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**FOOD FOR OTHERS, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2015 AND 2014**

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

FOOD FOR OTHERS, INC.

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MATTHEWS, CARTER & BOYCE
CPAs • ADVISORS

Independent Auditors' Report

The Board of Directors
Food for Others, Inc.
Fairfax, Virginia

We have audited the accompanying financial statements of Food for Others, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility

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. Those standards require that we plan and perform the audits 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food for Others, Inc. as of June 30, 2015 and 2014, 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.

A handwritten signature in cursive script, appearing to read "Matthew Carter and Boyce".

October 22, 2015
Fairfax, Virginia

FOOD FOR OTHERS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 244,382	\$ 124,948
Contributions receivable, net	92,884	101,079
Other receivable	1,051	9,740
Inventory - food	377,716	254,553
Prepaid expenses	29,872	21,948
Total Current Assets	\$ 745,905	\$ 512,268
INVESTMENTS	\$ 1,373,128	\$ 1,424,706
PROPERTY AND EQUIPMENT		
Furniture and equipment	\$ 172,660	\$ 170,339
Vehicles	114,373	114,373
Less, accumulated depreciation	(198,222)	(157,582)
Net Property and Equipment	\$ 88,811	\$ 127,130
OTHER ASSETS		
Deposits	\$ 5,027	\$ 4,712
TOTAL ASSETS	\$ 2,212,871	\$ 2,068,816
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 44,499	\$ 62,139
Deferred revenue	6,135	-
Total Current Liabilities	\$ 50,634	\$ 62,139
OTHER LIABILITIES		
Deferred rent	\$ 12,657	\$ -
Total Liabilities	\$ 63,291	\$ 62,139
NET ASSETS		
Unrestricted		
Board designated	\$ 380,000	\$ 380,000
Other	1,621,613	1,488,121
Total Unrestricted	\$ 2,001,613	\$ 1,868,121
Temporarily restricted	147,967	138,556
Total Net Assets	\$ 2,149,580	\$ 2,006,677
TOTAL LIABILITIES AND NET ASSETS	\$ 2,212,871	\$ 2,068,816

The accompanying notes are an integral part of these financial statements.

FOOD FOR OTHERS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUE						
Donated goods, utilities and facilities	\$ 4,078,920	\$ -	\$ 4,078,920	\$ 3,503,286	\$ -	\$ 3,503,286
Contributions	554,256	170,067	724,323	535,288	213,093	748,381
Government contracts for services	251,550	-	251,550	166,554	-	166,554
Special events, net of direct expenses of \$13,387 and \$14,886	56,577	-	56,577	45,212	-	45,212
Other income	352	-	352	140	-	140
Investment income	8,322	-	8,322	24,055	-	24,055
Net assets released from restrictions:						
Released from purpose restrictions	47,919	(47,919)	-	60,030	(60,030)	-
Released from time restrictions	112,737	(112,737)	-	159,113	(159,113)	-
Total Support and Other Revenue	\$ 5,110,633	\$ 9,411	\$ 5,120,044	\$ 4,493,678	\$ (6,050)	\$ 4,487,628
EXPENSES						
Program services	\$ 4,652,359	\$ -	\$ 4,652,359	\$ 4,240,673	\$ -	\$ 4,240,673
Management and general	203,419	-	203,419	208,489	-	208,489
Fundraising	121,363	-	121,363	107,692	-	107,692
Total Expenses	\$ 4,977,141	\$ -	\$ 4,977,141	\$ 4,556,854	\$ -	\$ 4,556,854
CHANGE IN NET ASSETS	\$ 133,492	\$ 9,411	\$ 142,903	\$ (63,176)	\$ (6,050)	\$ (69,226)
NET ASSETS, BEGINNING OF YEAR	1,868,121	138,556	2,006,677	1,931,297	144,606	2,075,903
NET ASSETS, END OF YEAR	\$ 2,001,613	\$ 147,967	\$ 2,149,580	\$ 1,868,121	\$ 138,556	\$ 2,006,677

The accompanying notes are an integral part of these financial statements.

FOOD FOR OTHERS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 142,903	\$ (69,226)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	40,640	35,842
Realized gain on sale of investments	(753)	(3,545)
Unrealized (gain)/ loss on investments	8,222	(7,458)
Donated investments	(24,236)	(18,220)
Donated property and equipment	-	(8,000)
Allowance for doubtful accounts	8,000	(1,839)
Deferred rent	12,657	-
Changes in assets and liabilities:		
Contributions receivable	195	26,472
Interest receivable	8,689	(7,900)
Inventory - food	(123,163)	884
Prepaid expenses	(7,924)	(7,121)
Deposits	(315)	(4,712)
Accounts payable and accrued expenses	(17,640)	8,519
Deferred revenue	6,135	-
	\$ 53,410	\$ (56,304)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (2,321)	\$ (16,637)
Purchase of investments	(1,404,234)	(390,750)
Proceeds from sale of investments	1,472,579	228,331
	\$ 66,024	\$ (179,056)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	\$ 119,434	\$ (235,360)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	124,948	360,308
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 244,382	\$ 124,948
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Donated investments	\$ 24,236	\$ 18,220
Donated property and equipment	\$ -	\$ 8,000

The accompanying notes are an integral part of these financial statements.

FOOD FOR OTHERS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel costs	\$ 333,631	\$ 139,013	\$ 83,408	\$ 556,052	\$ 312,420	\$ 130,175	\$ 78,105	\$ 520,700
Professional fees	-	35,781	-	35,781	-	46,588	-	46,588
Supplies	15,155	3,181	3,391	21,727	14,292	3,437	323	18,052
Telephone	1,701	1,360	340	3,401	2,141	892	535	3,568
Postage	1,700	1,360	340	3,400	1,258	1,006	252	2,516
Donated facilities and utilities	203,638	11,313	11,313	226,264	208,313	11,573	11,573	231,459
Repairs and maintenance	5,171	-	-	5,171	6,192	-	-	6,192
Printing	3,945	1,644	986	6,575	3,578	1,491	894	5,963
Vehicle and transportation	13,601	-	-	13,601	19,225	-	-	19,225
Special assistance - donated food	3,724,854	-	-	3,724,854	3,278,062	-	-	3,278,062
Special assistance - purchased food	210,193	-	-	210,193	314,207	-	-	314,207
Insurance	14,783	6,160	3,696	24,639	14,751	6,146	3,688	24,585
Technology expense	4,375	1,823	1,094	7,292	10,163	4,235	2,541	16,939
Other	1,333	1,784	1,068	4,185	7,070	2,946	1,767	11,783
Bad debt	16,896	-	-	16,896	13,159	-	-	13,159
Rent and utilities	60,743	-	-	60,743	-	-	-	-
Fundraising registration fees and costs	-	-	15,727	15,727	-	-	8,014	8,014
Depreciation	40,640	-	-	40,640	35,842	-	-	35,842
Total Expense	\$ 4,652,359	\$ 203,419	\$ 121,363	\$ 4,977,141	\$ 4,240,673	\$ 208,489	\$ 107,692	\$ 4,556,854

The accompanying notes are an integral part of these financial statements.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 1. **Organization**

Food for Others, Inc., a nonprofit organization incorporated in the Commonwealth of Virginia, distributes free food to their neighbors in need, in partnership with the Northern Virginia community, and to provide opportunities for people to volunteer their resources. Food for Others, Inc. (the Organization) also provides relief to churches and other organizations that operate exclusively for such charitable purposes. The major sources of revenue are food contributions from various grocery and retail stores, government grants, and cash contributions.

Note 2. **Summary of Significant Accounting Policies**

Basis of Accounting

Assets and liabilities and revenues and expenses are recorded on the accrual basis of accounting in the records of the Organization in accordance with U.S. generally accepted accounting principles (GAAP).

Income Tax

Food for Others, Inc. is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) as a Section 501(a) organization within the meaning of Section 509(a). The Internal Revenue Service has determined that the Organization is a publicly supported organization.

Food for Others, Inc. has adopted the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The adoption of this standard had no impact on the Organization's financial statements. Food for Others, Inc. files tax returns as a tax-exempt organization. Currently, the Organization's 2012, 2013, and 2014 tax years are open for examination by the IRS.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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 Equivalents

For financial statement purposes, the Organization considers all cash and interest bearing deposits, except for cash and money market funds held in professionally managed investment accounts, to be cash equivalents. The money market accounts are included in investments.

Contributions and Other Receivables

The majority of the receivables are from pledges and the amounts due are individually analyzed for collectability and are recorded at their net realizable value with an offsetting allowance for doubtful accounts. When all collection efforts have been exhausted, the account is written off against the allowance for doubtful accounts. At June 30, 2015 and 2014, the allowance for doubtful accounts was \$23,306 and \$15,306, respectively.

Inventory – Food

Inventory consists mainly of donated food and is recorded using the average valuation of food donated through the Feeding America. This valuation is determined by a proprietary audit conducted on behalf of Feeding America by KMPG, determining approximate average wholesale value of one pound of food at the national level. For the years ended June 30, 2015 and 2014, the average wholesale cost of food was \$1.72 per pound, respectively.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2. Summary of Significant Accounting Policies (Continued)

Investments

The Organization carries its investments at fair value.

Property and Equipment

All acquisitions of property and equipment greater than \$1,000 are capitalized at cost. Property and equipment are depreciated using the straight-line method over estimated useful lives of three to seven years.

Deferred Revenue

Amounts collected for events or other programs not yet earned are recorded as deferred revenue.

Net Assets

The Organization's resources are classified for accounting and reporting purposes into net asset groups based on the existence or absence of donor or time imposed restrictions. The net asset groups are as follows:

Unrestricted – represents resources available for support of the operations of the Organization. In December of 2010, the Board of Directors designated \$380,000 for special operating reserves. The designation remains as of June 30, 2015 and 2014.

Temporarily Restricted – represents resources received by the Organization from contributors or grantors that are time or purpose restricted by the donors.

Government Contracts

Revenue from government grants and contracts is recognized in the year in which it is earned. Amounts collected but not earned are recorded as deferred revenue.

Contributions

Revenues from contributions are considered to be available for unrestricted use and are recognized as revenue when an unconditional pledge is received or when cash is received if no pledge exists. Contributions that are restricted for use in a later time period or for a particular purpose are recognized as temporarily restricted net assets. Temporarily restricted net assets become unrestricted when the time restrictions expire or the purpose restriction is met. Contributions receivable as of June 30, 2015 and 2014, are due within one year.

In-kind donations such as fixed assets and investments are recorded at their estimated fair market value on the date of receipt. In-kind services are recorded at their estimated fair market value if such services are specialized and would typically be purchased if not donated, and are in compliance with recording requirements under GAAP. Donated facilities are recorded at their estimated fair market value.

Fair Value Measurement

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset 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.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2. **Summary of Significant Accounting Policies (Concluded)**

Fair Value Measurement (Concluded)

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds, that the Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and are based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program. Other allocable costs have been allocated to program services and to general and administrative based upon management's best estimates.

Note 3. **Concentration of Credit Risk**

Financial instruments which subject the Organization to a concentration of credit risk consist of a cash account with a financial institution. At times during the year, the Organization had funds in the financial institution in excess of the Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses on such deposits.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 4. Investments

The Organization's investments are stated at fair value. As of June 30, 2015 and 2014 investments consist of the following:

	2015		2014	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 555,001	\$ 559,290	\$ 798,004	\$ 801,802
Government bond funds	817,725	813,834	568,268	572,456
Cash and money market funds	4	4	50,448	50,448
	<u>\$ 1,372,730</u>	<u>\$ 1,373,128</u>	<u>\$ 1,416,720</u>	<u>\$ 1,424,706</u>

	2015		2014	
	Level 1	Level 2	Level 1	Level 2
Fair value hierarchy				
Certificates of deposit	\$ -	\$ 559,290	\$ -	\$ 801,802
Government bond funds	813,834	-	572,456	-
Cash and money market funds	4	-	50,448	-
	<u>\$ 813,838</u>	<u>\$ 559,290</u>	<u>\$ 622,904</u>	<u>\$ 801,802</u>

Investment income for the years ended June 30, 2015 and 2014 includes interest and dividends of \$15,791 and \$13,052, unrealized gain/(loss) of (\$8,222) and \$7,458 and realized gain of \$753 and \$3,545, respectively.

During the year ended June 30, 2015, the Organization consolidated their brokerage accounts into one account. This consolidation included closing two accounts and transferring the proceeds. These activities are reflected in the Statements of Cash Flows.

Note 5. In-Kind Donations

A significant portion of the Organization's support is derived from donated food, facilities, and services.

Donated Food

The Organization uses the average valuation of food donated through the Feeding America network when valuing the donated food. This valuation is determined by a proprietary audit conducted on behalf of Feeding America by KMPG, determining approximate average wholesale value of one pound of food at the national level. This is the value used by other Washington, D.C. area food banks. For the years ended June 30, 2015 and 2014, the average wholesale value of one pound of food as determined by Feeding America was \$1.72. The Organization received 2,142,033 and 1,902,225 pounds of donated food for the years ended June 30, 2015 and 2014, respectively.

Donated Facilities

The County of Fairfax provided Food for Others, Inc., the use of a 10,750 square foot warehouse and office facility and related utilities at no cost. The County estimates that the fair value of the free use of this warehouse was \$226,264 and \$231,459 for the years ended June 30, 2015 and 2014, respectively.

Donated Services

The Organization receives a substantial amount of services from volunteers. These volunteers assist in the acquisition and distribution of food and food products. They also provide management and administrative services. Volunteers donated 25,777 and 25,646 non-professional hours in the years ended June 30, 2015 and 2014, respectively. The Organization does not record these in-kind services as such services are not considered to be specialized and would not typically be purchased if not donated.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 6. Pension Plan

Food for Others, Inc. has a Savings Incentive Match Plan (SIMPLE Plan) covering all eligible employees. Under this Plan, all employees may elect to defer a percentage of compensation up to statutory limits. The Organization will match the first 3% of each employee's contribution and the contribution is immediately vested. The total pension expense for the years ended June 30, 2015 and 2014 was \$11,964 and \$11,679, respectively.

Note 7. Composition of Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Temporarily restricted net assets:		
Time restricted	\$ 147,967	\$ 138,556
Purpose restricted	<u>-</u>	<u>-</u>
	<u>\$ 147,967</u>	<u>\$ 138,556</u>

Note 8. Lease

In May 2014, Food for Others, Inc. entered into a lease for warehouse and office space next to its current location. The lease started September 22, 2014 and will expire February 28, 2018. Food for Others, Inc. paid a deposit equal to one month's rent of \$4,712. Food for Others, Inc. is also responsible for its share of operating expenses and real estate taxes.

Future minimum lease payments as of June 30 are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 57,979
2017	59,845
2018	<u>40,881</u>
	<u>\$ 158,705</u>

Rent expense was \$57,794 and \$0, respectively, for the years ended June 30, 2015 and 2014.

Note 9. Presentation of Prior year Financial Statements

Certain accounts and descriptions in the prior year financial statements have been modified for comparative purposes to conform to the presentation of the current year financial statements.

Note 10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 22, 2015, the date the financial statements were available to be issued. The Organization determined there are no subsequent events to report.