

**Interfaith Food Pantry, Inc.  
(a New Jersey Non-Profit Corporation)**

**Financial Statements**

**December 31, 2013**

**(With Summarized Financial Information  
for the Year Ended December 31, 2012)**

**(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 non-profit organization), which comprise the statement of financial position as of December 31, 2013, 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 from material misstatement.

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

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

**Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Food Pantry, Inc. as of December 31, 2013 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Caristia, Kulsar & Wade, LLC*

**Sparta, NJ  
May 15, 2014**

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**Interfaith Food Pantry, Inc.**  
**Statements of Financial Position**  
**December 31, 2013 and 2012**

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	2013	2012
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 836,432	\$ 768,837
Pledges receivable, current portion	34,617	11,150
Food inventory	143,170	180,937
Miscellaneous receivable	671	1,900
Prepaid expenses	6,826	10,008
Cash restricted to investment in property and equipment	-	21,341
<b>Total current assets</b>	<b>1,021,716</b>	<b>994,173</b>
<b>Property and equipment</b> , net of accumulated depreciation	2,563,144	2,568,228
<b>Other assets</b>		
Pledges receivable, net of current portion	15,000	16,000
<b>Total other assets</b>	<b>15,000</b>	<b>16,000</b>
<b>Total Assets</b>	<b>\$ 3,599,860</b>	<b>\$ 3,578,401</b>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 22,427	\$ 19,390
Deferred revenue	114,375	78,333
<b>Total current liabilities</b>	<b>136,802</b>	<b>97,723</b>
<b>Total Liabilities</b>	<b>136,802</b>	<b>97,723</b>
<b>Net Assets</b>		
Unrestricted		
Undesignated	301,744	410,172
Invested in property, equipment, and inventory	2,706,314	2,749,165
Board designated funds	425,000	300,000
Total unrestricted net assets	<b>3,433,058</b>	<b>3,459,337</b>
Temporarily restricted	30,000	21,341
<b>Total net assets</b>	<b>3,463,058</b>	<b>3,480,678</b>
<b>Total Net Assets</b>	<b>\$ 3,599,860</b>	<b>\$ 3,578,401</b>

See independent auditors' report and accompanying notes to financial statements

**Interfaith Food Pantry, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2013**  
**(With Summarized Financial Information for the Year Ended December 31, 2012)**

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and Revenue</b>				
In-kind donations - food Contributions	\$ 1,884,554	\$ -	\$ 1,884,554	\$ 1,586,631
Special events	120,602	-	120,602	135,651
Fundraising revenue	75,542	-	75,542	78,443
Other	727,759	30,000	757,759	833,987
Local grant income	248,185	-	248,185	204,967
Interest income	1,318	-	1,318	1,494
Net assets released from restrictions through satisfaction of program requirements	21,341	(21,341)	-	-
<b>Total support and revenue</b>	<u>3,079,301</u>	<u>8,659</u>	<u>3,087,960</u>	<u>2,841,173</u>
<b>Functional Expenses</b>				
Program services	2,765,576	-	2,765,576	2,380,931
Management and general	171,433	-	171,433	163,417
Fundraising and development	168,571	-	168,571	152,723
<b>Total functional expenses</b>	<u>3,105,580</u>	<u>-</u>	<u>3,105,580</u>	<u>2,697,071</u>
<b>Changes in net assets</b>	(26,279)	8,659	(17,620)	144,102
<b>Net Assets, Beginning of Year</b>	<u>3,459,337</u>	<u>21,341</u>	<u>3,480,678</u>	<u>3,336,576</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,433,058</u>	<u>\$ 30,000</u>	<u>\$ 3,463,058</u>	<u>\$ 3,480,678</u>

See independent auditors' report and accompanying notes to financial statements

**Interfaith Food Pantry, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2013**  
**(With Summarized Financial Information for the Year Ended December 31, 2012)**

	2013			2012	
	Program Services	Management and General	Fundraising and Development	Total	Total
<b>Functional Expenses</b>					
Donated food	\$ 1,922,321	\$ -	\$ -	\$ 1,922,321	\$ 1,663,361
Payroll and related expenses	455,595	156,119	133,816	745,530	610,405
Depreciation	128,883	-	-	128,883	123,318
Food purchased	94,489	-	-	94,489	76,723
Postage, printing and fees	28,995	-	13,407	42,402	42,626
Repairs and maintenance	40,307	-	-	40,307	24,980
Supplies	13,157	-	15,643	28,800	21,438
Rent	26,400	-	-	26,400	26,400
Utilities	19,156	-	-	19,156	30,065
Professional fees	-	12,470	1,480	13,950	25,704
Insurance	8,432	1,917	-	10,349	7,002
Miscellaneous expense	7,502	927	-	8,429	13,827
Equipment	7,414	-	-	7,414	6,384
Volunteer and staff training	4,785	-	-	4,785	6,082
Outside services	-	-	4,225	4,225	4,204
Travel	4,105	-	-	4,105	4,326
Telephone	4,035	-	-	4,035	4,310
Interest expense	-	-	-	-	5,916
<b>Total functional expenses</b>	<b>\$ 2,765,576</b>	<b>\$ 171,433</b>	<b>\$ 168,571</b>	<b>\$ 3,105,580</b>	<b>\$ 2,697,071</b>

See independent auditors' report and accompanying notes to financial statements

**Interfaith Food Pantry, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**

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	2013	2012
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ (17,620)	\$ 144,102
<b>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</b>		
Depreciation	128,883	123,318
Contributions restricted to capital projects	-	(135,651)
In-kind donations of food	(1,884,554)	(1,586,631)
Distribution of donated food	1,922,321	1,663,361
Decrease (increase) in:		
Grants receivable	-	11,349
Pledges receivable	(22,467)	59,104
Prepaid expense	(1,818)	5,151
Miscellaneous receivable	1,229	(1,900)
Increase (decrease) in:		
Accounts payable and accrued expenses	3,037	6,296
Deferred revenue	36,042	52,333
<b>Total adjustments</b>	182,673	196,730
<b>Net cash provided by operating activities</b>	165,053	340,832
<b>Cash flows from investing activities:</b>		
Purchases of capital assets	(118,799)	(147,050)
<b>Net cash used by investing activities</b>	(118,799)	(147,050)
<b>Cash flows from financing activities:</b>		
Contributions restricted to capital projects	-	135,651
Payments on line of credit	-	(476,000)
Principal payments on capital lease	-	(917)
Restrictions released from donations for purchases of property and equipment	21,341	3,659
<b>Net cash provided (used) by financing activities</b>	21,341	(337,607)
<b>Net increase (decrease) in cash and cash equivalents</b>	67,595	(143,825)
<b>Cash and cash equivalents, beginning of year</b>	768,837	912,662
<b>Cash and cash equivalents, end of year</b>	\$ 836,432	\$ 768,837
<b>Supplemental Cash Flow Information</b>		
<u>Cash paid during the year for:</u>	2013	2012
Interest	\$ -	\$ 5,916
Income taxes	\$ -	\$ -
<u>Non-cash activities consisted of the following:</u>		
In-kind donations of food	\$ 1,884,554	\$ 1,586,631
Distribution of donated food	\$ 1,922,321	\$ 1,663,361

**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.

**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 \$2.11 and \$2.14 for years ended December 31, 2013 and 2012, respectively.

**Tax Status**

The Organization qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and State of New Jersey Title 15, "Corporations and Organizations Not-For-Profit Act." Accordingly, the organization is exempt from federal and state income taxes. These sections enable the Organization to accept donations, which qualify as charitable contributions to the donor. The Organization is not classified as a private foundation.

**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.

**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.

**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 contingent 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 statement 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.

**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, 2013 and 2012, approximately 2,000 and 1,900 volunteers contributed with a total of approximately 24,000 and 22,950 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, miscellaneous receivable, prepaid expenses, accounts payable and accrued expenses, and deferred revenue: the carrying amounts approximate fair value, because of the short term maturity of these instruments.

**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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012.

**Cash and Cash Equivalents**

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

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation.

**Note 3 - Pledges Receivable**

Pledges receivable consisted of the following as of December 31, 2013 and 2012:

	2013	2012
Amounts due in:		
Less than one year	\$ 34,617	\$ 11,150
One to five years	15,000	16,000
Total	\$ 49,617	\$ 27,150

**Note 4 - 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 \$143,170 and \$180,937 as of December 31, 2013 and 2012, respectively.

**Note 5 - Property and Equipment**

Property and equipment consisted of the following as of December 31, 2013 and 2012:

	2013	2012
Leasehold improvements	\$ 2,587,837	\$ 2,468,188
Equipment and furniture	259,031	254,871
Vehicles	32,952	32,952
	2,879,820	2,756,011
Less: accumulated depreciation	(316,676)	(187,783)
Net property and equipment	\$ 2,563,144	\$ 2,568,228

Depreciation expense amounted to \$128,883 and \$123,318 for the years ended December 31, 2013 and 2012, respectively. As more fully described in Note 13, the leasehold improvements relate to the construction of the Organization's facility.

**Note 6 - 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, 2013 and 2012.

**Note 7 - 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, 2013 and 2012 were:

	2013	2012
Revenues	\$ 24,740	\$ 29,005
Costs of direct benefits to donors	(24,740)	(29,005)
Special event revenue, net	\$ -	\$ -

**Note 8 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are to be used for the following as of December 31, 2013 and 2012:

	2013	2012
Support staff and client services	\$ 30,000	\$ -
Capital improvements fund	-	21,314
<b>Total</b>	<b>\$ 30,000</b>	<b>\$ 21,314</b>

Temporarily restricted net assets were released from restrictions during the years ended December 31, 2013 and 2012 for the following programs:

	2013	2012
Support staff and client services	\$ -	\$ -
Capital improvements fund	21,341	164,310
<b>Total</b>	<b>\$ 21,341</b>	<b>\$ 164,310</b>

**Note 9 - Board Designated Funds**

Board designated funds consisted of the following as of December 31, 2013 and 2012:

	2013	2012
Facilities maintenance fund	\$ 100,000	\$ 100,000
Program expansion fund	100,000	-
Capital improvements fund	75,000	110,000
Vehicles fund	75,000	50,000
Food purchases fund	75,000	40,000
<b>Total</b>	<b>\$ 425,000</b>	<b>\$ 300,000</b>

**Note 10 - Line of Credit**

The Organization obtained a line of credit from 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, 2012 was \$0.

**Note 11 - Concentrations**

Donated Food

A significant portion of the Organization's food is donated by various companies, organizations, and individuals. Donated food amounted to \$1,884,554 and \$1,586,631 for the years ended December 31, 2013 and 2012, respectively.

**Note 12 - 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 \$34,200 and \$18,425 for the years ended December 31, 2013 and 2012, respectively. Employee contributions were \$52,646 and \$35,158 for the years ended December 31, 2013 and 2012, respectively.

**Note 13 - 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.

**Note 14 - In-Kind Food Donations**

In-kind food donations consisted of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Pounds donated	893,154	741,416
Average price per pound	<u>2.11</u>	<u>2.14</u>
In-kind food donations	<u>\$ 1,884,554</u>	<u>\$ 1,586,631</u>

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.

**Note 15 - Subsequent Event**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 15, 2014, the date the financial statements were available to be issued.