



FOOD FOR FREE COMMITTEE, INC.

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

FOOD FOR FREE COMMITTEE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Food For Free Committee, Inc.

Report of the Financial Statements

We have audited the accompanying financial statements of Food For Free Committee, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 For Free Committee, Inc. as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Food For Free Committee, Inc.'s 2017 financial statements, and our report dated July 25, 2017, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BJHC PC

Topsfield, Massachusetts
August 7, 2018

FOOD FOR FREE COMMITTEE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	\$ 476,523	\$ 377,324
Contributions and grants receivable, current	89,490	80,680
Prepaid expenses	38,716	36,557
Total current assets	604,729	494,561
CASH AND CASH EQUIVALENTS, board-restricted as to use	51,293	101,190
LONG-TERM GRANTS RECEIVABLE, net of current portion	15,000	25,000
PROPERTY AND EQUIPMENT, net	119,287	107,275
DEPOSITS	-	1,280
Total assets	\$ 790,309	\$ 729,306

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 8,365	\$ 16,717
Deferred revenue	2,083	-
Accrued expenses	43,777	32,325
Total current liabilities	54,225	49,042
NET ASSETS:		
Unrestricted:		
General operations	491,791	436,074
Board designated	51,293	101,190
Temporarily restricted	193,000	143,000
Total net assets	736,084	680,264
Total liabilities and net assets	\$ 790,309	\$ 729,306

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

FOOD FOR FREE COMMITTEE, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
OPERATING REVENUE AND SUPPORT:				
Contracts and grants	\$ -	\$ 349,600	\$ 349,600	\$ 330,052
Individual and business contributions	419,708	-	419,708	411,710
Events and appeals	321,929	-	321,929	287,141
In-kind contributions	3,889,658	-	3,889,658	3,311,669
Earned income	35,215	-	35,215	33,627
Investment income and other	942	-	942	592
Net assets released from program restrictions	299,600	(299,600)	-	-
	<hr/>			
Total operating revenue and support	4,967,052	50,000	5,017,052	4,374,791
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PROGRAM AND SUPPORT SERVICES:				
Program services	4,699,624	-	4,699,624	4,014,381
Management and general	102,782	-	102,782	125,025
Fundraising	173,591	-	173,591	159,120
	<hr/>			
Total program and support services	4,975,997	-	4,975,997	4,298,526
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NON-OPERATING REVENUE:				
Capital grants	14,765	-	14,765	-
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Change in net assets	5,820	50,000	55,820	76,265
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Net assets, beginning of year	537,264	143,000	680,264	603,999
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Net assets, end of year	\$ 543,084	\$ 193,000	\$ 736,084	\$ 680,264
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The accompanying notes are an integral part of these financial statements.

FOOD FOR FREE COMMITTEE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 55,820	\$ 76,265
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	37,848	39,578
Capital grants	(14,765)	-
Cash provided by (used in) changes in:		
Contributions and grants receivable	1,190	59,459
Prepaid expenses	(2,159)	(10,029)
Accounts payable	(8,352)	9,084
Deferred revenue	2,083	
Accrued expenses	11,452	(6,073)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>83,117</u>	<u>168,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(49,860)	(74,340)
(Increase) decrease in cash and cash equivalents restricted as to use	49,897	(100)
(Increase) decrease in deposits	1,280	(1,280)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,317</u>	<u>(75,720)</u>
CASH FLOWS FROM FINANCING ACTIVITIES -		
Capital grants	14,765	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	99,199	92,564
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>377,324</u>	<u>284,760</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 476,523</u>	<u>\$ 377,324</u>

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

FOOD FOR FREE COMMITTEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	Program Services	Management and General	Fundraising	Total 2018	Total 2017
Salaries	\$ 426,922	\$ 33,803	\$ 116,118	\$ 576,843	494,866
Payroll taxes	38,310	3,033	10,420	51,763	44,304
Fringe benefits	22,676	1,795	6,167	30,638	35,636
Total compensation and benefits	<u>487,908</u>	<u>38,631</u>	<u>132,705</u>	<u>659,244</u>	<u>574,806</u>
Rent	16,960	1,060	3,180	21,200	8,640
Depreciation	37,848	-	-	37,848	39,578
Total occupancy costs	<u>54,808</u>	<u>1,060</u>	<u>3,180</u>	<u>59,048</u>	<u>48,218</u>
Transportation	71,831	-	-	71,831	39,398
In-kind food rescue	3,867,936	-	-	3,867,936	3,310,942
Food purchases	131,409	-	-	131,409	124,075
Insurance	44,371	2,663	3,294	50,328	27,823
Other program expenses	24,248	-	-	24,248	26,583
Total program expenses	<u>4,139,795</u>	<u>2,663</u>	<u>3,294</u>	<u>4,145,752</u>	<u>3,528,821</u>
Administrative and office	119	36,611	596	37,326	21,198
Consulting fees	-	13,023	-	13,023	56,719
Fundraising	-	-	13,608	13,608	19,761
Bank and credit card fees	-	84	2,637	2,721	2,465
Printing, postage and publications	-	5,692	14,386	20,078	22,383
Accounting and bookkeeping	16,993	1,062	3,186	21,241	22,316
Miscellaneous	-	3,956	-	3,956	1,839
Total other expenses	<u>17,112</u>	<u>60,428</u>	<u>34,412</u>	<u>111,953</u>	<u>146,681</u>
Total expenses	<u>\$ 4,699,624</u>	<u>\$ 102,782</u>	<u>\$ 173,591</u>	<u>\$ 4,975,997</u>	<u>\$ 4,298,526</u>

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

FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Food For Free Committee, Inc., (“Food For Free”), was organized in 1981 in Cambridge, Massachusetts. Food For Free improves community-wide access to healthy foods through several tactics including food rescue, repackaging of rescued food, distribution of food to community food programs, transportation services for community food programs, farming, and distribution of food directly to children, seniors, and people with disabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Food For Free reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent the portion of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted assets also include assets the Board of Directors have restricted as to use (Board-designated net assets).
- Temporarily restricted net assets represent pledges or contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by Food For Free actions pursuant to those stipulations.
- Permanently restricted net assets represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by Food For Free actions. Food For Free had no permanently restricted net assets in 2018 or 2017.

Management’s Review

In preparing the financial statements, management evaluated events and transactions for potential recognition or disclosure through August 7, 2018, the date the financial statements were available to be issued.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentration of Risk

Food For Free defines cash equivalents as short-term highly liquid investments with original maturities of three months or less.

Food For Free maintains some of its cash in bank deposit accounts, which at times may exceed federally insured limits; however, these deposits continue to be covered by The Massachusetts Depositors Insurance Fund. Food For Free has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash or cash equivalents. No amounts exceeded federally insured limits at June 30, 2018.

Contributions and Grants Receivable

Food For Free reports unconditional promises to give as contributions. If outstanding contributions and grants are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions and grants are to be paid to the organization over a period of years, they are recorded at the present value of their estimated cash flows using the prime rate as of the fiscal year-end in the year of donation. Contributions and grants due in excess of one year are reflected net of an allowance for uncollectible amounts based on management's judgment, past payment experience, and other relevant factors. Management considers all receivables at June 30, 2018 to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Purchases of property and equipment in excess of \$2,000 are capitalized. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Depreciation of transportation vehicles, equipment and leasehold improvements is provided on a straight-line basis over the following estimated useful lives:

<u>Classification</u>	<u>Estimated Useful Life</u>
Transportation vehicles	5
Equipment	5
Leasehold improvements	40

Impairment of Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, Food For Free has given consideration to the impairment of their long-lived assets in its presentation of these financial statements. At June 30, 2018, Food For Free has not recognized any reduction in the carrying value of its property.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Food For Free records revenue from grants and contributions as unrestricted revenue and unrestricted net assets when the grant or contribution is received or an unconditional pledge is made unless specifically restricted by the donor. Deferred revenue is comprised of revenue unearned in the current period.

Donated Goods and Services

Food For Free reports the fair value of gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and, shortly thereafter, as expense when distributed to local emergency food programs and individuals participating in the food rescue program. During the years ended June 30, 2018 and 2017, Food For Free distributed approximately 2.2 and 1.9 million pounds, respectively, of donated product. The approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.73 and \$1.67, respectively, during 2018 and 2017, was based upon a study performed by Feeding America. The dollar value of these pounds distributed is \$3,867,936 and \$3,310,942 for the years ended June 30, 2018 and 2017, respectively, and is included within in-kind food delivery in the accompanying financial statements.

Food For Free receives in-kind contributions of investment securities throughout the year. Contributed securities are valued at fair market value on the date of receipt. The fair market value of donated securities was \$15,614 for the year ended June 30, 2018.

Beginning in September, 2017, Food For Free receives an in-kind contribution of the license to use a new, refrigerated vehicle from the City of Cambridge, Massachusetts to carry out the City's delivery of frozen meals and support the operations of the City of Cambridge Senior Center Food pantry program. The fair market annual lease value of the vehicle was \$5,567 for the period September, 2017 through June 30, 2018.

In addition, a number of individuals and organizations have made in-kind donations or volunteered their services to Food For Free. For those services that do not require special expertise, the estimated value of such donated services has not been recorded in the financial statements.

Income Taxes and Uncertainty of Income Taxes

Food For Free is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable Massachusetts state law.

Food For Free may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for June 30, 2018.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes and Uncertainty of Income Taxes (continued)

Food For Free files its Form 990 in the U.S. federal jurisdiction and the office of the Massachusetts' Attorney General. These filings are subject to examination generally for 3 years after they were filed. Information returns filed for the fiscal years 2017, 2016 and 2015 remain subject to examination by the Internal Revenue Service and the state of Massachusetts.

Advertising

Food For Free expenses advertising costs as incurred.

Functional Expense Allocation

The cost of providing the various programs and supporting services is summarized on a functional basis in the Statement of Activities and in detail in the Statement of Functional Expenses. Certain costs are allocated among the programs and supporting services benefited.

2. PROPERTY AND EQUIPMENT

At June 30, 2018 and 2017, property and equipment consists of the following:

	2018	2017
Transportation vehicles	\$ 196,535	\$ 183,190
Equipment	109,651	75,221
Leasehold improvements	31,810	29,725
	<u>337,996</u>	<u>288,136</u>
Less accumulated depreciation	(218,709)	(180,861)
Net property and equipment	<u>\$ 119,287</u>	<u>\$ 107,275</u>

Depreciation expense was \$37,848 and \$39,578 for the years ended June 30, 2018 and 2017.

3. LINE OF CREDIT

Food For Free has available, a secured \$20,000 line of credit with a bank. The credit line bears interest at the bank's prime rate plus 2.5%. The credit line is secured by all business assets and outstanding balances are due monthly or immediately upon demand. There were no borrowings in 2018 or 2017.

4. COMPENSATED ABSENCES

Employees are entitled to paid vacation, sick and personal days off depending on job classification, length of service and other factors. Unused vacation time can generally be carried over and used within the first three months of the following year. Food For Free had no accrued compensated absences at June 30, 2018 or 2017.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. NET ASSETS

Board Designated Net Assets

The Board of Directors has designated assets for the following purposes as of June 30, 2018 and 2017:

	2018	2017
Operating contingencies	\$ -	\$ 50,000
Capital replacement costs	51,293	51,190
Total board designated net assets	<u>\$ 51,293</u>	<u>\$ 101,190</u>

Temporarily Restricted Net Assets

Donor restrictions on temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Programs	\$ 128,000	\$ 93,000
Time-restricted grants	65,000	50,000
Total restricted net assets	<u>\$ 193,000</u>	<u>\$ 143,000</u>

6. RENT

Food For Free occupies space owned by Cambridge Economic Opportunity Committee located in Cambridge, MA under the terms of a lease beginning August 1, 2017 through December 31, 2019. Monthly rent expense is \$1,515 and Food For Free is responsible for utilities, maintenance and insurance. Prior to August 1, 2017, Food For Free rented the space as a tenant-at-will.

In addition, commencing February 1, 2017, Food For Free leased office space at a monthly rent of \$640 through March 31, 2018. Food For Free was responsible for its ratable portion of utilities.

Rent expense for the years ended June 30, 2018 and 2017 was \$21,200 and \$4,800.

7. RELATED PARTIES

Certain members of Food For Free's Board of Directors hold positions with a community savings bank with whom Food For Free banks. One individual is a senior officer and another is a corporator and director.