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**FOOD FOR OTHERS, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2016 AND 2015**

**MATTHEWS, CARTER & BOYCE**  
RESPECT. CONFIDENCE. TRUST.

**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, 2016 and 2015, 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***

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 auditors consider 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

October 31, 2016  
Fairfax, Virginia

**FOOD FOR OTHERS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2016 AND 2015**

**ASSETS**

	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 297,879	\$ 244,382
Contributions receivable, net	63,910	92,884
Other receivable	4,511	1,051
Inventory - food	291,668	377,716
Prepaid expenses	27,606	29,872
Total Current Assets	\$ 685,574	\$ 745,905
<b>INVESTMENTS</b>		
	\$ 1,420,876	\$ 1,373,128
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	\$ 179,230	\$ 172,660
Vehicles	114,373	114,373
Less, accumulated depreciation	(237,415)	(198,222)
Net Property and Equipment	\$ 56,188	\$ 88,811
<b>OTHER ASSETS</b>		
Deposits	\$ 5,027	\$ 5,027
<b>TOTAL ASSETS</b>		
	\$ 2,167,665	\$ 2,212,871
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 44,459	\$ 44,499
Deferred rent	5,077	3,211
Deferred revenue	19,390	6,135
Total Current Liabilities	\$ 68,926	\$ 53,845
<b>OTHER LIABILITIES</b>		
Deferred rent	\$ 4,369	\$ 9,446
Total Liabilities	\$ 73,295	\$ 63,291
<b>NET ASSETS</b>		
Unrestricted		
Board designated	\$ -	\$ 380,000
Other	1,932,815	1,621,613
Total Unrestricted	\$ 1,932,815	\$ 2,001,613
Temporarily restricted	161,555	147,967
Total Net Assets	\$ 2,094,370	\$ 2,149,580
<b>TOTAL LIABILITIES AND NET ASSETS</b>		
	\$ 2,167,665	\$ 2,212,871

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

**FOOD FOR OTHERS, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND OTHER REVENUE</b>						
Donated goods, utilities and facilities	\$ 3,524,394	\$ -	\$ 3,524,394	\$ 3,910,561	\$ -	\$ 3,910,561
Contributions	551,037	193,190	744,227	554,256	170,067	724,323
Government contracts for services	235,000	-	235,000	251,550	-	251,550
Special events, net of direct expenses of \$13,305 and \$13,387	91,125	-	91,125	56,577	-	56,577
Other income	725	-	725	352	-	352
Investment income	26,186	-	26,186	8,322	-	8,322
Net assets released from restrictions:						
Released from purpose restrictions	79,864	(79,864)	-	47,919	(47,919)	-
Released from time restrictions	99,738	(99,738)	-	112,737	(112,737)	-
<b>Total Support and Other Revenue</b>	<b>\$ 4,608,069</b>	<b>\$ 13,588</b>	<b>\$ 4,621,657</b>	<b>\$ 4,942,274</b>	<b>\$ 9,411</b>	<b>\$ 4,951,685</b>
<b>EXPENSES</b>						
Program services	\$ 4,332,966	\$ -	\$ 4,332,966	\$ 4,484,000	\$ -	\$ 4,484,000
Management and general	221,167	-	221,167	203,419	-	203,419
Fundraising	122,734	-	122,734	121,363	-	121,363
<b>Total Expenses</b>	<b>\$ 4,676,867</b>	<b>\$ -</b>	<b>\$ 4,676,867</b>	<b>\$ 4,808,782</b>	<b>\$ -</b>	<b>\$ 4,808,782</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (68,798)</b>	<b>\$ 13,588</b>	<b>\$ (55,210)</b>	<b>\$ 133,492</b>	<b>\$ 9,411</b>	<b>\$ 142,903</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,001,613</b>	<b>147,967</b>	<b>2,149,580</b>	<b>1,868,121</b>	<b>138,556</b>	<b>2,006,677</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,932,815</b>	<b>\$ 161,555</b>	<b>\$ 2,094,370</b>	<b>\$ 2,001,613</b>	<b>\$ 147,967</b>	<b>\$ 2,149,580</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, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (55,210)	\$ 142,903
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,193	40,640
Realized gain on sale of investments	(1,371)	(753)
Unrealized (gain) loss on investments	(2,073)	8,222
Donated investments	(21,562)	(24,236)
Deferred rent	(3,211)	12,657
Changes in assets and liabilities:		
Contributions receivable, net	28,974	8,195
Other receivable	(3,460)	8,689
Inventory - food	86,048	(123,163)
Prepaid expenses	2,266	(7,924)
Deposits	-	(315)
Accounts payable and accrued expenses	(40)	(17,640)
Deferred revenue	13,255	6,135
	<b>\$ 82,809</b>	<b>\$ 53,410</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ (6,570)	\$ (2,321)
Purchase of investments	(60,000)	(1,404,234)
Proceeds from sale of investments	37,258	1,472,579
	<b>\$ (29,312)</b>	<b>\$ 66,024</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>\$ 53,497</b>	<b>\$ 119,434</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
	<b>244,382</b>	<b>124,948</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
	<b>\$ 297,879</b>	<b>\$ 244,382</b>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:</b>		
Donated investments	\$ 21,562	\$ 24,236
Donated property and equipment	\$ -	\$ -

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, 2016 AND 2015**

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel costs	\$ 352,682	\$ 146,951	\$ 88,170	\$ 587,803	\$ 333,631	\$ 139,013	\$ 83,408	\$ 556,052
Professional fees	-	23,761	-	23,761	-	35,781	-	35,781
Supplies	7,287	4,871	467	12,625	15,155	3,181	3,391	21,727
Telephone	2,073	1,658	415	4,146	1,701	1,360	340	3,401
Postage	1,433	1,146	287	2,866	1,700	1,360	340	3,400
Donated facilities and utilities	203,131	11,285	11,285	225,701	203,638	11,313	11,313	226,264
Repairs and maintenance	12,932	-	-	12,932	5,171	-	-	5,171
Printing	5,622	2,343	1,405	9,370	3,945	1,644	986	6,575
Vehicle and transportation	18,649	-	-	18,649	13,601	-	-	13,601
Special assistance - distributed food	3,580,551	-	-	3,580,551	3,766,688	-	-	3,766,688
Insurance	17,470	7,279	4,368	29,117	14,783	6,160	3,696	24,639
Technology expense	5,732	2,389	1,433	9,554	4,375	1,823	1,094	7,292
Other	-	19,484	-	19,484	1,333	1,784	1,068	4,185
Bad debt	7,562	-	-	7,562	16,896	-	-	16,896
Rent and utilities	78,649	-	-	78,649	60,743	-	-	60,743
Fundraising registration fees and costs	-	-	14,904	14,904	-	-	15,727	15,727
Depreciation	39,193	-	-	39,193	40,640	-	-	40,640
<b>Total Expense</b>	<b>\$ 4,332,966</b>	<b>\$ 221,167</b>	<b>\$ 122,734</b>	<b>\$ 4,676,867</b>	<b>\$ 4,484,000</b>	<b>\$ 203,419</b>	<b>\$ 121,363</b>	<b>\$ 4,808,782</b>

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

# FOOD FOR OTHERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### Note 1. **Organization**

Food for Others, Inc., 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 to provide opportunities for people to volunteer their resources. Food for Others, Inc. (the Organization) 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 the records of the Organization in accordance with U.S. generally accepted accounting principles (GAAP).

#### **Income Tax**

Food for Others, Inc. 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 the Organization is a publicly supported organization.

Food for Others, Inc. has adopted the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The adoption of this standard had no impact on the Organization's financial statements. Food for Others, Inc. files tax returns as a tax-exempt organization.

#### **Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, the Organization considers all cash and interest bearing deposits, except for cash and money market funds held in professionally managed investment accounts, to be cash equivalents. The money market accounts are included in investments.

#### **Contributions and Other Receivables**

The majority of the receivables are from pledges and the amounts due are individually analyzed for collectability and are recorded at their net realizable value with an offsetting allowance for doubtful accounts. When all collection efforts have been exhausted, the account is written off against the allowance for doubtful accounts. At June 30, 2016 and 2015, the allowance for doubtful accounts was \$15,400 and \$23,306, 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 KMPG, determining approximate average wholesale value of one pound of food at the national level. The average wholesale value of food was \$1.67 and \$1.72 per pound for the years ended June 30, 2016 and 2015, 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. It includes spoilage and obsolescence. The variance adjustment, included in the special assistance-distributed food account on the Statements of Functional Expenses, was \$116,622 and (\$41,834) at June 30, 2016 and 2015, respectively.



# FOOD FOR OTHERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### Note 2. Summary of Significant Accounting Policies (Continued)

#### **Investments**

The Organization 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**

The Organization'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. In December of 2010, the Board of Directors designated \$380,000 for special operating reserves. The designation remained at June 30, 2015 but no longer remains as of June 30, 2016.

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, 2016 and 2015, 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 GAAP. Donated facilities are recorded at their estimated fair market value.

#### **Fair Value Measurement**

The Organization 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.

# FOOD FOR OTHERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### Note 2. Summary of Significant Accounting Policies (Concluded)

#### Fair Value Measurement (Concluded)

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 the Organization 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 the Organization'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). The Organization 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 general and administrative based upon management's best estimates.

### Note 3. Concentration of Credit Risk

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

# FOOD FOR OTHERS, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016 AND 2015**

### Note 4. Investments

The Organization's investments are stated at fair value. As of June 30, 2016 and 2015 investments consist of the following:

	2016		2015	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 390,000	\$ 392,090	\$ 555,001	\$ 559,290
Government bond funds	889,017	888,930	817,725	813,834
Cash and money market funds	139,856	139,856	4	4
	\$ 1,418,873	\$ 1,420,876	\$ 1,372,730	\$ 1,373,128

Fair value hierarchy	2016		2015	
	Level 1	Level 2	Level 1	Level 2
Certificates of deposit	\$ -	\$ 392,090	\$ -	\$ 559,290
Government bond funds	888,930	-	813,834	-
Cash and money market funds	139,856	-	4	-
	\$ 1,028,786	\$ 392,090	\$ 813,838	\$ 559,290

Investment income for the years ended June 30, 2016 and 2015 includes interest and dividends of \$22,742 and \$15,791, unrealized gain/(loss) of \$2,073 and \$(8,222) and realized gain of \$1,371 and \$753, respectively.

During the year ended June 30, 2015, the Organization consolidated its brokerage accounts into one account. This consolidation included closing two accounts and transferring the proceeds. These activities are reflected in the Statements of Cash Flows.

### Note 5. In-Kind Donations

A significant portion of the Organization'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 KMPG, determining approximate average wholesale value of one pound of food at the national level. This is the value used by other Washington, D.C. area food banks. The average wholesale value of one pound of food as determined by Feeding America was \$1.67 and \$1.72 for the years ended June 30, 2016 and 2015, respectively. The Organization received 1,975,267 and 2,142,033 pounds of donated food for the years ended June 30, 2016 and 2015, respectively.

#### Donated Facilities

The County of Fairfax provides Food for Others, Inc. the use of a 10,750 square foot warehouse and office facility and related utilities at no cost. The County estimates that the fair value of the free use of this warehouse was \$225,701 and \$226,264 for the years ended June 30, 2016 and 2015, respectively.

#### Donated Services

The Organization 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 27,727 and 25,777 non-professional hours in the years ended June 30, 2016 and 2015, respectively. The Organization does not record these in-kind services as such services are not considered to be specialized and would not typically be purchased if not donated.

# FOOD FOR OTHERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### Note 6. Pension Plan

Food for Others, Inc. 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. The Organization will match the first 3% of each employee's contribution and the contribution is immediately vested. The total pension expense for the years ended June 30, 2016 and 2015 was \$12,819 and \$11,964, respectively.

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

Temporarily restricted net assets at June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Temporarily restricted net assets:		
Time restricted	\$ 161,555	\$ 147,967
Purpose restricted	<u>-</u>	<u>-</u>
	<u>\$ 161,555</u>	<u>\$ 147,967</u>

### Note 8. Lease

In May 2015, Food for Others, Inc. entered into a lease for warehouse and office space next to its current location. The lease started September 22, 2015 and will expire February 28, 2018. Food for Others, Inc. paid a deposit equal to one month's rent of \$4,712. Food for Others, Inc. is also responsible for its share of operating expenses and real estate taxes. Deferred rent was \$12,657 and \$9,446 at June 30, 2016 and 2015, respectively.

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

<u>Year Ending</u> <u>June 30,</u>	
2017	\$ 59,845
2018	<u>40,881</u>
	<u>\$ 100,726</u>

Rent expense was \$76,147 and \$57,974, respectively, for the years ended June 30, 2016 and 2015.

### 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, the Organization has evaluated events and transactions for potential recognition or disclosure through October 31, 2016, the date the financial statements were available to be issued. The County of Fairfax, Virginia has extended its Community Funding pool of donated facilities to Food for Others, Inc. until June 30, 2018.