

Audited Financial Statements



Food Finders
Rescuing Food, Ending Hunger

December 31, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 194,516	\$ 145,330
Investments	4,445	4,463
Accounts receivable		18,000
Grants receivable	38,098	20,000
Other receivables		531
Due from WNOC	4,851	
Property and equipment, net—Note 4	60,117	102,260
Deposits	2,429	1,729
	<u>304,456</u>	<u>292,313</u>
Total Assets	\$ 304,456	\$ 292,313
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,659	\$ 1,705
Credit cards payable	1,970	1,705
Due to WNOC	1,269	
Accrued payroll	22,415	7,919
	<u>27,313</u>	<u>9,624</u>
Total Liabilities	27,313	9,624
Net Assets		
Unrestricted	231,143	192,174
Temporarily restricted—Note 5	46,000	90,515
	<u>277,143</u>	<u>282,689</u>
Total Net Assets	277,143	282,689
Total Liabilities and Net Assets	\$ 304,456	\$ 292,313

See notes to financial statements.

Food Finders, Inc.
Statement of Activities
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Government grants	\$ 5,000	\$	\$ 5,000
Grants and contributions	306,094	152,495	458,589
Special events, net—Note 6	34,149		34,149
Donated food—Note 7	13,376,694		13,376,694
Donated service hours—Note 7	185,655		185,655
Fiscal agent fees	4,020		4,020
Interest and dividends	275		275
Unrealized loss on investments	(190)		(190)
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	13,911,697	152,495	14,064,192
Net assets released from restrictions	197,010	(197,010)	
	<hr/>	<hr/>	<hr/>
Total Public Support, Revenue and Reclassifications	14,108,707	(44,515)	14,064,192
Expenses			
Program services	13,881,737		13,881,737
Management and general	88,967		88,967
Fundraising	99,034		99,034
	<hr/>	<hr/>	<hr/>
Total Expenses	14,069,738		14,069,738
Change in Net Assets	38,969	(44,515)	(5,546)
Net Assets at Beginning of Year	192,174	90,515	282,689
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Net Assets at End of Year	\$ 231,143	\$ 46,000	\$ 277,143
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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>
Public Support and Revenue			
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/>
Total Public Support and Revenue	12,162,185	86,564	12,248,749
Net assets released from restrictions	31,253	(31,253)	
	<hr/>	<hr/>	<hr/>
Total Public Support, Revenue and Reclassifications	12,193,438	55,311	12,248,749
Expenses			
Program services	12,075,158		12,075,158
Management and general	70,792		70,792
Fundraising	93,769		93,769
	<hr/>	<hr/>	<hr/>
Total Expenses	12,239,719		12,239,719
Change in Net Assets	(46,281)	55,311	9,030
Net Assets at Beginning of Year	238,455	35,204	273,659
	<hr/>	<hr/>	<hr/>
Net Assets at End of Year	<u>\$ 192,174</u>	<u>\$ 90,515</u>	<u>\$ 282,689</u>

See notes to financial statements.

Food Finders, Inc.
Statement of Functional Expenses
Year Ended December 31, 2014

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 140,607	\$ 33,281	\$ 84,106	\$ 257,994
Payroll taxes	13,129	3,108	7,854	24,091
Total Salaries and Payroll Taxes	153,736	36,389	91,960	282,085
Food distributions	13,412,737			13,412,737
Volunteer service hours	185,655			185,655
Depreciation	41,468	285	390	42,143
Food delivery	38,382			38,382
Occupancy	18,864	6,570	1,220	26,654
Advertising and promotion		20,854		20,854
Insurance	12,388	1,805	2,308	16,501
Contract services		9,947		9,947
Supplies	8,152	1,609		9,761
Telephone	3,527	835	2,110	6,472
Volunteer development	4,492			4,492
Office		4,044		4,044
Computer software and support		2,550		2,550
Dues, fees, and subscriptions		2,104		2,104
Repairs and maintenance	1,543	185	253	1,981
Bank and finance charges		1,790		1,790
Postage	793		793	1,586
Total Expenses	<u>\$ 13,881,737</u>	<u>\$ 88,967</u>	<u>\$ 99,034</u>	<u>\$ 14,069,738</u>

See notes to financial statements

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

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 121,654	\$ 29,722	\$ 79,029	\$ 230,405
Payroll taxes	11,019	2,692	7,158	20,869
Total Salaries and Payroll Taxes	132,673	32,414	86,187	251,274
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
Advertising and promotion		7,049		7,049
Insurance	13,068	2,158	2,421	17,647
Contract services		8,569		8,569
Supplies	5,374	884		6,258
Telephone	4,180	1,021	2,715	7,916
Volunteer development	2,897			2,897
Office		3,365		3,365
Computer software and support		4,936		4,936
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
Total Expenses	<u>\$ 12,075,158</u>	<u>\$ 70,792</u>	<u>\$ 93,769</u>	<u>\$ 12,239,719</u>

See notes to financial statements

Food Finders, Inc.
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flow from Operating Activities		
Change in net assets	\$ (5,546)	\$ 9,030
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation expense	42,143	42,542
Unrealized (gain) loss on investments	190	(583)
Loss on sale of equipment		2,112
Changes in operating assets and liabilities:		
Accounts receivable	18,000	8,250
Grants receivable	(18,098)	(10,000)
Other receivables	531	150
Due from WNOOC	(4,851)	
Deposits	(700)	
Accounts payable and accrued liabilities	1,659	(1,250)
Credit card payable	265	(1,385)
Accrued payroll and benefits	14,496	
Due to WNOOC	1,269	
Net Cash Provided by Operating Activities	49,358	48,866
Cash Flow from Investing Activities		
Reinvested dividends	(172)	(143)
Purchase of equipment		(5,439)
Net Cash Used in Investing Activities	(172)	(5,582)
Increase in Cash and Cash Equivalents	49,186	43,284
Cash and Cash Equivalents at the Beginning of Year	145,330	102,046
Cash and Cash Equivalents at the End of Year	\$ 194,516	\$ 145,330
Supplementary Disclosures		
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, 2014 and 2013

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.

During the year ended December 31, 2014, the Organization rescued 7.79 million pounds of food from being wasted and redistributed it to help feed hungry people within communities throughout L.A. and Orange counties. In 2014, the Organization estimated an increase of 35 new food donors and exceeded that estimate, adding a total of 82 new, regular, and consistent donors by year end. In addition, partner agencies grew by 33, which exceeded the 10 originally forecasted.

During the year ended December 31, 2013, the Organization rescued 6.99 million pounds of food. In May 2013, 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 2013, 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 2013 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 pounds of non-perishable food. The Organization also conducted a Pajama Drive during December 2013 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. Additionally in 2013, the Organization exceeded its goal for new food donors by 35, added 20 additional recipient agencies, and expanded its outreach in Orange County and L.A. counties.

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.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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, 2014 and 2013.

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, 2014 and 2013. 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, 2014 and 2013, and are reported in the statements of activities.

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

Grants Receivable—Grants receivable at December 31, 2014 and 2013 consist of amounts due from local foundations and organizations, stated at the amount management expects to collect.

WNOC—During the year ending 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.

Food Finders, Inc.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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, 2014 and 2013.

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 2—Summary of Significant Accounting Policies—Continued**

Reclassifications—Certain amounts in 2013 have been reclassified to conform with the 2014 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:

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, 2014 and 2013 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, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Transportation equipment	\$ 195,412	\$ 195,412
Equipment	17,032	17,032
	<u>212,444</u>	<u>212,444</u>
Less accumulated depreciation	(152,327)	(110,184)
Net	<u>\$ 60,117</u>	<u>\$ 102,260</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>2014</u>	<u>2013</u>
Time	\$ 31,000	\$ 32,500
Food and related supplies	10,000	40,226
Truck sponsorship	5,000	
Food for seniors		8,138
Social Media Coordinator		3,800
Agency Coordinator		2,496
Drivers' salaries		2,115
Website development		1,000
Advertising		240
Totals	<u>\$ 46,000</u>	<u>\$ 90,515</u>

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>2014</u>	<u>2013</u>
Revenues	\$ 55,471	\$ 40,946
Less donor benefit expense	(21,322)	(19,185)
Net	<u>\$ 34,149</u>	<u>\$ 21,761</u>

Note 7—Donated Materials and Services

Donated materials for the years ended December 31, 2014 and 2013 consist primarily of food donations valued at \$1.72 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, 2014 and 2013, the Organization recognized donated food totaling \$13,376,694 and \$11,613,363, 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, 2014 and 2013, contributed service hours totaled 16,220 and 19,027, respectively. The Organization recognized contributed services valued at \$185,655 and \$190,265, respectively, included in the volunteer service hours caption of the functional expense schedule.

During the year ended December 31, 2013, the Organization recorded \$8,585 of in-kind income and expense related to its fundraising events, including silent auction items totaling \$4,690.

Food Finders, Inc.**Notes to Financial Statements—Continued****Note 8—Lease Commitments**

During the years ended December 31, 2014 and 2013, the Organization operated under a lease agreement for an office facility located in Signal Hill, California. The terms of the agreement require monthly payments of \$1,170 and were subject to annual increases. Facility expenses for the years ended December 31, 2014 and 2013 totaled \$15,238 and \$14,535, respectively.

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. Future minimum payments under this lease are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 21,126
2016	36,853
2017	37,959
2018	39,096
2019	40,269
Thereafter	<u>27,482</u>
Total	\$ <u>202,785</u>

Note 9—Subsequent Events

Management evaluated all activities of Food Finders, Inc. through September 11, 2015, 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, other than those described in Note 8.