

Audited Financial Statements



December 31, 2018

Quigley & Miron

Food Finders, Inc.
Audited Financial Statements
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Independent Auditor's Report

Board of Directors
Food Finders, Inc.
Lakewood, California

We have audited the accompanying financial statements of Food Finders, Inc. (Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

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 of 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 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 Finders, Inc. as of December 31, 2018, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Los Angeles, California
September 25, 2019



Food Finders, Inc.
Statement of Financial Position
December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 131,812	\$ 249,822	\$ 381,634
Investments—Note 4	8,671		8,671
Grants receivable		63,894	63,894
Gift card inventory	40,650		40,650
Property and equipment, net—Note 5	205,729		205,729
Deposits	4,527		4,527
Total Assets	<u>\$ 391,389</u>	<u>\$ 313,716</u>	<u>\$ 705,105</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 588	\$	\$ 588
Credit cards payable	3,070		3,070
Accrued payroll and benefits	44,361		44,361
Total Liabilities	<u>48,019</u>		<u>48,019</u>
Net Assets			
Without donor restrictions			
Undesignated	243,370		243,370
Board-designated—Note 6	100,000		100,000
Total Net Assets Without Donor Restrictions	<u>343,370</u>		<u>343,370</u>
With donor restrictions—Note 6		313,716	313,716
Total Net Assets	<u>343,370</u>	<u>313,716</u>	<u>657,086</u>
Total Liabilities and Net Assets	<u>\$ 391,389</u>	<u>\$ 313,716</u>	<u>\$ 705,105</u>

See notes to financial statements.

Food Finders, Inc.
Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Public Support and Revenue			
Government grants	\$ 61,058	\$	\$ 61,058
Grants and contributions	717,700	108,267	825,967
United way	2,366		2,366
Special events, net			
Revenue	234,764		234,764
Less: direct benefit to donors	(92,420)		(92,420)
Special Events, Net	142,344		142,344
Donated food—Note 7	16,339,205		16,339,205
Donated service hours—Note 7	251,399		251,399
Membership dues	5,700		5,700
Interest and dividends	755		755
Total Public Support and Revenue	17,520,527	108,267	17,628,794
Net assets released from restrictions	154,089	(154,089)	
Total Public Support, Revenue and Reclassifications	17,674,616	(45,822)	17,628,794
Expenses			
Program services	17,268,932		17,268,932
Management and general	174,550		174,550
Fundraising	125,926		125,926
Total Expenses	17,569,408		17,569,408
Change in Net Assets from Operations	105,208	(45,822)	59,386
Nonoperating Activities			
Gain on sale of equipment	12,000		12,000
Investment return, net—Note 4	(1,193)		(1,193)
Total Nonoperating Activities	10,807		10,807
Change in Net Assets	116,015	(45,822)	70,193
Net Assets at Beginning of Year	227,355	359,538	586,893
Net Assets at End of Year	\$ 343,370	\$ 313,716	\$ 657,086

See notes to financial statements.

Food Finders, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Supporting Services		Fundraising Events	Total
		Management and General	Fundraising		
Salaries	\$ 380,690	\$ 84,737	\$ 101,752	\$	\$ 567,179
Payroll taxes	29,299	6,521	7,831		43,651
Employee benefits	12,084	2,690	3,230		18,004
Total Salaries and Payroll Taxes	422,073	93,948	112,813		628,834
Food distributions	16,423,419				16,423,419
Food transport services	251,399				251,399
Occupancy	38,301	5,126	6,250		49,677
Food delivery	42,448				42,448
Depreciation	38,512	1,033	1,414		40,959
Advertising and promotion		29,424			29,424
Insurance	21,652	2,563	2,228		26,443
Cost of direct benefits to donors				92,420	92,420
Contract services		13,734			13,734
Supplies	10,165	2,115			12,280
Telephone	4,970	1,106	1,329		7,405
Volunteer development	9,829				9,829
Computer software and support		6,725			6,725
Bank and finance charges		4,306			4,306
Repairs and maintenance	2,703	323	442		3,468
Dues, fees, and subscriptions		3,380			3,380
Travel	2,745	611	734		4,090
Postage	716		716		1,432
Office		10,156			10,156
Total Expenses by Function	\$ 17,268,932	\$ 174,550	\$ 125,926	\$ 92,420	\$ 17,661,828
Less: cost of direct benefits to donors				(92,420)	(92,420)
Total Expenses	\$ 17,268,932	\$ 174,550	\$ 125,926	\$	\$ 17,569,408

See notes to financial statements

Food Finders, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

Cash Flow from Operating Activities	
Change in net assets	\$ 70,193
Adjustments to reconcile change in net assets to net cash provided by operating expenses:	
Depreciation	40,959
Unrealized loss on investments	1,093
Gain on sale of equipment	(12,000)
Changes in operating assets and liabilities:	
Grants receivable	(48,513)
Gift card inventory	(40,650)
Accounts payable and accrued liabilities	(94)
Credit cards payable	687
Accrued payroll and benefits	2,361
	<u>14,036</u>
Net Cash Provided by Operating Activities	14,036
Cash Flow from Investing Activities	
Reinvested dividends	(231)
Purchase of equipment	(146,836)
Proceeds from sale of equipment	12,000
	<u>(135,067)</u>
Net Cash Used in Investing Activities	(135,067)
Decrease in Cash and Cash Equivalents	(121,031)
Cash and Cash Equivalents at the Beginning of Year	<u>502,665</u>
Cash and Cash Equivalents at the End of Year	<u><u>\$ 381,634</u></u>
Supplementary Disclosures	
Income taxes paid	<u>\$</u>
Interest paid	<u>\$</u>

See notes to financial statements.

Food Finders, Inc.
Notes to Financial Statements
December 31, 2018

Note 1—Organization

Founded in February 1989, Food Finders, Inc. (Organization) is a food recovery organization that links donated food from more than 600 businesses and food vendors to non-profits that feed people or provide food, including pantries, shelters, and missions. Its primary goal is to reduce food waste while also feeding those in need and reducing hunger. The Organization serves all of Los Angeles, Orange, Riverside and San Bernardino counties, working with more than 700 food donors and serving more than 400 nonprofit partners.

During the year ended December 31, 2018, the Organization rescued 9.89 million pounds of food, which equated to 8.2 million meals worth of food. The Organization engaged 74 new pantries, shelters and other recipient agencies and added 135 new partner food donors. The Organization conducted two food drives, Holiday and Summer to End Hunger, and participated in the May U.S. Postal Food Drive. Altogether, the food drives generated more than 180,000 pounds of food for distribution to partner agencies. In addition, the Organization's Food4Kids program grew to support 15 local Title I schools, with 385 bags of groceries being packed and delivered weekly. The Organization's volunteers provided more than 15,000 hours of time to ensure its program was successful and supported its mission of reducing hunger and food waste.

Note 2—Summary of Significant Accounting Policies

Basis of Accounting—The Organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted ASU 2016-14 for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. The Organization's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of the Organization to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires or is satisfied within the reporting period in which the contribution is recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization's program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2018. Generally, the Organization's information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Cash and Cash Equivalents—For the purpose of the statement of cash flows, the Organization considers cash on hand and cash in other depository institutions with an original maturity of three months or less to be cash equivalents.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Investments—The Organization records investments at their fair market value. Contributed securities are stated at their market value on the date of donation. Realized gains and losses on sales of securities are determined based on the cost of the individual securities and the sale price at the date of sale. Unrealized gains and losses on marketable securities are calculated as the difference between cost and market of all securities on hand from one year to the next based on market value at December 31, 2018, and are reported in the statement of activities.

Grants Receivable—Grants receivable at December 31, 2018 consist of amounts due from local foundations and organizations, stated at the amount management expects to collect.

Property and Equipment—Property and equipment are stated at cost if purchased or estimated fair market value at date of gift, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which is five to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Individual items valued at less than \$1,000 are expensed when purchased or donated. Repairs and maintenance are expensed as incurred.

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments, and receivables. The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization's cash and cash equivalent balances are typically not in excess of the FDIC insurance limits.

Cash held in investment accounts at investment custodians are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000. At times, such balances are in excess of the FDIC and SIPC coverage limits. Management regularly reviews the financial stability of its cash depositories and its allocation of investments and deems the risk of loss due to these concentrations to be minimal.

Management has also reviewed receivables for collectability and determined that no allowance for uncollectible receivables was necessary at December 31, 2018.

Donated Services—A substantial number of businesses and unpaid volunteers make significant contributions of time to the Organization's fundraising and operations. Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria are not recognized.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Donated Materials—Donated materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations or fundraising expenses, as appropriate.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Depreciation, occupancy, repairs and maintenance, and the indirect portion of insurance are allocated on the basis of square footage. Salaries and wages, payroll taxes, employee benefits, telephone and travel are allocated on the basis of estimates of time and effort. All other functional expenses are directly allocated.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimates affecting the financial statements are the valuation of donated food, and the valuation of donated volunteer service hours.

Note 3—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 3-6 months cash operating expenses (approximately \$300,000 to \$400,000).

The following represents the availability and liquidity of the Organization's unrestricted financial assets at December 31, 2018 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$	31,812
Grants receivable		51,894
Investments		<u>8,671</u>
Current Availability of Financial Assets	\$	<u><u>92,377</u></u>

Additionally, the Organization established a board operating reserve for critical needs totaling \$100,000 that could be made available to meet any unforeseen circumstances.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 4—Investment and Fair Value Measurements

In determining the fair value of investments, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization utilizes a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018 consist of investments in mutual funds and equities, which are considered to have Level 1 inputs. Investment activity for the year ended December 31, 2018 is follows:

Realized and unrealized gain on investments	\$	1,093
Investment management fees		100
		<hr/>
Investment Return, Net		1,193
Interest and dividends		755
		<hr/>
Total Investment Return	\$	1,948

Food Finders, Inc.
Notes to Financial Statements—Continued

Note 5—Property and Equipment, Net

Property and equipment at December 31, 2018 consist of the following:

Transportation equipment	\$ 366,844
Leasehold improvements	8,791
Equipment	65,145
	<u>440,780</u>
Less accumulated depreciation	<u>(235,051)</u>
Net	<u><u>\$ 205,729</u></u>

Note 6—Net Assets

Net assets without donor restrictions include a board-designated reserve to fund for critical needs. Net assets without donor restrictions for the year ended December 31, 2018 are as follows:

Undesignated	\$ 243,370
Board-designated operating reserve	100,000
	<u>343,370</u>
Total Net Assets Without Donor Restrictions	<u><u>\$ 343,370</u></u>

Net assets with donor restrictions for the year ended December 31, 2018 are as follows:

Subject to purpose restrictions:	
Food 4 Kids	\$ 128,589
Food and related supplies	27,398
Food refrigeration truck	36,600
Program expenses	35,000
Marketing	8,966
Driver salaries	8,202
Healthy Choices Ahead	5,000
Other	67
	<u>249,822</u>
Total Subject to Purpose Restrictions	249,822
Subject to time restrictions	
General operations	51,894
Healthy Choices Ahead	12,000
	<u>63,894</u>
Total Subject to Time Restrictions	63,894
Total Net Assets with Donor Restrictions	<u><u>\$ 313,716</u></u>

Food Finders, Inc.**Notes to Financial Statements—Continued****Note 6—Net Assets—Continued**

Net assets released from donor restrictions for the year ended December 31, 2018 are as follows:

Satisfaction of purpose restrictions		
Food 4 Kids	\$	5,400
Food and related supplies		23,696
Food refrigeration truck		51,116
Marketing		11,399
Driver salaries		15,322
Other		10,948
Information technology		29,967
Seniors		6,241
		<hr/>
Total	\$	<u>154,089</u>

Note 7—Donated Materials and Services

Donated materials for the year ended December 31, 2018 consist primarily of food donations valued at \$1.68 per pound. This valuation is based on a cost study conducted for Feeding America’s June 30, 2018 audit. For the year ended December 31, 2018, the Organization recognized donated food totaling \$16,339,205. Food donations are included in the food distributions caption of the functional expense schedule. The Organization estimates the value of contributed food distribution services at \$15 per hour. For the year ended December 31, 2018, contributed service hours totaled 15,280.

For the year ended December 31, 2018, the Organization recognized contributed services valued at \$251,398, which is included in the food transport services caption of the functional expense schedule.

Note 8 —Lease Commitments

In April 2015, the Organization entered into a sixty-three-month lease agreement for an office facility located in Lakewood, California, commencing on June 1, 2015, after vacating the previously occupied office facility. The terms of the agreement require monthly payments of \$3,018 and are subject to annual increases. Facility expenses for the year ended December 31, 2018 totaled \$39,096. Future minimum payments under this lease are as follows:

	<u>Year Ending December 31,</u>	
	2019	\$ 39,096
	2020	40,269
	2021	27,482
		<hr/>
Total	\$	<u>106,847</u>

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 9 — Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Note 10 — Subsequent Events

Management evaluated all activities of Food Finders, Inc. through September 25, 2019, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.