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**FOOD FOR OTHERS, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2017 AND 2016**

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

We have audited the accompanying financial statements of Food for Others, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, 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 for the Financials 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. 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food for Others, Inc. as of June 30, 2017 and 2016, 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.

October 25, 2017
Fairfax, Virginia

FOOD FOR OTHERS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 256,624	\$ 297,879
Contributions receivable, net	61,772	63,910
Other receivable	1,852	4,511
Inventory - food	407,350	291,668
Prepaid expenses	31,135	27,606
Total Current Assets	\$ 758,733	\$ 685,574
INVESTMENTS		
	\$ 1,437,901	\$ 1,420,876
PROPERTY AND EQUIPMENT		
Furniture and equipment	\$ 179,646	\$ 179,230
Vehicles	114,373	114,373
Less, accumulated depreciation	(271,454)	(237,415)
Net Property and Equipment	\$ 22,565	\$ 56,188
OTHER ASSETS		
Deposits	\$ 5,128	\$ 5,027
TOTAL ASSETS		
	\$ 2,224,327	\$ 2,167,665
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 39,053	\$ 44,459
Deferred rent, current	4,369	5,077
Deferred revenue	15,565	19,390
Total Current Liabilities	\$ 58,987	\$ 68,926
OTHER LIABILITIES		
Deferred rent	\$ -	\$ 4,369
Total Liabilities	\$ 58,987	\$ 73,295
NET ASSETS		
Unrestricted	\$ 2,081,254	\$ 1,932,815
Temporarily restricted	84,086	161,555
Total Net Assets	\$ 2,165,340	\$ 2,094,370
TOTAL LIABILITIES AND NET ASSETS		
	\$ 2,224,327	\$ 2,167,665

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

FOOD FOR OTHERS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUE						
Donated goods, utilities and facilities	\$ 3,930,844	\$ -	\$ 3,930,844	\$ 3,524,394	\$ -	\$ 3,524,394
Contributions	574,380	148,629	723,009	551,037	193,190	744,227
Government contracts for services	228,066	-	228,066	235,000	-	235,000
Special events, net of direct expenses of \$11,820 and \$13,305, respectively	108,850	-	108,850	91,125	-	91,125
Other income	269	-	269	725	-	725
Investment income (loss)	(6,537)	-	(6,537)	26,186	-	26,186
Net assets released from restrictions:						
Released from purpose restrictions	74,201	(74,201)	-	79,864	(79,864)	-
Released from time restrictions	151,897	(151,897)	-	99,738	(99,738)	-
Total Support and Other Revenue	\$ 5,061,970	\$ (77,469)	\$ 4,984,501	\$ 4,608,069	\$ 13,588	\$ 4,621,657
EXPENSES						
Program services	\$ 4,574,074	\$ -	\$ 4,574,074	\$ 4,332,966	\$ -	\$ 4,332,966
Management and general	232,861	-	232,861	221,167	-	221,167
Fundraising	106,596	-	106,596	122,734	-	122,734
Total Expenses	\$ 4,913,531	\$ -	\$ 4,913,531	\$ 4,676,867	\$ -	\$ 4,676,867
CHANGE IN NET ASSETS	\$ 148,439	\$ (77,469)	\$ 70,970	\$ (68,798)	\$ 13,588	\$ (55,210)
NET ASSETS, BEGINNING OF YEAR	1,932,815	161,555	2,094,370	2,001,613	147,967	2,149,580
NET ASSETS, END OF YEAR	\$ 2,081,254	\$ 84,086	\$ 2,165,340	\$ 1,932,815	\$ 161,555	\$ 2,094,370

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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 70,970	\$ (55,210)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	34,040	39,193
Realized gain on sale of investments	(808)	(1,371)
Unrealized (gain) loss on investments	25,053	(2,073)
Donated investments	(23,692)	(21,562)
Change in allowance for doubtful accounts	7,443	(7,906)
Deferred rent	(5,077)	(3,211)
Changes in assets and liabilities:		
Contributions receivable, net	(5,305)	36,880
Other receivable	2,659	(3,460)
Inventory - food	(115,682)	86,048
Prepaid expenses	(3,529)	2,266
Deposits	(101)	-
Accounts payable and accrued expenses	(5,406)	(40)
Deferred revenue	(3,825)	13,255
	\$ (23,260)	\$ 82,809
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (416)	\$ (6,570)
Purchase of investments	(327,202)	(60,000)
Proceeds from sale of investments	309,623	37,258
	\$ (17,995)	\$ (29,312)
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	\$ (41,255)	\$ 53,497
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	297,879	244,382
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 256,624	\$ 297,879
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Donated investments	\$ 23,692	\$ 21,562

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, 2017 AND 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Special assistance - distributed food	\$ 3,825,167	\$ -	\$ -	\$ 3,825,167	\$ 3,580,551	\$ -	\$ -	\$ 3,580,551
Personnel costs	353,456	176,728	58,909	589,093	352,682	146,951	88,170	587,803
Donated facilities and utilities	193,025	10,724	10,723	214,472	203,131	11,285	11,285	225,701
Bad debt	7,443	-	-	7,443	7,562	-	-	7,562
Depreciation	34,040	-	-	34,040	39,193	-	-	39,193
Fundraising registration fees and costs	-	-	11,504	11,504	-	-	14,904	14,904
Insurance	16,216	6,756	4,054	27,026	17,470	7,279	4,368	29,117
Other	18,607	2,853	16,858	38,318	-	19,484	-	19,484
Postage	955	764	190	1,909	1,433	1,146	287	2,866
Printing	5,585	2,327	1,396	9,308	5,622	2,343	1,405	9,370
Professional fees	-	24,839	-	24,839	-	23,761	-	23,761
Rent and utilities	74,142	-	-	74,142	78,649	-	-	78,649
Repairs and maintenance	15,305	-	-	15,305	12,932	-	-	12,932
Supplies	9,503	2,802	522	12,827	7,287	4,871	467	12,625
Technology expense	8,040	3,350	2,010	13,400	5,732	2,389	1,433	9,554
Telephone	2,148	1,718	430	4,296	2,073	1,658	415	4,146
Vehicle and transportation	10,442	-	-	10,442	18,649	-	-	18,649
Total Expenses	\$ 4,574,074	\$ 232,861	\$ 106,596	\$ 4,913,531	\$ 4,332,966	\$ 221,167	\$ 122,734	\$ 4,676,867

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

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 Tax

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 the 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. 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, 2017 and 2016, the allowance for doubtful accounts was \$22,843 and \$15,400, respectively.

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 KPMG, determining approximate average wholesale value of one pound of food at the national level. The average wholesale value of food was \$1.73 and \$1.67 per pound for the years ended June 30, 2017 and 2016, respectively.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 2. Summary of Significant Accounting Policies (Continued)

Inventory – Food (Concluded)

FFO uses an inventory variance account. This account is used to determine food purchased by FFO versus the approximate wholesale value determined by Feeding America referenced above. It includes spoilage and obsolescence. The variance adjustment, included in the special assistance-distributed food account on the Statements of Functional Expenses, was \$(145,325) and \$(116,622) at June 30, 2017 and 2016, respectively.

Investments

FFO 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

FFO'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.

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. Donor restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted support. Contributions receivable as of June 30, 2017 and 2016, 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 U.S. GAAP. Donated facilities are recorded at their estimated fair market value.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 2. Summary of Significant Accounting Policies (Concluded)

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.

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.

Note 3. Concentration of Credit Risk

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

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 4. Investments

FFO's investments are stated at fair value. As of June 30, 2017 and 2016 investments consist of the following:

	2017		2016	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 350,000	\$ 349,270	\$ 390,000	\$ 392,090
Government bond funds	742,289	725,326	889,017	888,930
Cash and money market funds	363,305	363,305	139,856	139,856
	\$ 1,455,594	\$ 1,437,901	\$ 1,418,873	\$ 1,420,876

Fair value hierarchy	2017		2016	
	Level 1	Level 2	Level 1	Level 2
Certificates of deposit	\$ -	\$ 349,270	\$ -	\$ 392,090
Government bond funds	725,326	-	888,930	-
Cash and money market funds	363,305	-	139,856	-
	\$ 1,088,631	\$ 349,270	\$ 1,028,786	\$ 392,090

Investment income for the years ended June 30, 2017 and 2016 includes interest and dividends of \$17,708 and \$22,742, unrealized gain/(loss) of \$(25,053) and \$2,073 and realized gain of \$808 and \$1,371, respectively.

Note 5. 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 KPMG, 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. The average wholesale value of one pound of food as determined by Feeding America was \$1.73 and \$1.67 for the years ended June 30, 2017 and 2016, respectively. FFO received 2,148,192 and 1,975,265 pounds of donated food for the years ended June 30, 2017 and 2016, respectively.

Donated Facilities

The County of Fairfax provides FFO 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 \$214,472 and \$225,701 for the years ended June 30, 2017 and 2016, respectively.

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 26,433 and 27,727 non-professional hours in the years ended June 30, 2017 and 2016, 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.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 6. 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, 2017 and 2016 was \$13,126 and \$12,819, respectively.

Note 7. Composition of Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 84,086	\$ 161,555
Purpose restricted	<u>-</u>	<u>-</u>
	<u>\$ 84,086</u>	<u>\$ 161,555</u>

Note 8. Lease

In May 2014, FFO 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. The lease contains a 90-day rent abatement period at the start of the lease. FFO paid a deposit equal to one month's rent of \$4,712. FFO is responsible for its share of operating expenses and real estate taxes. Rent expense was \$74,142 and \$76,147 at June 30, 2017 and 2016, respectively. Deferred rent was \$4,369 and \$9,446 at June 30, 2017 and 2016, respectively.

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

Year Ending <u>June 30,</u>	
2018	\$ <u>40,881</u>

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, FFO has evaluated events and transactions for potential recognition or disclosure through October 25, 2017, the date the financial statements were available to be issued.

The County of Fairfax, Virginia has extended its Community Funding pool of donated facilities to FFO until June 30, 2018.