

Audited Financial Statements



December 31, 2017

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, 2017, 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 audits. 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, 2017, 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
June 20, 2018



Food Finders, Inc.
Statement of Financial Position
December 31, 2017

Assets

Cash and cash equivalents	\$ 502,665
Investments—Note 3	9,533
Accounts receivable	15,381
Property and equipment, net—Note 4	99,852
Deposits	4,527

Total Assets	<u>\$ 631,958</u>
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Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 682
Credit cards payable	2,383
Accrued payroll and benefits	42,000

Total Liabilities	<u>45,065</u>
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Net Assets

Unrestricted	
Undesignated	137,355
Board-designated—Note 5	90,000

Total Unrestricted Net Assets	<u>227,355</u>
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Temporarily restricted—Note 6	<u>359,538</u>
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Total Net Assets	<u>586,893</u>
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Total Liabilities and Net Assets	<u>\$ 631,958</u>
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See notes to financial statements.

Food Finders, Inc.
Statement of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Government grants	\$ 45,500	\$	\$ 45,500
Grants and contributions	614,532	335,068	949,600
Special events, net—Note 7	110,506		110,506
Donated food—Note 8	15,736,692		15,736,692
Donated service hours—Note 8	203,377		203,377
Membership dues	13,950		13,950
Interest and dividends	581		581
Unrealized gain on investments	354		354
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	16,725,492	335,068	17,060,560
Net assets released from restrictions	171,724	(171,724)	
	<hr/>	<hr/>	<hr/>
Total Public Support, Revenue and Reclassifications	16,897,216	163,344	17,060,560
Expenses			
Program services	16,545,219		16,545,219
Management and general	165,176		165,176
Fundraising	117,459		117,459
	<hr/>	<hr/>	<hr/>
Total Expenses	16,827,854		16,827,854
Change in Net Assets	69,362	163,344	232,706
Net Assets at Beginning of Year, as previously reported	77,993	124,595	202,588
Prior period restatement—Note 11	80,000	71,599	151,599
	<hr/>	<hr/>	<hr/>
Net Assets at Beginning of Year, as restated	157,993	196,194	354,187
	<hr/>	<hr/>	<hr/>
Net Assets at End of Year	\$ 227,355	\$ 359,538	\$ 586,893

See notes to financial statements.

Food Finders, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 295,496	\$ 82,685	\$ 98,117	\$ 476,298
Payroll taxes	22,739	6,363	7,550	36,652
Employee benefits	8,168	2,286	2,712	13,166
Total Salaries and Payroll Taxes	326,403	91,334	108,379	526,116
Food distributions	15,885,044			15,885,044
Volunteer service hours	203,377			203,377
Occupancy	31,703	10,739	2,038	44,480
Depreciation	21,037	1,052	1,439	23,528
Food delivery	31,929			31,929
Insurance	21,538	2,707	2,347	26,592
Advertising and promotion		16,867		16,867
Supplies	1,543	2,751		4,294
Contract services		26,138		26,138
Donations	7,500			7,500
Telephone	4,726	1,322	1,569	7,617
Volunteer development	6,052			6,052
Computer software and support		3,430		3,430
Repairs and maintenance	3,204	383	524	4,111
Bank and finance charges		3,663		3,663
Dues, fees, and subscriptions		2,985		2,985
Postage	1,163		1,163	2,326
Office		1,805		1,805
Total Expenses	\$ 16,545,219	\$ 165,176	\$ 117,459	\$ 16,827,854

See notes to financial statements

Food Finders, Inc.
Statement of Cash Flows
Year Ended December 31, 2017

Cash Flow from Operating Activities

Change in net assets	\$ 232,706
Adjustments to reconcile change in net assets to net cash provided by operating expenses:	
Depreciation	23,528
Unrealized gain on investments	(354)
Changes in operating assets and liabilities:	
Accounts receivable	(6,079)
Due from WNOOC	18,358
Accounts payable and accrued liabilities	(6,488)
Credit cards payable	818
Accrued payroll and benefits	5,592

Net Cash Provided by Operating Activities 268,081

Cash Flow from Investing Activities

Reinvested dividends	(1,701)
Purchase of equipment	(90,689)

Net Cash Used in Investing Activities (92,390)

Increase in Cash and Cash Equivalents 175,691

**Cash and Cash Equivalents
at the Beginning of Year**

326,974

**Cash and Cash Equivalents
at the End of Year** \$ 502,665

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, 2017

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, 2017, the Organization rescued 9.1 million pounds of food, which equated to 7.5 million meals worth of food. The Organization engaged 69 new pantries, shelters and other recipient agencies and added 216 new partner food donors, exceeding both agency and donor goals for the year. 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 just shy of 155,000 pounds of food for distribution to partner agencies with families and children in need. In addition, the Organization's Food4Kids program grew to support 15 local Title I schools, with 380 bags of groceries being packed and delivered weekly. The Organization's volunteers provided more than 20,330 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—The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. The Organization had no permanently restricted net assets at December 31, 2017.

The Organization records restricted support as unrestricted support where the donor-restrictions have been satisfied within the reporting period.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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, 2017. 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.

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, 2017, and are reported in the statement of activities.

Accounts Receivable—Accounts receivable at December 31, 2017 consists of balances due from a third-party donation agency, stated at the amount management expects to collect.

Grants Receivable—Grants receivable at December 31, 2017 consist of amounts due from local foundations and organizations, stated at the amount management expects to collect.

WNOC—During the year ended December 31, 2014, the Organization entered into an agreement to become the fiscal agent for Waste Not OC (WNOC), a collaborative group of nonprofit organizations seeking to meet the nutritional needs of the community and protect the environment by facilitating the donation and distribution of wholesome surplus food. The Organization collected revenues and incurred expenses on WNOC's behalf, which are not reflected on the Organization's statement of activities. Instead, the Organization recorded the amounts due from and due to WNOC on its statement of financial position for these respective items.

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.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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, 2017.

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.

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 Organization's program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

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.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 3—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, 2017 consist of investments in mutual funds and equities, which are considered to have Level 1 inputs.

Note 4—Property and Equipment, Net

Property and equipment at December 31, 2017 consist of the following:

Transportation equipment	\$	277,010
Leasehold improvements		8,791
Equipment		59,318
		<hr/>
		345,119
Less accumulated depreciation		(245,267)
		<hr/>
Net	\$	99,852

Food Finders, Inc.
Notes to Financial Statements—Continued

Note 5—Board-Designated Net Assets

In a previous year, the board voted to create a board-designated reserve to fund for critical needs (see note 11). At December 31, 2017 and 2016, these amounts totaled \$90,000 and \$80,000, respectively.

Note 6—Temporarily Restricted Net Assets

Temporarily restricted net assets for the year ended December 31, 2017 are restricted for the following purposes:

Food 4 Kids	\$	120,783
Food refrigeration truck		76,917
Food and related supplies		60,057
Information technology		31,000
Driver salaries		23,525
Marketing		20,365
Seniors		6,241
Other		20,650
Total	\$	<u>359,538</u>

Note 7—Special Events, Net

The Organization conducted fundraising events to assist in funding operations. Revenues from these events in excess of expenses are for unrestricted purposes. A summary of gross revenues and expenses is as follows:

Revenues	\$	269,671
Less donor benefit expense		<u>(159,165)</u>
Net	\$	<u>110,506</u>

Total fundraising expenses for the year ended December 31, 2017 consist of the following:

Fundraising expenses per statement of functional expenses	\$	117,459
Special event expenses		<u>159,165</u>
Total	\$	<u>276,624</u>

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 8—Donated Materials and Services

Donated materials for the year ended December 31, 2017 consist primarily of food donations valued at \$1.67 per pound. This valuation is based on a cost study conducted for Feeding America (formerly America's Second Harvest). For the year ended December 31, 2017, the Organization recognized donated food totaling \$15,736,692. Food donations are included in the food distributions caption of the functional expense schedule. The Organization estimates the value of contributed truck driver services at \$15 per hour. For the year ended December 31, 2017, contributed service hours totaled 15,280.

For the year ended December 31, 2017, the Organization recognized contributed services valued at \$203,377, which is included in the volunteer service hours caption of the functional expense schedule.

Note 9—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, 2017 totaled \$34,757. Future minimum payments under this lease are as follows:

<u>Year Ending December 31,</u>		
2018	\$	37,959
2019		39,096
2020		40,269
2021		27,482
		<hr/>
Total	\$	<u><u>144,806</u></u>

Note 10—Recent Accounting Pronouncements

Leases—In February 2016, the Financial Accounting Standards Board (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 the Organization in 2020; early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 10—Recent Accounting Pronouncements

Net Assets Presentation—In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Organization in 2018. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Note 11—Prior Period Restatement

Prior to January 1, 2017, the Organization accepted donations and paid the expenses of an unincorporated entity with a similar mission and, in error, did not include these transactions in their books and records. To correct this error, beginning of year cash and temporarily restricted net assets were increased by \$151,599. During the year ended December 31, 2017, such entity transactions reported in these financial statements included contributions of \$35,200, membership dues of \$13,950, net special events of \$49,983, and operating expenses of \$124,273, resulting in a decrease in temporarily restricted net assets of \$25,140. The Organization also previously classified unrestricted board-designated net assets as temporarily restricted net assets. To correct this error, the Organization increased beginning of year unrestricted and temporarily restricted net assets by \$80,000 and decreased temporarily restricted net assets by the same amount.

Note 12—Subsequent Events

Management evaluated all activities of Food Finders, Inc. through June 20, 2018, 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.