

FOOD BANK OF SOUTH JERSEY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

FOOD BANK OF SOUTH JERSEY, INC.

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December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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* 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 May 22, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness Food Bank of South Jersey, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Food Bank of South Jersey, Inc.'s internal control over financial reporting and compliance.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, Food Bank of South Jersey, Inc. adopted new accounting guidance, Accounting Standards Update 2016-14 – Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
May 22, 2019

FOOD BANK OF SOUTH JERSEY, INC.
Statements of Financial Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,429,165	\$ 1,317,645
Cash - restricted	205,240	205,054
Certificate of deposit	15,850	15,845
Investments	-	13,005
Accounts receivables, net of allowance for doubtful accounts of \$125,000 in 2018 and 2017	455,593	549,665
Promises to give	-	4,000
Inventory, donated	1,837,321	1,218,900
Inventory, purchased	84,301	149,294
Prepaid expenses	49,584	51,517
Total current assets	4,077,054	3,524,925
Property and equipment, net	4,075,264	4,232,536
	\$ 8,152,318	\$ 7,757,461
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	\$ 90,353	\$ 84,426
Line of credit	233,983	297,190
Accounts payable and accrued expenses	508,315	400,964
Deferred revenue	343,558	402,422
Total current liabilities	1,176,209	1,185,002
Long-term liabilities		
Notes payable, net of current portion	2,483,429	2,562,554
Total liabilities	3,659,638	3,747,556
Net assets		
Without donor restrictions		
Designated by the board for donated food inventory	1,837,321	1,218,900
Undesignated	2,480,359	2,635,165
Total net assets without donor restrictions	4,317,680	3,854,065
With donor restrictions	175,000	155,840
Total net assets	4,492,680	4,009,905
	\$ 8,152,318	\$ 7,757,461

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, 2018

	Without donor restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated for Donated Food Inventory	Total		
Revenue and support					
Grants	\$ 2,341,274	\$ 3,667,728	\$ 6,009,002	\$ 281,070	\$ 6,290,072
Donated food		9,061,755	9,061,755		9,061,755
USDA revenue	479,159		479,159		479,159
Shared maintenance fees	346,325		346,325		346,325
Cooperative food sales	102,701		102,701		102,701
Contributions	1,235,079		1,235,079		1,235,079
Special events	811,067		811,067		811,067
Other revenues	72,568		72,568		72,568
Investment income	1,643		1,643		1,643
Gain on disposition of equipment	18,500		18,500		18,500
Net assets released from restriction	261,910		261,910	(261,910)	-
Total revenue and support	5,670,226	12,729,483	18,399,709	19,160	18,418,869
Expenses and losses					
Program services					
Feedmore	2,274,824	11,014,629	13,289,453		13,289,453
Health and wellness	323,093		323,093		323,093
Children's and seniors programs	1,560,098	1,096,433	2,656,531		2,656,531
Total program services	4,158,015	12,111,062	16,269,077	-	16,269,077
Supporting services					
Administrative	582,088		582,088		582,088
Fundraising	1,068,921		1,068,921		1,068,921
Total supporting services	1,651,009	-	1,651,009	-	1,651,009
Total expenses	5,809,024	12,111,062	17,920,086	-	17,920,086
Loss on inventory obsolescence	16,008		16,008		16,008
Total expenses and losses	5,825,032	12,111,062	17,936,094	-	17,936,094
Change in net assets	(154,806)	618,421	463,615	19,160	482,775
Net assets beginning of year	2,635,165	1,218,900	3,854,065	155,840	4,009,905
Net assets end of year	<u>\$ 2,480,359</u>	<u>\$ 1,837,321</u>	<u>\$ 4,317,680</u>	<u>\$ 175,000</u>	<u>\$ 4,492,680</u>

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

	Without donor restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated for Donated Food Inventory	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					
Feedmore	2,849,259	12,085,450	14,934,709		14,934,709
Health and wellness	241,758		241,758		241,758
Children's and seniors programs	1,618,749	1,528,789	3,147,538		3,147,538
Total program services	4,709,766	13,614,239	18,324,005	-	18,324,005
Supporting services					
Administrative	510,843		510,843		510,843
Fundraising	1,034,005		1,034,005		1,034,005
Total supporting services	1,544,848	-	1,544,848	-	1,544,848
Total expenses	6,254,614	13,614,239	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	6,300,511	13,614,239	19,914,750	-	19,914,750
Deficit of revenue over expenses and losses	(87,238)	(464,536)	(551,774)	(4,771)	(556,545)
Unrealized losses on investments	(322)		(322)		(322)
Change in net assets	(87,560)	(464,536)	(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	\$ 2,648,573	\$ 1,205,492	\$ 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 Functional Expenses
For the Year Ended December 31, 2018

	Program Services				Support Services			Total
	Feedmore	Health and Wellness	Children's and Seniors Programs	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Advertising and marketing	\$ 9,538		\$ 7,660	\$ 17,198	\$ 1,607	\$ 22,024	\$ 23,631	\$ 40,829
Bad debts				-	4,000		4,000	4,000
Building occupancy	108,965	\$ 16,997	42,663	168,625	13,672	35,587	49,259	217,884
Conferences and meetings	3,589	156	604	4,349	11,629	1,286	12,915	17,264
Consulting and temporary labor	125,421	27,759	54,590	207,770	43,070	27,919	70,989	278,759
Contributed food distributed - donated	7,188,577		339,529	7,528,106			-	7,528,106
Contributed food distributed - government grants	3,826,052		756,904	4,582,956			-	4,582,956
Depreciation	183,079		23,421	206,500	25,898	25,822	51,720	258,220
Direct mail				-		297,267	297,267	297,267
Dues and subscriptions	1,653	160	17	1,830	9,955	5,528	15,483	17,313
Employee benefits	173,737	31,920	81,962	287,619	47,551	75,464	123,015	410,634
Equipment rental and repairs	5,678	1,675	3,075	10,428	10,253	1,802	12,055	22,483
Food purchases	255,839	31,571	704,035	991,445			-	991,445
Insurance	11,354	1,854	3,989	17,197	4,521	4,214	8,735	25,932
Interest	46,546	7,954	17,880	72,380	21,965	16,850	38,815	111,195
Miscellaneous	16,395	2,111	8,299	26,805	15,887	20,419	36,306	63,111
Office and computer supplies	38,455	6,013	18,154	62,622	7,183	13,644	20,827	83,449
Payroll taxes	114,146	20,972	53,849	188,967	31,241	49,580	80,821	269,788
Postage and shipping	5,379	519	1,946	7,844	2,516	15,622	18,138	25,982
Printing and duplicating		26	682	708	1,502	8,946	10,448	11,156
Professional fees	1,653			1,653	73,063		73,063	74,716
Salaries & wages	912,651	167,679	430,552	1,510,882	249,786	396,418	646,204	2,157,086
Special events				-		41,896	41,896	41,896
Telephone	20,240	3,484	8,625	32,349	3,503	7,463	10,966	43,315
Travel	1,952		974	2,926	2,280	653	2,933	5,859
Vehicle rentals and expense	153,754	1,127	46,480	201,361	107		107	201,468
Warehouse equipment	59,164	682	16,068	75,914	659		659	76,573
Warehouse supplies	25,636	434	34,573	60,643	240	517	757	61,400
	<u>\$ 13,289,453</u>	<u>\$ 323,093</u>	<u>\$ 2,656,531</u>	<u>\$ 16,269,077</u>	<u>\$ 582,088</u>	<u>\$ 1,068,921</u>	<u>\$ 1,651,009</u>	<u>\$ 17,920,086</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, 2017

	Program Services				Support Services			Total
	Feedmore	Health and Wellness	Children's and Seniors Programs	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Advertising and marketing	\$ 9,889	\$ 489	\$ 1,859	\$ 12,237		\$ 36,711	\$ 36,711	\$ 48,948
Bad debts	41,668	500	7,832	50,000			-	50,000
Building occupancy	160,817	2,279	30,227	193,323	\$ 20,711	13,862	34,573	227,896
Conferences and meetings	16,252	302	3,055	19,609	5,279	5,279	10,558	30,167
Consulting and temporary labor	139,957	16,043	137,264	293,264	22,463	50,056	72,519	365,783
Contributed food distributed - donated	7,653,141		769,262	8,422,403			-	8,422,403
Contributed food distributed - government grants	4,432,309		759,527	5,191,836			-	5,191,836
Depreciation	192,810	2,759	36,240	231,809	29,293	14,785	44,078	275,887
Direct mail				-		217,531	217,531	217,531
Dues and subscriptions	11,122	167	2,091	13,380	1,673	1,673	3,346	16,726
Employee benefits	164,073	21,701	51,511	237,285	36,106	64,776	100,882	338,167
Equipment rental and repairs	15,275	263	2,871	18,409	3,945	3,945	7,890	26,299
Food purchases	301,707	24,284	846,271	1,172,262			-	1,172,262
Insurance	16,910	239	3,178	20,327	2,156	1,437	3,593	23,920
Interest	88,580	1,139	16,649	106,368	4,555	2,961	7,516	113,884
Miscellaneous	56,417	898	10,605	67,920	10,753	11,129	21,882	89,802
Office and computer supplies	51,487	956	9,677	62,120	9,557	23,892	33,449	95,569
Payroll taxes	120,398	15,924	37,799	174,121	26,495	47,533	74,028	248,149
Postage and shipping	6,888	154	1,295	8,337	1,409	5,638	7,047	15,384
Printing and duplicating	17,481	424	3,286	21,191	4,238	16,952	21,190	42,381
Professional fees	15,573		2,927	18,500	51,857		51,857	70,357
Salaries & wages	1,127,827	149,168	354,080	1,631,075	248,187	445,263	693,450	2,324,525
Special events			4,748	4,748		49,390	49,390	54,138
Telephone	22,461	417	4,222	27,100	7,296	7,296	14,592	41,692
Travel	8,996	167	1,691	10,854	2,922	2,922	5,844	16,698
Vehicle rentals and expense	155,194	2,195	29,170	186,559	21,948	10,974	32,922	219,481
Warehouse equipment	48,344	580	9,087	58,011			-	58,011
Warehouse supplies	59,133	710	11,114	70,957			-	70,957
	<u>\$ 14,934,709</u>	<u>\$ 241,758</u>	<u>\$ 3,147,538</u>	<u>\$ 18,324,005</u>	<u>\$ 510,843</u>	<u>\$ 1,034,005</u>	<u>\$ 1,544,848</u>	<u>\$ 19,868,853</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 482,775	\$ (556,867)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	258,220	275,887
Amortization of debt issuance costs	530	530
Provision for bad debt	2,000	50,000
Net unrealized loss on investments		322
Donated stock	(1,095)	(11,230)
Loss on inventory obsolescence	16,008	32,051
(Gain) loss on disposition of equipment	(18,500)	13,846
(Increase) decrease in		
Accounts receivable	92,072	143,766
Inventory	(569,436)	403,067
Prepaid expenses	1,933	14,662
Promises to give	4,000	-
Increase (decrease) in		
Accounts payable and accrued expenses	107,351	(240,500)
Deferred revenue	(58,864)	239,636
	<u>316,994</u>	<u>365,170</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Reinvestment of interest income - certificate of deposit	(5)	(5)
Purchases of property and equipment	(69,366)	(18,818)
Proceeds from sale of investments	14,100	
Purchases of investments	-	(2,097)
	<u>(55,271)</u>	<u>(20,920)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from line of credit	233,983	297,190
Principal payments on notes payable	(86,810)	(81,592)
Payments on line of credit	(297,190)	-
	<u>(150,017)</u>	<u>215,598</u>
Net cash provided by (used in) financing activities		
Net increase in cash	111,706	559,848
Cash and cash equivalents - beginning of year	<u>1,522,699</u>	<u>962,851</u>
Cash and cash equivalents - end of year	<u>\$ 1,634,405</u>	<u>\$ 1,522,699</u>
(including \$205,240 and \$205,054 reported as restricted at December 31, 2018 and 2017, 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. The Organization redirects potentially wasted food to more than 200 member feeding organizations. Its primary mission is to eliminate hunger and malnutrition in Camden, Burlington, Gloucester and Salem counties through various programs.

Feedmore – The solicitation of donations 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.

Health and Wellness – Providing the tools and resources necessary to the four counties served to ensure the people of those counties lead a sustainable healthy life. This is accomplished by hosting classroom instruction and hands-on cooking classes to teach nutritional awareness, implementing physical activity programs, and providing support that impacts the emotional well-being of the people being served.

Children and Seniors programs – The Organization has established several children and senior programs that include the following: the Kid's Café program which provides several sites where children can receive nutritionally balanced meals, the School Pantry that delivers food to selected schools, Summer Meals which provides breakfast and lunch to children throughout the summer, 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 without donor restrictions unless specifically restricted by the donor. Grants and contributions are reported as net assets with donor restriction 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 net assets without donor restrictions in the financial statements.

Food contributed and distributed – During the year, the Organization distributed almost 4.5 million pounds of donated food without donor restrictions to qualified charitable feeding programs. Furthermore, approximately 5.2 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, food donations without donor restrictions are valued at \$1.68 and \$1.73 per pound for the years ended December 31, 2018 and 2017, respectively, based on a study completed by Feeding America, Inc. Food received under TEFAP is valued by weight at approximately \$0.82 and \$0.62 per pound for the years ended December 31, 2018 and 2017, 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 939,000 and 800,000 pounds of food was distributed through this program for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017.

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 and cash equivalents, 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, 2018 and 2017, the Organization had accrued vacation totaling \$34,954 and \$45,889, respectively. This amount is included in “accounts payable and accrued expense” on the balance sheet.

Net assets – Net assets, revenues, gains, and losses are classified based on the existence of absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for donated food inventory.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

All donor restricted support is reported as an increase in net assets with or without donor restrictions depending on the nature of the restriction. When a time restriction expires, or when a use restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions with donor restrictions whose restrictions are met within the same year as received are reflected as contributions without restrictions 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.

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 \$621,658 and \$283,138 for the years ended December 31, 2018 and 2017, respectively) and other foods and goods donated by third-party suppliers valued at approximately \$1,215,663 and \$935,762 for the years ended December 31, 2018 and 2017, respectively. Donated inventory items were valued at \$1.68 and \$1.73 per pound for the years ended December 31, 2018 and 2017, 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 \$0.88 and \$0.62 per pound for the years ended December 31, 2018 and 2017, 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 \$84,301 and \$149,294 for the years ended December 31, 2018 and 2017, 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 \$36,804 and \$47,986 for the years ended December 31, 2018 and 2017, respectively.

Functional expense allocation – The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and support services. Such allocations are determined by management on an equitable basis. Salaries and wages, payroll taxes, and employee benefits are allocated based on estimates of time and effort. All other expenses are allocated based on the food distribution percentage of each program.

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.

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

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income taxes (continued)

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 May 22, 2019, the date the financial statements were available to be issued.

Change in accounting principle – On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about the liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation and disclosures in the financial statements accordingly.

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. The Organization is assessing the potential impact this guidance will have on its financial statements.

Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made – In June 2018, the Financial Accounting Standards Board issued ASU 2018-08. The new guidance clarifies what is an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958. Non-public entities where the entity serves as the resource recipient are required to apply the changes due to this ASU to annual periods beginning after December 15, 2018. This accounting guidance is to be applied on a modified prospective basis. Retroactive application is permitted.

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.

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

Note 3: CASH

Restricted cash includes funds that are required by their grant document to be kept in a separate account. Restricted cash consists of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
State Food Purchase Program	\$ 205,240	\$ 205,054

Note 4: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
Land	\$ 435,462	\$ 435,462
Building and improvements	4,974,014	4,974,014
Furniture and office equipment	950,358	908,464
Transportation equipment	181,961	202,013
	6,541,795	6,519,953
Less accumulated depreciation	2,466,531	2,287,417
Net property and equipment	\$ 4,075,264	\$ 4,232,536

Depreciation expense was \$258,221 and \$275,887 for the years ended December 31, 2018 and 2017, respectively.

Note 5: INVESTMENTS

Investments consist of fixed income and equity mutual funds in the amount of \$-0- and \$13,005 as of December 31, 2018 and 2017, respectively.

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

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

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

Note 5: INVESTMENTS (continued)

Investment return is summarized as follows:

	December 31	
	2018	2017
Interest and dividends	\$ 1,643	\$ 1,810
Net unrealized losses	-	(322)
	\$ 1,643	\$ 1,488

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 \$125,000 and \$10,971 for the years 2018 and 2017, respectively, which is included in employee benefits. The organization also had a non-qualified plan for one of its employees. The contribution to the plan was \$-0- for both years 2018 and 2017.

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		
	\$ 13,005	\$ 13,005	\$ -	\$ -

Note 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for various purposes from the following donors:

	December 31,	
	2018	2017
Rohrer Foundation	\$ 100,000	
Kessler Foundation	30,000	
Connelly Foundation	20,000	
Anthem	15,000	
Santander	10,000	
Feeding America - Starbucks	-	\$ 70,840
Salem Health & Wellness	-	50,000
MKM Foundation	-	35,000
	\$ 175,000	\$ 155,840

Net assets released from restrictions during the year were \$261,910 and \$125,611 for grants whose donor restrictions were met during the years ended December 31, 2018 and 2017, respectively.

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

Note 9: NOTES PAYABLE

Notes payable consist of the following at:

	As of December 31,	
	2018	2017
On July 1, 2013, the Organization secured a 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.	\$ 2,572,996	\$ 2,657,958
Automobile loan	11,229	-
	2,584,225	2,657,958
Less unamortized loan costs	10,443	10,978
Notes payable, less unamortized loan costs	2,573,782	2,646,980
Less current portion	90,353	84,426
Long-term portion	\$ 2,483,429	\$ 2,562,554

Total interest expense in 2018 and 2017 for notes payable was \$106,430 and \$109,313, respectively. Amortization of debt issuance costs amounted to \$530 in both 2018 and 2017.

Scheduled principal payments for the notes payable as of December 31, 2018 are as follows:

Year Ending December 31,	Amount
2019	\$ 90,889
2020	94,449
2021	98,699
2022	102,858
2023	104,475
Thereafter	2,092,855
	\$ 2,584,225

Note 10: LINE OF CREDIT

The Organization was granted a line of credit in the amount of \$500,000 maturing on June 1, 2019 with an interest rate of 3.50%. At December 31, 2018, \$233,983 was drawn on the line. The amount of unused borrowings at December 31, 2018 was \$266,017. 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 \$4,236 and \$4,887 at December 31, 2018 and 2017, respectively.

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 2022.

As of December 31, 2018, the future minimum lease payments under non-cancelable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 132,383
2020	124,133
2021	85,006
2022	<u>6,627</u>
	<u>\$ 348,149</u>

Rental expense was \$156,637 for both years ended December 31, 2018 and 2017.

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, 2018 and 2017, the Organization had uninsured cash balances of \$754,648 and \$835,159, 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.
Notes to the Financial Statements (continued)

Note 14: LIQUIDITY AND AVAILABILITY

The Organization strives to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in certificates of deposits and investments.

The Organizations financial assets available within one year to meet cash needs for general expenditures are as follows:

Financial assets:	
Cash	\$ 1,634,405
Accounts receivable	455,593
Certificates of deposit	<u>15,850</u>
Total financial assets	2,105,848
Less amounts not available to be used within one year for general expenditures:	
Restricted cash	(205,240)
Net assets with donor restrictions – purpose restricted	<u>(175,000)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 1,725,608</u>

As described in Note 10 to the financial statements, the Organization is required to maintain certain separate accounts under its regulatory agreement. The Organization also has available a line of credit in the amount of \$500,000 for any cash flow needs.

**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, 2018, 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 May 22, 2019.

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.

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
May 22, 2019

**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 programs for the year ended December 31, 2018. The Food Bank of South Jersey, Inc.'s major federal and 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, the 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 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, 2018.

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, 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 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 a 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. Accordingly, this report is not suitable for any other purpose.

Bowman + Company LLP

Bowman & Company LLP
Certified Public Accountants

Voorhees, New Jersey
May 22, 2019

FOOD BANK OF SOUTH JERSEY, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

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	
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	10/1/2017	9/30/2018	\$ 306,736		\$ 306,736	
Commodity Supplemental Food Program (CSFP)	10.565	n/a	10/1/2017	9/30/2018	57,579		57,579	
Commodity Supplemental Food Program (CSFP) - non cash assistance	10.565	n/a	10/1/2018	9/30/2019	100,137		100,137	
Commodity Supplemental Food Program (CSFP)	10.565	n/a	10/1/2018	9/30/2019	22,130		22,130	
The Emergency Food Assistant Program (TEFAP)								
Food Commodities - non cash assistance	10.569	n/a	10/1/2017	9/30/2018	2,593,596		2,593,596	
Administrative Cost	10.568	n/a	10/1/2017	9/30/2018	190,206		190,206	
Food Commodities - non cash assistance	10.569	n/a	10/1/2018	9/30/2019	809,087		809,087	
Administrative Cost	10.568	n/a	10/1/2018	9/30/2019	55,816		55,816	
Total Food Distribution Cluster					4,135,287	-	4,135,287	-
Child Nutrition Cluster								
Summer Food Service Program for Children (SFSPC)	10.559	04-3611	10/1/2017	9/30/2018	591,006		591,006	
Total Child Nutrition Cluster					591,006	-	591,006	-
Child and Adult Care Food Program (CACFP)								
Child and Adult Care Food Program (CACFP)	10.558	7-1192	10/1/2017	9/30/2018	120,108		120,108	
Child and Adult Care Food Program (CACFP)	10.558	7-1192	10/1/2018	9/30/2019	21,817		21,817	
					141,925	-	141,925	-
Total U.S. Department of Agriculture					4,868,218	-	4,868,218	-
U.S. Department of Housing and Urban Development								
CDBG - Entitlement Grants Cluster								
Community Development Block Grant (CDBG) - Gloucester County	14.218	n/a	9/1/2017	8/31/2018	32,982		32,982	
Community Development Block Grant (CDBG) - Gloucester County	14.218	n/a	9/1/2018	8/31/2019	10,460		10,460	
Community Development Block Grant (CDBG) - Camden County	14.218	n/a	7/1/2017	6/30/2018	20,000		20,000	
Total CDBG - Entitlement Grants Cluster					63,442	-	63,442	-
Total U.S. Department of Housing and Urban Development					63,442	-	63,442	-
Total Federal Awards					\$ 4,931,660	\$ -	\$ 4,931,660	\$ -

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, 2018**

<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	7/1/2017	6/30/2018	\$ 385,284	\$ 831,013
State Food Purchase Program (SFPP)	100-010-3350-064-055020	7/1/2018	6/30/2019	388,117	388,117
State Food Purchase Program (SFPP) - Admin Cost	100-010-3350-064-055020	7/1/2017	6/30/2018	90,611	90,611
Total State of New Jersey Department of Agriculture				<u>864,012</u>	<u>1,309,741</u>
State of New Jersey Department of State					
Office of Faith Based Initiatives					
Social Entrepreneurial and Enterprise Development	OFBI17SE2D-2-001	7/1/2017	6/30/2018	25,000	50,000
Social Entrepreneurial and Enterprise Development	OFBI18SE2D-2-033	7/1/2018	6/30/2019	10,000	10,000
				<u>35,000</u>	<u>60,000</u>
Total State Awards				<u>\$ 899,012</u>	<u>\$ 1,369,741</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, 2018**

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

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 New Jersey Circular 15-08 OMB? ___ yes x no

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
100-010-3550-064-055020	State Food Purchase Program

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 –

