



COMMUNITY FOOD BANK OF NEW JERSEY, INC.

Financial Statements

June 30, 2017 and 2016

With Independent Auditors' Reports

Community Food Bank of New Jersey, Inc.
June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Community Food Bank of New Jersey, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Community Food Bank of New Jersey, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditors' 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. Those standards require that we plan and perform the audits 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 auditors' 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 Community Food Bank of New Jersey, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



November 15, 2017

Community Food Bank of New Jersey, Inc.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 986,496	\$ 910,568
Accounts receivable, net of allowance for uncollectible accounts of \$184,031 and \$174,361 at June 30, 2017 2016, respectively	695,416	832,499
Pledges receivable	60,000	--
Due from State of New Jersey	149,647	61,745
Inventory - donated	5,602,469	6,235,528
Inventory - purchased	300,254	1,111,978
Prepaid expense	55,625	76,500
Investments	9,235,165	6,402,340
Assets whose use is restricted to capital expansion		
Pledges receivable, net of allowance for uncollectible accounts of \$-0- and \$49,242 at June 30, 2017 and 2016, respectively.	--	448,915
Property and equipment, net	<u>12,259,560</u>	<u>14,620,460</u>
 Total assets	 <u>\$ 29,344,632</u>	 <u>\$ 30,700,533</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,708,149	\$ 1,787,863
Loan payable	517,176	632,378
Deferred income	<u>520,940</u>	<u>1,272,766</u>
Total liabilities	2,746,265	3,693,007
Net assets		
Unrestricted	25,420,545	25,418,266
Temporarily restricted	1,162,822	1,574,260
Permanently restricted	<u>15,000</u>	<u>15,000</u>
Total net assets	<u>26,598,367</u>	<u>27,007,526</u>
	 <u>\$ 29,344,632</u>	 <u>\$ 30,700,533</u>

The Notes to Financial Statements are an integral part of these statements.

Community Food Bank of New Jersey, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2017 and 2016

	2017	2016
Unrestricted revenue and support		
Contributions and grants	\$ 12,681,768	\$ 10,467,068
Donated food and commodities	82,644,093	73,311,933
Donated clothing and school supplies/furniture income	--	1,150,041
Agency handling fees and food purchase fees	2,085,923	2,685,008
Government grant and contract revenue	7,207,193	6,309,615
Miscellaneous income	590,624	599,420
Net assets released from restrictions	<u>1,332,829</u>	<u>2,420,283</u>
	106,542,430	96,943,368
Expenses		
Program services	104,140,742	95,584,981
Management and general	3,002,053	3,072,845
Development	<u>2,423,851</u>	<u>1,831,761</u>
	<u>109,566,646</u>	<u>100,489,587</u>
Operating loss	(3,024,216)	(3,546,219)
Nonoperating revenues		
Investment income (loss)	567,096	(208,923)
Special events, net	400,095	180,122
Gain on sale of property	1,723,137	--
Net assets released from restrictions	<u>336,167</u>	<u>100,674</u>
	<u>3,026,495</u>	<u>71,873</u>
Change in unrestricted net assets	2,279	(3,474,346)
Temporarily restricted revenue and support		
Contributions and grants	1,257,558	1,308,137
Net assets released from restrictions	<u>(1,310,307)</u>	<u>(1,620,957)</u>
	(52,749)	(312,820)
Temporarily restricted nonoperating revenues		
Contributions - capital campaign	--	96,397
Net assets released from restrictions	<u>(358,689)</u>	<u>(900,000)</u>
	<u>(358,689)</u>	<u>(803,603)</u>
Decrease in temporarily restricted net assets	<u>(411,438)</u>	<u>(1,116,423)</u>
Changes in net assets	(409,159)	(4,590,769)
Net assets, beginning of year	<u>27,007,526</u>	<u>31,598,295</u>
Net assets, end of year	<u>\$ 26,598,367</u>	<u>\$ 27,007,526</u>

The Notes to Financial Statements are an integral part of these statements.

Community Food Bank of New Jersey, Inc.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Changes in net assets	\$ (409,159)	\$ (4,590,769)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Donated food inventory on hand	633,059	43,988
Realized gain on investments	(15,580)	(77,913)
Unrealized (gain) loss on investments	(446,023)	430,108
Depreciation expense	1,305,252	1,374,857
Net present value adjustment	--	(80,639)
Gain on sale of property	(1,723,137)	--
Change in assets and liabilities		
Accounts receivable	137,083	(146,409)
Due from State of New Jersey	(87,902)	(12,786)
Inventory - purchased food	811,724	(32,519)
Prepaid expense	20,875	96,278
Contributions receivable	388,915	864,252
Accounts payable and accrued expenses	(79,714)	(222,603)
Deferred income	<u>(751,826)</u>	<u>(71,791)</u>
Net cash used by operating activities	(216,433)	(2,425,946)
Cash flows from investing activities		
Purchase of property and equipment	(560,990)	(1,122,171)
Proceeds from sale of property	3,339,775	--
Proceeds from sale of investments	3,264,302	6,435,693
Purchase of investments	<u>(5,635,524)</u>	<u>(2,245,431)</u>
Net cash provided by investing activities	407,563	3,068,091
Cash flows from financing activities		
Repayment of loan payable	<u>(115,202)</u>	<u>(32,622)</u>
Net cash used by financing activities	<u>(115,202)</u>	<u>(32,622)</u>
Net change in cash and cash equivalents	75,928	609,523
Cash and cash equivalents		
Beginning of year	<u>910,568</u>	<u>301,045</u>
End of year	<u>\$ 986,496</u>	<u>\$ 910,568</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 39,962</u>	<u>\$ 8,163</u>
Non-cash transactions		
Purchase of property and equipment	\$ --	\$ (640,000)
Reduction of loan payable	<u>--</u>	<u>640,000</u>
	<u>\$ --</u>	<u>\$ --</u>

The Notes to Financial Statements are an integral part of these statements.

Community Food Bank of New Jersey, Inc.
Statements of Functional Expenses
Years Ended June 30, 2017 and 2016

	2017				2016			
	Program Expenses	Management and General	Development Expenses	Total	Program Expenses	Management and General	Development Expenses	Total
Personnel	\$ 6,746,920	\$ 1,619,261	\$ 629,713	\$ 8,995,894	\$ 6,947,326	\$ 1,667,358	\$ 648,417	\$ 9,263,101
Fringe benefits	2,438,555	585,253	227,598	3,251,406	2,476,054	594,253	231,098	3,301,405
Professional fees	545,285	123,394	--	668,679	377,707	123,394	--	501,101
Occupancy	526,286	126,309	49,120	701,715	481,472	115,553	44,937	641,962
Supplies	155,326	81,361	9,862	246,549	166,766	87,354	10,588	264,708
Telephone	102,015	19,665	1,229	122,909	99,463	19,173	1,198	119,834
Postage and shipping	8,229	6,270	24,688	39,187	29,584	22,540	88,753	140,877
Printing and publications	58,661	--	295	58,956	151,213	--	760	151,973
Insurance	82,160	9,129	--	91,289	131,210	14,579	--	145,789
Repairs and maintenance	357,610	--	--	357,610	547,768	--	--	547,768
Transportation	777,511	--	--	777,511	833,343	--	--	833,343
Travel	2,236	30,849	11,624	44,709	2,888	39,858	15,019	57,765
Conferences	10,206	30,617	--	40,823	16,963	50,891	--	67,854
Food and food commodities distributed	90,482,556	--	--	90,482,556	80,256,630	--	--	80,256,630
Kids clothing and supplies distributed	--	--	--	--	1,150,041	--	--	1,150,041
Other	183,928	--	--	183,928	152,660	--	--	152,660
Dues and subscriptions	52,421	2,779	389	55,589	57,605	3,054	428	61,087
Depreciation	978,939	234,945	91,368	1,305,252	1,031,143	247,474	96,240	1,374,857
Direct marketing expenses	173,128	--	1,377,965	1,551,093	8,900	--	694,323	703,223
Grant expense	458,770	--	--	458,770	666,245	--	--	666,245
Interest expense	--	39,962	--	39,962	--	8,163	--	8,163
Other administrative expenses	--	92,259	--	92,259	--	79,201	--	79,201
	<u>\$ 104,140,742</u>	<u>\$ 3,002,053</u>	<u>\$ 2,423,851</u>	<u>\$ 109,566,646</u>	<u>\$ 95,584,981</u>	<u>\$ 3,072,845</u>	<u>\$ 1,831,761</u>	<u>\$ 100,489,587</u>

The Notes to Financial Statements are an integral part of these statements.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

1. ORGANIZATION AND OPERATIONS

Community Food Bank of New Jersey, Inc. (the "Food Bank") was incorporated in the State of New Jersey pursuant to the Not-for-Profit Corporation Law in August 1982. The Food Bank was organized to solicit, collect, warehouse and distribute surplus and donated food products, clothing and food supplies to qualified, tax-exempt organizations in New Jersey, which provide free food to the poor, the elderly, the ill, the needy and children. During the years ended June 30, 2017 and 2016, the Food Bank distributed approximately 50 million and 43 million pounds of food, respectively, to the area they serve. In addition, the Food Bank offers job training in the food service industry to low income people in need of marketable skills.

The mission of the Food Bank is to fight hunger and poverty by the distribution of food and grocery products, education and training, creating model programs and involving all sectors of society in this battle. Significant revenues are received from contributions and donations of food.

As the state's largest anti-hunger organization, the Food Bank's programs reach hard-working men and women struggling to make ends meet, as well as children, seniors, veterans and people with disabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. For the years ended June 30, 2017 and 2016, the Food Bank had accounting transactions in the unrestricted net asset category, which represents net assets that are not subject to donor imposed restriction, the temporarily restricted net asset category, which represents net assets that are subject to donor-imposed time or purpose restrictions and the permanently restricted net asset category which represents net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise resolved by actions of the Food Bank.

Measure of Operations

The accompanying statements of activities and changes in net assets distinguish between operating and non-operating activities. Operating activities principally include all revenues and expenses that are an integral part of the Food Bank programs and supporting activities. Non-operating activities principally include investment income and revenues and expense related to special events and capital campaign and other activities considered to be of an unusual or nonrecurring nature.

Revenue and Support Recognition

Contributions

Contributions are reported as revenue when they are received or unconditionally pledged and are recorded as unrestricted or restricted support according to donor stipulations if the related assets are limited by donor-imposed time or purpose restrictions. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Conditional pledges are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are reflected at the present value of estimated future cash flows using a discount rate of 4 percent for contributions made in the fiscal year. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Additional revenues are obtained from various fundraising projects and public contributions. These revenues are not restricted in their use and are used to offset management and general expenses and client expenses which are not funded by contract budgets. Revenues from these sources are recognized at the time the allocation or donation is received.

Inventory of Donated Food and Commodities and Purchased Food

The value of donated food and commodities is determined using an average wholesale cost per pound, which is based on an annual study prepared by Feeding America, the national organization of food banks nationwide. The average cost per pound is then adjusted for a regional cost factor. Food that has been donated but not distributed is shown as inventory in the statements of financial position. Donated food and commodities that have been distributed are shown in the statements of activities and changes in net assets as donated food distributed. Distributed food is released from inventory at the fair value on the date of distribution. Due to normally short periods between receipt of food donations and their subsequent distribution the fair value on the date of receipt generally approximates the fair value on the date of distribution. Purchased food that is distributed is valued at cost with the resulting expense upon distribution also being recorded at cost due to the relatively short time frame between purchase and distribution.

Contract and Grant Revenue

The Food Bank generally accounts for contract and grant revenues as exchange transactions in the statements of activities and changes in net assets. Grant revenue under these contracts is recognized to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each program are used as guidance. Unexpended contract funds are recorded as program liabilities at the end of the contract period. Funds received in advance of their use are accounted for as deferred revenue in the statements of financial position.

Donated Clothing and Supplies

Donations of clothing and school supplies received and donated during the year are recorded at the estimated fair value and are shown as unrestricted support. This program was discontinued during the year ended June 30, 2016.

Agency Handling Fees and Food Purchase Fees

Agency handling fees are charged for the delivery of purchased or donated food to agencies and is recorded at the time the delivery has occurred. Agency handling fees are not charged on the delivery of governmental food donations. Food purchase fees are charged to the agencies for food purchased by the Food Bank and are based on the cost of the food plus a percentage markup over cost. The food purchase fees are recorded as revenue at the time the purchase is made. These fees are shown as unrestricted support in the statements of activities and changes in net assets.

Donated Services

The Food Bank also receives significant donated services from volunteers, officers and directors and affiliated organizations to support operations, fundraising and administrative efforts. The value of these donated services is not included in these financial statements as they do not meet the criteria for recognition under not for profit accounting standards.

Valuation of Long-Lived Assets

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Food Bank reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Assets Whose Use is Limited

Assets whose use is limited for capital expansion is comprised of contributions receivable related to a capital campaign that is to be used for the acquisition of new space, facilities, equipment and renovations.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Fair Value of Financial Instruments

The carrying amounts of financial instruments including, accounts receivable, short term contribution receivables, accounts payable and accrued expenses, and deposits payable approximate their fair values because of the relatively short maturity of these instruments.

Cash and Cash Equivalents

Cash and cash equivalents include funds held in money market accounts and other instruments with a maturity of three months or less at the time of acquisition.

Income Taxes

The Food Bank is a not-for-profit organization exempt from Federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and from New Jersey State income taxes under applicable state law. Accordingly, no provision for Federal or state income taxes has been recorded in the statements of activities and changes in net assets. Management has determined that there are no uncertain tax positions at the Food Bank as of June 30, 2017 and 2016. The Food Bank has no income tax related penalties or interest for the periods reported in these financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. There were significant estimates recorded in these financial statements for the value of donated food and commodity inventories and revenues for donations received and the associated value of food and supplies that were distributed.

Investments

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the statements of financial position. Donated investments are recorded at the fair value at the date of receipt. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

Receivables and Credit Policies

In the normal course of business the Food Bank extends credit directly to agencies, after a credit analysis based on financial and other criteria, and generally requires no collateral. The Food Bank reviews the receivables and has established an allowance for uncollectible accounts.

Functional Allocation of Expenses

The cost of providing the various programs which include food distribution and other ancillary programs of the Food Bank has been shown in the statements of functional expenses. The smaller related programs have not been shown separately because none of the programs are individually significant in relation to the food distribution program. Certain costs have been allocated between program and supporting services, using direct salaries as an allocation base.

Property and Equipment

Property and equipment purchases are recorded at cost, except for donated items which are recorded at their fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

The principal rates for computing depreciation by major asset category are as follows:

Description	Estimate Life (Years)
Buildings and improvements	27-30
Furniture and fixtures	5
Transportation equipment	5
Computer equipment	5

3. NEW ACCOUNTING PRONOUNCEMENTS

In August 2016 the FASB issued ASU 2016-14 – Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 (the “ASU”) underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor’s restrictions at the time the asset is placed in service. In addition to the above disclosures the ASU changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns.

In August 2017 the FASB issued Proposed Accounting Standards Update (“ASU”), *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there seems to be diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This proposed ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date upon issuance would be for fiscal years ending in 2019.

Management is evaluating the impact these ASUs will have on its financial statements.

4. PLEDGES RECEIVABLE

At June 30, pledges receivable which include both those with no purpose restrictions and assets whose use is restricted to capital campaign, consist of the following:

	2017	2016
Total receivables	\$ 60,000	\$ 498,157
Allowance for uncollectible amounts	--	(49,242)
Pledges receivable, net	60,000	448,915
Current portion	30,000	448,915
Pledges receivable, long term	\$ 30,000	\$ --

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

5. FAIR VALUE

The Food Bank has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The Food Bank values such assets (liabilities) using quoted market prices in active markets (Level 1) for identical assets to the extent possible. To the extent that such market prices are not available, the Food Bank attempts to value such assets (liabilities) using observable measurement criteria, including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Food Bank develops measurement criteria based on the best information available (Level 3).

The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of June 30, 2017 and 2016, along with the basis for the determination of fair value as follows:

	2017			
	Total	Quoted Prices in Active Markets Level 1	Observable Measurement Criteria Level 2	Unobservable Measurement Criteria Level 3
Money market funds	\$ 1,075,988	\$ --	\$ 1,075,988	\$ --
Fixed income mutual funds				
High yield fund	750,637	750,637	--	--
Government/corporate fixed income				
AAA - A- ratings	1,443,868	--	1,443,868	--
BBB - B- ratings	520,785	--	520,785	--
All other ratings or non-rated	74,597	--	74,597	--
Equities - by sector				
Information technology	339,833	339,833	--	--
Financials	188,200	188,200	--	--
Consumer discretionary	233,384	233,384	--	--
Industrials	225,733	225,733	--	--
Health care	240,420	240,420	--	--
Energy	47,149	47,149	--	--
Consumer staples	110,359	110,359	--	--
Materials	62,355	62,355	--	--
Utilities	31,056	31,056	--	--
Real estate	14,037	14,037	--	--
Telecommunication services	9,131	9,131	--	--
Other	3,609,817	3,609,817	--	--
	<u>8,977,349</u>	<u>\$ 5,862,111</u>	<u>\$ 3,115,238</u>	<u>\$ --</u>
Investments measured at NAV	257,816			
	<u>\$ 9,235,165</u>			

Community Food Bank of New Jersey, Inc.
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	2016			
	Total	Quoted Prices in Active Markets Level 1	Observable Measurement Criteria Level 2	Unobservable Measurement Criteria Level 3
Money market funds	\$ 57,988	\$ --	\$ 57,988	\$ --
Fixed income mutual funds				
High yield fund	601,910	601,910	--	--
Government/corporate fixed income				
AAA - A- ratings	1,219,725	--	1,219,725	--
BBB - B- ratings	406,377	--	406,377	--
Equities - by sector				
Information technology	373,102	373,102	--	--
Financials	203,445	203,445	--	--
Consumer discretionary	190,718	190,718	--	--
Industrials	136,253	136,253	--	--
Health care	271,783	271,783	--	--
Energy	88,197	88,197	--	--
Consumer staples	97,535	97,535	--	--
Materials	53,872	53,872	--	--
Utilities	37,279	37,279	--	--
Telecommunication services	37,835	37,835	--	--
Other	2,390,388	2,390,388	--	--
	<u>6,166,407</u>	<u>\$ 4,482,317</u>	<u>\$ 1,684,090</u>	<u>\$ --</u>
Investments measured at NAV	235,933			
	<u>\$ 6,402,340</u>			

The following table presents the Food Bank's investments with a reported NAV at June 30, 2017 and 2016:

	2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Funds held by Community Foundation	<u>\$ 257,816</u>	<u>\$ 235,933</u>	N/A	N/A	None

Pooled funds held by Community Foundation are valued at the NAV as reported by the Community Foundation. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair values of the underlying investments held by each fund, less its liabilities.

Investment income (loss) related to these investments at June 30, was comprised of the following:

	2017	2016
Interest and dividend income	\$ 137,393	\$ 208,306
Realized gain	15,580	77,913
Unrealized gain (loss)	446,023	(430,108)
Advisory fees	(31,900)	(65,034)
	<u>\$ 567,096</u>	<u>\$ (208,923)</u>

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, consist of the following:

	2017	2016
Land and improvements	\$ 1,735,628	\$ 1,735,628
Building and improvements	14,640,822	16,314,349
Furniture and fixtures	2,513,230	2,376,896
Transporation equipment	4,059,925	3,978,057
Computer equipment	841,037	803,856
Construction in progress	<u>134,395</u>	<u>199,871</u>
	23,925,037	25,408,657
Less: Accumulated depreciation	<u>11,665,477</u>	<u>10,788,197</u>
	<u>\$ 12,259,560</u>	<u>\$ 14,620,460</u>

Depreciation expense amounted to \$1,305,252 and \$1,374,857 in 2017 and 2016, respectively.

During the year ended June 30, 2017, the Food Bank sold a piece of property resulting in a gain on sale of \$1,723,137 as shown in the statements of activities and changes in net assets.

7. CONCENTRATION OF CREDIT RISK

The Food Bank's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, accounts receivable and contributions receivable. At times during the years, cash of the Food Bank deposited in financial institutions exceeds the FDIC limit. The management of the Food Bank deposits cash funds in high quality institutions to lessen the amount of uninsured exposure. Cash equivalents and investments are in high-quality, securities. Although subject to market fluctuations this investment policy somewhat limits the Food Bank's exposure to concentrations of credit risk. The Food Bank has a long standing history of collecting its receivables which are from various individuals, agencies, corporations and foundations. An allowance for uncollectible accounts is recorded in the financial statements for amounts considered uncollectible which limits the Food Bank's exposure to credit risk.

The Food Bank received 18 and 24 percent of its revenue, from the U.S. Department of Agriculture in the form of food commodities and funding for handling fees for the years ended June 30, 2017 and 2016, respectively. The receivable from the U.S. Department of Agriculture at June 30, 2017 and 2016 comprised 48 and 32 percent, respectively of total receivables. Additionally, the Food Bank received significant donations of food and supplies from four outside donors that approximated 10 percent of revenue for the year ended June 30, 2017 and two donors that approximated 11 percent of revenue for the year ended June 30, 2016.

Approximately 100 and 96 percent of contributions receivable at June 30, 2017 and 2016, respectively, are from one donor.

8. RETIREMENT PLANS

The Food Bank sponsors retirement plans for eligible employees in accordance with Sections 401(k) and 403(b) of the Internal Revenue Code.

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The Food Bank maintains a defined contribution 401(k) pension plan that allows for discretionary employer contributions that are determined annually. The Plan excludes employees that are covered by a collective bargaining agreement. As of June 30, 2017 and 2016, the Food Bank had no employees subject to a collective bargaining agreement. For each of the plan years ended June 30, 2017 and 2016, the discretionary contribution rate was 4 percent of eligible employee salaries. The Food Bank's contributions to this plan for 2017 and 2016 including the matching and discretionary profit sharing contributions were \$341,211 and \$400,280, respectively and are included in the fringe benefits expense line in the statements of functional expenses. It is the Food Bank's policy to fund the plan currently.

In addition, the Food Bank maintains a cash deferral plan 403(b) for eligible employees. Employees may make voluntary contributions not to exceed the amount specified by law. There are no matching contributions to this plan.

In July 2009 an unfunded deferred compensation plan was established for an employee of the Food Bank. Under the terms of the agreement, the Food Bank accrued \$10,000 annually through July 2016. Additionally, a discretionary contribution can also be added to the account at the direction of the Board of Directors of the Food Bank. The agreement requires interest at 4 percent, which is subject to change upon written notice to the participant. The plan expense for the years ended June 30, 2017 and 2016, was \$-0- and \$33,371, respectively and is included in the fringe benefits expense line in the statements of functional expenses. The payable for this deferred compensation agreement was fully funded and paid out during the year ended June 30, 2017.

9. LOAN PAYABLE

In April 2016, the Food Bank entered into a loan payable agreement for the purchase of two buildings with the seller of the properties. The loan payable, which is secured by the properties, bears interest at a rate of 6.5 percent maturing May 1, 2026. The Food Bank will make monthly payments \$7,267 of principal and interest due on the first of every month commencing on June 1, 2016. During the year ended June 30, 2017, an additional \$75,000 principal reduction was provided by the seller to offset expenses paid by the Food Bank, as part of the original sales contract. The loan balance was \$517,176 and \$632,378 at June 30, 2017 and 2016, respectively.

Maturities of the loan payable are as follows:

2018 - \$55,457; 2019 - \$59,171; 2020 - \$63,134; 2021 - \$67,362; 2022 - \$71,873 and thereafter - \$200,179.

10. NET ASSETS

Components of temporarily restricted net assets at June 30, are as follows:

	2017	2016
Family feeding program	\$ 245,687	\$ 135,848
Equipment	36,000	--
Kids division programs	10,000	--
Capital projects	619,140	943,308
Agencies	171,995	--
Time restriction - other	80,000	120,000
Time restriction - capital campaign	--	375,104
	<u>\$ 1,162,822</u>	<u>\$ 1,574,260</u>

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Net assets were released from restrictions for the years ended June 30, as follows:

	2017	2016
Family feeding program	\$ 465,480	\$ 770,492
Equipment	--	47,481
Food service training	343,683	325,550
Kids division programs	114,952	276,354
Capital projects	336,167	100,674
Atlantic City relief	--	49,096
Other	10,025	11,310
Time restriction	<u>398,689</u>	<u>940,000</u>
	<u>\$ 1,668,996</u>	<u>\$ 2,520,957</u>

Permanently restricted net assets consist of an endowment fund, the income from which can be used to defray operating expenses. The contribution has been recorded as a permanently restricted net asset as the principal must be maintained in perpetuity. The Board of Directors has interpreted the law related to the investment and management of endowment funds as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary. All earnings of the fund were appropriated for expenditures in 2017 and 2016.

11. SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events occurring after the statement of financial position date through the date of November 15, 2017, which is the date the financial statements were available to be issued. Based upon this evaluation, the Food Bank has determined that no subsequent events have occurred, which require disclosure in or adjustment to the financial statements.