



**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

JUNE 30, 2020 AND 2019

FOOD FOR FREE COMMITTEE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year 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 2019 financial statements, and our report dated August 20, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BJHC PC

Topsfield, Massachusetts
September 15, 2020

FOOD FOR FREE COMMITTEE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,959,065	\$ 525,025
Contributions and grants receivable	229,018	127,212
Prepaid expenses	50,727	40,450
	<hr/>	<hr/>
Total current assets	2,238,810	692,687
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, board-restricted as to use	51,499	51,396
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, net	66,496	86,399
	<hr/>	<hr/>
DEPOSITS	4,017	1,685
	<hr/>	<hr/>
Total assets	\$ 2,360,822	\$ 832,167
	<hr/>	<hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 65,310	\$ -
Accounts payable	46,124	15,754
Accrued expenses	175,680	48,474
	<hr/>	<hr/>
Total current liabilities	287,114	64,228
	<hr/>	<hr/>
LONG-TERM DEBT, net of current portion	83,190	-
	<hr/>	<hr/>
Total liabilities	370,304	64,228
	<hr/>	<hr/>
NET ASSETS:		
Without donor restrictions:		
Undesignated - general operations	1,295,162	565,544
Board-designated for capital replacement	51,499	51,395
With donor restrictions	643,857	151,000
	<hr/>	<hr/>
Total net assets	1,990,518	767,939
	<hr/>	<hr/>
Total liabilities and net assets	\$ 2,360,822	\$ 832,167
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The accompanying notes are an integral part of these financial statements.

FOOD FOR FREE COMMITTEE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
OPERATING REVENUE AND SUPPORT:				
Contracts and grants	\$ 280,500	\$ 873,400	\$ 1,153,900	\$ 441,325
Individual and business contributions	1,325,065	190,000	1,515,065	484,418
Special events and appeals, net of cost of direct benefits to donors	303,857	-	303,857	289,024
In-kind contributions	4,612,886	-	4,612,886	3,534,276
Food procurement revenue	46,185	-	46,185	34,268
Investment income and other	8,363	-	8,363	2,685
Net assets released from donor restrictions	570,543	(570,543)	-	-
	<u>7,147,399</u>	<u>492,857</u>	<u>7,640,256</u>	<u>4,785,996</u>
PROGRAM AND SUPPORT SERVICES:				
Program services	6,004,674	-	6,004,674	4,440,513
Management and general	158,296	-	158,296	138,982
Fundraising	257,207	-	257,207	203,140
	<u>6,420,177</u>	<u>-</u>	<u>6,420,177</u>	<u>4,782,635</u>
NON-OPERATING REVENUE:				
Contribution of program net assets	-	-	-	19,994
Capital grants	-	2,500	2,500	8,500
Net assets released from donor restrictions	2,500	(2,500)	-	-
	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>28,494</u>
Change in net assets	729,722	492,857	1,222,579	31,855
Net assets, beginning of year	616,939	151,000	767,939	736,084
Net assets, end of year	<u>\$ 1,346,661</u>	<u>\$ 643,857</u>	<u>\$ 1,990,518</u>	<u>\$ 767,939</u>

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,222,579	\$ 31,855
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	29,653	32,888
Capital grants	(2,500)	(8,500)
Cash provided by (used in) changes in:		
Contributions and grants receivable	(101,806)	(22,722)
Prepaid expenses	(10,277)	(1,734)
Accounts payable	30,370	7,389
Deferred revenue	-	(2,083)
Accrued expenses	127,206	4,697
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,295,225</u>	<u>41,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(9,750)	-
(Increase) decrease in deposits	(2,332)	(1,685)
NET CASH USED IN INVESTING ACTIVITIES	<u>(12,082)</u>	<u>(1,685)</u>
CASH FLOWS FROM FINANCING ACTIVITIES -		
Proceeds of long-term debt	148,500	-
Capital grants	2,500	8,500
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>151,000</u>	<u>8,500</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,434,143	48,605
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>576,421</u>	<u>527,816</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 2,010,564</u>	<u>\$ 576,421</u>
Reconciliation to cash and cash equivalents and restricted cash on the Statement of Financial Position:		
Cash and cash equivalents	\$ 1,959,065	\$ 525,025
Cash and cash equivalents, board-restricted as to use	51,499	51,396
	<u>\$ 2,010,564</u>	<u>\$ 576,421</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, 2020
(with comparative totals for 2019)

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total 2020	Total 2019
Salaries	\$ 583,242	\$ 86,787	\$ 182,103	\$ -	\$ 852,132	672,769
Payroll taxes and fringe benefits	85,449	12,715	26,679	-	124,843	99,794
Total compensation and benefits	668,691	99,502	208,782	-	976,975	772,563
Rent	19,500	1,750	3,750	-	25,000	21,340
Depreciation	29,653	-	-	-	29,653	32,888
Total occupancy costs	49,153	1,750	3,750	-	54,653	54,228
Transportation	104,634	-	-	-	104,634	79,397
In-kind food rescue and food purchases	4,906,563	-	-	-	4,906,563	3,696,650
Insurance	40,979	6,220	5,673	-	52,872	40,784
Other program expenses	222,495	369	-	-	222,864	29,765
Total program expenses	5,274,671	6,589	5,673	-	5,286,933	3,846,596
Administrative and office	3,387	29,968	6,216	-	39,571	31,596
Consulting fees	4,000	2,166	18,500	-	24,666	40,030
Information technology	2,743	-	6,687	-	9,430	5,196
Cost of direct benefits to donors	-	-	-	13,017	13,017	12,000
Printing, postage and publications	123	5,404	7,004	-	12,531	15,738
Accounting and bookkeeping	1,906	12,917	595	-	15,418	16,688
Total other expenses	12,159	50,455	39,002	13,017	114,633	121,248
Total expenses by function	6,004,674	158,296	257,207	13,017	6,433,194	4,794,635
Less expenses included with revenues on the Statement of Activities	-	-	-	(13,017)	(13,017)	(12,000)
Total expenses	\$ 6,004,674	\$ 158,296	\$ 257,207	\$ -	\$ 6,420,177	\$ 4,782,635

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

FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, food procurement 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 Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Food for Free classifies net assets, revenues, gains and losses based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, \$51,499 for future capital replacement costs.
- Net assets with donor restrictions represent the portion of net assets subject to donor- (or certain grantor-) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Management’s Review

In preparing the financial statements, management evaluated events and transactions for potential recognition or disclosure through September 15, 2020, the date the financial statements were available to be issued.

Estimates

The preparation of financial statements in conformity with GAAP 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.

New Accounting Pronouncements

Food For Free is currently evaluating the impact of adopting ASU 2014-09, *Revenue from Contracts with Customers* and ASU 2016-02, *Leases*, on its results of operations and financial position. Implementation of ASU 2014-09 has been deferred one year to annual reporting periods beginning after December 15, 2019, and ASU 2016-02 has been deferred to annual reporting periods beginning after December 15, 2021.

(Continued)

FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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. Amounts exceeding federally insured limits were \$1,695,466 and \$261,429 at June 30, 2020 and 2019, respectively.

Contributions and Grants Receivable

Food For Free reports unconditional promises to give as contribution revenue. 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 Food For Free over a period of years, they are recorded at the present value of their estimated cash flows using a risk-adjusted rate as of the fiscal year-end in the year of donation. Contributions and grants due in excess of one year are also reported 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, 2020 to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

All contributions and grants receivable are expected to be received within one year.

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, software 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 and software	3-5
Leasehold improvements	5-40

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, 2020, 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, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Grants

Contributions and grants are considered to be available for use, without donor restrictions, unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or are restricted by the donor or grantor for specific purposes are reported as net assets with donor restrictions. Amounts required to be maintained in perpetuity by the donor are also reported as net assets with donor restrictions.

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 public support (without donor restrictions) 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, 2020 and 2019, Food For Free distributed approximately 2.8 and 2.1 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 \$1.62 and \$1.68, respectively, during 2020 and 2019, was based upon a study performed by Feeding America. The dollar value of these pounds distributed is \$4,583,355 and \$3,517,098 for the years ended June 30, 2020 and 2019, 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 contributed securities was \$22,500 and \$10,146 for the years ended June 30, 2020 and 2019, respectively.

Food For Free received an in-kind contribution of the license to use a 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 \$7,032 for the years year ended June 30, 2020 and 2019.

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.

Food Procurement Revenue

Food For Free charges fees to area food banks and pantries to cover the cost of transportation, packing and processing rescued food.

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, 2020.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 its Form PC in the office of the Massachusetts' Attorney General. Returns may be subject to examination for three years after the filing date.

Advertising

Food For Free expenses advertising costs as incurred.

Costs of Direct Benefits to Donors

Management has determined that special events are not incidental to its operations and therefore the cost of direct benefits to donors is netted against special event revenues in the Statements of Activities.

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. Accordingly, certain costs are allocated among the programs and supporting services benefited.

Payroll and the costs of employee benefits and payroll taxes are allocated to functions based upon estimated time and effort. Occupancy costs, workers compensation insurance and payroll service fees are allocated based upon the allocation of payroll. All other costs are directly allocated to a program or support activity.

2. PROPERTY AND EQUIPMENT

At June 30, 2020 and 2019, property and equipment consists of the following:

	2020	2019
Transportation vehicles	\$ 196,535	\$ 196,535
Equipment and software	119,401	109,651
Leasehold improvements	31,810	31,810
	<u>347,746</u>	<u>337,996</u>
Less accumulated depreciation	(281,250)	(251,597)
Net property and equipment	<u>\$ 66,496</u>	<u>\$ 86,399</u>

Depreciation expense was \$28,681 and \$32,888 for the years ended June 30, 2020 and 2019.

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% (with a floor of 5%). The credit line is secured by a general lien on the assets of Food For Free and outstanding balances are due monthly or immediately upon demand. There were no borrowings in 2020 or 2019. The line of credit expires on July 13, 2021.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. LONG-TERM DEBT

Food For Free obtained a SBA Paycheck Protection Program loan on April 18, 2020 through the CARES Act totaling \$148,500. Principal may be forgiven to the extent used in accordance with the provisions of the loan program, including the provisions of Section 1106 of the CARES Act. Assuming no portion of the loan is forgiven, commencing November 18, 2020, the loan will be due in monthly installments of \$8,357 including interest (1%) through April, 2022. The loan is unsecured.

Assuming no portion of the loan is forgiven, aggregate annual maturities of long-term debt are as follows for the years ending June 30,

2021	\$	65,310
2022	\$	83,190

5. 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 \$859 and \$3,243 of accrued compensated absences at June 30, 2020 and 2019, respectively.

6. NET ASSETS

Board Designated Net Assets Without Donor Restrictions

The Board of Directors has designated net assets for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Capital replacement costs	\$ 51,499	\$ 51,396

Net Assets with Donor Restrictions

Donor restrictions on net assets consist of the following at June 30, 2020 and 2019:

	2020	2019
Programs	\$ 643,857	\$ 142,500
Capital purchases	-	8,500
Total restricted net assets	\$ 643,857	\$ 151,000

(Continued)

FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. LEASES

Food For Free leases space owned by Cambridge Economic Opportunity Committee in Cambridge, MA under the terms of a one year lease expiring December 31, 2020. Monthly rent expense was \$1,515 through December 31, 2018 and \$2,083 from January 1, 2019 through December 31, 2020. Food For Free is responsible for utilities, maintenance and insurance.

Rent expense for the years ended June 30, 2020 and 2019 was \$25,000 and \$21,340, respectively.

Future minimum facility lease payments as of June 30, 2020 are \$12,500 for the fiscal year ending June 30, 2021.

In addition to the in-kind vehicle lease referred to in Note 1, Food For Free also leases two other refrigerated vans. Aggregate monthly vehicle lease payments are \$4,017. Aggregate annual future minimum vehicle lease payments are as follows for the fiscal years ending June 30:

2021	\$	48,204
2022	\$	36,413
2023	\$	23,324

8. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,959,065	\$ 525,025
Contributions and grants receivable	229,018	127,212
Cash and cash equivalents, restricted	51,499	51,396
	<u>2,239,582</u>	<u>703,633</u>
Less - donor restricted assets	(643,857)	(151,000)
	<u>\$ 1,595,725</u>	<u>\$ 552,633</u>

Food For Free's goal is to maintain available financial assets sufficient to meet six months of operating expenses in cash and cash equivalents. At June 30, 2020, Food For Free has an additional \$51,499 in a board-designated reserve fund (for capital replacement). This fund may be drawn upon for operating purposes, with Board approval, in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. To meet short-term operating obligations and cash liquidity needs, Food For Free also maintains a bank line of credit of \$20,000.

9. RELATED PARTY TRANSACTIONS

A member of Food For Free's Board of Directors holds a director position with a community savings bank. Food For Free maintains deposit balances with this bank and has obtained its SBA Paycheck Protection Program loan through this bank. In addition, for the years ended June 30, 2020 and 2019, Food For Free received \$260,000 and \$71,000, respectively, in cash grants from companies that have representatives who are members of Food For Free's Board of Directors.