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FOOD FOR OTHERS, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2022 AND 2021

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

FOOD FOR OTHERS, INC.

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Food for Others, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Food for Others, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Food for Others, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Food for Other Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Food for Other Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Food for Other Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



November 14, 2022
Fairfax, Virginia

FOOD FOR OTHERS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,461,490	\$ 1,222,788
Contributions receivable, net	76,874	80,981
Other receivable	32,244	125,499
Inventory - food	265,429	455,794
Prepaid expenses	28,768	32,051
Total Current Assets	\$ 1,864,805	\$ 1,917,113
INVESTMENTS	\$ 5,204,691	\$ 4,338,641
PROPERTY AND EQUIPMENT		
Furniture and equipment	\$ 568,961	565,473
Vehicles	282,313	212,213
Leasehold improvements	52,229	-
Less, accumulated depreciation	(541,510)	(434,886)
Net Property and Equipment	\$ 361,993	\$ 342,800
OTHER ASSETS		
Deposits	\$ 10,086	\$ 10,086
TOTAL ASSETS	\$ 7,441,575	\$ 6,608,640
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 147,440	\$ 139,951
Refundable advance	41,307	-
Deferred revenue	19,500	25,500
Total Current Liabilities	\$ 208,247	\$ 165,451
NET ASSETS		
Without donor restrictions	\$ 7,056,002	\$ 6,229,127
With donor restrictions	177,326	214,062
Total Net Assets	\$ 7,233,328	\$ 6,443,189
TOTAL LIABILITIES AND NET ASSETS	\$ 7,441,575	\$ 6,608,640

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

FOOD FOR OTHERS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUE						
Donated goods, utilities and facilities	\$ 4,789,444	\$ -	\$ 4,789,444	\$ 4,943,166	\$ -	\$ 4,943,166
Contributions	3,132,974	228,301	3,361,275	3,417,864	260,090	3,677,954
Government contracts for services	797,971	-	797,971	872,823	-	872,823
Special events, net of direct expenses of \$39,563 in 2022 and \$8,405 in 2021	134,911	-	134,911	48,844	-	48,844
Investment income (loss)	(612,958)	-	(612,958)	190,307	-	190,307
Net assets released from restrictions	265,037	(265,037)	-	183,067	(183,067)	-
Total Support and Other Revenue	\$ 8,507,379	\$ (36,736)	\$ 8,470,643	\$ 9,656,071	\$ 77,023	\$ 9,733,094
EXPENSES						
Program services	\$ 7,080,978	\$ -	\$ 7,080,978	\$ 6,567,216	\$ -	\$ 6,567,216
Management and general	440,427	-	440,427	357,360	-	357,360
Fundraising	159,099	-	159,099	154,684	-	154,684
Total Expenses	\$ 7,680,504	\$ -	\$ 7,680,504	\$ 7,079,260	\$ -	\$ 7,079,260
CHANGE IN NET ASSETS	\$ 826,875	\$ (36,736)	\$ 790,139	\$ 2,576,811	\$ 77,023	\$ 2,653,834
NET ASSETS, BEGINNING OF YEAR	6,229,127	214,062	6,443,189	3,652,316	137,039	3,789,355
NET ASSETS, END OF YEAR	\$ 7,056,002	\$ 177,326	\$ 7,233,328	\$ 6,229,127	\$ 214,062	\$ 6,443,189

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, 2022 AND 2021

	2022	2021
CASH FLOWS - OPERATING ACTIVITIES		
Change in net assets	\$ 790,139	\$ 2,653,834
Adjustments to reconcile change in net assets to net cash		
- operating activities:		
Depreciation	106,624	96,562
Realized gain on sale of investments	(40,855)	(93,846)
Unrealized (gain) loss on investments	796,761	(46,024)
Donated investments	(31,013)	(67,270)
Change in allowance for doubtful accounts	20,524	11,285
Changes in assets and liabilities:		
Contributions receivable, net	(16,417)	(47,783)
Other receivable	93,255	(99,890)
Inventory - food	190,365	(28,095)
Prepaid expenses	3,283	(4,565)
Accounts payable and accrued expenses	7,489	(19,367)
Refundable advance	41,307	-
Deferred revenue	(6,000)	450
	\$ 1,955,462	\$ 2,355,291
CASH FLOWS - INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (125,817)	\$ (229,124)
Purchase of investments	(4,126,813)	(8,400,856)
Proceeds from sale of investments	2,535,870	5,897,754
	\$ (1,716,760)	\$ (2,732,226)
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	\$ 238,702	\$ (376,935)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	1,222,788	1,599,723
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 1,461,490	\$ 1,222,788
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Donated investments	\$ 31,013	\$ 67,270
There were no non-cash financing activities.		

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, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Special assistance - distributed food	\$ 5,693,475	\$ -	\$ -	\$ 5,693,475	\$ 5,331,776	\$ -	\$ -	\$ 5,331,776
Wages and fringe	697,316	268,296	112,978	1,078,590	632,079	218,922	105,539	956,540
Donated facilities and utilities	219,187	27,524	27,524	274,235	212,997	26,625	26,625	266,247
Bank service charges and collection fees	28,315	-	-	28,315	12,792	-	-	12,792
Depreciation	106,624	-	-	106,624	96,562	-	-	96,562
Dues and subscriptions	29,551	-	-	29,551	15,347	-	-	15,347
Fundraising registration fees and costs	-	-	49,465	49,465	-	-	22,846	22,846
Grant expense	25,000	-	-	25,000	20,000	-	-	20,000
Insurance, licenses and permits	17,580	6,821	2,884	27,285	16,919	6,565	2,776	26,260
Loss on uncollectible contributions receivable	51,227	-	-	51,227	25,561	-	-	25,561
Miscellaneous	34,021	3,830	-	37,851	39,358	8,434	-	47,792
Postage, printing and supplies	45,450	24,143	1,640	71,233	56,996	14,289	1,539	72,824
Professional fees	-	71,220	-	71,220	-	52,864	-	52,864
Rent and utilities	40,920	23,018	-	63,938	37,003	20,814	-	57,817
Repairs and maintenance	18,749	-	-	18,749	8,586	-	-	8,586
Technology and telephone expense	56,677	15,575	4,171	76,423	22,776	8,847	3,764	35,387
Vehicle and transportation	16,886	-	-	16,886	38,464	-	-	38,464
Total Expenses	\$ 7,080,978	\$ 440,427	\$ 198,662	\$ 7,720,067	\$ 6,567,216	\$ 357,360	\$ 163,089	\$ 7,087,665
Less direct expenses of special events to revenue	-	-	(39,563)	(39,563)	-	-	(8,405)	(8,405)
Net expenses	\$ 7,080,978	\$ 440,427	\$ 159,099	\$ 7,680,504	\$ 6,567,216	\$ 357,360	\$ 154,684	\$ 7,079,260

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

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1. Organization

Food for Others, Inc. (FFO or the Organization), a nonprofit organization incorporated in the Commonwealth of Virginia, distributes free food to its neighbors in need, in partnership with the Northern Virginia community, and provides opportunities for people to volunteer their resources. Food for Others, Inc. 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 accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Income Taxes

FFO 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 FFO is a publicly supported organization.

FFO 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 FFO's financial statements. FFO files tax returns as a tax-exempt organization.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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, FFO considers all cash and interest bearing deposits, except for cash and money market funds held in professionally managed investment accounts, to be cash equivalents. Cash and money market accounts held in professionally managed accounts are included in investments.

Contributions and Other Receivables

The majority of the receivables are from pledges and contracts. The amounts due are 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, 2022 and 2021, the allowance for doubtful accounts was \$45,452 and \$24,928, respectively. The contributions and other receivables are due within one year. The other receivable represents amounts due under the Fairfax County Food Access Program Grant Award.

Inventory – Food

Inventory consists mainly of donated food and is recorded using the average valuation of food donated through Feeding America. This valuation is determined by a proprietary audit conducted on behalf of Feeding America by RSM U.S. LLP, determining the approximate average wholesale value of one pound of food at the national level. The average wholesale value of food was \$1.79 and \$1.74 per pound for the years ended June 30, 2022 and 2021, respectively.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Continued)

Investments

FFO carries its investments at fair value.

FFO invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuation in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements.

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 – Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASC 958-205, net assets and revenue are classified on the basis of existence or absence of donor-imposed restrictions, as follows:

Net assets without donor restrictions – represents resources available for support of the operations of the Organization.

Net assets with donor restrictions – represents resources received by the Organization from contributors or grantors that are time or purpose restricted by the donors.

Revenue Recognition

FFO adopted Accounting Standards Codification 606 (ASC 606), *Revenue from Contracts with Customers* (ASC 606). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from events is recognized at the gross amounts received when the events are held. Revenue from fee for service programs under cost-reimbursable federal and state contracts and grants are recognized at the point in time that the programs are run. These contract and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. All services for the programs are transferred and used at the same point in time. Accordingly, FFO satisfies the performance obligation and the revenue is recognized when the programs occur. The transaction price for the programs is based upon the stand-alone selling price or the program costs, primarily food costs. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. Deferred revenue was \$19,500 and \$25,500 at June 30, 2022 and 2021, respectively.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Continued)

The following revenue streams are outside the scope of ASC 606:

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 net assets with donor restrictions. Net assets with donor restrictions become net assets without donor restrictions when the time restrictions expire or the purpose restriction is met. Donor restricted contributions whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions. Contributions receivable as of June 30, 2022 and 2021, are due within one year.

Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

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 U.S. GAAP. Donated facilities are recorded at their estimated fair market value.

Fair Value Measurement

FFO 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.

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 FFO 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 FFO'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.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

Fair Value Measurement (Concluded)

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). FFO 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 management and general based upon management's best estimates.

New Accounting Pronouncements

The FASB has issued ASU 2016-02, *Leases*. The main difference between the provisions of ASU No. 2016-02 and previous U.S. GAAP is the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. ASU No. 2016-02 retains a distinction between finance leases and operating leases, and the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous U.S. GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize right-of-use assets and lease liabilities. The accounting applied by a lessor is largely unchanged from that applied under previous U.S. GAAP. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This ASU is effective for all entities, for fiscal years beginning after December 15, 2021. Early adoption is permitted. FFO is currently evaluating the impact this standard will have on its financial statements.

Note 3. **Concentrations**

Credit risk

Financial instruments that potentially subject FFO to significant concentrations of credit risk consist of cash and investment accounts. FFO maintains the cash and investment accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). FFO has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management believes that the risk of any credit loss is minimal.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3. Concentrations (Concluded)

Other

Fairfax County, Virginia provided donated facilities which comprise FFO's main office and warehouse space. The value of these donated facilities totaled \$274,235 and \$266,247, and represent approximately 4% of total expenses for the years ended June 30, 2022 and 2021, respectively.

Note 4. Liquidity and Availability

FFO invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date as of 2022 and 2021, are comprised of the following:

	2022	2021
Cash and cash equivalents	\$ 1,461,490	\$ 1,222,788
Investments	5,204,691	4,338,641
Contributions and other receivables, net	109,118	206,480
	6,775,299	5,767,909
Less amounts not available within one year, donor restricted net assets	177,326	214,062
Financial assets available to meet general expenditures over the next twelve months	\$ 6,597,973	\$ 5,553,847

Note 5. Investments

FFO's investments are stated at fair value. As of June 30, 2022 and 2021, investments consist of the following Level 1 assets in the fair value hierarchy:

	Market value	
	2022	2021
Mutual funds:		
Equity funds	\$ 1,113,802	\$ 398,410
Exchange traded funds	2,992,381	1,504,390
Government bond funds	507,142	1,381,185
Total at fair value	\$ 4,613,325	\$ 3,283,985
Other cash and money market accounts:		
Cash and money market funds*	591,366	1,054,656
	\$ 5,204,691	\$ 4,338,641

*Cash and money market funds in the investment portfolio are not subject to provisions of the fair value measurements as they are recorded at cost.

Investment income for the years ended June 30, 2022 and 2021 includes interest and dividends of \$142,948 and \$50,437, unrealized gains/(losses) of (\$796,761) and \$46,024 and realized gains of \$40,855 and \$93,846, respectively.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5. Investments (Concluded)

During March 2022, FFO adopted an updated investment policy. The updated policy includes guidelines for the prudent investment of FFO's investments. To manage investment risk and to optimize investment returns within acceptable risk parameters, the investment policy created three separate investment pools: operating reserve funds, board designated reserves fund, and an intermediate term reserve fund. The overall goal of the updated policy is to preserve capital, liquidity and optimize investment returns.

Note 6. In-Kind Donations

A significant portion of FFO'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 another auditor, determining the 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. The average wholesale value of one pound of food as determined by Feeding America was \$1.79 and \$1.74 for the years ended June 30, 2022 and 2021, respectively. FFO received 2,522,463 and 2,687,884 pounds of donated food for the years ended June 30, 2022 and 2021, respectively.

Donated Facilities

The County of Fairfax, Virginia (the County) provides FFO the use of a 10,750 square foot warehouse and office facility and related utilities at no cost. Effective November 3, 2017, the County amended the office lease with the landlord via a Second Extension and Modification of Lease Agreement (the Second Amendment) to include the adjacent space to the current facilities which consists of approximately 5,385 square feet of rentable floor space. The Second Amendment also extends the Lease for a five-year term, March 1, 2018 through February 23, 2023, and includes an option to renew the lease for one five-year term. Effective February 2022, the County amended the office lease with the landlord via a Third Extension and Modification of Lease Agreement (the Third Amendment) to include space adjacent to the current facilities which consists of approximately 10,771 square feet of rentable floor space. The Third Amendment also extends the Lease for a ten-year term, March 1, 2023 through June 30, 2032, unless sooner terminated in accordance with the lease. There is no option to renew the lease in the Third Extension.

In July 2016 the County and FFO entered into a license agreement (the License) whereby the County licenses to FFO the leased premises pursuant to FFO providing services under a contract (the Contract) with the County. The Contract has a term of one year and has been renewed annually. The License runs concurrently with the term of the Contract and its amendments. The License renews automatically at any time that the Contract is renewed, with all covenants and conditions remaining the same, unless written termination of the License is given by either party 60 days prior to the end of the then current term. There are no charges to FFO under the terms of the License.

The County estimates that the fair value of the free use of this warehouse space was \$274,235 and \$266,247 for the years ended June 30, 2022 and 2021, respectively.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6. In-Kind Donations (Concluded)

Donated Services

FFO 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 27,108 and 21,087 non-professional hours in the years ended June 30, 2022 and 2021, respectively. FFO 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.

Note 7. Pension Plan

FFO 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. FFO will match the first 3% of each employee's contribution and the contribution is immediately vested. FFO's contribution expense for the years ended June 30, 2022 and 2021 was \$18,231 and \$17,285, respectively.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are as follows:

	2022	2021
Time restricted	\$ 122,326	\$ 94,226
Purpose restricted	55,000	119,836
	\$ 177,326	\$ 214,062

Note 9. Deferred Revenue and Refundable Advances

Refundable advances

FFO has received a grant commitment from the state and local government, which is cost reimbursable in nature. Thus, a receivable to these grants is only recognized as FFO incurs grant-related expenses. The unearned conditional grant commitment as of June 30, 2022 and 2021 totaled \$41,307 and \$0, respectively.

Deferred revenue

FFO has received event revenue for events to be held subsequent to year end in the amount of \$19,500 and \$25,500 for the years ended June 30, 2022 and 2021, respectively.

Deferred revenue consists of the following at June 30:

	2022	2021
Beginning of year balance	\$ 25,500	\$ 25,050
Prior year amount taken into income in current year	(25,500)	(25,050)
Revenue received for subsequent year	19,500	25,500
	\$ 19,500	\$ 25,500

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10. Lease

In July 2020, FFO entered into a lease for additional warehouse space near its current warehouse and office location. The lease began July 15, 2020 and is for a 24-month term. FFO paid a deposit equal to one month's rent of \$5,000. The lease contains two options to renew the lease, each for a one-year term. The lease also includes a rent escalation clause. The base annual rent of \$60,000 shall be increased annually by 3%. Rent expense was \$61,515 and \$52,127 for the years ended June 30, 2022 and 2021, respectively. In January 2022 the lease was extended for a four-month period to end December 31 2022. The rent for the four-month extension is \$20,600.

The future minimum lease payments under the terms of this lease agreement for years subsequent to June 30, 2022 are as follows:

Year ending June 30, 2023	\$ 30,900
Total	<u>\$ 30,900</u>

Note 11. 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. These reclassifications had no effect on previously reported changes in net assets.

Note 12. Risks and Uncertainties

In March 2020, a pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization. Future events, revenues and expenses of the Organization are uncertain due to the highly contagious nature of the virus, the requirements for social distancing, limited gathering and restrictions on travel. In addition, both domestic and international equity markets have experienced significant fluctuations since March 2020. The ultimate impact of the ongoing COVID-19 pandemic on the operations of FFO is unknown and depends on future developments which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain it or its impact, among others.

Note 13. Subsequent Events

In preparing these financial statements, FFO has evaluated events and transactions for potential recognition or disclosure through November 14, 2022, the date the financial statements were available to be issued. Management of FFO has determined that there was one transaction occurring subsequent to June 30, 2022, that requires disclosure in the financial statements. As noted above in Note 6 to the financial statements, FFO entered into a Third Extension to its lease. Under terms of the Third Extension, FFO will obtain an additional 10,771 square feet of rentable floor space. In July 2022, FFO entered into a contract for construction services to renovate this additional space. The cost of the renovations per the construction contract is approximately \$576,000.