

Audited Financial Statements

FOOD FOR OTHERS, INC.

June 30, 2019

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T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor’s Report

To the Board of Directors
Food for Others, Inc.

We have audited the accompanying financial statements of Food for Others, Inc. (FFO), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The financial statements as of and for the year ended June 30, 2018, were audited by other auditors whose report thereon, dated October 30, 2018, expressed an unmodified opinion on those 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s 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 FFO’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 FFO’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.

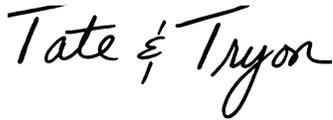
Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Food for Others, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Adoption of Accounting Standards Update 2016-14

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, FFO adopted the provisions of ASU 2016-14 during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in FFO's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.



Washington, DC
October 15, 2019

Food for Others, Inc.

Statements of Financial Position

June 30,	2019	2018
Assets		
Cash and cash equivalents	\$ 408,227	\$ 314,426
Contributions and other receivables	71,552	56,826
Prepaid expenses and deposits	24,688	24,253
Inventory - food	290,614	348,848
Investments	1,555,589	1,470,363
Property and equipment, net	61,720	69,320
Total assets	\$ 2,412,390	\$ 2,284,036
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 60,324	\$ 46,578
Deferred revenue	46,310	16,000
Total liabilities	106,634	62,578
Net assets		
Without donor restrictions	2,176,219	2,095,650
With donor restrictions	129,537	125,808
Total net assets	2,305,756	2,221,458
Total liabilities and net assets	\$ 2,412,390	\$ 2,284,036

Food for Others, Inc.

Statements of Activities

Year Ended June 30,	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue						
Donated goods, utilities and facilities	\$ 3,358,639	\$ -	\$ 3,358,639	\$ 3,637,182	\$ -	\$ 3,637,182
Contributions	619,443	95,361	714,804	670,430	97,544	767,974
Government contracts for services	291,349	-	291,349	253,748	-	253,748
Special events	74,220	-	74,220	100,640	-	100,640
Investment income	80,172	-	80,172	10,394	-	10,394
Net assets released from restrictions	91,632	(91,632)	-	55,822	(55,822)	-
Total revenue	4,515,455	3,729	4,519,184	4,728,216	41,722	4,769,938
Expense						
Program services	4,059,548	-	4,059,548	4,365,307	-	4,365,307
Management and general	275,891	-	275,891	257,015	-	257,015
Fundraising	99,447	-	99,447	91,498	-	91,498
Total expense	4,434,886	-	4,434,886	4,713,820	-	4,713,820
Change in net assets	80,569	3,729	84,298	14,396	41,722	56,118
Net assets, beginning of year	2,095,650	125,808	2,221,458	2,081,254	84,086	2,165,340
Net assets, end of year	\$ 2,176,219	\$ 129,537	\$ 2,305,756	\$ 2,095,650	\$ 125,808	\$ 2,221,458

See notes to the financial statements.

Food for Others, Inc.

Statements of Functional Expenses

Year Ended June 30,	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Special assistance - distributed food	\$ 3,318,682	\$ -	\$ -	\$ 3,318,682	\$ 3,647,037	\$ -	\$ -	\$ 3,647,037
Wages and fringe	400,369	200,184	66,728	667,281	363,959	181,980	60,660	606,599
Donated facilities and utilities	225,868	12,548	12,548	250,964	181,699	10,094	10,095	201,888
Accounting, audit, and consulting	-	47,673	-	47,673	-	47,646	-	47,646
Special events	9,432	-	16,489	25,921	5,500	-	16,864	22,364
Training, transportation, and miscellaneous	19,935	1,088	-	21,023	28,787	2,315	-	31,102
Loss on uncollectible contributions receivable	20,438	-	-	20,438	15,898	-	-	15,898
Depreciation	19,296	-	-	19,296	20,276	-	-	20,276
Insurance, licenses, and permits	11,153	5,577	1,859	18,589	8,973	4,487	1,496	14,956
Vehicle fuel, repairs and truck rentals	13,580	-	-	13,580	16,214	-	-	16,214
Postage, printing, and supplies	13,498	5,506	858	19,862	14,882	6,337	1,132	22,351
Technology and telephone	5,376	3,315	965	9,656	7,111	4,156	1,251	12,518
Equipment repairs	1,921	-	-	1,921	7,942	-	-	7,942
Rent and utilities	-	-	-	-	47,029	-	-	47,029
	\$ 4,059,548	\$ 275,891	\$ 99,447	\$ 4,434,886	\$ 4,365,307	\$ 257,015	\$ 91,498	\$ 4,713,820

See notes to the financial statements.

Food for Others, Inc.

Statements of Cash Flows

Year Ended June 30,	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 84,298	\$ 56,118
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,296	20,276
Net (gain) loss on investments	(41,997)	13,969
Donated investments	(6,591)	(28,657)
Loss on uncollectible contributions receivable	20,438	15,898
Changes in assets and liabilities:		
Contributions and other receivable, net	(35,164)	(9,100)
Prepaid expenses and deposits	(435)	12,010
Inventory - food	58,234	58,502
Accounts payable and accrued expenses	13,746	7,525
Deferred revenue	30,310	435
Deferred rent	-	(4,369)
Total adjustments	57,837	86,489
Net cash provided by operating activities	142,135	142,607
Cash flows from investing activities		
Purchase of property and equipment	(11,696)	(67,031)
Purchase of investments	(1,001,417)	(461,420)
Proceeds from sale of investments	964,779	443,646
Net cash used in investing activities	(48,334)	(84,805)
Net increase in cash and cash equivalents	93,801	57,802
Cash and cash equivalents, beginning of year	314,426	256,624
Cash and cash equivalents, end of year	\$ 408,227	\$ 314,426
Supplemental Disclosure of Non-Cash Investing Activities		
Donated investments	\$ 6,591	\$ 28,657

See notes to the financial statements.

Food for Others, Inc.

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Food for Others, Inc. ("FFO"), 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. FFO 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.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenue is recognized when earned and expense when the obligation is incurred.

Income tax status: FFO is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code as an other than private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and 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: Contributions and other receivables consist primarily of pledges. The amounts due are analyzed for collectability and are recorded at their net realizable value with an offsetting allowance for doubtful contributions. When all collection efforts have been exhausted, the account is written off against the allowance for doubtful accounts. At June 30, 2019 and 2018, the allowance for doubtful contributions totaled \$13,643 and \$28,756, respectively. Contributions receivable as of June 30, 2019 and 2018, are due within one year.

Inventory: Inventory consists mainly of donated food which 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 another auditor, determining the approximate average wholesale value of one pound of food at the national level. The average wholesale value of food was \$1.68 and \$1.73 per pound for the years ended June 30, 2019 and 2018, respectively.

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.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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:

Without donor restriction – represents resources available for support of the operations of FFO.

With donor restriction – represents resources received by FFO from contributors or grantors that are time or purpose restricted by the donors. (see Note H)

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: Unconditional contributions are recorded as support with or without donor restrictions depending upon the existence and/or nature of donor restrictions. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor 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.

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 (such as postage, printing, and insurance) have been allocated to program services and to management and general based upon management's estimates of utilization.

New accounting standard: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). FFO adopted the provisions of ASU 2016-14 during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in FFO's previously reported change in net assets as a result of the adoption of the ASU.

Reclassifications: Certain 2018 expense amounts on the statements of activities have been reclassified to conform to 2019 presentation. There was no impact to the change in net assets related to these reclassifications.

Subsequent events: Subsequent events have been evaluated through October 15, 2019, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: FFO maintains cash and money market accounts with financial institutions. At times, aggregated balances may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per institution. FFO monitors the creditworthiness of the institution and has not experienced any credit losses on its cash and money market accounts.

Market risk: FFO invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuations 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.

Support: Fairfax County, Virginia provided donated facilities, which comprise FFO's office and warehouse space. The value of these donated facilities totaled \$250,964 and \$201,888, and represent 5.6% and 4.3% of total expenses, for the years ended June 30, 2019 and 2018, respectively.

C. LIQUIDITY AND AVAILABILITY

FFO invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. The following provides a summary of financial assets available to meet cash needs for general expenditures within one year of June 30, 2019:

Financial assets:	
Cash and cash equivalents	\$ 408,227
Contributions and other receivables	71,552
Investments	1,555,589
	2,035,368
Less amounts not available within one year:	
Donor restricted net assets	(129,537)
	\$ 1,905,831

D. INVESTMENTS

In accordance with accounting principles generally accepted in the United States of America, FFO uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data. Certificate of deposits are classified as level 2 investments as there are no quoted market prices in active markets for identical assets. Their value is determined using models and other valuation methodologies, which are corroborated by market data.

Level 3 – Unobservable inputs which reflect FFO's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Food for Others, Inc.

Notes to the Financial Statements

D. INVESTMENTS - CONTINUED

The following is a summary of the input levels used to determine fair values at June 30,:

2019	Total	Level 1	Level 2	Level 3
Equity securities - mutual funds	\$ 282,433	\$ 282,433	\$ -	\$ -
Equity securities - exchange traded funds	61,248	61,248	-	-
Fixed income - mutual funds	1,189,671	1,189,671	-	-
Investments carried at fair value	1,533,352	1,533,352	-	-
Money market funds*	22,237			
Total Investments	\$ 1,555,589			

2018	Total	Level 1	Level 2	Level 3
Equity securities - mutual funds	\$ 181,842	\$ 181,842	\$ -	\$ -
Equity securities - exchange traded funds	121,356	121,356	-	-
Certificate of deposit	99,781	-	99,781	-
Fixed income - mutual funds	1,042,229	1,042,229	-	-
Investments carried at fair value	1,445,208	1,345,427	99,781	-
Money market funds*	25,155			
Total Investments	\$ 1,470,363			

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

Investment income for the years ended June 30, 2019 and 2018 includes interest and dividends of \$38,175 and \$24,363, and net gain (loss) of \$41,997 and \$(13,969), respectively.

E. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30,:

	2019	2018
Furniture and equipment	\$ 224,872	\$ 216,177
Vehicles	147,873	144,873
Less, accumulated depreciation	<u>(311,025)</u>	<u>(291,730)</u>
Net property and equipment	\$ 61,720	\$ 69,320

F. IN-KIND DONATIONS

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

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 modification (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.

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 \$250,964 and \$201,888 for the years ended June 30, 2019 and 2018, respectively.

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 \$1.68 and \$1.73 for the years ended June 30, 2019 and 2018, respectively. FFO received 1,849,807 and 1,985,719 pounds of donated food for the years ended June 30, 2019 and 2018, respectively.

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 \$292,457 and \$(127,891) at June 30, 2019 and 2018, respectively.

Donated Services not recorded

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 34,341 and 32,879 non-professional hours in the years ended June 30, 2019 and 2018, 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.

Notes to the Financial Statements

G. 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 FFO contribution is immediately vested. FFO's contribution expense for the years ended June 30, 2019 and 2018 was \$10,726 and \$10,399, respectively.

H. COMPOSITION OF NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Time restricted	\$ 99,537	\$ 95,808
Purpose restricted	30,000	30,000
	\$ 129,537	\$ 125,808

I. LEASE

FFO entered into a lease for a warehouse and office space which began September 22, 2014 and expired February 28, 2018. FFO was responsible for its share of operating expenses and real estate taxes. Rent expense was \$47,029 for the year ended June 30, 2018. As noted in Note F, this additional space was included within the donated facilities provided by The County of Fairfax Effective March 1, 2018.

J. SUBSEQUENT EVENTS

In preparing these financial statements, FFO has evaluated events and transactions for potential recognition or disclosure through October 15, 2019, the date the financial statements were available to be issued.