

LOVIN' SPOONFULS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

LOVIN' SPOONFULS, INC.

**CONTENTS
DECEMBER 31, 2013**

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 10



CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

Where Every Client Is A Valued Client

Alexander, Aronson, Finning & Co., P. C.

21 East Main Street, Westborough, MA 01581-1461 (508) 366-9100
Boston, MA (617) 205-9100 Wellesley, MA (781) 965-9100
www.aafcpa.com FAX (508) 366-9789 info@aafcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lovin' Spoonfuls, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Lovin' Spoonfuls, Inc. (a Massachusetts corporation, not for profit) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 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 an 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 an 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 Lovin' Spoonfuls, Inc. as of December 31, 2013, 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.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
May 14, 2014

LOVIN' SPOONFULS, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

<u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash	\$ 328,950	\$ 35,000	\$ 363,950
Contributions receivable	30,300	50,000	80,300
Prepaid expenses	<u>9,536</u>	<u>-</u>	<u>9,536</u>
Total current assets	368,786	85,000	453,786
PROPERTY AND EQUIPMENT, net	<u>72,382</u>	<u>-</u>	<u>72,382</u>
Total assets	<u><u>\$ 441,168</u></u>	<u><u>\$ 85,000</u></u>	<u><u>\$ 526,168</u></u>
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Current portion of note payable	\$ 9,354	\$ -	\$ 9,354
Accounts payable and accrued expenses	<u>107,966</u>	<u>-</u>	<u>107,966</u>
Total current liabilities	117,320	-	117,320
NOTE PAYABLE, net of current portion	<u>20,036</u>	<u>-</u>	<u>20,036</u>
Total liabilities	<u>137,356</u>	<u>-</u>	<u>137,356</u>
NET ASSETS:			
Unrestricted:			
Operating	260,820	-	260,820
Property and equipment	<u>42,992</u>	<u>-</u>	<u>42,992</u>
Total unrestricted	303,812	-	303,812
Temporarily restricted	<u>-</u>	<u>85,000</u>	<u>85,000</u>
Total net assets	<u>303,812</u>	<u>85,000</u>	<u>388,812</u>
Total liabilities and net assets	<u><u>\$ 441,168</u></u>	<u><u>\$ 85,000</u></u>	<u><u>\$ 526,168</u></u>

The accompanying notes are an integral part of these statements.

LOVIN' SPOONFULS, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Grants and contributions	\$ 419,218	\$ 85,000	\$ 504,218
In-kind food	367,254	-	367,254
Special events, net	55,062	-	55,062
Other income	625	-	625
Net assets released from time restriction	15,625	(15,625)	-
	<u>857,784</u>	<u>69,375</u>	<u>927,159</u>
OPERATING EXPENSES:			
Program services	657,790	-	657,790
General and administrative	74,360	-	74,360
Fundraising	98,418	-	98,418
	<u>830,568</u>	<u>-</u>	<u>830,568</u>
Changes in net assets	27,216	69,375	96,591
NET ASSETS, beginning of year	<u>276,596</u>	<u>15,625</u>	<u>292,221</u>
NET ASSETS, end of year	<u><u>\$ 303,812</u></u>	<u><u>\$ 85,000</u></u>	<u><u>\$ 388,812</u></u>

The accompanying notes are an integral part of these statements.

LOVIN' SPOONFULS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 96,591
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	21,195
Changes in operating assets and liabilities:	
Contributions receivable	(57,760)
Prepaid expenses	(9,031)
Accounts payable and accrued expenses	<u>80,002</u>
Net cash provided by operating activities	<u>130,997</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	<u>(45,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on note payable	<u>(8,672)</u>
NET INCREASE IN CASH	76,380
CASH, beginning of year	<u>287,570</u>
CASH, end of year	<u><u>\$ 363,950</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	<u><u>\$ 1,750</u></u>

The accompanying notes are an integral part of these statements.

LOVIN' SPOONFULS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>
In-kind food	\$ 367,254	\$ -	\$ -	\$ 367,254
Salaries and related	182,756	40,543	63,151	286,450
Advertising and marketing	23,936	-	23,935	47,871
Professional fees	-	26,949	-	26,949
Vehicle	24,264	-	-	24,264
Depreciation	18,199	-	2,996	21,195
Travel	15,083	-	1,354	16,437
Repairs and maintenance	9,962	-	-	9,962
Food and beverage	2,857	2,856	2,857	8,570
Office expense	4,445	1,212	1,552	7,209
Miscellaneous	1,988	903	904	3,795
Supplies and materials	3,646	20	20	3,686
Rent and utilities	1,000	1,000	1,000	3,000
Interest	1,750	-	-	1,750
Insurance	581	580	580	1,741
Bank and service fees	-	229	-	229
Printing and postage	69	68	69	206
	<u>69</u>	<u>68</u>	<u>69</u>	<u>206</u>
Total expenses	<u>\$ 657,790</u>	<u>\$ 74,360</u>	<u>\$ 98,418</u>	<u>\$ 830,568</u>

The accompanying notes are an integral part of these statements.

LOVIN' SPOONFULS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Lovin' Spoonfuls, Inc. (the Agency) was formed on January 29, 2010, to facilitate the recovery and distribution of perishable and unserved foods that would otherwise be thrown away and wasted. The Agency delivers this food directly to local crisis centers, soup kitchens and other social assistance entities.

The Agency is exempt from Federal income taxes as a not-for-profit organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Contributions made to the Agency are deductible by donors within the IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Contributions Receivable and Allowance for Doubtful Accounts

Contributions receivable are recorded at the invoiced amount and do not bear interest. The allowance, if any, is based upon specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered. There was no allowance for doubtful accounts at December 31, 2013.

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Revenues from donor-restricted grants and pledges are recorded as temporarily restricted revenue and net assets when the Agency receives a commitment. Temporarily restricted net assets are reclassified to unrestricted net assets as costs are incurred or time restrictions have lapsed and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor restricted grants and contributions whose restrictions are met in the year they are received or pledged are recorded as unrestricted net assets. Special events revenue is recorded in the period which the event takes place. All other revenues are recognized when earned.

In-kind Food Donations

The Agency receives in-kind food donations from various retailers, restaurants and farms. For the year ended December 31, 2013, these goods are reflected in the accompanying financial statements based upon the estimated value assigned by the donating agencies or by management.

LOVIN' SPOONFULS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted Net Assets are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of the Agency.

Property and equipment net assets represent amounts expended and resources available for property and equipment, net of related debt.

Temporarily Restricted Net Assets represent grants to the Agency which are designated to the donors for a specific purpose or period of time. Temporarily restricted net assets consist of the following at December 31, 2013:

Time restricted	\$ 50,000
Purpose restricted	<u>35,000</u>
Total	<u>\$85,000</u>

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Agency has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore, the disclosure requirements do not currently apply. The Agency values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

LOVIN' SPOONFULS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred. The Agency's policy is to capitalize property and equipment costing \$1,000 or more. Depreciation of property and equipment is computed using the straight-line half year method over the following estimated useful lives:

Vehicles	5 years
Website and software	3 years

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Advertising Costs

The Agency expenses advertising costs as incurred.

Uncertainty in Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2013. The Agency's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Subsequent Events

Subsequent events have been evaluated through May 14, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(2) **RELATED PARTY TRANSACTIONS**

The President of the Agency is a voting member of the Board of Directors. This individual was compensated only for her role as the President. A member of the Board of Directors is the Chief Financial Officer of a nonprofit organization that provides management services to the Agency (see Note 7). The Agency paid this organization \$20,297 for these services for the year ended December 31, 2013. The Agency also leases space under a tenant-at-will agreement from the same nonprofit organization (see Note 3).

LOVIN' SPOONFULS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(3) LEASES

The Agency occupies office space as a tenant-at-will (see Note 2). Monthly payments are \$250. Rent and utilities expenses under this agreement were \$3,000 for the year ended December 31, 2013.

(4) PROPERTY AND EQUIPMENT

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

Vehicles	\$110,996
Website	16,788
Software	<u>2,230</u>
	130,014
Less - accumulated depreciation	<u>57,632</u>
	<u>\$ 72,382</u>

(5) NOTE PAYABLE

In November, 2011, the Agency entered into a five-year note payable with a financing company in the amount of \$46,744 for the purchase of a vehicle. The note bears interest at 7.6% per annum and is secured by the vehicle. Monthly payments of principal and interest of \$939 are due through November, 2016.

Future minimum payments under this agreement are as follows:

2014	\$ 9,354
2015	10,090
2016	<u>9,946</u>
Total future minimum payments	29,390
Less - current portion	<u>9,354</u>
	<u>\$20,036</u>

(6) SPECIAL EVENTS, NET

Included in special events, net on the accompanying statement of activities and changes in net assets are the net proceeds from annual special events. Special event revenue and direct expenses are summarized as follows for the year ended December 31, 2013:

Special event contributions and other	\$ 87,138
Less - direct expenses	<u>(32,076)</u>
Special events, net	<u>\$ 55,062</u>

LOVIN' SPOONFULS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

(Continued)

(7) MANAGEMENT AGREEMENT

The Agency receives management services under an agreement with a non profit corporation, which expired in September, 2012 (see Note 2). Both companies have agreed to continue this agreement on a month to month basis, under the original terms and conditions. Monthly payments under this agreement are \$500 for financial services in addition to overhead costs. Management expense under this agreement was \$20,297 for the year ended December 31, 2013, and is included in professional fees in the accompanying statement of functional expenses. Management intends to formally extend this agreement, in writing, during fiscal year 2014.