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**FOOD FOR OTHERS, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2018 AND 2017**

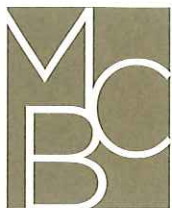
**MATTHEWS, CARTER & BOYCE**  
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FOOD FOR OTHERS, INC.

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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, 2018 and 2017, 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 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. 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, 2018 and 2017, 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, likely belonging to a representative of Matthews, Carter &amp; Boyce, positioned above the date and location.

October 30, 2018  
Fairfax, Virginia

**FOOD FOR OTHERS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

**ASSETS**

	2018	2017
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 314,426	\$ 256,624
Contributions receivable, net	54,544	61,772
Other receivable	2,282	1,852
Inventory - food	348,848	407,350
Prepaid expenses	19,125	31,135
Total Current Assets	\$ 739,225	\$ 758,733
<b>INVESTMENTS</b>	\$ 1,470,363	\$ 1,437,901
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	\$ 216,177	\$ 179,646
Vehicles	144,873	114,373
Less, accumulated depreciation	(291,730)	(271,454)
Net Property and Equipment	\$ 69,320	\$ 22,565
<b>OTHER ASSETS</b>		
Deposits	\$ 5,128	\$ 5,128
<b>TOTAL ASSETS</b>	\$ 2,284,036	\$ 2,224,327
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 46,578	\$ 39,053
Deferred rent, current	-	4,369
Deferred revenue	16,000	15,565
Total Current Liabilities	\$ 62,578	\$ 58,987
<b>NET ASSETS</b>		
Unrestricted	\$ 2,095,650	\$ 2,081,254
Temporarily restricted	125,808	84,086
Total Net Assets	\$ 2,221,458	\$ 2,165,340
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,284,036	\$ 2,224,327

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

**FOOD FOR OTHERS, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND OTHER REVENUE</b>						
Donated goods, utilities and facilities	\$ 3,637,182	\$ -	\$ 3,637,182	\$ 3,930,844	\$ -	\$ 3,930,844
Contributions	670,430	97,544	767,974	574,380	148,629	723,009
Government contracts for services	253,748	-	253,748	228,066	-	228,066
Special events, net of direct expenses of \$12,840 and \$11,820, respectively	87,800	-	87,800	108,850	-	108,850
Other income	-	-	-	269	-	269
Investment income (loss)	10,394	-	10,394	(6,537)	-	(6,537)
Net assets released from restrictions:						
Released from purpose restrictions	-	-	-	74,201	(74,201)	-
Released from time restrictions	55,822	(55,822)	-	151,897	(151,897)	-
<b>Total Support and Other Revenue</b>	<b>\$ 4,715,376</b>	<b>\$ 41,722</b>	<b>\$ 4,757,098</b>	<b>\$ 5,061,970</b>	<b>\$ (77,469)</b>	<b>\$ 4,984,501</b>
<b>EXPENSES</b>						
Program services	\$ 4,359,807	\$ -	\$ 4,359,807	\$ 4,574,074	\$ -	\$ 4,574,074
Management and general	257,015	-	257,015	232,861	-	232,861
Fundraising	84,158	-	84,158	106,596	-	106,596
<b>Total Expenses</b>	<b>\$ 4,700,980</b>	<b>\$ -</b>	<b>\$ 4,700,980</b>	<b>\$ 4,913,531</b>	<b>\$ -</b>	<b>\$ 4,913,531</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 14,396</b>	<b>\$ 41,722</b>	<b>\$ 56,118</b>	<b>\$ 148,439</b>	<b>\$ (77,469)</b>	<b>\$ 70,970</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,081,254</b>	<b>84,086</b>	<b>2,165,340</b>	<b>1,932,815</b>	<b>161,555</b>	<b>2,094,370</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,095,650</b>	<b>\$ 125,808</b>	<b>\$ 2,221,458</b>	<b>\$ 2,081,254</b>	<b>\$ 84,086</b>	<b>\$ 2,165,340</b>

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, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 56,118	\$ 70,970
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,276	34,040
Realized gain on sale of investments	-	(808)
Unrealized loss on investments	13,969	25,053
Donated investments	(28,657)	(23,692)
Change in allowance for doubtful accounts	5,913	7,443
Deferred rent	(4,369)	(5,077)
Changes in assets and liabilities:		
Contributions receivable, net	1,315	(5,305)
Other receivable	(430)	2,659
Inventory - food	58,502	(115,682)
Prepaid expenses	12,010	(3,529)
Deposits	-	(101)
Accounts payable and accrued expenses	7,525	(5,406)
Deferred revenue	435	(3,825)
	<b>\$ 142,607</b>	<b>\$ (23,260)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ (67,031)	\$ (416)
Purchase of investments	(461,420)	(327,202)
Proceeds from sale of investments	443,646	309,623
	<b>\$ (84,805)</b>	<b>\$ (17,995)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	<b>\$ 57,802</b>	<b>\$ (41,255)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
	<b>256,624</b>	<b>297,879</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
	<b>\$ 314,426</b>	<b>\$ 256,624</b>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:</b>		
Donated investments	\$ 28,657	\$ 23,692
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, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Special assistance - distributed food	\$ 3,647,037	\$ -	\$ -	\$ 3,647,037	\$ 3,825,167	\$ -	\$ -	\$ 3,825,167
Personnel costs	363,959	181,980	60,660	606,599	353,456	176,728	58,909	589,093
Donated facilities and utilities	181,699	10,094	10,095	201,888	193,025	10,724	10,723	214,472
Bad debt	15,898	-	-	15,898	7,443	-	-	7,443
Depreciation	20,276	-	-	20,276	34,040	-	-	34,040
Fundraising registration fees and costs	-	-	9,524	9,524	-	-	11,504	11,504
Insurance	8,973	4,487	1,496	14,956	16,216	6,756	4,054	27,026
Other	28,787	2,315	-	31,102	18,607	2,853	16,858	38,318
Postage	1,381	1,105	276	2,762	955	764	190	1,909
Printing	5,135	2,567	856	8,558	5,585	2,327	1,396	9,308
Professional fees	-	47,646	-	47,646	-	24,839	-	24,839
Rent and utilities	47,029	-	-	47,029	74,142	-	-	74,142
Repairs and maintenance	7,942	-	-	7,942	15,305	-	-	15,305
Supplies	8,366	2,665	-	11,031	9,503	2,802	522	12,827
Technology expense	5,111	2,556	851	8,518	8,040	3,350	2,010	13,400
Telephone	2,000	1,600	400	4,000	2,148	1,718	430	4,296
Vehicle and transportation	16,214	-	-	16,214	10,442	-	-	10,442
<b>Total Expenses</b>	<b>\$ 4,359,807</b>	<b>\$ 257,015</b>	<b>\$ 84,158</b>	<b>\$ 4,700,980</b>	<b>\$ 4,574,074</b>	<b>\$ 232,861</b>	<b>\$ 106,596</b>	<b>\$ 4,913,531</b>

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

# FOOD FOR OTHERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### 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 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 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, 2018 and 2017, the allowance for doubtful accounts was \$28,756 and \$22,843, 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 the approximate average wholesale value of one pound of food at the national level. The average wholesale value of food was \$1.73 per pound for the years ended June 30, 2018 and 2017, respectively.



# FOOD FOR OTHERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### 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. The account also includes spoilage and obsolescence. The variance adjustment, included in the special assistance-distributed food account on the Statements of Functional Expenses, was \$(127,891) and \$(145,325) at June 30, 2018 and 2017, 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, 2018 and 2017, 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, 2018 AND 2017

### 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 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, 2018 AND 2017

### Note 4. Investments

FFO's investments are stated at fair value. As of June 30, 2018 and 2017 investments consist of the following:

	2018		2017	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 100,000	\$ 99,781	\$ 350,000	\$ 349,270
Equity funds	186,646	181,842	-	-
Exchange traded funds	122,706	121,356	-	-
Nongovernment bond funds	316,119	315,881	-	-
Government bond funds	757,733	726,348	742,289	725,326
Cash and money market funds	25,155	25,155	363,305	363,305
	<u>\$ 1,508,359</u>	<u>\$ 1,470,363</u>	<u>\$ 1,455,594</u>	<u>\$ 1,437,901</u>

	2018		2017	
	Level 1	Level 2	Level 1	Level 2
Fair value hierarchy				
Certificates of deposit	\$ -	\$ 99,781	\$ -	\$ 349,270
Equity funds	181,842	-	-	-
Exchange traded funds	121,356	-	-	-
Nongovernment bond funds	315,881	-	-	-
Government bond funds	726,348	-	725,326	-
Cash and money market funds	25,155	-	363,305	-
	<u>\$ 1,370,582</u>	<u>\$ 99,781</u>	<u>\$ 1,088,631</u>	<u>\$ 349,270</u>

Investment income for the years ended June 30, 2018 and 2017 includes interest and dividends of \$24,363 and \$17,708, unrealized loss of \$(13,969) and \$(25,053) and realized gain of \$0 and \$808, 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 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 \$1.73 for the years ended June 30, 2018 and 2017, respectively. FFO received 1,985,719 and 2,148,192 pounds of donated food for the years ended June 30, 2018 and 2017, 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.

FOOD FOR OTHERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**Note 5. In-Kind Donations (Continued)**

**Donated Facilities (concluded)**

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 \$201,888 and \$214,472 for the years ended June 30, 2018 and 2017, 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 32,879 and 26,433 non-professional hours in the years ended June 30, 2018 and 2017, 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 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, 2018 and 2017 was \$10,399 and \$13,126, respectively.

**Note 7. Composition of Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Time restricted	\$ 95,808	\$ 84,086
Purpose restricted	<u>30,000</u>	<u>-</u>
	<u>\$ 125,808</u>	<u>\$ 84,086</u>

**Note 8. Lease**

In May 2014, FFO entered into a lease for warehouse and office space next to its current location. The lease began September 22, 2014 and expired February 28, 2018. The lease contained 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 was responsible for its share of operating expenses and real estate taxes. Rent expense was \$47,029 and \$74,142 for the years ended June 30, 2018 and 2017, respectively. Deferred rent was \$0 and \$4,369 at June 30, 2018 and 2017, respectively. Beginning in March 1, 2018 the County extended the office lease to include this 5,385 square foot space, see Note 5.

**FOOD FOR OTHERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**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 30, 2018, the date the financial statements were available to be issued.

The County has extended its Community Funding pool of donated facilities under the License to FFO until June 30, 2019.