



COMMUNITY FOOD BANK OF NEW JERSEY, INC.

Financial Statements

June 30, 2018

With Independent Auditors' Reports

Community Food Bank of New Jersey, Inc.
June 30, 2018

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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. (the "Food Bank"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Food Bank'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 Food Bank'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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2018, the Food Bank adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Withum Smith & Brown, PC

November 30, 2018

Community Food Bank of New Jersey, Inc.
Statement of Financial Position
June 30, 2018

Assets

Cash and cash equivalents	\$ 2,738,775
Accounts receivable, net of allowance for uncollectible accounts of \$284,436	1,302,043
Pledges receivable, net	1,612,990
Due from State of New Jersey	91,068
Inventory - donated	4,020,805
Inventory - purchased	379,483
Prepaid expense	80,084
Investments	8,331,098
Property and equipment, net	<u>11,373,593</u>
 Total assets	 <u>\$ 29,929,939</u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 2,293,312
Loan payable	470,438
Deferred income	<u>849,539</u>
Total liabilities	3,613,289
 Net assets	
Without donor restrictions	23,470,349
With donor restrictions	<u>2,846,301</u>
Total net assets	<u>26,316,650</u>
 Total liabilities and net assets	 <u>\$ 29,929,939</u>

The Notes to Financial Statements are an integral part of this statement.

Community Food Bank of New Jersey, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support with no donor restrictions			
Contributions and grants	\$ 13,606,293	\$ 3,183,957	\$ 16,790,250
Donated food and commodities	61,782,566	--	61,782,566
Agency handling fees and food purchase fees	2,096,893	--	2,096,893
Special events, net	1,215,020	--	1,215,020
Government grant and contract revenue	6,816,109	--	6,816,109
Investment income	473,026	--	473,026
Miscellaneous income	193,237	--	193,237
Loss on sale of property	(7,127)	--	(7,127)
Net assets released from restrictions	<u>1,515,478</u>	<u>(1,515,478)</u>	<u>--</u>
	87,691,495	1,668,479	89,359,974
Expenses			
Program services	82,743,844	--	82,743,844
Management and general	3,641,629	--	3,641,629
Development	<u>3,256,218</u>	<u>--</u>	<u>3,256,218</u>
	<u>89,641,691</u>	<u>--</u>	<u>89,641,691</u>
Changes in net assets	(1,950,196)	1,668,479	(281,717)
Net assets, beginning of year	<u>25,420,545</u>	<u>1,177,822</u>	<u>26,598,367</u>
Net assets, end of year	<u>\$ 23,470,349</u>	<u>\$ 2,846,301</u>	<u>\$ 26,316,650</u>

The Notes to Financial Statements are an integral part of this statement.

Community Food Bank of New Jersey, Inc.
Statement of Cash Flows
Year Ended June 30, 2018

	2018
Cash flows from operating activities	
Changes in net assets	\$ (281,717)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Donated food inventory on hand	1,581,664
Realized gain on investments	(427,594)
Unrealized loss on investments	123,028
Depreciation expense	1,125,652
Bad debt expense	101,362
Net present value adjustment	77,600
Loss on sale of property	7,127
Change in assets and liabilities	
Accounts receivable	(707,989)
Pledges receivable	(1,630,590)
Due from State of New Jersey	58,579
Inventory - purchased food	(79,229)
Prepaid expense	(24,459)
Accounts payable and accrued expenses	585,163
Deferred income	328,599
Net cash provided by operating activities	<u>837,196</u>
Cash flows from investing activities	
Purchase of property and equipment	(246,812)
Proceeds from sale of investments	4,322,160
Purchase of investments	<u>(3,113,527)</u>
Net cash provided by investing activities	961,821
Cash flows from financing activities	
Repayment of loan payable	<u>(46,738)</u>
Net cash used by financing activities	<u>(46,738)</u>
Net change in cash and cash equivalents	1,752,279
Cash and cash equivalents	
Beginning of year	<u>986,496</u>
End of year	<u><u>\$ 2,738,775</u></u>
Supplemental disclosure of cash flow information	
Interest paid	<u>\$ 31,645</u>
Non-cash transactions	
Inventory of donated product	\$ 1,581,664
Donated inventory revenue	<u>(1,581,664)</u>
Cash used	<u><u>\$ --</u></u>

The Notes to Financial Statements are an integral part of this statement.

Community Food Bank of New Jersey, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Expenses	Management and General	Development Expenses	Total
Personnel	\$ 5,670,488	\$ 1,318,018	\$ 1,290,283	\$ 8,278,789
Fringe benefits	1,905,080	442,133	433,206	2,780,419
Temporary labor	85,277	355,403	17,240	457,920
Total salaries and related costs	7,660,845	2,115,554	1,740,729	11,517,128
Professional fees	43,803	633,359	20,796	697,958
Occupancy	733,196	29,873	11,031	774,100
Supplies	343,205	20,039	36,213	399,457
Insurance	54,194	30,888	821	85,903
Equipment expense	193,715	2,115	1,880	197,710
Transportation	430,992	46,147	3,705	480,844
Printing and postage	8,912	15,339	37,127	61,378
Technology	805,767	100,676	92,927	999,370
Advertising	--	18,049	--	18,049
Food and food commodities distributed	70,934,816	--	--	70,934,816
Dues and subscriptions	35,328	27,291	18,597	81,216
Depreciation	1,100,976	13,064	11,612	1,125,652
Direct marketing expenses	--	--	1,246,187	1,246,187
Grant expense	307,920	--	--	307,920
Interest expense	679	30,966	--	31,645
Bank fee	55	24,861	2,276	27,192
Staff support expenses	65,403	243,835	18,613	327,851
Bad debt expense	--	101,362	--	101,362
Other administrative expenses	24,038	188,211	13,704	225,953
	<u>\$ 82,743,844</u>	<u>\$ 3,641,629</u>	<u>\$ 3,256,218</u>	<u>\$ 89,641,691</u>

The Notes to Financial Statements are an integral part of this statement.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2018

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 year ended June 30, 2018, the Food Bank distributed approximately 56 million pounds of food to the area it serves. 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 New Jersey'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 Presentation

The financial statements of the Food Bank have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require it to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Food Bank. These net assets may be used at the discretion of the Food Bank's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by passage of time. When restrictions are satisfied they are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue and Support Recognition

Contributions

Contributions are reported as revenue when they are received or unconditionally pledged and are recorded as net assets with donor restrictions or net assets without donor restrictions according to donor stipulations if the related assets are limited by donor-imposed time or purpose restrictions.

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 .88 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.

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 Food Bank revised its estimate of the valuation of donated food and commodities. Previously, all food and commodities were valued using a 25 percent regional markup applied to the average wholesale cost per pound. The valuation of these inventory types now uses only the average wholesale cost per pound per the Feeding America study. This change was made to better standardize our valuation against a national benchmark used in valuing donated food and commodities. The impact of this change in the 2018 financials is that there is a 25 percent reduction in the value of inventory of donated food, donated food and commodities revenues and food and commodities distributed versus those same amounts in 2017. Food that has been donated but not distributed is shown as inventory in the statement of financial position. Donated food and commodities that have been distributed are shown in the statement 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 statement of financial position.

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 support with no donor restrictions in the statement 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 period presented in these financial statements.

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.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2018

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 statement 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, 2018. The Food Bank has no income tax related penalties or interest for the period 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 statement 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 statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions 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.

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.

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

Reclassifications

The Food Bank has changed the presentation of the statement of activities and changes in net assets to conform with the new standard and as a result has removed the operating measure within the format. Additionally, the presentation of the statement of functional expenses has changed to conform with the industry format utilized recommended for Food Banks by Feeding America. These reclassifications had no effect on net assets or the change in net assets.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2018

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 statement 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 on an equitable basis, as follows:

Expense	Method of Allocation
Personnel	Time and effort
Fringe benefits	Time and effort
Occupancy	Square footage
Telephone	Square footage
Insurance	Square footage
Repairs and maintenance	Square footage
Depreciation	Square footage

3. NEW ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

During 2018, the Food Bank adopted ASU 2016-14 – Not-for-profit entities (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of July 1, 2017 is as follows:

Net Assets Classifications	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 25,420,545	\$ --	\$ 25,420,545
Temporarily restricted	--	1,162,822	1,162,822
Permanently restricted	--	15,000	15,000
Net assets as previously presented	<u>\$ 25,420,545</u>	<u>\$ 1,177,822</u>	<u>\$ 26,598,367</u>

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2018

4. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

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 is 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 this ASU will have on its financial statements.

5. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2018, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial assets	
Cash and cash equivalents	\$ 2,738,775
Accounts receivable, net	1,302,043
Pledges receivable, net	1,612,990
Due from State of New Jersey	91,068
Prepaid expense	80,084
Investments	<u>8,331,098</u>
	14,156,058
Less: Financial assets unavailable for general expenditures	
Pledges receivable, long term	(832,400)
Net assets with donor restrictions	<u>(2,846,301)</u>
Total financial assets available within one year	<u>\$ 10,477,357</u>

The Food Bank is required to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in investments for long-term growth.

6. PLEDGES RECEIVABLE

At June 30, 2018, pledges receivable which include both those with no purpose restrictions and assets whose use is restricted to capital campaign, consist of the following:

Total receivables	\$ 1,690,590
Discount to present value	<u>(77,600)</u>
Pledges receivable, net	1,612,990
Current portion	<u>780,590</u>
Pledges receivable, long term	<u>\$ 832,400</u>

Pledges receivable, net are due as follows: 2019 - \$780,590; 2020 - \$211,200; 2021 - \$206,800; 2022 - \$87,400; 2023 - \$68,250 and thereafter - \$258,750.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2018

7. 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, 2018, along with the basis for the determination of fair value as follows:

	Total	Quoted Prices in Active Markets Level 1	Observable Measurement Criteria Level 2	Unobservable Measurement Criteria Level 3
Money market funds	\$ 716,108	\$ --	\$ 716,108	\$ --
Fixed income mutual funds				
High yield fund	542,299	542,299	--	--
Government/corporate fixed income				
AAA - A- ratings	1,456,436	--	1,456,436	--
BBB - B- ratings	538,871	--	538,871	--
All other ratings or non-rated	48,553	--	48,553	--
Equities - by sector				
Information technology	318,405	318,405	--	--
Financials	172,147	172,147	--	--
Consumer discretionary	139,688	139,688	--	--
Industrials	165,139	165,139	--	--
Health care	181,222	181,222	--	--
Energy	51,463	51,463	--	--
Consumer staples	64,456	64,456	--	--
Materials	30,491	30,491	--	--
Utilities	20,368	20,368	--	--
Real estate	14,968	14,968	--	--
Telecommunication services	11,591	11,591	--	--
Other	3,347,864	3,347,864	--	--
	<u>8,058,789</u>	<u>\$ 5,298,821</u>	<u>\$ 2,759,968</u>	<u>\$ --</u>
Investments measured at net asset value ("NAV")	272,309			
	<u>\$ 8,331,098</u>			

The following table presents the Food Bank's investments with a reported NAV at June 30, 2018:

	2018 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Funds held by Community Foundation	<u>\$ 272,309</u>	N/A	N/A	None

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2018

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 related to these investments at June 30, 2018, was comprised of the following:

Interest and dividend income	\$	214,473
Realized gain		427,594
Unrealized loss		(123,028)
Advisory fees		<u>(46,013)</u>
	\$	<u>473,026</u>

8. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018, consists of the following:

Land and improvements	\$	1,735,628
Building and improvements		14,738,394
Furniture and fixtures		1,555,663
Transportation equipment		4,119,925
Computer equipment		427,223
Construction in progress		<u>125,109</u>
		22,701,942
Less: Accumulated depreciation		<u>11,328,349</u>
	\$	<u>11,373,593</u>

Depreciation expense amounted to \$1,125,652 in 2018.

9. 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 year, 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 percent of its revenue, from the U.S. Department of Agriculture in the form of food commodities and funding for handling fees for the year ended June 30, 2018. The receivable from the U.S. Department of Agriculture at June 30, 2018 comprised 18 percent of total receivables. Additionally, the Food Bank received significant donations of food and supplies from four outside donors that approximated 21 percent of revenue for the year ended June 30, 2018.

Approximately 86 percent of pledges receivable at June 30, 2018 are due from two donors.

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2018

10. 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.

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, 2018 the Food Bank had no employees subject to a collective bargaining agreement. The Food Bank has the option to make an annual discretionary matching contribution each calendar year. For the plan year ended June 30, 2018, the discretionary contribution rate was 3 percent of eligible employee salaries. The Food Bank's contributions to this plan for 2018 including the matching and discretionary profit sharing contributions were \$332,364 and are included in the fringe benefits expense line in the statement 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.

11. 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 of \$7,267 of principal and interest due on the first of every month commencing on June 1, 2016. The loan balance was \$470,438 at June 30, 2018.

Maturities of the loan payable are as follows: 2019 - \$46,951; 2020 - \$50,127; 2021 - \$53,484; 2022 - \$57,066; 2023 - \$60,888 and thereafter - \$201,922.

12. NET ASSETS

Components of net assets with restrictions at June 30, 2018, are as follows:

Family feeding program	\$	95,834
Equipment		65,850
Food service training		449,423
Kids division programs		251,368
Capital projects		670,141
Farmers market		134,925
Agencies		24,281
Mobile pantries		100,000
Produce		25,000
SNAP		81,724
Other		162,855
Endowment		15,000
Time restriction - other		769,900
		<u>769,900</u>
	\$	<u>2,846,301</u>

Community Food Bank of New Jersey, Inc.
Notes to Financial Statements
June 30, 2018

Net assets were released from restrictions for the year ended June 30, 2018, as follows:

Equipment	\$	10,150
Food service training		456,977
Kids division programs		437,527
Capital projects		2,793
Farmers market		193,981
Agencies		170,719
Mobile pantries		10,718
Produce		13,265
SNAP		2,000
Diabetes		125,000
Diapers		10,000
Other		82,348
		<u>82,348</u>
	\$	<u>1,515,478</u>

Net assets include an endowment fund, the income from which can be used to defray operating expenses. 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 2018. The donor restricted "true" endowment has a historical gift value of \$15,000.

13. SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events occurring after the statement of financial position date through the date of November 30, 2018, 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.