	19,358,205
Expenses and losses					
Program services	4,729,446	13,600,831	18,330,277		18,330,277
Supporting services					
Administrative	509,124		509,124		509,124
Fundraising	1,029,452		1,029,452		1,029,452
Total expenses	6,268,022	13,600,831	19,868,853	-	19,868,853
Loss on disposition of equipment	13,846		13,846		13,846
Loss on inventory obsolescence	32,051		32,051		32,051
Total expenses and losses	6,313,919	13,600,831	19,914,750	-	19,914,750
Deficit of revenue over expenses and losses	(100,646)	(451,128)	(551,774)	(4,771)	(556,545)
Unrealized losses on investments	(322)		(322)		(322)
Change in net assets	(100,968)	(451,128)	(552,096)	(4,771)	(556,867)
Net assets beginning of year	2,736,133	1,670,028	4,406,161	160,611	4,566,772
Net assets end of year	\$ 2,635,165	\$ 1,218,900	\$ 3,854,065	\$ 155,840	\$ 4,009,905

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, 2016

	Unrestricted			Temporarily Restricted	Total
	Other	Donated Food Inventory	Total		
Revenue and support					
Grants	\$ 1,794,367	\$ 4,215,876	\$ 6,010,243	\$ 145,000	\$ 6,155,243
Donated food		7,254,085	7,254,085		7,254,085
USDA revenue	479,347		479,347		479,347
Shared maintenance fees	422,680		422,680		422,680
Cooperative food sales	331,079		331,079		331,079
Contributions	1,570,107		1,570,107		1,570,107
Special events	737,443		737,443		737,443
Other revenues	116,955		116,955		116,955
Net assets released from restriction	69,733		69,733	(69,733)	-
Total revenue and support	5,521,711	11,469,961	16,991,672	75,267	17,066,939
Expenses and losses					
Program services	4,721,213	11,606,345	16,327,558		16,327,558
Supporting services					
Administrative	507,179		507,179		507,179
Fundraising	1,054,571		1,054,571		1,054,571
Total expenses	6,282,963	11,606,345	17,889,308	-	17,889,308
Loss on disposition of equipment	6,380		6,380		6,380
Total expenses and losses	6,289,343	11,606,345	17,895,688	-	17,895,688
Change in net assets	(767,632)	(136,384)	(904,016)	75,267	(828,749)
Net assets beginning of year	3,503,765	1,806,412	5,310,177	85,344	5,395,521
Net assets end of year	\$ 2,736,133	\$ 1,670,028	\$ 4,406,161	\$ 160,611	\$ 4,566,772

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, 2017

	Program Services					Support Services			
	Feedmore	Direct Service Programs	Healthy Living Initiative	Children's and Seniors Programs	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total
Advertising and marketing	\$ 7,944	\$ 2,859	\$ 480	\$ 714	\$ 11,997		\$ 35,989	\$ 35,989	\$ 47,986
Bad debts	34,140	12,290	500	3,070	50,000			-	50,000
Building occupancy	131,762	47,432	2,279	11,850	193,323	\$ 20,711	13,862	34,573	227,896
Conferences and meetings	13,050	4,698	296	1,174	19,218	5,174	5,174	10,348	29,566
Contributed food distributed - donated	6,204,884	2,042,798		176,746	8,424,428			-	8,424,428
Contributed food distributed - government grants	3,661,528	1,026,092		488,783	5,176,403			-	5,176,403
Depreciation	157,975	56,868	2,759	14,208	231,810	29,292	14,785	44,077	275,887
Direct mail					-		217,531	217,531	217,531
Dues and subscriptions	8,073	2,906	148	726	11,853	1,482	1,482	2,964	14,817
Employee benefits	137,724	53,862	21,701	23,999	237,286	36,103	64,776	100,879	338,165
Equipment rental and repairs	12,515	4,505	263	1,126	18,409	3,944	3,945	7,889	26,298
Food purchases	106,191	10,552		37,962	154,705			-	154,705.0
Health Living Initiative			41,322		41,322			-	41,322
Hope Mobile		185,919			185,919			-	185,919
Insurance	13,855	4,987	239	1,246	20,327	2,157	1,437	3,594	23,921
Interest	72,576	26,126	1,139	6,527	106,368	4,555	2,961	7,516	113,884
Kid's Café Program				125,088	125,088			-	125,088
Miscellaneous	46,229	16,642	898	4,158	67,927	10,753	11,129	21,882	89,809
Office and computer supplies	36,517	13,145	827	3,284	53,773	8,273	20,682	28,955	82,728
Salaries & wages	946,702	370,240	149,168	164,965	1,631,075	248,185	445,263	693,448	2,324,523
Payroll taxes	101,063	39,524	15,924	17,610	174,121	26,494	47,533	74,027	248,148
Postage and shipping	5,643	2,031	154	508	8,336	1,409	5,638	7,047	15,383
Printing and duplicating	14,322	5,156	424	1,288	21,190	4,238	16,952	21,190	42,380
Professional fees	12,759	4,593		1,148	18,500	51,857		51,857	70,357
School Pantry		66,337			66,337			-	66,337
Special events		4,748			4,748		49,390	49,390	54,138
Consulting and temporary labor	127,989	103,569	15,927	43,698	291,183	22,462	49,825	72,287	363,470
Summer Feeding Program		622,460			622,460			-	622,460
Telephone	18,403	6,625	417	1,655	27,100	7,296	7,296	14,592	41,692
Twilight Harvest				25,136	25,136				25,136
Travel	7,225	2,601	164	650	10,640	2,863	2,864	5,727	16,367
Vehicle rentals and expense	126,739	45,624	2,188	11,398	185,949	21,876	10,938	32,814	218,763
Warehouse equipment	39,373	14,174	577	3,541	57,665			-	57,665
Warehouse supplies	38,019	13,686	557	3,419	55,681			-	55,681
	<u>\$ 12,083,200</u>	<u>\$ 4,813,049</u>	<u>\$ 258,351</u>	<u>\$ 1,175,677</u>	<u>\$ 18,330,277</u>	<u>\$ 509,124</u>	<u>\$ 1,029,452</u>	<u>\$ 1,538,576</u>	<u>\$ 19,868,853</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, 2016

	Program Services					Support Services			
	Feedmore	Direct Service Programs	Healthy Living Initiative	Children's and Seniors Programs	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total
Advertising and marketing	\$ 8,882	\$ 2,133	\$ 486	\$ 652	\$ 12,153		\$ 36,461	\$ 36,461	\$ 48,614
Bad debts	38,095	8,607	500	2,798	50,000			-	50,000
Building occupancy	191,096	41,977	2,619	14,038	249,730	\$ 12,177		12,177	261,907
Conferences and meetings	24,321	5,422	493	1,787	32,023	8,621	8,621	17,242	49,265
Contributed food distributed - donated	4,707,413	1,625,443		253,995	6,586,851			-	6,586,851
Contributed food distributed - government grants	3,943,592	690,866		385,036	5,019,494			-	5,019,494
Depreciation	172,900	39,464	2,844	18,995	234,203	29,818	20,357	50,175	284,378
Direct mail					-		311,881	311,881	311,881
Dues and subscriptions	9,041	1,998	148	664	11,851	1,481	1,481	2,962	14,813
Employee benefits	151,092	61,496	42,608	26,356	281,552	39,688	64,977	104,665	386,217
Equipment rental and repairs	13,276	2,950	249	975	17,450	3,739	3,739	7,478	24,928
Food purchases	229,082	45,810		71,601	346,493			-	346,493
Health Living Initiative			29,155		29,155			-	29,155
Hope Mobile		159,980			159,980			-	159,980
Insurance	13,402	2,953	201	985	17,541	1,523	1,015	2,538	20,079
Interest	81,250	17,859	1,137	5,968	106,214	4,549	2,957	7,506	113,720
Kid's Café Program				143,022	143,022			-	143,022
Miscellaneous	31,924	7,078	569	2,345	41,916	7,297	7,659	14,956	56,872
Office and computer supplies	49,502	11,036	1,003	3,636	65,177	10,027	25,068	35,095	100,272
Salaries & wages	906,634	369,007	255,669	158,152	1,689,462	238,147	389,896	628,043	2,317,505
Payroll taxes	121,037	49,263	34,132	21,114	225,546	31,793	52,052	83,845	309,391
Postage and shipping	11,909	2,664	260	874	15,707	2,074	8,307	10,381	26,088
Printing and duplicating	12,245	2,768	325	900	16,238	3,248	12,990	16,238	32,476
Professional fees	9,678	2,429	740	711	13,558	60,444		60,444	74,002
School Pantry		51,751			51,751			-	51,751
Special events		5,542			5,542		47,858	47,858	53,400
Consulting and temporary labor	82,217	76,301	10,736	29,049	198,303	25,280	41,696	66,976	265,279
Summer Feeding Program		358,436			358,436			-	358,436
Telephone	19,354	4,314	392	1,422	25,482	6,860	6,860	13,720	39,202
Travel	2,764	616	56	203	3,639	979	979	1,958	5,597
Vehicle rentals and expense	118,606	35,929	1,943	8,713	165,191	19,434	9,717	29,151	194,342
Warehouse equipment	74,930	16,435	978	5,504	97,847			-	97,847
Warehouse supplies	42,922	9,415	561	3,153	56,051			-	56,051
	<u>\$ 11,067,164</u>	<u>\$ 3,709,942</u>	<u>\$ 387,804</u>	<u>\$ 1,162,648</u>	<u>\$ 16,327,558</u>	<u>\$ 507,179</u>	<u>\$ 1,054,571</u>	<u>\$ 1,561,750</u>	<u>\$ 17,889,308</u>

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

FOOD BANK OF SOUTH JERSEY, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Decrease in net assets	\$ (556,867)	\$ (828,749)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	275,887	284,378
Amortization of debt issuance costs	530	541
Provision for bad debt	50,000	50,000
Net unrealized loss on investments	322	-
Donated stock	(11,230)	-
Loss on inventory obsolescence	32,051	-
Loss on disposition of equipment	13,846	6,380
(Increase) decrease in		
Accounts receivable	143,766	(162,388)
Inventory	403,067	236,001
Prepaid expenses	14,662	35,856
Promises to give	-	250
Increase (decrease) in		
Accounts payable and accrued expenses	(240,500)	193,831
Deferred revenue	239,636	(10,742)
Net cash provided by (used in) operating activities	<u>365,170</u>	<u>(194,642)</u>
Cash flows from investing activities		
Reinvestment of interest income - certificate of deposit	(5)	(5)
Purchases of property and equipment	(18,818)	(41,922)
Purchases of investments	(2,097)	-
Net cash used in investing activities	<u>(20,920)</u>	<u>(41,927)</u>
Cash flows from financing activities		
Principal payments on notes payable	(81,592)	(88,663)
Proceeds from line of credit	297,190	-
Net cash provided by (used in) financing activities	<u>215,598</u>	<u>(88,663)</u>
Net increase (decrease) in cash	559,848	(325,232)
Cash and cash equivalents - beginning of year	<u>962,851</u>	<u>1,288,083</u>
Cash and cash equivalents - end of year	<u>\$ 1,522,699</u>	<u>\$ 962,851</u>
(including \$205,054 and \$29,264 reported as restricted at December 31, 2017 and 2016, respectively)		

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

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

Note 1: ORGANIZATION

Food Bank of South Jersey, Inc. (the "Organization") is a non-profit organization operating in Pennsauken, New Jersey. 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 unrealized gains and losses on investments.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 valued at \$1.73 and \$1.67 per pound for the years ended December 31, 2017 and 2016, respectively, based on a study completed by Feeding America, Inc. Food received under TEFAP is valued by weight at approximately \$0.62 and \$0.85 per pound for the years ended December 31, 2017 and 2016, respectively, 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 and 940,000 pounds of food was distributed through this program for the years ended December 31, 2017 and 2016, respectively.

Shared maintenance – The Organization solicits and distributes donated food to qualified agency charitable feeding programs. These agencies support the Donated Food program by contributing approximately \$0.18 per pound in shared maintenance for the years ended December 31, 2017 and 2016.

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.

Investments – The Organization carries investments in marketable securities at their fair values. Investment income or loss (including realized gains and losses on investments, interest, and dividends), is included in the excess of revenue over expenditures.

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.

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, 2017 and 2016.

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, 2017 and 2016, the Organization had accrued vacation totaling \$45,889 and \$38,482, respectively. 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.

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.

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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory – The Organization maintains a substantial quantity of food items in inventory at all times. This inventory consists primarily of USDA and state donated commodities (valued at approximately \$283,138 and \$643,995 for the years ended December 31, 2017 and 2016, respectively) and other foods and goods donated by third-party suppliers valued at approximately \$935,762 and \$1,026,033 for the years ended December 31, 2017 and 2016, respectively. Donated inventory items were valued at \$1.73 and \$1.67 per pound for the years ended December 31, 2017 and 2016, respectively, which is the approximate average wholesale value of one pound of donated product at the national level as outlined in the *Product Valuation Survey Methodology*, June 2016 prepared by Feeding America, a national food bank network nonprofit corporation. 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 \$0.62 and \$0.85 per pound for the years ended December 31, 2017 and 2016, respectively.

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 \$149,294 and \$133,284 for the years ended December 31, 2017 and 2016, respectively.

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 \$47,986 and \$48,614 for the years ended December 31, 2017 and 2016, respectively.

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.

Subsequent events – Subsequent events were evaluated through April 25, 2018, the date the financial statements were available to be issued.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fiscal years beginning after December 15, 2018 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. Early application is permitted. The Organization is assessing the potential impact this guidance will have on its financial statements.

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

Presentation of Financial Statements of Not-for-Profit Entities – Issued in August 2016, Accounting Standards Update (ASU) No. 2016-14 is intended to improve the presentation of financial statements of not-for-profit (NFP) entities and provide more useful information to donors, grantors, and other users. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU will also require additional information to be disclosed about investment return, expense classifications, liquidity and availability of resources, and presentation of operating cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The Organization is assessing the potential impact this guidance will have on its financial statements.

Note 3: CASH

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:

	December 31,	
	<u>2017</u>	<u>2016</u>
State Food Purchase Program	<u>\$ 205,054</u>	<u>\$ 29,264</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:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 435,462	\$ 435,462
Building and improvements	4,974,014	4,968,239
Furniture and office equipment	908,464	957,255
Transportation equipment	<u>202,013</u>	<u>191,337</u>
	6,519,953	6,552,293
Less accumulated depreciation	<u>2,287,417</u>	<u>2,048,842</u>
Net property and equipment	<u>\$ 4,232,536</u>	<u>\$ 4,503,451</u>

Depreciation expense was \$275,887 and \$284,378 for the years ended December 31, 2017 and 2016, respectively.

Note 5: INVESTMENTS

Investments consist of fixed income and equity mutual funds in the amount of \$13,005 and \$-0- as of December 31, 2017 and 2016, respectively.

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

	<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>
Equity funds	\$ 9,389	\$ 9,500
Equity securities	<u>3,519</u>	<u>3,505</u>
	<u>\$ 12,908</u>	<u>\$ 13,005</u>

Investment return is summarized as follows:

	<u>December 31</u>
	<u>2017</u>
Interest and dividends	\$ 1,810
Net unrealized losses	<u>(322)</u>
	<u>\$ 1,488</u>

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

Note 6: RETIREMENT PLAN

The Food Bank of South Jersey, Inc. has in effect a retirement plan covering all eligible employees. Full time employees are eligible after one full year of service. The Food Bank's contribution was \$10,971 and \$68,604 for the years 2017 and 2016, respectively, which is included in employee benefits. The organization also has a non-qualified plan for one of its employees. The contribution to the plan was \$-0- and \$16,500 for the years 2017 and 2016, respectively.

Note 7: FAIR VALUE MEASUREMENT

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

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

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

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

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to our Level 1 investments such as domestic and international equities, U.S. treasuries, exchange-traded mutual funds, and agency securities. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage-backed securities, commercial paper, and certain agency securities.

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

Note 7: FAIR VALUE MEASUREMENT (continued)

The tables below set forth, by level, our financial assets and liabilities that were accounted for at fair value as of December 31, 2017. The table does not include either cash on hand or assets that are measured at historical cost or any basis other than fair value.

Fair Value Measurements as of December 31, 2017			
Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity funds			
Large blend	\$ 3,359	\$ 3,359	
Large growth	3,113	3,113	
Large value	3,028	3,028	
Equity securities			
Basic materials	1,422	1,422	
Consumer goods	1,015	1,015	
Financial	834	834	
Technology	234	234	
<u>\$ 13,005</u>	<u>\$ 13,005</u>	<u>\$ -</u>	<u>\$ -</u>

Note 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at:

	December 31,	
	<u>2017</u>	<u>2016</u>
Donor Restricted Program Infrastructure		\$ 30,611
Salem Health & Wellness	\$ 50,000	35,000
MKM Foundation	35,000	70,000
Community Foundation of New Jersey	-	25,000
Feeding America - Starbucks	70,840	-
	<u>\$ 155,840</u>	<u>\$ 160,611</u>

Net assets released from restrictions during the year were \$125,611 and \$69,733 for grants whose donor restrictions were met during the years ended December 31, 2017 and 2016, respectively.

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

Note 9: NOTES PAYABLE

Notes payable consist of the following at:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2016</u>
Note payable 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.	\$ 2,657,958	\$ 2,739,550
Less unamortized loan costs	<u>10,978</u>	<u>11,508</u>
Notes payable, less unamortized loan costs	2,646,980	2,728,042
Less current portion	<u>84,426</u>	<u>81,055</u>
Long-term portion	<u>\$ 2,562,554</u>	<u>\$ 2,646,987</u>

Total interest expense in 2017 and 2016 for notes payable was \$109,313 and \$113,179, respectively. Amortization of debt issuance costs amounted to \$530 and \$542 in 2017 and 2016, respectively.

Scheduled principal payments for the notes payable as of December 31, 2017 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ 84,962
2019	88,473
2020	91,845
2021	95,923
2022	99,886
Thereafter	<u>2,196,869</u>
	<u>\$ 2,657,958</u>

Note 10: LINE OF CREDIT

The Organization was granted a line of credit in the amount of \$500,000 maturing on June 1, 2019 at the fluctuating rate of the Wall Street Journal Prime Rate. At December 31, 2017, \$297,190 was drawn on the line. The amount of unused borrowings at December 31, 2017 was \$202,810. The line is secured by a security interest in all business assets and an unsecured second mortgage on the property owned by the Organization. Total interest expense was \$4,887 at December 31, 2017.

In April 2018, a change in terms was made to the existing line of credit to expand the use of the funds to include direct and indirect costs related to the Summer Meals Program and Afterschool Evening Meals Program contingent upon the thirty day clean-up requirement scheduled on or before June 1, 2018.

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

Note 11: OPERATING LEASE COMMITMENTS

The Organization has several non-cancelable operating leases for office equipment and vehicles, which expire at various dates through December 2021.

As of December 31, 2017, the future minimum lease payments under non-cancelable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 150,726
2019	134,543
2020	126,293
2021	85,906
2022	<u>6,627</u>
	<u>\$ 504,095</u>

Rental expense was \$156,637 and \$128,626 for the years ended December 31, 2017 and 2016, respectively.

Note 12: 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, 2017 and 2016, the Organization had uninsured cash balances of \$835,159 and \$433,250, respectively.

Note 13: 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.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Bank of South Jersey, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 25, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
April 25, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal 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* that could have a direct and material effect on each of the Food Bank of South Jersey, Inc.'s major federal programs for the year ended December 31, 2017. The Food Bank of South Jersey, Inc.'s major federal 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal 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 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 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 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 programs for the year ended December 31, 2017.

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 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 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 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. Accordingly, this report is not suitable for any other purpose.

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
April 25, 2018

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor / Program Title	Federal CFDA Number	State or Pass-Through Grantor Number	Grant Period		Expenditures			Passed through to Subrecipients
					From Pass-Through Awards	From Direct Awards	Total	
			From	To				
U.S. Department of Agriculture								
Pass through New Jersey Department of Agriculture								
Division of Food and Nutrition								
Food Distribution Cluster:								
Commodity Supplemental Food Program (CSFP) - non cash assistance	10.565	n/a	7/1/2016	6/30/2017	\$ 109,669		\$ 109,669	
Commodity Supplemental Food Program (CSFP)	10.565	n/a	7/1/2016	6/30/2017	21,100		21,100	
Commodity Supplemental Food Program (CSFP) - non cash assistance	10.565	n/a	7/1/2017	6/30/2018	125,356		125,356	
Commodity Supplemental Food Program (CSFP)	10.565	n/a	7/1/2017	6/30/2018	31,359		31,359	
The Emergency Food Assistant Program (TEFAP)								
Food Commodities - non cash assistance	10.569	n/a	10/1/2016	9/30/2017	3,512,742		3,512,742	
Administrative Cost	10.568	n/a	10/1/2016	9/30/2017	232,196		232,196	
Food Commodities - non cash assistance	10.569	n/a	10/1/2017	9/30/2018	849,059		849,059	
Administrative Cost	10.568	n/a	10/1/2017	9/30/2018	44,529		44,529	
Total Food Distribution Cluster					4,926,010	-	4,926,010	-
Child Nutrition Cluster								
Summer Food Service Program for Children (SFSPC)	10.559	04-3611	10/1/2016	9/30/2017	913,163		913,163	
Total Child Nutrition Cluster					913,163	-	913,163	-
Child and Adult Care Food Program (CACFP)								
Child and Adult Care Food Program (CACFP)	10.558	7-1192	10/1/2016	9/30/2017	49,524		49,524	
Child and Adult Care Food Program (CACFP)	10.558	7-1192	10/1/2017	9/30/2018	55,254		55,254	
					104,778	-	104,778	-
Total U.S. Department of Agriculture					5,943,951	-	5,943,951	-
U.S. Department of Housing and Urban Development								
CDBG - Entitlement Grants Cluster								
Community Development Block Grant (CDBG) - Gloucester County	14.218	n/a	9/1/2016	8/1/2017	27,603		27,603	
Community Development Block Grant (CDBG) - Gloucester County	14.218	n/a	9/1/2017	8/1/2018	12,018		12,018	
Community Development Block Grant (CDBG) - Camden County	14.218	n/a	7/1/2016	6/30/2017	10,400		10,400	
Total CDBG - Entitlement Grants Cluster					50,021	-	50,021	-
Total U.S. Department of Housing and Urban Development					50,021	-	50,021	-
Total Federal Awards					\$ 5,993,972	\$ -	\$ 5,993,972	\$ -

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, 2017

<u>State Grantor / Program Title</u>	<u>State Grant Award Number or Account Number</u>	<u>Grant Award Period</u>		<u>Current Year's Grant Expenditures</u>	(Memo Only)
		<u>From</u>	<u>To</u>		<u>Total Grant Expenditures to Date</u>
State of New Jersey Department of Agriculture					
Division of Food and Nutrition					
State Food Purchase Program (SFPP)	100-010-3350-064-055020	7/1/2016	6/30/2017	\$ 225,614	\$ 671,343
State Food Purchase Program (SFPP)	100-010-3350-064-055020	7/1/2017	6/30/2018	353,963	353,963
State Food Purchase Program (SFPP) - Admin Cost	100-010-3350-064-055020	7/1/2017	6/30/2018	<u>62,542</u>	<u>62,542</u>
Total State of New Jersey Department of Agriculture				<u>642,119</u>	<u>1,087,848</u>
State of New Jersey Department of State					
Office of Faith Based Initiatives					
Social Entrepreneurial and Enterprise Development	OFBI17SE2D-2-001	7/1/2016	6/30/2017	6,250	12,500
Social Entrepreneurial and Enterprise Development	OFBI18SE2D-2-033	7/1/2017	6/30/2018	<u>25,000</u>	<u>25,000</u>
				<u>31,250</u>	<u>37,500</u>
Total State Awards				<u>\$ 673,369</u>	<u>\$ 1,125,348</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, 2017

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). The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

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 Year Ended December 31, 2017**

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

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

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over compliance:

Material weaknesses identified? yes x no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<u>Food Distribution Cluster:</u>
<u>10.569</u>	<u>The Emergency Food Assistance Program - Food Commodities</u>
<u>10.568</u>	<u>The Emergency Food Assistance Program - Administrative Costs</u>
<u>10.565</u>	<u>Commodity Supplemental Food Program</u>
	<u>Child Nutrition Cluster:</u>
<u>10.559</u>	<u>Summer Food Service Program for Children</u>

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

Auditee qualified as low-risk auditee? x yes no

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2017

Part II- Schedule of Current Year Financial Statement Findings

– NOT APPLICABLE –

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

– NOT APPLICABLE –

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2017

Part IV – Status of Prior Year Financial Statement
Audit Findings

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

– NOT APPLICABLE –

