

**THE FOODBANK OF MONMOUTH AND
OCEAN COUNTIES, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The FoodBank of Monmouth and Ocean Counties, Inc.
Neptune, New Jersey

We have audited the accompanying financial statements of the FoodBank of Monmouth and Ocean Counties, Inc. (the 'FoodBank'), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Board of Trustees
The FoodBank of Monmouth and Ocean Counties, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FoodBank of Monmouth and Ocean Counties, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of the FoodBank of Monmouth and Ocean Counties, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FoodBank of Monmouth and Ocean Counties, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 19, 2016

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,643,221	\$ 3,271,308
Cash and Cash Equivalents - Restricted B.E.A.T. Center	339,570	-
Accounts Receivable, Net	83,772	58,682
Investments	4,664,259	4,867,261
Inventory	1,435,394	946,073
Grants Receivable	186,730	253,467
Prepaid Expenses	82,922	98,523
Current Portion of Unconditional Promises to Give	860,050	1,000
Total Current Assets	9,295,918	9,496,314
Property and Equipment, Net	3,656,192	2,001,384
Unconditional Promises to Give, Net	1,146,251	5,000
Security Deposit	14,000	14,000
Total Assets	\$ 14,112,361	\$ 11,516,698
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 449,450	\$ 316,867
Deferred Revenue	382,181	690,457
Agency Funds	61,265	121,483
Total Current Liabilities	892,896	1,128,807
NET ASSETS		
Unrestricted	6,063,478	4,497,587
Operating Reserves For:		
Capital Expenditures	805,000	895,000
Disaster Relief	2,265,000	2,060,000
Food Purchases	2,845,000	2,845,000
Ocean County Expansion	-	25,820
Total Unrestricted	11,978,478	10,323,407
Temporarily Restricted	1,240,987	64,484
Total Net Assets	13,219,465	10,387,891
Total Liabilities and Net Assets	\$ 14,112,361	\$ 11,516,698

See accompanying Notes to Financial Statements.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributed Goods	\$ 16,733,388	\$ -	\$ 16,733,388
Contributions	2,890,030	3,373,162	6,263,192
Grants	-	2,730,841	2,730,841
Fundraising Events	963,731	-	963,731
Food Distribution Revenue	758,652	-	758,652
Contributed Services	374,353	-	374,353
Program, Other	13,759	-	13,759
Investment Income	17,630	-	17,630
Gain on Sale of Asset	16,000	-	16,000
Net Assets Released from Restrictions	4,927,500	(4,927,500)	-
Total Support and Revenue	26,695,043	1,176,503	27,871,546
EXPENSES			
Program Services	23,745,635	-	23,745,635
Support Services			
Management and General	298,883	-	298,883
Fundraising	995,454	-	995,454
Total Support Services	1,294,337	-	1,294,337
Total Expenses	25,039,972	-	25,039,972
CHANGE IN NET ASSETS	1,655,071	1,176,503	2,831,574
Net Assets - Beginning of Year	10,323,407	64,484	10,387,891
NET ASSETS - END OF YEAR	\$ 11,978,478	\$ 1,240,987	\$ 13,219,465

See accompanying Notes to Financial Statements.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributed Goods	\$ 15,876,762	\$ -	\$ 15,876,762
Contributions	2,761,510	71,640	2,833,150
Grants	-	2,401,673	2,401,673
Fundraising Events	949,505	-	949,505
Food Distribution Revenue	871,763	-	871,763
Contributed Services	171,237	-	171,237
Program, Other	12,701	-	12,701
Investment Income	67,967	-	67,967
Gain on Sale of Asset	-	-	-
Net Assets Released from Restrictions	2,473,154	(2,473,154)	-
Total Support and Revenue	23,184,599	159	23,184,758
EXPENSES			
Program Services	22,725,534	-	22,725,534
Support Services			
Management and General	334,282	-	334,282
Fundraising	772,756	-	772,756
Total Support Services	1,107,038	-	1,107,038
Total Expenses	23,832,572	-	23,832,572
CHANGE IN NET ASSETS	(647,973)	159	(647,814)
Net Assets - Beginning of Year	10,971,380	64,325	11,035,705
NET ASSETS - END OF YEAR	\$ 10,323,407	\$ 64,484	\$ 10,387,891

See accompanying Notes to Financial Statements.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Emergency Food Distribution (Alleviating Hunger)</u>	<u>Other Programs (Building Food Security)</u>	<u>Management and General</u>	<u>Fundraising</u>	
Advertising	\$ 1,270	\$ 951	\$ 174	\$ 496	\$ 2,891
Agencies Assistance	473,960	-	-	-	473,960
Assistance to BEAT Center Partner	-	134,221	-	-	134,221
Bad Debt Expense	-	-	-	1,500	1,500
Benefits	310,461	166,371	32,345	58,898	568,075
Computer Expense	48,375	41,530	6,244	12,984	109,133
Conferences, Meetings & Travel	23,717	68,603	4,835	6,370	103,525
Contributed Services	168,348	95,475	1,033	172	265,028
Depreciation	261,983	78,481	5,614	10,997	357,075
Direct Mail Expenses	-	-	-	401,979	401,979
Equipment Leases	1,444	252	33	71	1,800
Permits, Fees & Licenses	4,451	3,331	40,849	14,014	62,645
Food Distributed	16,244,066	-	-	-	16,244,066
Food Purchases and Distribution	2,160,734	-	-	-	2,160,734
Insurance	94,947	17,359	2,213	4,673	119,192
Kitchen Expense	-	136,414	-	-	136,414
Office Expense	30,587	13,868	5,947	4,736	55,138
Operations	59,477	11,432	240	320	71,469
Payroll Taxes	93,625	70,422	12,823	26,663	203,533
Postage	2,057	1,372	1,547	10,389	15,365
Printing	9,425	9,477	1,271	2,634	22,807
Professional Fees	107,264	168,641	23,884	20,142	319,931
Program Expense	-	48,168	-	-	48,168
Repairs & Maintenance	79,786	2,257	49	66	82,158
Salaries & Wages	1,114,961	833,345	152,796	316,745	2,417,847
Special Events	-	-	-	87,720	87,720
Supplies	35,743	20,360	1,565	3,144	60,812
Temporary Employment	81,516	11,854	2,165	4,501	100,036
Rent	9,089	25,994	545	727	36,355
Transportation & Freight	181,831	-	-	-	181,831
Utilities & Telephone	102,997	39,674	2,711	5,513	150,895
Warehouse Expense	43,669	-	-	-	43,669
	<u>\$ 21,745,783</u>	<u>\$ 1,999,852</u>	<u>\$ 298,883</u>	<u>\$ 995,454</u>	<u>\$ 25,039,972</u>

See accompanying Notes to Financial Statements.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services		Supporting Services		Total
	Emergency Food Distribution (Alleviating Hunger)	Other Programs (Building Food Security)	Management and General	Fundraising	
Advertising	\$ 1,489	\$ 951	\$ 244	\$ 405	\$ 3,089
Agencies Assistance	828,881	-	-	-	828,881
Benefits	278,615	143,317	41,955	56,292	520,179
Computer Expense	36,587	28,408	5,997	9,944	80,936
Conferences, Meetings & Travel	28,534	46,186	26,673	8,890	110,283
Contributed Services	131,037	38,646	727	827	171,237
Depreciation	284,203	33,682	5,110	9,689	332,684
Direct Mail	-	-	-	218,057	218,057
Equipment Leases	928	593	152	252	1,925
Permits, Fees & License	5,338	3,411	40,036	11,914	60,699
Food Distributed	16,110,565	-	-	-	16,110,565
Food Purchases and Distribution	1,727,315	-	-	-	1,727,315
Insurance	68,249	9,988	1,665	3,329	83,231
Kitchen Expense	-	119,001	-	-	119,001
Office Expense	15,502	9,906	2,537	4,213	32,158
Operations	85,378	-	-	-	85,378
Payroll Taxes	92,728	57,374	14,834	24,280	189,216
Postage	2,491	660	1,117	9,586	13,854
Printing & Newsletter	4,656	21,728	763	1,265	28,412
Professional Fees	122,025	37,537	10,449	9,480	179,491
Repairs & Maintenance	94,595	-	-	-	94,595
Salaries and Wages	1,064,926	678,719	174,525	289,525	2,207,695
Special Events	-	-	-	89,808	89,808
Supplies	34,678	20,311	2,167	5,286	62,442
Temporary Employment	97,649	25,790	2,395	14,339	140,173
Transportation and Freight	164,074	-	-	-	164,074
Utilities and Telephone	107,539	27,347	2,936	5,375	143,197
Warehouse Expense	33,997	-	-	-	33,997
	<u>\$ 21,421,979</u>	<u>\$ 1,303,555</u>	<u>\$ 334,282</u>	<u>\$ 772,756</u>	<u>\$ 23,832,572</u>

See accompanying Notes to Financial Statements.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 2,831,574	\$ (647,813)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	357,075	332,684
Provision for Doubtful Accounts	-	-
Gain on Sale of Property and Equipment	(16,000)	-
Net Unrealized and Realized (Gains) Losses on Investments	128,011	45,882
(Increase) Decrease In:		
Accounts Receivable, Net	(25,090)	107,608
Inventory	(489,321)	233,801
Grants Receivable	66,737	15,378
Prepaid Expenses	15,601	9,893
Current Portion of Unconditional Promises to Give, Net Security Deposit	(859,050)	1,000
Security Deposit	-	(14,000)
(Increase) Decrease In:		
Accounts Payable and Accrued Expenses	132,583	(20,522)
Deferred Revenue	(308,276)	348,117
Agency Funds	(60,218)	71,946
Net Cash Provided By Operating Activities	1,773,626	483,974
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(2,011,883)	(125,602)
Proceeds from Sale of Property and Equipment	16,000	-
Purchases of Investments	(1,255,357)	(11,991,091)
Proceeds from Sale of Investments	1,330,348	7,183,755
Net Cash Used By Investing Activities	(1,920,892)	(4,932,938)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Unconditional Promises to Give, Net	(1,141,251)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,288,517)	(4,448,964)
Cash and Cash Equivalents - Beginning of Year	3,271,308	7,720,272
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,982,791	\$ 3,271,308

See accompanying Notes to Financial Statements.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The FoodBank of Monmouth and Ocean Counties (“The FoodBank”) is a New Jersey non-profit corporation incorporated in 1984. Its activities are conducted at its main location, 3300 Route 66, Neptune, New Jersey, as well as its satellite location at the B.E.A.T. Center, 1769 Hooper Avenue, Toms River, New Jersey. The acronym stands for Bringing Everyone All Together, and is the result of collaboration between the FoodBank, People’s Pantry and the JBJ Soul Kitchen. The mission of The FoodBank is to alleviate hunger and build food security in Monmouth and Ocean Counties, New Jersey. The FoodBank envisions Monmouth and Ocean Counties as a food secure community where all people at all times have access to enough nutritious food to maintain an active and healthy life. The FoodBank is a member of Feeding America, the Nation’s Food Bank Network.

Nature of Activities

The FoodBank administers the following programs:

Emergency Food Distribution – The core program of The FoodBank is the collection of donated and surplus food in its warehouse and the distribution of that food to charitable agencies serving families in need in Monmouth and Ocean Counties. The FoodBank served 175 charitable agencies, which in turn operated a total of 305 different programs, consisting of food pantries, soup kitchens, shelters for homeless or abused persons, after school programs for children, and day and residential programs for low income children, the elderly and disabled. While some agencies pick up the food themselves, about 70% of all the food distributed is delivered directly to the agencies on FoodBank trucks. Sources of donated food include local food drives and donations, national donations through Feeding America, and government food such as The Emergency Food Assistance Program (TEFAP). The FoodBank supplements donated food and products with specific food and grocery items purchased through a small bulk co-op program, as well as purchases made with funding from the State Food Purchase Program.

Other Programs:

Culinary Kitchen Program – The Culinary Kitchen Program provides hands-on training in an onsite kitchen for underprivileged adults in need of permanent employment. The program helps men and women become self-sufficient by providing the skills they need to obtain better-paid jobs. The Culinary Kitchen Program provides hot meals daily for 120 low income children at the Monmouth County Boys & Girls Club in Asbury Park and Red Bank.

Multiple Benefits Access Program – The goal of the Multiple Benefits Access Program is to assist households to access benefits and resources that will help them build income and food security. This program includes Supplemental Nutrition Assistance Program (SNAP) Outreach, which assists client eligibility pre-screening, application assistance and submission for food stamps at over 20 community sites each month. The Volunteer Income Tax Assistance (VITA) outreach component provides free tax preparation for income eligible households during tax season. The Navigator program provides assistance in applying for health insurance under the Affordable Care Act and Medicaid/NJ Family Care. The program also provides other forms of assistance including utilities, welfare and pantry assistance.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Programs - (continued)

Mobile Pantry Program – uses a specially outfitted beverage truck to distribute food directly to people at 14 sites each month, including housing authorities, trailer parks, union buildings, churches and other community sites where existing pantries are difficult to reach. In addition, the Pediatric Mobile Pantry distributes food to families with children identified as food insecure at two local health clinics: Ocean Health Initiatives in Lakewood and Jane Booker Family Health Center in Neptune.

The FoodBank operates the **Senior Food Package Program**, also known as the Commodity Supplemental Food Program (CSFP), which provides monthly packages of food, provided by the Department of Agriculture, to seniors living in low income housing sites.

The Backpack Program – provides backpacks of food for the weekend on Friday afternoons to over 760 chronically hungry children at 29 schools.

The FoodBank participates in the **Summer Food Service Program**, sponsoring the provision of breakfasts and/or lunches to over 700 low income children attending summer programs at 14 community sites.

Community Garden Program – helps adults and youth grow fresh produce as a community service.

Children's Programs – enable youth groups to visit The FoodBank to learn about hunger, its causes, and solutions, or display their works in an Art Gallery depicting important social themes such as hunger and volunteerism.

Volunteer Program – provides community service opportunities for businesses, civic groups, schools and individuals.

Hunger Awareness – The FoodBank also promotes hunger awareness campaigns with the local media to educate the public regarding the problem of hunger.

Basis of Presentation

The organization is required to report information regarding its financial position and activities according to three classes of net assets: 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 – Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designation.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by completion of a stipulated action and/or the passage of time.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2015 and 2014, there were no permanently restricted net assets.

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 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.

Cash and Cash Equivalents

Management considers all highly liquid debt instruments purchased with a maturity of three months or less and money market accounts to be cash equivalents.

Pursuant to Feeding America’s contract, a member organization shall have demonstrated unrestricted cash reserves equal to or greater than an average quarter’s cash operating expenses.

Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The FoodBank maintains cash balances at various financial institutions, in which deposits are insured by a federal agency up to \$250,000. At various times, cash balances at these institutions may exceed the insurance limits. The FoodBank monitors these banks and believes the risk of loss to be minimal.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding accounts, net of allowances of \$1,500 and \$0 as of June 30, 2016 and 2015, respectively. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment 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 accounts receivable.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values as determined by quoted market prices or cost, when such cost approximates fair value. Realized and unrealized gains and losses are included in the change in net assets.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The FoodBank measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an assets or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the FoodBank has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Inventory

Inventory consists primarily of food commodities that have been contributed to or purchased by The FoodBank. All contributed food items are valued using a weighted average price per pound determined using studies commissioned by Feeding America, the nation's largest nongovernmental food distribution program. When the food is distributed, the value of the food is released from inventory and recorded as distributed in-kind food. Purchased food is recorded as inventory at the lower of cost or market.

Property and Equipment

The FoodBank capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are recorded at cost or fair market value at date of contribution (if donated). Depreciation is provided using straight-line methods over the estimated useful lives of the assets.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

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 and reported in the Statement of Activities as net assets released from restrictions.

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when conditions on which they depend are substantially met and the promises become unconditional.

Contributed Goods

The FoodBank receives a significant amount of contributed food inventory that is recorded in the accompanying financial statements as unrestricted contributions, net of amounts related to food that is unusable or spoiled when received. One of the major sources of contributed food is the USDA which allocates food commodities to The FoodBank under The Emergency Food Assistance Program ("TEFAP"). For the years ended June 30, 2016 and 2015, approximately 38% and 40% of contributed goods were received under TEFAP.

Under this program, food commodities are distributed without cost to all eligible recipients within the approved service areas. Upon distribution, the food is recorded as a decrease in unrestricted net assets.

All contributed food items are valued using a weighted average price per pound determined by using studies commissioned by Feeding America, the nation's largest nongovernmental food distribution program.

For the year ended June 30, 2016, the weighted average value per pound for this contributed food was \$1.67 and the total net value of all contributed food was approximately \$16,733,388. For the year ended June 30, 2015, the weighted average value per pound for this contributed food was \$1.70 and the total net value of all contributed food was \$15,876,762.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

Contributed services are recognized as contributions, if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by people with those skills, and would otherwise be purchased by The FoodBank. The estimated number of hours was approximately 5,600 and 2,361 for the years ended June 30, 2016 and 2015. The fair value of such services for the years ended June 30, 2016 and 2015 was approximately \$149,528 and \$60,637, respectively. Additionally, there were approximately \$224,825 and \$110,600 in-kind services which have been recorded as revenue for 2016 and 2015, respectively.

The FoodBank also receives a significant amount of contributed time from volunteers that is not recognized as contributions in the financial statements since the recognition criteria was not met. Between July 1, 2015 and June 30, 2016, The FoodBank received over 3445 volunteers from the community, who together donated approximately 27,667 hours of work. The FoodBank gratefully acknowledges the time and effort of these compassionate individuals, without whom it would not be able to distribute as much food as necessary to local families in need.

Allocation of Functional Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The FoodBank allocated joint costs for certain program activities that include fundraising. Salaries and wages, as well as related benefits and taxes, were allocated among program and supporting services based upon an estimate of the actual time each employee contributed to each function. Other costs were allocated primarily based on square footage.

Income Taxes

The FoodBank is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from state and federal taxes.

The Organization is required to file Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service and the New Jersey *Charities Registration & Investigation Form (CRI)*. The Organization follows the income tax standard for uncertain tax positions. This standard had no impact on the Organization's financial statements. The Organization's income tax returns are subject to review and examination by federal and state authorities.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Shared Maintenance Fees

The FoodBank may charge a shared maintenance fee of up to \$.19 per pound to the recipient agency or other charitable organization, which takes donated food and commodities and redistributes to the poor, needy and hungry. This fee is included in support and revenue.

Advertising

Advertising costs are expensed as incurred.

Financial Statement Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net position or changes therein.

Subsequent Events

In preparing these financial statements, the FoodBank has evaluated events and transactions for potential recognition or disclosure through October 19, 2016, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Equity Securities	\$ 3,049,899	\$ 3,778,169
Bonds	<u>1,614,360</u>	<u>1,089,092</u>
Total Investments	<u>\$ 4,664,259</u>	<u>\$ 4,867,261</u>

The FoodBank uses fair value measurements to record fair value adjustment to certain assets and to determine fair value disclosures. For additional information on how the FoodBank values all other assets, refer to Note 1 – Summary of Significant Accounting Policies. The FoodBank considers all investments to be Level 1 within the fair value hierarchy.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 INVESTMENTS (CONTINUED)

Investment income for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Dividends and Interest	\$ 145,641	\$ 113,849
Net Unrealized and Realized Gains (Loss) on Investments	<u>(128,011)</u>	<u>(45,882)</u>
	<u>\$ 17,630</u>	<u>\$ 67,967</u>

NOTE 3 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, net of discount to net present values of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in One Year or Less	\$ 860,050	\$ 1,000
Receivable in Two to Five Years	<u>1,259,477</u>	<u>5,000</u>
Total Unconditional Promises to Give	2,119,527	6,000
Less 5% Discount to Net Present Value	<u>113,226</u>	-
Total Unconditional Promises to Give, Net	<u>\$ 2,006,301</u>	<u>\$ 6,000</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 97,500	\$ 97,500
Land Improvements	787,629	787,629
Leasehold Improvements - The B.E.A.T. Center	1,318,030	-
Buildings	3,175,812	3,162,486
Furniture and Fixtures	84,940	84,940
Furniture and Fixtures - The B.E.A.T. Center	32,616	-
Transportation Equipment	743,095	772,628
Equipment	717,962	695,244
Equipment - The B.E.A.T. Center	508,584	-
Website Development	7,553	7,553
Appliances	16,604	10,700
Appliances - The B.E.A.T. Center	1,962	-
Computer Equipment	<u>141,129</u>	<u>126,781</u>
Total	7,633,416	5,745,461
Less: Accumulated Depreciation	<u>3,977,224</u>	<u>3,744,077</u>
Total Property and Equipment	<u>\$ 3,656,192</u>	<u>\$ 2,001,384</u>

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 COMMITMENTS AND CONTINGENCIES

Operating Leases

The FoodBank leases office machinery under one non-cancelable operating lease which expires in March 2020. Rent expense under this lease for the year ended June 30, 2016 and 2015 was approximately \$1,800 and \$900, respectively.

The FoodBank entered into a ten-year renewable lease agreement with Rocco Berardi on April 1, 2015 to lease approximately 12,000 square feet of space at Silverton Plaza, 1769 Hooper Avenue, Toms River, New Jersey referred to as the B.E.A.T. Center. The B.E.A.T.

The rental commencement date was March 9, 2016 which was the earlier of the following date: (a) one hundred twenty (120) days from the receipt of building permits from the Township of Toms River or (b) upon Tenant's receipt of a Certificate of Occupancy. The total due under this ten-year lease as of June 30, 2016 is \$1,686,750. Gross rent expense under this lease for the year ended June 30, 2016 was \$51,935 and net rent expense was \$36,355.

The FoodBank's future lease payments under both leases are as follows:

Year Ending June 30,	
2017	\$ 169,800
2018	169,800
2019	169,800
2020	169,350
2021	170,100
Thereafter	837,900
	\$ 1,686,750

The FoodBank entered into a five-year renewable sub-lease agreement with Jon Bon Jovi Soul Foundation (JBJSF) on April 1, 2015 wherein JBJSF will sub-lease approximately 1,600 square feet of the B.E.A.T. Center space. The total due the FoodBank under this sub-lease is \$112,000. The rental commencement date was March 9, 2016. The total rent expense for the year ended June 30, 2016 was \$6,923.

The FoodBank entered into a ten-year sub-lease agreement with Inspire NJ, Inc. (d/b/a/ the People's Pantry) on April 1, 2015 wherein Inspire NJ, Inc. will sub-lease approximately 2,000 square feet of the B.E.A.T. Center space. The total due the FoodBank under this sub-lease is \$287,000. The rental commencement date was March 9, 2016. The total rent expense for the year ended June 30, 2016 was \$8,658.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The B.E.A.T. Center

The B.E.A.T. Center (Bringing Everyone All Together) opened in the spring of 2016 and is collaboration between three non-profits: the FoodBank, JBJSF and Inspire-NJ and serves as a place where families and individuals can access food, job training, and resources to help end the cyclical causes of hunger in Ocean County.

The three collaborating non-profits entered into a Memorandum of Understanding (MOU) on March 27, 2015 to establish donor solicitation parameters and appropriations of donated funds, services and other gifts-in-kind based on the original vision case and investment needed. An addendum to the MOU was entered into in April of 2016 because there were not sufficient anticipated receipts of grants and donations to cover the cash flow needs of the project as payments became due and there were significant increases to the preliminary estimates for build-out costs, start-up costs and first year occupancy costs.

The FoodBank committed up to \$1,300,000 as a working capital appropriation to be repaid by future pledges. Through June 30, 2016, the FoodBank has advanced the B.E.A.T. Center \$1,100,000 to be repaid from future pledges.

JBJSF committed up to \$200,000 as a working capital appropriation to be repaid by future pledges. Through June 30, 2016, JBJSF has advanced the B.E.A.T. Center \$125,298 to be repaid from future pledges.

The FoodBank opened a separate bank account for B.E.A.T. Center activity. While the FoodBank is the owner and custodian of these funds, these funds are held for use of the three B.E.A.T. Center non-profits as indicated in the MOU and the addendum to the MOU and are recorded as restricted cash on the statement of financial position at June 30, 2016.

Contractual Adjustments

The contracts under which the FoodBank conducts its programs contain provisions defining costs, which are allowable and reimbursable within the program. Program billings are subject to audit by various governmental funding sources. Audits of these billings may result in adjustments for disallowances. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined to date.

NOTE 6 EMPLOYEE BENEFIT PLAN

The FoodBank adopted a 401(k) retirement savings plan effective January 1, 2009. This plan is available to employees who have completed three months of service and meet other eligibility requirements. The FoodBank may contribute to the 401(k) plan on a matching and/or discretionary basis. For the years ended June 30, 2016 and 2015, the FoodBank matched on a 50% basis, employees' contributions of up to 6%. For the years ended June 30, 2016 and 2015, the FoodBank elected to make a basic/discretionary contribution to eligible employees of 2% of fiscal year 2016 and 2015 compensation. Total employer contributions to the 401 (k) plan for the years ended June 30, 2016 and 2015 were \$96,584 and \$86,590, respectively.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 RELATED PARTY TRANSACTIONS

The FoodBank paid a membership fee of approximately \$6,693 and \$7,852 to Feeding America for the years ended June 30, 2016 and 2015, respectively. Food received from Feeding America (through Community FoodBank of NJ) represented approximately 0% and .40% of the total amount of donated food for the years ended June 30, 2016 and 2015, respectively. The food received through Feeding America’s Choice System represented approximately 25% and 21.6% of the total amount of donated food for the years ended June 30, 2016 and 2015, respectively. Choice System is a web-based tool that allows members of Feeding America to acquire product donations made available through the national office. The Choice System eliminates subjectivity and inefficiency in matching local food inventories with donation offers and provides more food to hungry Americans across the country.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions available for use, but expendable or distributable only for purposes specified by the donor. At June 30, 2016 and 2015, temporarily restricted net assets are restricted for the following purposes:

	2016	2015
The B.E.A.T. Center	\$ 1,160,304	\$ -
Other Program	80,683	64,484
Total Temporarily Restricted Net Assets	\$ 1,240,987	\$ 64,484

NOTE 9 FUNDS HELD THROUGH FISCAL SPONSORSHIP

On May 27, 2014, a fiscal sponsorship agreement was entered into by and between the FoodBank as fiscal sponsor and Inspire – NJ (d/b/a The People’s Pantry) as the sponsored organization. Inspire – NJ whose purpose is to provide charitable assistance, either alone or in partnership with other 501 (c) (3) organizations, to make sure that individuals needing support are provided that support in a respectful environment, and for other causes connected to children allowed by law, is a 501(c)(3) organization in Toms River, NJ awaiting exempt status under Section 501 (c) (3) of the IRC. Funds not yet utilized related to this agreement are recorded as restricted cash and funds held for fiscal sponsoree on the statement of net position at June 30, 2016.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 FUNDS HELD THROUGH FISCAL SPONSORSHIP (CONTINUED)

As of June 30, 2016 and 2015, account balances associated with Inspire-NJ (d/b/a The People's Pantry) are as follows on the Statement of Position:

	<u>2016</u>	<u>2015</u>
Restricted Cash (Included in Cash & Cash Equivalents)	\$ 166	\$ 2,073
Grants Receivable (included in Grants Receivable)	-	92,140
Total Assets	<u>\$ 166</u>	<u>\$ 94,213</u>
Accounts Payable (Included in Accounts Payable)	\$ -	\$ 39,562
Deferred Revenue (Included in Deferred Revenue)	-	54,651
Total Liabilities	<u>\$ -</u>	<u>\$ 94,213</u>

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA/ Grant Number</u>	<u>Pass-through Grantor's Number</u>	<u>Award Period</u>	<u>Current Year's Expenditures</u>
U.S. Department of Agriculture				
New Jersey Department of Agriculture:				
Food Distribution Cluster:				
The Emergency Food Assistance Program (TEFAP):				
Administrative Costs	10.568	055030	7/1/15-6/30/16	\$ 251,057
The Emergency Food Assistance Program (TEFAP):				
Food Commodities - TEFAP	10.569	055030	7/1/15-6/30/16	5,974,413
Commodity Supplemental Food Program - Food Commodities	10.565	N/A	7/1/15-6/30/16	<u>266,278</u>
Subtotal U.S. Department of Agriculture, Food Distribution Cluster				6,491,748
Summer Food Service Program for Children	10.559	N/A	7/1/15-6/30/16	85,252
Child and Adult Care Food Program	10.558	N/A	7/1/15-6/30/16	87,659
Supplemental Nutrition Assistance Program	10.551	N/A	10/1/15-9/30/16	<u>86,329</u>
Total U.S. Department of Agriculture				<u>6,750,988</u>
U.S. Department of Homeland Security				
New Jersey Department of Human Services:				
Emergency Food and Shelter National Board Program	97.024	N/A	7/1/15-6/30/16	77,793
U.S. Department of Housing and Urban Development				
Ocean County Board of Chosen Freeholders: Emergency Food Services				
Community Development Block Grant	14.218	N/A	7/1/15-6/30/16	13,500
U.S. Department of Health and Human Services				
Cooperative Agreement to Support Navigators in Federally-				
Federally-facilitated and State Partnership Marketplaces	93.332	N/A	8/15/15-8/14/16	163,846
New Jersey Department of Human Services				
Monmouth County Board of Chosen Freeholders	N/A	N/A	7/1/15-6/30/16	<u>9,882</u>
Total U.S. Department of Health and Human Services				<u>173,728</u>
Total Expenditures of Federal Awards				<u>\$ 7,016,009</u>

See the accompanying notes to the Schedule of Expenditures of Federal and State Awards.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2016

<u>State of New Jersey Grantor/Program</u>	<u>State of New Jersey Account/ Grant Number</u>	<u>FY 2016 Award Amount</u>	<u>Grant Period</u>		<u>FY 2016 Year's Expenditures</u>	<u>Total Expenditures</u>
			<u>From</u>	<u>To</u>		
New Jersey Department of Agriculture						
State Food Purchase Program	55020	\$ 4,863,020	6/1/2007	N/A	\$ 777,907	\$ 5,640,921
State Food Purchase Program - Distribution Costs	55020	<u>518,959</u>	6/1/2007	N/A	<u>85,998</u>	<u>604,957</u>
Total Expenditures of State Awards		<u>\$ 5,381,979</u>			<u>\$ 863,905</u>	<u>\$ 6,245,878</u>

See the accompanying notes to the Schedule of Expenditures of Federal and State Awards.

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the FoodBank of Monmouth and Ocean Counties, Inc. and are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the accompanying schedules present only a selected portion of the operations of the FoodBank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the FoodBank. FoodBank has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 FOOD COMMODITIES

Contributed food items are valued using a weighted average price per pound determined by studies commissioned by Feeding America, the nation's largest nongovernmental food distribution program. For the year ended June 30, 2016, the weighted average value per pound for this contributed food was \$1.67.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
The FoodBank of Monmouth and Ocean Counties, Inc.
Neptune, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The FoodBank of Monmouth & Ocean Counties, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The FoodBank of Monmouth & Ocean Counties, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The FoodBank of Monmouth & Ocean Counties, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The FoodBank of Monmouth & Ocean Counties, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The FoodBank of Monmouth & Ocean Counties, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 19, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW
JERSEY OMB CIRCULAR 15-08**

Board of Trustees
The FoodBank of Monmouth & Ocean Counties, Inc.
Neptune, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited The FoodBank of Monmouth & Ocean Counties, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of The FoodBank of Monmouth & Ocean Counties, Inc.'s major federal and state programs for the year ended June 30, 2016. The FoodBank of Monmouth and Ocean Counties, Inc.'s major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The FoodBank of Monmouth & Ocean Counties, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Department of Treasury, State of New Jersey; *Title 2 U.S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and *State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance, and State of New Jersey Circular 15-08-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the FoodBank of Monmouth and Ocean Counties, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of The FoodBank of Monmouth & Ocean Counties, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, The FoodBank of Monmouth & Ocean Counties, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of The FoodBank of Monmouth & Ocean Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The FoodBank of Monmouth & Ocean Counties, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the FoodBank's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance and State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 19, 2016

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness identified? _____ yes X no
 - Significant deficiency identified that are not considered to be material weakness? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness identified? _____ yes X no
 - Significant deficiency identified that are not considered to be material weakness? _____ yes X none reported
2. Type of auditor’s report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Federal and State Programs

CFDA Number/Contract/Grant #	Name of Federal or State Program or Cluster
10.565, 10.568, 10.569	Food Distribution Cluster
055020	State Food Purchase Program

Dollar threshold used to distinguish between Type A or Type B programs was: \$ 750,000

Auditee qualified as low-risk auditee _____ X yes _____ no

THE FOODBANK OF MONMOUTH AND OCEAN COUNTIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Findings

There were no findings disclosed in the prior year auditor's report for the year ended June 30, 2015.