

**Food Bank
of South Jersey, Inc.**

**Report of Independent Auditors and
Financial Statements and
Supplemental Information**

Year Ended December 31, 2011

Food Bank of South Jersey, Inc.

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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Food Bank of South Jersey, Inc. (a non-profit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combined schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and NJ OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments*, 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.

Gold Gerstein Group LLC

GOLD GERSTEIN GROUP LLC
Certified Public Accountants
Moorestown, New Jersey

June 11, 2012

Food Bank of South Jersey, Inc.

Statement of Financial Position

December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Cash and cash equivalents - unrestricted	\$1,062,181	\$ -	\$1,062,181
Cash – unrestricted – board designated	124,590	-	124,590
Cash - restricted	97,308	68,316	165,624
Investments	29,877	-	29,877
Accounts receivable	250,111	-	250,111
Promises to give	100,000	251,334	351,334
Inventory	45,539	-	45,539
Prepaid expenses	62,908	-	62,908
Land, building and equipment - net	1,916,677	-	1,916,677
	<u>\$3,689,191</u>	<u>\$ 319,650</u>	<u>\$4,008,841</u>
Liabilities and net assets			
Liabilities			
Accounts payable and accrued expenses	\$ 271,473	\$ -	\$ 271,473
Payroll taxes and other liabilities	9,417	-	9,417
Deferred support	122,028	-	122,028
State food purchase program to be expended	4,792	-	4,792
Total liabilities	<u>407,710</u>	<u>-</u>	<u>407,710</u>
Net assets			
Unrestricted	3,281,481	-	3,281,481
Temporarily restricted	-	319,650	319,650
Total net assets	<u>3,281,481</u>	<u>319,650</u>	<u>3,601,131</u>
	<u>\$3,689,191</u>	<u>\$ 319,650</u>	<u>\$4,008,841</u>

See accompanying notes.

Food Bank of South Jersey, Inc.

Statement of Activities

For the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 1,700,582	\$ 319,650	\$ 2,020,232
Government grants	135,696	-	135,696
Other grants	749,812	-	749,812
Food contributions - donated	3,200,767	-	3,200,767
Food contributions - government grants	4,638,071	-	4,638,071
Special events and activities	535,150	-	535,150
Shared maintenance	256,440	-	256,440
USDA and other government agency fees	307,798	-	307,798
Cooperative food sales	308,030	-	308,030
Dues and other	27,110	-	27,110
Interest income	5,377	-	5,377
Unrealized (loss) on investments	(184)	-	(184)
Net assets released from restrictions	256,704	(256,704)	-
Total support and revenue	<u>12,121,353</u>	<u>62,946</u>	<u>12,184,299</u>
Expenses			
Program services	10,662,037	-	10,662,037
Supporting services			
Fundraising	934,797	-	934,797
Management and general	394,329	-	394,329
Total expenses	<u>11,991,163</u>	<u>-</u>	<u>11,991,163</u>
Change in net assets	130,190	62,946	193,136
Net assets, January 1, 2011	<u>3,151,291</u>	<u>256,704</u>	<u>3,407,995</u>
Net assets, December 31, 2011	<u>\$ 3,281,481</u>	<u>\$ 319,650</u>	<u>\$ 3,601,131</u>

See accompanying notes.

Food Bank of South Jersey, Inc.

Statement of Functional Expenses

For the year ended December 31, 2011

	<u>Program Services</u>	<u>Support Services</u> <u>Fund</u> <u>Raising</u>	<u>Management & General</u>	<u>Total</u>
Advertising and marketing	\$ 11,922	\$ 35,767	\$ -	\$ 47,689
Building occupancy expenses	204,502	18,723	8,445	231,670
Conferences, meetings, staff development	42,919	11,556	11,556	66,031
Contributed food distributed-donated	3,200,767	-	-	3,200,767
Contributed food distributed- government grants	4,638,071	-	-	4,638,071
Depreciation	110,555	5,663	7,921	124,139
Direct mail	-	201,829	-	201,829
Dues and subscriptions	7,770	971	971	9,712
Employee benefits	183,152	41,053	23,289	247,494
Equipment rental and repairs	16,168	3,606	3,606	23,380
Food purchases	267,479	-	-	267,479
Hope Mobile	10,682	-	-	10,682
Insurance	10,641	834	1,251	12,726
Interest	34	1	1	36
Kid's Café program	104,072	-	-	104,072
Miscellaneous	15,385	621	575	16,581
Office and computer supplies	28,055	13,934	13,934	55,923
OFL program	13,060	-	-	13,060
Payroll	1,220,045	273,469	155,130	1,648,644
Payroll taxes	180,615	40,484	22,964	244,063
Postage and shipping	20,522	13,680	3,420	37,622
Printing and duplicating	21,814	17,451	4,364	43,629
Professional fees	10,138	-	44,777	54,915
School Pantry program	39,160	-	-	39,160
Special events	-	216,213	-	216,213
Subcontractors and temporary help	35,662	19,917	73,100	128,679
Summer Feeding program	17,156	-	-	17,156
Telephone	21,037	5,664	5,664	32,365
Travel	2,175	586	586	3,347
Vehicle rentals and expense	102,198	12,775	12,775	127,748
Warehouse rentals, repairs, maintenance	102,368	-	-	102,368
Warehouse supplies	23,913	-	-	23,913
	<u>\$10,662,037</u>	<u>\$ 934,797</u>	<u>\$ 394,329</u>	<u>\$11,991,163</u>

See accompanying notes.

Food Bank of South Jersey, Inc.

Statement of Cash Flows

For the year ended December 31, 2011

Cash flows from operating activities:

Change in net assets \$ 193,136

**Adjustment to reconcile change in net assets to
net cash provided by operating activity**

Depreciation	\$ 124,139
Accounts receivable	179,570
Pledges receivable	(351,334)
Inventory	(11,219)
Prepaid expenses	(34,125)
Accounts payable and accrued expenses	162,771
Payroll taxes and other liabilities	(4,733)
Deferred support and SFPP purchase program to be expended	<u>45,113</u>

Total adjustments 110,182

Net cash provided by operating activities 303,318

Cash flows from investing activities:

Purchase of equipment	(143,638)
Investments	<u>(1,528)</u>

Net cash used in investing activities (145,166)

Cash flows from financing activities:

Payments on mortgage payable	<u>(22,126)</u>
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Net increase in cash and cash equivalents 136,026

Cash and cash equivalents – January 1, 2011 1,216,369

Cash and cash equivalents – December 31, 2011 \$1,352,395

Supplemental disclosures of cash flow information

Interest paid	<u><u>\$ 36</u></u>
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See accompanying notes.

Notes to the Financial Statements

December 31, 2011

1. Organization and Nature of Activities

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

- Soliciting the donation of high quality nutritious surplus foods and non-food essentials and providing these at a minimum cost to non-profit agencies who distribute them directly to the needy, the ill or infants;
- Assisting in the development of agencies responsible for directly distributing food and non-food items;
- Extending food bank services to underserved communities within the four counties served; and
- Advocating 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 program in which low-income seniors living in public housing can receive supplemental food boxes.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Food Bank are prepared on the accrual basis of accounting.

December 31, 2011

2. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958 (formerly SFAS No. 117), "Financial Statements of Not-for-Profit Organizations." Under FASB ASC 958, the Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. The Food Bank does not have any permanently restricted net assets.

Depreciation

Depreciation on building and equipment is computed by the straight-line method over the estimated lives of the respective assets. Estimated lives range from three to thirty-five years. Expenditures for maintenance and repairs are charged to operating expenses, and expenditures for additions, or which increase the useful lives of the assets, are capitalized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

No provision has been made for income taxes. The corporation was organized as exempt under Section 501(c)(3) of the 1954 Internal Revenue Code. Contributions to the Organization qualify as a charitable deduction for the donor.

Notes to the Financial Statements

December 31, 2011

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments, including restricted cash, available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes funds that are required by their grant document to be kept in a separate account, and donor-restricted funds.

Support and Revenue

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 year, the organization began a capital campaign to fund expansion of their offices and warehouse.

Food Contributed and Distributed

During the year, the Organization distributed more than 1.9 million pounds of unrestricted, donated food to qualified charitable feeding programs. Furthermore, approximately 7.3 million pounds of food was received from the U.S. Department of Agriculture under The Emergency Food Assistance Program (TEFAP) and distributed to qualified charitable feeding programs.

In the accompanying financial statements, unrestricted food donations are valued at \$1.66 per pound, based on a study completed by Feeding America, Inc., formerly America's Second Harvest. Food received under TEFAP is valued at a weighted average of \$.52 per pound, based on the USDA Commodities File Report.

Notes to the Financial Statements

December 31, 2011

2. Summary of Significant Accounting Policies (Continued)

Food Contributed and Distributed (Continued)

In addition, 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 930,000 pounds of food was purchased and distributed through this program.

No value has been given to the inventory of contributed food on hand at December 31, 2011.

Shared Maintenance

The Food Bank solicits and distributes donated food to qualified agency charitable feeding programs. These agencies support the Donated Food program by contributing \$.16 per pound through September and \$.18 per pound from October through December in shared maintenance.

Accounts receivable

The Organization's accounts receivable consists primarily of amounts due from agencies and the NJ Department of Agriculture. An allowance for doubtful accounts is not provided. The Organization reviews its accounts receivable frequently and has determined that at year-end, no allowance is required. It is the Organization's policy to write off bad debts during the course of the year. No bad debt expense was incurred for the year ended December 31, 2011.

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 condition, on which they depend, are substantially met and the promises become unconditional. The Organization had one conditional promise to give at December 31, 2011 in the amount of \$70,000.

Inventory

Inventory is recorded at cost and includes food items purchased for sale in the Co-Op program and for the Kids' Café program. It does not include any donated food which is valued and recorded only when distributed at an average value of \$1.66 per pound, or food that was received or purchased through the TEFAP and SFPP programs.

Notes to the Financial Statements

December 31, 2011

2. Summary of Significant Accounting Policies (Continued)

Advertising

The organization expenses its advertising costs as they are incurred. The amount expended for the year ended December 31, 2011 is \$47,689.

Fair Value Measurements

FASB ASC 820-10, Fair Value Measurements and Disclosures (formerly SFAS No. 157), defines fair value and establishes a framework for measuring fair value. The fair values of the company's financial assets and liabilities (which include accounts receivable, accounts payable and long term debt) approximate their carrying amounts, either because the expected collection or payment period is relatively short or because the terms are similar to market terms. The provisions of FASB ASC 820-10 do not have a material impact on the company's financial condition, results of operations and cash flows.

FASB ASC 820-10 became effective for non-financial assets and liabilities that are recognized in the financial statements at fair value on a non-recurring basis. These non-financial assets include property and equipment, goodwill and customer lists. Under FASB ASC 820-10, any subsequent fair value measurements would be made in accordance with the requirements of the FASB ASC 820-10 relating to long-lived assets, goodwill and other intangible assets.

Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB Accounting Standard Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 consists of observable market data in an active market for identical assets or liabilities.

Level 2 consists of observable market data, other than that included in Level 1 that is either directly or indirectly observable.

Level 3 consists of unobservable market data.

Food Bank of South Jersey, Inc.

Notes to the Financial Statements

December 31, 2011

3. Temporarily Restricted Net Assets

Net assets that are subject to donor-imposed restrictions that will be met either by the actions of Food Bank of South Jersey, Inc. and/or the passage of time are classified as Temporarily Restricted Net Assets. When the restriction expires, Temporarily Restricted Net Assets are reclassified to Unrestricted Net Assets and reported in the Statement of Activities as net assets released from restrictions.

Temporarily restricted net assets are restricted for the following purposes as of December 31, 2011:

Forgivable mortgage ^(a)	\$ -
Capital Campaign	<u>319,650</u>
Total	<u>\$ 319,650</u>

(a) The organization had a forgivable mortgage of \$350,000 over a ten year period. During the year, the organization was forgiven the final portion of the mortgage. Net assets released from restrictions during the year were \$37,907 for the forgivable mortgage and \$218,787 for grants whose donor restrictions were met during the year.

5. Deferred support

Deferred support 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.

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 for 2011 is \$26,700, which is included in employee benefits.

Notes to the Financial Statements

December 31, 2011

7. Investments

Investments are composed of six equity securities invested through Charles Schwab and a four month certificate of deposit at Bank of America. The investments are carried at fair value, based on quoted market prices, a level 1 input. Investments as of December 31, 2011 are summarized as follows:

American Express Company	\$ 2,830
Ameriprise Financial, Inc.	596
Cisco Systems, Inc.	452
Freddie Mac Voting Shares	28
General Electric Company	1,612
Home Depot, Inc.	8,576
Bank of America CD	<u>15,783</u>
	<u>\$ 29,877</u>

8. Land, Building and Equipment

Land, building and equipment are recorded at cost and consist of the following:

Land	\$ 435,462
Building and improvements	1,487,479
Equipment	199,045
Furniture & fixtures	46,124
Refrigerator/freezer	378,464
Software	8,846
Transportation equipment	<u>242,952</u>
	2,798,372
Less: accumulated depreciation	<u>881,695</u>
	<u>\$1,916,677</u>

9. Concentration of Credit Risk

The Organization maintains their cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC has instituted a program called Transaction Account Guarantee (TAG), which insures all balances held in non-interest bearing accounts and insures balances up to \$250,000 in interest-bearing accounts. Interest bearing accounts with balances in excess of \$250,000 totaled \$504,657.

In addition, the Organization grants credit to the agencies who purchase food from them. The Organization has historically collected these amounts.

Food Bank of South Jersey, Inc.

Notes to the Financial Statements

December 31, 2011

12. Concentrations

The Organization received approximately 40% of its revenues from the TEFAP and SFPP grants administered by the New Jersey Department of Agriculture.

13. Subsequent Events

In December 2009, the Delaware River Port Authority (DRPA) passed a resolution with the intention of donating \$2 million dollars to the Food Bank of South Jersey, Inc. Over the next two years, DRPA went through internal processes that delayed implementation of the resolution. In December 2011, the DRPA Board voted to release the funding to the Food Bank of South, Inc. subject to an agreement between the Organization and the DRPA. At December 31, 2011 the agreement was pending execution by both parties. The grant is expected to be released in 2012 and will be recognized as of the execution date of the agreement per the mutually agreed expenditure guidelines.

On June 6, 2012, the company entered into a financing agreement for a loan in the amount of \$2,625,000 in relation to their planned expansion of the warehouse and office facilities. The financing agreement is for a Construction Loan expiring twelve months from the closing date at the Wall Street Journal Prime Rate. In addition, the agreement covers the conversion of the Construction Loan to a Permanent Loan with a term of ten years at a fixed interest rate of 4.25% for five years at which time there will be an adjustment to a new fixed interest rate equal to the Federal Home Loan Bank five year advance rate at the time plus 275 basis points. Certain conversion conditions and financial covenants will be applicable.

Subsequent events were evaluated by management through June 11, 2012, which is the date the financial statements were available to be issued.

14. 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. Failure to fulfill the conditions of the grants could result in the return of funds to the grantor. Management deems the contingency remote and believes that it has complied with the conditions of the grants.



**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
Food Bank of South Jersey, Inc.

We have audited the financial statements of the Food Bank of South Jersey, Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated June 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Food Bank of South Jersey, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank of South Jersey, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Food Bank of South Jersey, Inc.'s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank of South Jersey, Inc.'s financial statements are free of 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*.

We noted certain matters that we reported to management of Food Bank of South Jersey, Inc. in a separate letter dated June 11, 2012.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gold Gerstein Group LLC

GOLD GERSTEIN GROUP LLC
Certified Public Accountants
Moorestown, New Jersey

June 11, 2012



**Independent Auditor's Report on Compliance With Requirements That Could Have A
Direct and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133 and NJ OMB 04-04**

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

Compliance

We have audited Food Bank of South Jersey, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *NJ State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of Food Bank of South Jersey, Inc.'s major federal and state programs for the year ended December 31, 2011. Food Bank of South Jersey, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Food Bank of South Jersey, Inc.'s management. Our responsibility is to express an opinion on Food Bank of South Jersey, Inc.'s compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and NJ OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments*. Those standards, OMB Circular A-133 and NJ OMB 04-04, 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 and state program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Food Bank of South Jersey, Inc.'s compliance with those requirements.

In our opinion, Food Bank of South Jersey, Inc. complied, in all material respects, with the 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, 2011.



Internal Control over Compliance

Management of Food Bank of South Jersey, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Food Bank of South Jersey, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal and state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB 04-04, 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gold Gerstein Group LLC

GOLD GERSTEIN GROUP LLC
Certified Public Accountants
Moorestown, New Jersey

June 11, 2012

Food Bank of South Jersey, Inc.

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Summary of Auditor's Results:

The auditor's report expresses an unqualified opinion on the financial statements of the Food Bank of South Jersey, Inc.

There were no material weaknesses in internal control over financial reporting identified by the audit of the financial statements.

There were no significant deficiencies in internal control over financial reporting identified by the audit of the financial statements.

There were no instances of noncompliance material to the financial statements of the Food Bank of South Jersey, Inc. that were disclosed during the audit.

There were no material weaknesses in internal control over major programs identified by the audit.

There were no significant deficiencies in internal control over major programs disclosed by the audit.

The auditor's report issued on compliance for the major programs for the Food Bank of South Jersey, Inc. expresses an unqualified opinion on compliance over major programs.

There were no audit findings.

The programs tested as major programs included:

Federal

The Emergency Food Assistance Program – Food Commodities (CFDA#10.569) and
The Emergency Food Assistance Program – Administrative Costs (CFDA#10.568)

These programs of the U.S. Department of Agriculture were identified as a Program Cluster by the OMB A-133 Compliance Supplement and are considered one major program.

State

State Food Purchase Program and Administrative Program NJ CFS#100-10-3350-064-055020

The threshold for distinguishing Types A and B programs was \$300,000. There were 3 federal and 2 state Type B programs.

The Food Bank of South Jersey, Inc. qualified as a low-risk auditee.

Food Bank of South Jersey, Inc.

**Schedule of Findings and
Questioned Costs**

For the year ended December 31, 2011

Findings – Financial Statement

None for 2011.

Findings and Questioned Costs – Major Federal and State Award Programs Audit

None for 2011.

Summary of Prior Audit Findings

No findings in prior year.

Food Bank of South Jersey, Inc.

**Combined Schedule of Expenditures
of Federal and State Awards**

For the year ended December 31, 2011

Federal Awards Expended

Department	CFDA#	Expenditures
U.S. Department of Agriculture:		
Pass-through programs from:		
NJ Department of Agriculture:		
Child and Adult Care Food Program	10.558	\$ 6,159
Summer Food Service Program for Children	10.559	8,382
Commodity Supplemental Food Program	10.565	110,434
The Emergency Food Assistance Program-		
Administrative Costs	10.568	214,650
The Emergency Food Assistance Program-		
Food Commodities	10.569	<u>3,794,030</u>

Total expenditures of federal awards \$4,133,655

Note: Amounts expended under CFDA #10.569 and 10.565 represent non-cash food commodities.

State Awards Expended

Department	State Program#	Grant#	Expenditures
NJ Department of Agriculture:	100-010-3350-064-		
Direct program:	055020		
10/11 State Food Purchase Program			437,597
11/12 State Food Purchase Program			406,444
Administrative Program			93,149
NJ Department of Community Affairs:			
Direct program:			
Supplemental Shelter Support	021480	01-1210-00	35,004
NJ Department of Human Services			
Direct program:			
Social Services Block Grant		08BIDS	<u>43,859</u>

Total expenditures of state awards \$1,016,053

See accompanying notes.

Food Bank of South Jersey, Inc.

Notes to the Combined Schedule of Expenditures of Federal and State Awards

For the year ended December 31, 2011

Note A. Basis of Presentation

The accompanying combined schedule of expenditures of federal and state awards includes the federal and state grant activity of the Food Bank of South Jersey, Inc. under programs of the federal and state government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments*. Because the Schedule presents only a selected portion of the operations of Food Bank of South Jersey, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Food Bank of South Jersey, Inc.

Note B. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- (2) Pass-through entity identifying numbers are presented where available.

Note C. Subrecipients

Of the major federal and state program expenditures presented in the schedule, Food Bank of South Jersey, Inc. provided federal and state awards of food commodities to subrecipient 501(c)(3) organizations, that qualify as Local Distributing Agencies (LDA's) as per NJ Dept. of Agriculture guidelines, in the amount of \$4,638,071.

Note D. Food Donations

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed.