INTERFAITH FOOD PANTRY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

INTERFAITH FOOD PANTRY, INC.
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DECEMBER 31, 2017 AND 2016

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Interfaith Food Pantry, Inc., (a New Jersey nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2017, 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 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.

To the Board of Trustees
Interfaith Food Pantry, Inc.

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, 2017, 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.

Prior Period Financial Statements

The financial statements of Interfaith Food Pantry, Inc. as of December 31, 2016, were audited by other auditors whose report dated June 12, 2017, expressed an unmodified opinion on those statements.

Mt. Arlington, New Jersey
July 3, 2018

INTERFAITH FOOD PANTRY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 310,793	$ 332,515
Accounts receivable	11,485	
Contributions receivable		20,000
Pledges receivable		5,000
Investments	427,161	420,878
Beneficial interest in assets held by the Community Foundation of New Jersey	358,694	315,771
Prepaid expenses	5,005	3,290
Inventory	287,604	313,469
Property and equipment, net	2,130,617	2,250,662
Total assets	$ 3,531,359	$ 3,661,585
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 17,628	$ 7,809
Deferred revenue	145,084	144,250
Total liabilities	162,712	152,059
Net assets:		
Unrestricted:		
Undesignated	340,426	370,395
Board designated	575,000	575,000
Invested in property, equipment, and inventory	2,418,221	2,564,131
Temporarily restricted net assets	35,000	
Total net assets	3,368,647	3,509,526
Total liabilities and net assets	$ 3,531,359	$ 3,661,585

INTERFAITH FOOD PANTRY,INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
In-kind donations - food	$ 2,439,936		$ 2,439,936	$ 2,167,649
Fundraising and development:				
Events	276,072	$ 35,000	311,072	253,047
Contributions	758,374		758,374	766,875
Foundation grants	436,351		436,351	477,665
Investment income	16,330		16,330	14,967
Realized and unrealized gain on investments	35,626		35,626	18,018
Total support and revenue	3,962,689	35,000	3,997,689	3,698,221
Expenses:				
Program services	3,790,143		3,790,143	3,348,180
Management and general	132,248		132,248	127,598
Fundraising and development	216,177		216,177	177,468
Total expenses	4,138,568		4,138,568	3,653,246
Change in net assets	(175,879)	35,000	(140,879)	44,975
Net assets, beginning of year	3,509,526		3,509,526	3,464,551
Net assets, end of year	$ 3,333,647	$ 35,000	$ 3,368,647	$ 3,509,526

INTERFAITH FOOD PANTRY,INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017				2016
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 745,358	$ 77,440	$ 145,200	$ 967,997	$ 872,089
Payroll taxes and employee benefits	159,053	16,525	30,984	206,562	197,516
Total personnel services	904,411	93,965	176,184	1,174,559	1,069,605
Donated food	2,465,800			2,465,800	2,104,610
Food purchased	102,757			102,757	97,585
Postage, printing and fees	29,489		12,825	42,315	45,222
Repairs and maintenance	35,076			35,076	41,395
Rent	28,200			28,200	27,950
Supplies and equipment	30,525			30,525	24,380
Utilities	26,384			26,384	22,736
Professional fees	6,033	36,198	4,177	46,408	22,564
Event expenses			22,991	22,991	21,931
Insurance	20,103	2,085		22,188	21,805
Volunteer/staff training and travel	8,630			8,630	10,746
Community engagement miscellaneous expens	4,282			4,282	5,748
Client support	2,815			2,815	5,475
Total expenses before depreciation	3,664,505	132,248	216,177	4,012,930	3,521,752
Depreciation	125,638			125,638	131,494
Total expenses	$ 3,790,143	$ 132,248	$ 216,177	$ 4,138,568	$ 3,653,246

INTERFAITH FOOD PANTRY,INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (140,879)	$ 44,975
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	125,638	131,494
Realized gain on investments	(9,384)	(2,832)
Unrealized gain on investments	(26,242)	(15,186)
Donated investment securities	(2,085)	(2,309)
Changes in operating assets and liabilities:		
Accounts receivable	(11,485)	
Contributions receivable	20,000	(20,000)
Pledges receivable	5,000	
Prepaid expenses	(1,715)	(794)
Inventory	25,865	(63,039)
Accounts payable and accrued expenses	9,819	(24,334)
Deferred revenue	834	467
Net cash provided by (used in) operating activities	(4,634)	48,442
Cash flows from investing activities:		
Purchase of property and equipment	(5,593)	(73,920)
Purchase of investments		(225,000)
Proceeds from sale of investments	2,092	2,347
Interest and dividends reinvested, net	(13,587)	(6,959)
Net cash used in investing activities	(17,088)	(303,532)
Net decrease in cash and cash equivalents	(21,722)	(255,090)
Cash and cash equivalents, beginning of year	332,515	587,605
Cash and cash equivalents, end of year	$ 310,793	$ 332,515
Supplemental disclosure of noncash flow information:		
In-kind donation of food	$ 2,439,936	$ 2,167,649
Unrealized gain (loss) on investments	$ 26,242	$ 15,186
Donated investment securities received	$ 2,085	$ 2,309

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1 - Nature of Activities

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

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation

The Organization prepares its financial statements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Accounting for Contributions Received and Made*, and *Financial Statements of Not-for-Profit Organizations*. *Financial Statements of Not-for-Profit Organizations,* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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. *Accounting for Contributions Received and Made*, 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.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets are resources representing the portion of expendable funds available for support of the Organization's programs and activities. These resources are not subject to donor-imposed stipulations. Unrestricted net assets also include those expendable resources which may have been designated for special use by the Board of Trustees. The Board designated funds for capital improvements, vehicles, food purchases, and program expansion amounted to $575,000 for both years ended December 31, 2017 and 2016.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Board or management of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets at December 31, 2017 and 2016 amounted to $35,000 and $0, respectively.

Permanently restricted net assets are assets subject to donor-imposed stipulations to be maintained permanently by the Organization. There were no permanently restricted net assets at December 31, 2017 and 2016.

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Support and Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions receivable represent amounts committed by donors that have not been received by the Organization. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Allowance for doubtful accounts is reviewed periodically and management determines the allowance based on historical write-off experience. The Organization accounts for funds received in advance of their usage as deferred revenue in the statement of financial position.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, the Organization reports gifts of cash and other assets subject to temporary restrictions by donor stipulations as unrestricted contributions in the statement of activities if the restriction is met during the accounting period in which the gift was received.

Accounts, Contributions and Pledges Receivable and Allowance for Doubtful Accounts

Accounts, contributions and pledges receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no allowance for uncollectible accounts for the years ended December 31, 2017 and 2016, as management deemed all receivables to be collectible as of the date of the financial statements.

Investments

The Organization follows FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with this accounting standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest, dividends and realized gains and losses on the sale of investments) are included in the statement of activities as increases or decreases of unrestricted net assets unless the income or loss is restricted by the donor or law. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended December 31, 2017 and 2016, the Organization did not record any impairment charge in the statement of activities.

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Beneficial Interest in Assets Held by the Community Foundation of New Jersey

The Organization follows FASB ASC, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This standard provides guidance for accounting in the case where a "resource provider" (nonprofit entity) transfers assets to a community foundation, but specifies itself or its affiliate as the beneficiary of the assets. The transaction is deemed to be reciprocal because at the time of the transfer, the nonprofit entity expects to receive future distributions because it specifies itself as a beneficiary, and by acceptance of the transfer, the community foundation agrees to make distributions to the nonprofit entity. Because the transaction is deemed to be reciprocal, the nonprofit entity should recognize an asset and the community foundation should recognize a liability. At December 31, 2017 and 2016 the Organization recognized a beneficial interest in assets held by the Community Foundation of New Jersey.

Amounts reported in the statement of financial position represent the net cumulative transfers by the Organization to the Community Foundation of New Jersey (the "Foundation"), as well as net investment earnings thereon. The fair value of these investments totaled $358,694 and $315,771 at December 31, 2017 and 2016, respectively. The Foundation holds and invests the funds on behalf of the Organization. The Foundation has no variance power over the funds. Instead, the funds are distributed to the Organization upon request to the Foundation.

Inventory

The Organization follows the provisions of FASB ASU, "*Inventory (Topic 330)*" which provides guidance on the simplification to the measurement of inventory. Under this standard, an entity should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory, consisting of donated food, is stated at the lower of cost or net realizable value, determined by the first-in-first out (FIFO) method.

Donated food is valued based on a study conducted by Feeding America, a non-for-profit entity whose mission is to feed America's hungry through a nationwide network of member food banks and engage the country in the fight to end hunger. Feeding America is responsible for determining the approximate average wholesale value of one pound of donated product at the national level. The approximate average wholesale value of one pound of donated product at the national level is $2.15 for the years ended December 31, 2017 and 2016. Inventory amounted to $287,604 and $313,469 at December 31, 2017 and 2016, respectively.

Fair Value of Financial Instruments

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability).

A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments (Cont'd)

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable market price existed (an exit price).

An exit price valuation will include margins for risk even if they are not observable. As the organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments (Cont'd)

Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Cash and cash equivalents, accounts receivable, contributions receivable, pledges receivable, other assets, accounts payable and accrued expenses and other liabilities: the carrying amounts approximate fair value because of the short term maturity of these instruments.

Mutual funds: the carrying amounts are valued at the net asset value (NAV) of shares held by the Organization at year end.

Beneficial Interest in Assets Held by the Community Foundation of New Jersey: The carrying amount of these investments is stated at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date, utilizing valuations provided by the investment funds.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's investments and the amounts reported in the statement of financial position and the statement of activities.

Income Taxes

The Organization is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is also exempt under Title 15 of the State of New *Jersey Corporations and Associations* Not-for-Profit Act. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Income Taxes (Cont'd)

The Organization follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the fiscal years ended December 31, 2017 and 2016. However, the Organization is subject to audit by tax authorities including a review of its nonprofit status which management believes would be upheld upon examination. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

As required by law, the Organization files informational returns with both the United States federal and State of New Jersey jurisdictions on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. These returns are subject to examination by these authorities within certain statutorily defined periods for both Federal and the State of New Jersey.

Property and Equipment

Purchased property and equipment additions exceeding $1,000 are capitalized and recorded at their original cost. Donations of property and equipment are recorded at their estimated fair value on the date of gift. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Expenditures for minor repairs and maintenance which do not improve or extend the life of the respective assets are charged to expense as incurred. Gifts of long-lived assets are reported as an increase in unrestricted net assets, unless there are explicit restrictions that specify how the assets are to be used.

Proceeds from the sale of fixed assets, if unrestricted, are transferred to unrestricted net assets, or, if restricted, to deferred amounts restricted for fixed asset acquisitions.

In accordance with FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization periodically evaluates property and equipment for impairment, relying on a number of factors including operating results, and future business plans. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to estimated future recoverability of the carrying amount of the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. There were no impairment losses charged to operations for the years ended December 31, 2017 and 2016.

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Deferred Revenue

Deferred revenue consists of amounts received in advance for services to be performed which will be recognized as income in future periods when the services are performed. At December 31, 2017 and 2016, deferred revenue amounted to $145,084 and $144,250, respectively.

Use of 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 the amounts of assets and liabilities, revenue and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization's estimates may change in the near term.

Cash and Cash Equivalents

The Organization considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. Expenses are charged directly to program, management and general or fundraising based on specific identification.

Donated Services

Volunteers make significant contributions of time relative to general management and operations of the Organization. These donated services are not reflected in the financial statements for the years ended December 31, 2017 and 2016 since they do not meet the criteria for recognition as contributed services in accordance with U.S. generally accepted accounting principles. During the years ended December 31, 2017 and 2016, approximately 360 and 330 volunteers contributed a total of approximately 24,000 hours.

Vacation Accrual

The Organization's policy regarding accrued vacation is that staff are allowed to carry over one week of accrued vacation from the prior year with approval from the Executive Director. Upon termination or resignation, employees will be paid for any accrued vacation time earned but not used. Any vacation time which is not used in accordance with this policy will be forfeited.

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents. At times, amounts invested with financial institutions may be in excess of FDIC insurance limits. The Organization invests with reputable financial institutions to limit their exposure and has not experienced any losses in such accounts. As a result, management believes it is not exposed to any significant risk related to cash and cash equivalents.

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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, 2016, from which the summarized information was derived.

New 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"* to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in ASU 2016-14 are effective for nonprofit entities for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied retrospectively. The Organization is currently evaluating the impact of this standard.

Reclassification

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

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2017 through the date of the independent auditors' report and the date the financial statements were available to be issued, July 3, 2018. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Continued)

Note 3 - Investments

The following financial instruments, measured on a recurring basis, are carried at fair value in the Organization's financial statements. The fair value disclosures include information regarding the valuation of the Organization's investments as of December 31, 2017 and 2016:

	2017		
	Cost Basis	Fair Market Value (Level 1)	Unrealized Gains (Losses)
Mutual funds:			
Fixed income funds	$ 431,464	$ 427,161	$ (4,303)
Total investments	$ 431,464	$ 427,161	$ (4,303)

	2016		
	Cost Basis	Fair Market Value (Level 1)	Unrealized Gains (Losses)
Mutual funds:			
Fixed income funds	$ 425,152	$ 420,878	$ (4,274)
Total investments	$ 425,152	$ 420,878	$ (4,274)

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets and liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs are based on estimates using present value or other valuation techniques where quoted market prices are not available. Financial assets of the Organization have been valued using level 1 inputs for the years ended December 31, 2017 and 2016.

Investment activity for the years ended December 31, 2017 and 2016 is comprised of the following:

	2017	2016
Beginning balance	$ 420,878	$ 196,465
Purchases		225,000
Donated investments received	2,085	2,309
Sales	(2,092)	(2,347)
Dividends reinvested	6,382	
Realized gain (loss) on investments	(62)	38
Unrealized loss on investments	(30)	(587)
Ending balance	$ 427,161	$ 420,878

INTERFAITH FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Continued)

Note 3 - Investments (Cont'd)

Return on investments for the years ended December 31, 2017 and 2016 is comprised of the following:

	2017	2016
Interest and dividend income	$ 11,631	$ 13,168
Realized gain (loss) on investments	(62)	38
Unrealized loss on investments	(30)	(587)
Total return on investments	$ 11,539	$ 12,619

Note 4 - Beneficial Interest in Assets held by the Community Foundation of New Jersey

	2017		
	Cost	Fair Value (Level 3)	Unrealized Gain/(Loss)
Community Foundation of NJ	$ 332,422	$ 358,694	$ 26,272

	2016		
	Cost	Fair Value (Level 3)	Unrealized Gain/(Loss)
Community Foundation of NJ	$ 299,998	$ 315,771	$ 15,773

The beneficial interest in assets held at the Community Foundation of New Jersey (the "Foundation") has been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date, utilizing valuations provided by the investment funds. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the Foundation is fully redeemable by the Organization as described in Note 2.

Return on beneficial interest in assets held by the Foundation at December 31, 2017 and 2016, are comprised of the following:

	2017	2016
Interest and dividends reinvested, net	$ 7,205	$ 6,959
Realized gain	9,446	2,794
Unrealized gain	26,272	15,773
	$ 42,923	$ 25,526

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Note 4 - Beneficial Interest in Assets held by the Community Foundation of New Jersey (Cont'd)

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2017 and 2016:

	2017	2016
Beginning balance	$ 315,771	$ 290,245
Interest and dividends reinvested, net	7,205	6,959
Unrealized gain (loss)	26,272	15,773
Realized gain	9,446	2,794
Ending balance	$ 358,694	$ 315,771

Note 5 - Property and Equipment

Property and equipment at December 31, 2017 and 2016 is comprised of the following:

	Useful Lives Years	2017	2016
Buildings and improvements	5 - 30	$ 2,591,337	$ 2,591,337
Furniture and equipment	5 - 10	283,534	277,941
Vehicles	5	91,741	91,741
		2,966,612	2,961,019
Less: accumulated depreciation		835,995	710,357
		$ 2,130,617	$ 2,250,662

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to $125,638 and $131,494, respectively.

Note 6 - Pledges Receivable

Pledges receivable consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Pledges expected to be collected in:		
Less than one year	$ -	$ 5,000
Total	$ -	$ 5,000

Note 7 - In-Kind Food Donations

The Organization receives non-cash food donations. These items are valued based on a study conducted by Feeding America, as more fully described in Note 2. These items are sorted for sale and distribution to eligible residents of Morris County, New Jersey.

The value of the donated items received is included in revenue. The value of the items that have been sold and distributed as of December 31, 2017 and 2016 have been included as an expense.

Note 7 - In-Kind Food Donations (Cont'd)

The revenue from donated food as of December 31, 2017 and 2016 is comprised of the following:

	2017	2016
Pounds donated	1,134,854	1,008,209
Average price per pound	$ 2.15	$ 2.15
Total in-kind food donations	$ 2,439,936	$ 2,167,649

The expense from donated food sold and distributed as of December 31, 2017 and 2016 amounted to $2,465,800 and $2,104,610, respectively.

Note 8 - Leases

Morristown

In June 2016, the Organization entered into an operating lease for space to be used as a distribution facility with monthly rent of $2,350. The lease matured in May 2017. The Organization has continued to lease the space on a month to month basis with all terms remaining the same.

Morris Plains

On August 10, 2010, the Organization entered into a fifty-year ground lease for property located on Executive Drive in Morris Plains, New Jersey with the County of Morris. The land, including improvements made upon the land by the Organization, is 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 years.

In addition, during January 2017, the Organization entered into an office equipment lease for a copy machine under an operating lease set to expire December 2019. The lease is for 3 years with monthly payments of $362.

The following is a schedule, by years, of future minimum lease payments required under operating leases that have an initial term in excess of one year as of December 31, 2017:

Year Ending December 31,	
2018	$ 4,344
2019	4,344
	$ 8,688

Total rent expense charged to operations for facility space amounted to $28,200 and $27,950 for the years ended December 31, 2017 and 2016, respectively.

Total rent expense charged to operations for office equipment amounted to $4,079 and $0 for the years ended December 31, 2017 and 2016, respectively.

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Note 8 - Leases (Cont'd)

Solar Lease Agreement

In September 2012, the Organization entered into a roof top solar site lease agreement whereby the lessee agreed to develop, design, construct, own, and operate a roof top solar system for a period of 20 years. In addition, the Organization agreed to purchase electricity from the lessee for a period of 20 years at pre-determined rates per kilowatt hour.

Note 9 - Board Designated Net Assets

Included in unrestricted net assets as of December 31, 2017 and 2016, are $575,000 of board designated funds, to be used for the following:

	2017	2016
Facilities maintenance fund	$ 100,000	$ 100,000
Program expansion fund	150,000	200,000
Capital improvements fund	150,000	100,000
Vehicles fund	75,000	75,000
Food purchases fund	100,000	100,000
	$ 575,000	$ 575,000

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are to be used for the following as of December 31, 2017 and 2016:

	2017
2018/2017 Gala event	$ 35,000

Note 11 - Retirement Plan

The Organization has established a self-directed 403(b) retirement plan (the "Plan") for the benefit of its employees. The Plan consists of discretionary employee payroll deductions. The Organization may make discretionary employer contributions to the Plan, in which all eligible employees will either receive a uniform percentage of compensation or a uniform dollar amount. An employee is deemed eligible to receive employer contributions if they work at least 1 year of consecutive service and complete at least 1,000 hours of service during that time. Employer contributions to the plan were $34,175 and $39,630 for the years ended December 31, 2017 and 2016, respectively.