Interfaith Food Pantry, Inc.
(a New Jersey non-profit corporation)

Financial Statements

December 31, 2012

(With Summarized Financial Information
For the Year Ended 2011)

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Interfaith Food Pantry, Inc.
Morris Plains, New Jersey

We have audited the accompanying financial statements of Interfaith Food Pantry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Food Pantry, Inc. as of December 31, 2012 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.

Report on Summarized Comparative Information

We have previously audited Interfaith Food Pantry, Inc.'s 2011 financial statements, and our report dated June 21, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Caristia, Kulsar & Wade, LLC

Sparta, NJ
June 25, 2013

Interfaith Food Pantry, Inc.
Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 768,837	$ 912,662
Pledges receivable, current portion	11,150	54,805
Grants receivable	-	11,349
Food inventory	180,937	257,667
Miscellaneous receivable	1,900	-
Prepaid expenses	10,008	17,759
Cash restricted to investment in property and equipment	21,341	25,000
Total current assets	994,173	1,279,242
Property and equipment, net of accumulated depreciation	2,568,228	2,626,461
Other assets		
Pledges receivable, net of current portion	16,000	31,449
Total other assets	16,000	31,449
Total Assets	$ 3,578,401	$ 3,937,152
Liabilities and Net Assets		
Current Liabilities		
Line of credit	$ -	$ 476,000
Capital lease payable, current portion	-	917
Accounts payable and accrued expenses	19,390	97,659
Deferred revenue	78,333	26,000
Total current liabilities	97,723	600,576
Total Liabilities	97,723	600,576
Net Assets		
Unrestricted		
Undesignated	410,172	403,448
Inventory	180,937	257,667
Property and equipment	2,568,228	2,150,461
Board designated funds	300,000	475,000
Total unrestricted net assets	3,459,337	3,286,576
Temporarily restricted	21,341	50,000
Total net assets	3,480,678	3,336,576
Total Net Assets	$ 3,578,401	$ 3,937,152

See independent auditors' report and accompanying notes to financial statements

Interfaith Food Pantry, Inc.
Statements of Activities
Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
In-kind donations - food	$ 1,586,631	$ -	$ 1,586,631	$ 1,762,963
Contributions				
Other	833,987	-	833,987	999,730
Special events	-	135,651	135,651	123,600
Fundraising revenue	78,443	-	78,443	74,950
Grant income	204,967	-	204,967	187,849
In-kind donations	-	-	-	255,328
Interest income	1,494	-	1,494	4,044
Net assets released from restrictions through satisfaction of program requirements	164,310	(164,310)	-	-
Total support and revenue	2,869,832	(28,659)	2,841,173	3,408,464
Functional Expenses				
Program services	2,338,254	-	2,338,254	2,381,355
Management and general	190,614	-	190,614	146,024
Fundraising and development	168,203	-	168,203	159,041
Total functional expenses	2,697,071	-	2,697,071	2,686,420
Changes in net assets	172,761	(28,659)	144,102	722,044
Net Assets, Beginning of Year	3,286,576	50,000	3,336,576	2,614,532
Net Assets, End of Year	$ 3,459,337	$ 21,341	$ 3,480,678	$ 3,336,576

Interfaith Food Pantry, Inc.
Statements of Functional Expenses
Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	2012				2011
	Program Services	Management and General	Fundraising and Development	Total	Total
Functional Expenses					
Donated food	$ 1,663,361	$ -	$ -	$ 1,663,361	$ 1,854,973
Payroll and related expenses	330,316	152,637	127,452	610,405	523,339
Depreciation	123,318	-	-	123,318	21,383
Food purchased	76,723	-	-	76,723	55,181
Office expense and printing	32,024	-	16,986	49,010	54,873
Utilities	32,398	-	-	32,398	10,554
Rent	26,400	-	-	26,400	83,963
Professional fees	-	25,704	-	25,704	12,558
Repairs and maintenance	22,647	-	-	22,647	9,571
Supplies	8,102	-	13,776	21,878	18,064
Miscellaneous expense	1,114	12,273	-	13,387	2,565
Insurance	7,002	-	-	7,002	3,789
Volunteer and staff training	6,082	-	-	6,082	3,854
Interest expense	131	-	5,785	5,916	1,889
Travel	4,326	-	-	4,326	2,984
Telephone	4,310	-	-	4,310	3,547
Outside services	-	-	4,204	4,204	23,333
Total functional expenses	$ 2,338,254	$ 190,614	$ 168,203	$ 2,697,071	$ 2,686,420

See independent auditors' report and accompanying notes to financial statements

Interfaith Food Pantry, Inc.
Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Changes in net assets	$ 144,102	$ 722,044
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	123,318	21,383
Contributions restricted to capital projects	(135,651)	(123,600)
Restricted cash and cash equivalents	3,659	-
Satisfaction of donor restrictions of cash and cash equivalents	-	690,114
In-kind donations for purchase of fixed assets	-	(192,679)
In-kind donations of food	(1,586,631)	(1,762,963)
Distribution of donated food	1,663,361	1,854,973
Decrease (Increase) in:		
Grants receivable	11,349	(11,349)
Pledges receivable	59,104	53,945
Prepaid expense	5,151	(1,208)
Miscellaneous receivable	(1,900)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	6,296	928
Deferred revenue	52,333	(93,583)
Total adjustments	200,389	435,961
Net cash provided by operating activities	344,491	1,158,005
Cash flows from investing activities:		
Purchases of capital assets	(147,050)	(1,915,100)
Proceeds from sales of investments	-	241,255
Net cash used by investing activities	(147,050)	(1,673,845)
Cash flows from financing activities:		
Contributions restricted to capital projects	135,651	123,600
Proceeds from line of credit	-	476,000
Payments on line of credit	(476,000)	-
Principal payments on capital lease	(917)	(1,536)
Net cash provided (used) by financing activities	(341,266)	598,064
Net increase (decrease) in cash and cash equivalents	(143,825)	82,224
Cash and cash equivalents, beginning of year	912,662	830,438
Cash and cash equivalents, end of year	$ 768,837	$ 912,662

See independent auditors' report and accompanying notes to financial statements

Note 1: Nature of Organization

Interfaith Food Pantry, Inc. (the "Organization") was founded in 1994 and was incorporated as a non-profit corporation under the laws of the State of New Jersey in 1998. The mission of the Organization is to provide non-perishable and perishable supplemental and emergency food to eligible residents of Morris County, New Jersey. The Organization's primary sources of revenue and support are donations and fundraising events.

The organization was awarded a four star rating from a nonprofit rating agency, Charity Navigator, on May 1, 2013.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. GAAP establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets include resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permit the Organization to expend part or all of the income derived from the donated assets.

Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. If a restriction expires in the same fiscal year in which the contribution was recognized, the contribution is reported as an increase in unrestricted net assets.

Inventory

Inventory consists of donated food. Inventory is valued on a first-in, first-out basis. Donated food is valued based upon the weighted average price per pound of food as determined by the Community Food Bank of NJ which was $2.14 and $2.56 for years ended December 31, 2012 and 2011, respectively.

Tax Status

The Organization qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and, accordingly is exempt from federal and state taxes. This code section enables the Organization to accept donations, which qualify as charitable contributions to the donor. The Organization is not classified as a private foundation.

Interfaith Food Pantry, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Note 2: Summary of Significant Accounting Policies (continued)

Tax Status (continued)

The Organization follows “Accounting for Uncertainty in Income Taxes”, in accordance with GAAP. The determination of uncertain tax positions uses tax judgments which are based on the requirements for maintaining tax-exempt status and on the filing of various information returns. The Organization files tax returns in the United States federal and New Jersey state jurisdictions. The Organization’s tax filings are no longer subject to income tax examinations for New Jersey before calendar year 2009 or for United States federal income taxes before calendar year 2010.

Fixed Assets

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment purchased are stated at cost and fixed assets donated are stated at fair market value. Both are reported less accumulated depreciation, which is provided by using the straight-line method over the estimated useful lives of the respective assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis in the accompanying statements of activities.

Costs are allocated between management and general, program services and fundraising and development based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Construction in Progress

During the year ended December 31, 2010, the Organization began construction of a new building, for its offices, warehouse, and distribution facility. Total construction costs incurred as of December 31, 2010 that were not yet placed in service as of that date, were $485,306. During the year ended December 31, 2011, the construction project was substantially completed.

Pledges Receivable

The Organization considers pledges receivable to be fully collectable; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made by management.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. However, volunteer activity does not meet the requirements to be recorded as revenue and expenses under GAAP; therefore is not included in the accompanying financial statements. During the years ended December 31, 2012 and 2011, approximately 1,900 and 1,850 volunteers contributed with a total of approximately 22,950 and 18,150 hours provided, respectively.

Note 2: Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Organization adopted "Fair Value Measurements," under GAAP, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. GAAP applies to other accounting pronouncements that require or permit fair value measurements. The primary effect of adopting Fair Value Measurements on the Organization was to expand the required disclosures pertaining to methods used to determine fair values. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation methods 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 unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under GAAP are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

The Organization bases its fair value on the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. It is the Organization's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value:

Cash and cash equivalents, pledges receivable, grants receivable, prepaid expenses, accounts payable, accrued expenses, and deferred revenue: the carrying amounts approximate fair value, because of the short term maturity of these instruments.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower carrying amount or the fair value less costs to sell or dispose.

Comparative Information

The statements of activities and functional expenses contain certain prior–year summarized comparative information in total, but not by net asset or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011.

Interfaith Food Pantry, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Note 2: Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with an original maturity of three months or less.

Note 3: Pledges Receivable

Pledges receivable consisted of the following as of December 31, 2012 and 2011:

	2012	2011
Amounts due in:		
Less than one year	$ 11,150	$ 54,805
One to five years	16,000	31,449
Total	$ 27,150	$ 86,254

Note 4: Grants Receivable

Grants receivable consisted of the following as of December 31, 2012 and 2011:

	2012	2011
County of Morris Division of Community Development	$ -	$ 11,349
	$ -	$ 11,349

Note 5: Inventory

Inventory primarily consisted of donated food. Donated food valuation is based on a cost study conducted by The Community Food Bank of NJ. All donated food is recorded at fair value using level 2 inputs under Fair Value Measurements, as more fully described in Note 2.

The Organization's inventory was $180,937 and $257,667 as of December 31, 2012 and 2011, respectively.

Note 6: Property and Equipment

Property and equipment consisted of the following as of December 31, 2012 and 2011:

	2012	2011
Leasehold improvements	$ 2,468,188	$ 2,418,204
Equipment and furniture	254,871	242,130
Vehicles	32,952	32,952
	2,756,011	2,693,286
Less: accumulated depreciation	(187,783)	(66,825)
Net property and equipment	$ 2,568,228	$ 2,626,461

Depreciation expense amounted to $123,318 and $21,383 for the years ended December 31, 2012 and 2011, respectively. As more fully described in Note 17, the leasehold improvements relate to the construction of the Organization's new building.

Note 7: Operating Leases

The Organization leases a distribution facility under an operating lease which is on a month to month basis. The monthly rent is $2,200. Rent expense was $26,400 for both years ended December 31, 2012 and 2011.

Interfaith Food Pantry, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Note 8: Obligations Under Capital Lease

During 2009, the Organization entered into a three year capital lease agreement for a copier. The economic substance of the lease is that the Organization is financing the acquisition of the equipment through the lease and, accordingly, it is recorded in the Organization's assets and liabilities. Included in equipment on the accompanying statements of financial position as of December 31, 2012 is equipment acquired under the capital lease with a capitalized cost of $4,468 less accumulated depreciation of $3,126.

Note 9: Fundraising and Special Events

The gross amount of revenues and related costs of direct benefits to donors from special events for the years ended December 31, 2012 and 2011 were:

	2012	2011
Revenues	$ 29,005	$ 21,755
Costs of direct benefits to donors	(29,005)	(21,755)
Special event revenue, net	$ -	$ -

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of December 31, 2012 and 2011:

	2012	2011
Capital improvements fund:		
Beginning balance	$ 50,000	$ 1,009,988
Contributions	135,651	648,265
Net assets released from restrictions	(164,310)	(1,608,253)
Ending balance	$ 21,341	$ 50,000

Note 11: Board Designated Funds

Board designated funds consisted of the following as of December 31, 2012 and 2011:

	2012	2011
Capital improvements fund	$ 110,000	$ 350,000
Facilities maintenance fund	100,000	60,000
Vehicles fund	50,000	40,000
Food purchases fund	40,000	25,000
	$ 300,000	$ 475,000

Note 12: Credit Risk

At various times during the years ended December 31, 2012 and 2011, the balance in the Organization's bank accounts exceeded the amount insured by the F.D.I.C., exposing such amounts to risk in the event of a bank failure. As of December 31, 2012, the amount exceeding federally insured limits was approximately $25,000. The Organization has not experienced any losses.

Note 13: Line of Credit

The Organization obtained a line of credit with a commercial bank with a limit of $600,000 that matured on December 17, 2012, and was not renewed. Advances under the line bore interest at the Wall Street Journal prime rate, which was 3.25% and was secured by the Organization's assets. The Organization paid off the line of credit balance during the year ended December 31, 2012. The balance due on the line of credit at December 31, 2011 was $476,000.

Interfaith Food Pantry, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Note 14: Concentrations

Donated Food

A significant portion of the Organization's food is donated by various companies, organizations, and individuals. Donated food amounted to $1,586,631 and $1,762,963 for the years ended December 31, 2012 and 2011, respectively.

Donated Space

The Organization receives donated space and utilities from the County of Morris. Generally, the County has committed to providing space on an annual basis. However, provision of space by the County for any extended period of time is not certain. During the year ended December 31, 2011, the Organization moved out of the location that was being donated by the County of Morris.

Note 15: Subsequent Event

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 25, 2013, the date the financial statements were available to be issued.

Note 16: Retirement Plan

The Organization maintains a self-directed 403(b) retirement plan. The plan consists of discretionary employee payroll deductions. There are no mandatory employer contributions or employer matching. Employer contributions to the plan were $18,425 and $13,800 for the years ended December 31, 2012 and 2011, respectively. Employee contributions were $35,158 and $33,828 for the years ended December 31, 2012 and 2011, respectively.

Note 17: Significant Leases

On August 10, 2010 the Organization (as tenant) entered into a fifty (50) year ground lease for property located on Executive Drive in Morris Plains, New Jersey with the County of Morris. The lands, including improvements made upon the land by the Organization, are being leased for $1 per year. At the end of the initial lease term, the Organization has the option to extend the lease for one single extension period of twenty five (25) years.

During 2012, the Organization entered into a twenty (20) year lease agreement for the installation and maintenance of solar panels on its main building. The installation was completed during the year ended December 31, 2013.

Note 18: Supplemental Cash Flow Information

Cash paid during the year for:	2012	2011
Interest	$ 5,916	$ 1,889
Income taxes	$ -	$ -
Non-cash activities consisted of the following:		
Accounts payable and accrued expenses incurred for construction in progress and property and equipment	$ -	$ 70,127
In-kind donations of food	$ 1,586,631	$ 1,762,963
Distribution of donated food	$ 1,663,361	$ 1,854,973

Note 19: In-Kind Food Donations

In-kind food donations consisted of the following for the years ended December 31, 2012 and 2011:

	2012	2011
Pounds donated	741,417	688,657
Average price per pound	2.14	2.56
In-kind food donations	$ 1,586,631	$ 1,762,963

As more fully described in Note 2, the price per pound is determined by the weighted average price per pound as determined by the Community Food Bank of NJ.