

**Audited Financial Statements**



**Food Finders**  
**Rescuing Food, Ending Hunger**

**December 31, 2013 and 2012**

**Quigley & Miron**

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

Board of Directors  
**Food Finders, Inc.**  
Signal Hill, California

We have audited the accompanying financial statements of Food Finders, Inc. (Organization), a nonprofit organization, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the 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 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 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, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



**Food Finders, Inc.**  
**Statements of Financial Position**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 145,330	\$ 102,046
Investments	4,463	3,737
Accounts receivable—Note 2	18,000	26,250
Grants receivable—Note 2	20,000	10,000
Other receivables	531	681
Property and equipment, net—Note 4	102,260	141,475
Deposits	1,729	1,729
	<u>292,313</u>	<u>285,918</u>
<b>Total Assets</b>	<b>\$ 292,313</b>	<b>\$ 285,918</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	\$ 1,250
Credit cards payable	1,705	3,090
Employee benefits payable	7,919	7,919
	<u>9,624</u>	<u>12,259</u>
<b>Total Liabilities</b>	<b>9,624</b>	<b>12,259</b>
<b>Net Assets</b>		
Unrestricted	192,174	238,455
Temporarily restricted—Note 5	90,515	35,204
	<u>282,689</u>	<u>273,659</u>
<b>Total Net Assets</b>	<b>282,689</b>	<b>273,659</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 292,313</b>	<b>\$ 285,918</b>

See notes to financial statements.

**Food Finders, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Government grants	\$ 23,000	\$	\$ 23,000
Grants and contributions	315,124	86,564	401,688
Special events, net—Note 6	21,761		21,761
Donated food—Note 7	11,613,363		11,613,363
Donated service hours—Note 7	190,265		190,265
Interest and dividends	201		201
Realized loss on sale of equipment	(2,112)		(2,112)
Unrealized gain on investments	583		583
	<hr/>	<hr/>	<hr/>
<b>Total Public Support and Revenue</b>	<b>12,162,185</b>	<b>86,564</b>	<b>12,248,749</b>
Net assets released from restrictions	31,253	(31,253)	
	<hr/>	<hr/>	<hr/>
<b>Total Public Support, Revenue and Reclassifications</b>	<b>12,193,438</b>	<b>55,311</b>	<b>12,248,749</b>
<b>Expenses</b>			
Program services	12,075,158		12,075,158
Management and general	70,792		70,792
Fundraising	93,769		93,769
	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<b>12,239,719</b>		<b>12,239,719</b>
<b>Change in Net Assets</b>	<b>(46,281)</b>	<b>55,311</b>	<b>9,030</b>
<b>Net Assets at Beginning of Year</b>	<b>238,455</b>	<b>35,204</b>	<b>273,659</b>
	<hr/>	<hr/>	<hr/>
<b>Net Assets at End of Year</b>	<b><u>\$ 192,174</u></b>	<b><u>\$ 90,515</u></b>	<b><u>\$ 282,689</u></b>

See notes to financial statements.

**Food Finders, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Government grants	\$ 29,250	\$	\$ 29,250
Grants and contributions	355,266	35,204	390,470
Special events, net—Note 6	29,201		29,201
Donated food—Note 7	11,504,659		11,504,659
Donated service hours—Note 7	174,859		174,859
Other donated items—Note 7	2,895		2,895
Interest and dividends	144		144
Realized gain on sale of equipment	5,000		5,000
Unrealized gain on investments	198		198
	<hr/>	<hr/>	<hr/>
<b>Total Public Support and Revenue</b>	<b>12,101,472</b>	<b>35,204</b>	<b>12,136,676</b>
Net assets released from restrictions	13,024	(13,024)	
	<hr/>	<hr/>	<hr/>
<b>Total Public Support, Revenue and Reclassifications</b>	<b>12,114,496</b>	<b>22,180</b>	<b>12,136,676</b>
<b>Expenses</b>			
Program services	11,936,957		11,936,957
Management and general	71,788		71,788
Fundraising	72,931		72,931
	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<b>12,081,676</b>		<b>12,081,676</b>
<b>Change in Net Assets</b>	<b>32,820</b>	<b>22,180</b>	<b>55,000</b>
<b>Net Assets at Beginning of Year</b>	<b>205,635</b>	<b>13,024</b>	<b>218,659</b>
	<hr/>	<hr/>	<hr/>
<b>Net Assets at End of Year</b>	<b>\$ 238,455</b>	<b>\$ 35,204</b>	<b>\$ 273,659</b>
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See notes to financial statements.

**Food Finders, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2013**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Salaries	\$ 121,654	\$ 29,722	\$ 79,029	\$ 230,405
Payroll taxes	11,019	2,692	7,158	20,869
<b>Total Salaries and Payroll Taxes</b>	<b>132,673</b>	<b>32,414</b>	<b>86,187</b>	<b>251,274</b>
Food distributions	11,630,327			11,630,327
Volunteer service hours	190,265			190,265
Depreciation	41,779	322	441	42,542
Food delivery	35,110			35,110
Occupancy	17,648	6,570	1,165	25,383
Insurance	13,068	2,158	2,421	17,647
Contract services		8,569		8,569
Telephone	4,180	1,021	2,715	7,916
Advertising and promotion		7,049		7,049
Supplies	5,374	884		6,258
Computer software and support		4,936		4,936
Office		3,365		3,365
Volunteer development	2,897			2,897
Dues, fees, and subscriptions		1,924		1,924
Repairs and maintenance	1,192	143	195	1,530
Bank and finance charges		1,437		1,437
Postage	645		645	1,290
<b>Total Expenses</b>	<b>\$ 12,075,158</b>	<b>\$ 70,792</b>	<b>\$ 93,769</b>	<b>\$ 12,239,719</b>

See notes to financial statements

**Food Finders, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2012**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 100,976	\$ 24,352	\$ 27,223	\$ 152,551
Payroll taxes	9,774	2,357	2,635	14,766
<b>Total Salaries and Payroll Taxes</b>	<b>110,750</b>	<b>26,709</b>	<b>29,858</b>	<b>167,317</b>
Food distributions	11,529,909			11,529,909
Volunteer service hours	174,859			174,859
Depreciation	41,973	346	472	42,791
Food delivery	30,257			30,257
Occupancy	17,511	6,438	1,165	25,114
Insurance	12,206	2,809	840	15,855
Contract services	1,062	11,461	37,930	50,453
Telephone	5,856	1,412	1,579	8,847
Advertising and promotion		11,330		11,330
Supplies	7,553	298	60	7,911
Computer software and support		1,430		1,430
Office		1,113		1,113
Volunteer development	3,508	1,170		4,678
Dues, fees, and subscriptions		1,451		1,451
Repairs and maintenance	581	70	95	746
Bank and finance charges		5,751		5,751
Postage	932		932	1,864
<b>Total Expenses</b>	<b>\$ 11,936,957</b>	<b>\$ 71,788</b>	<b>\$ 72,931</b>	<b>\$ 12,081,676</b>

See notes to financial statements

**Food Finders, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flow from Operating Activities</b>		
Change in net assets	\$ 9,030	\$ 55,000
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation expense	42,542	42,791
Unrealized gain on investments	(583)	(198)
(Gain) loss on sale of equipment	2,112	(5,000)
Changes in operating assets and liabilities:		
Accounts receivable	8,250	(19,772)
Grants receivable	(10,000)	(10,000)
Other receivables	150	(201)
Accounts payable and accrued liabilities	(1,250)	(5,920)
Credit card payable	(1,385)	(19,240)
Accrued payroll		5,573
Sales tax payable		(396)
	<u>48,866</u>	<u>42,637</u>
<b>Net Cash Provided by Operating Activities</b>	<b>48,866</b>	<b>42,637</b>
<b>Cash Flow from Investing Activities</b>		
Reinvested dividends	(143)	(118)
Proceeds from sale of equipment		5,000
In-kind donation of equipment		(2,400)
Purchase of equipment	(5,439)	(6,386)
	<u>(5,582)</u>	<u>(3,904)</u>
<b>Net Cash Used in Investing Activities</b>	<b>(5,582)</b>	<b>(3,904)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>43,284</b>	<b>38,733</b>
<b>Cash and Cash Equivalents at the Beginning of Year</b>	<u>102,046</u>	<u>63,313</u>
<b>Cash and Cash Equivalents at the End of Year</b>	<u>\$ 145,330</u>	<u>\$ 102,046</u>
<b>Supplementary Disclosures</b>		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

**Food Finders, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

**Note 1—Organization**

Founded in February 1990, Food Finders, Inc. (Organization) is a multiregional food bank helping to provide food to impoverished, hungry people throughout the counties of Los Angeles and Orange. The Organization acts as a conduit between donors, service agencies, and people in need through its referral and resource services. Originally located in Long Beach, California, the Organization moved in 2011 to a new facility in Signal Hill, California.

During the year ended December 31, 2013, the Organization rescued 6.99 million pounds of food from being wasted and redistributed it to help feed hungry people within communities throughout L.A. and Orange counties. In May, the Organization partnered with two postal locations for the annual “Stamp Out Hunger” postal food drive, an event that drew more than 40 volunteers, resulting in the collection of 22,320 pounds of food that were distributed to partner agencies. From May to August, the Organization collected more than 11,148 pounds of food during the “Summer to End Hunger” food drive, which were distributed to families and children in need. In November the Organization held its annual boxing/sorting event on the weekend prior to Thanksgiving. Over 70 volunteers participated and helped prepare and deliver over 649 Holiday Meal Boxes and 751 frozen turkeys to families who would not have had a Thanksgiving dinner without Food Finders Holiday Meal Box donations. This campaign continued through the end of the year and collected 84,285 lbs. of non-perishable food. The Organization also conducted a Pajama Drive during December to collect pajamas for children and youth. They collected 200 pairs by the end of the holiday season and delivered to several family-oriented agencies and community living facilities

**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, 2013 and 2012.

**Food Finders, Inc.**

**Notes to Financial Statements—Continued**

**Note 2—Summary of Significant Accounting Policies—Continued**

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

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, 2013 and 2012. Generally, the Organization’s information returns remain open for examination 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, 2013 and 2012, and are reported in the statements of activities.

Accounts Receivable—Accounts receivable at December 31, 2013 and 2012 consist of balances due from a government agency, stated at the amount management expects to collect.

Grants Receivable—Grants receivable at December 31, 2013 and 2012 consist of amounts due from a local foundation, stated at the amount management expects to collect.

Property and Equipment—Property and equipment are stated at cost 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, 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. Management regularly reviews the financial stability of its cash and money market fund depositories 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, 2013 and 2012.

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.

Reclassifications—Certain amounts in 2012 have been reclassified to conform with the 2013 financial statement presentation.

**Note 3—Fair Value Measurements**

Fair value is defined as 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. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

**Food Finders, Inc.****Notes to Financial Statements—Continued****Note 3—Fair Value Measurements—Continued**

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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments at December 31, 2013 and 2012 consist of mutual funds and equities which are considered Level 1 assets for fair value purposes.

**Note 4—Property and Equipment**

Property and equipment at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Transportation equipment	\$ 195,412	\$ 195,412
Equipment	17,032	18,257
	<u>212,444</u>	<u>213,669</u>
Less accumulated depreciation	<u>(110,184)</u>	<u>(72,194)</u>
Net	<u>\$ 102,260</u>	<u>\$ 141,475</u>

**Food Finders, Inc.****Notes to Financial Statements—Continued****Note 5—Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Time	\$ 32,500	\$ 10,000
Food and related supplies	40,226	8,900
Food for seniors	8,138	4,810
Social Media Coordinator	3,800	
Agency Coordinator	2,496	
Drivers' salaries	2,115	8,000
Website development	1,000	
Advertising	240	3,494
<b>Totals</b>	<b><u>\$ 90,515</u></b>	<b><u>\$ 35,204</u></b>

**Note 6—Special Events**

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:

	<u>2013</u>	<u>2012</u>
Revenues	\$ 40,946	\$ 55,049
Less donor benefit expense	(19,185)	(25,848)
<b>Net</b>	<b><u>\$ 21,761</u></b>	<b><u>\$ 29,201</u></b>

**Note 7—Donated Materials and Services**

Donated materials for the years ended December 31, 2013 and 2012 consist primarily of food donations valued at \$1.66 and \$1.66 per pound, respectively. This valuation is based on a cost study conducted for Feeding America (formerly America's Second Harvest). For the years ended December 31, 2013 and 2012, the Organization recognized donated food totaling \$11,613,363 and \$11,504,659, respectively. 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 \$10 per hour. For the years ended December 31, 2013 and 2012, contributed service hours totaled 19,027 and 17,486, respectively. The Organization recognized contributed services valued at \$190,265 and \$174,859, respectively, included in the volunteer service hours caption of the functional expense schedule.

During the years ended December 31, 2013 and 2012, the Organization recorded \$8,585 and \$19,527, respectively, of in-kind income and expense related to its fundraising events, including silent auction items totaling \$4,690 and \$11,260, respectively. For the year ended December 31, 2012, the Organization also recognized other donated materials valued at \$2,895, \$495 of which was included in the supplies caption of the statement of functional expenses and \$2,400 which was capitalized in property and equipment.

**Food Finders, Inc.**

**Notes to Financial Statements—Continued**

**Note 8—Lease Commitments**

In November 2011, the Organization entered a thirty-six month lease agreement for an office facility located in Signal Hill, California. The terms of the agreement require monthly payments of \$1,170 and are subject to annual increases. For the years ended December 31, 2013 and 2012, facility expenses totaled \$14,535 and \$14,381, respectively. Future minimum payments under this lease are due within one year.

**Note 9—Subsequent Events**

Management evaluated all activities of Food Finders, Inc. through October 21, 2014, 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.