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AG# 051797

2014
Audit

LOVIN' SPOONFULS, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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LOVIN' SPOONFULS, INC.

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December 31, 2014 and 2013

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2014
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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 statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 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 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, 2014 and 2013, 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.

Alexander, Crosser, Pinning & Co., P.C.
Boston, Massachusetts
May 13, 2015

LOVIN' SPOONFULS, INC.

Statements of Financial Position
December 31, 2014 and 2013

Assets	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash	\$ 314,434	\$ -	\$ 314,434	\$ 328,950	\$ 35,000	\$ 363,950
Contributions receivable	32,463	-	32,463	30,300	50,000	80,300
Prepaid expenses	17,888	-	17,888	9,536	-	9,536
Total current assets	364,785	-	364,785	368,786	85,000	453,786
Investments	1,275	-	1,275	-	-	-
Property and Equipment, net	92,821	-	92,821	72,382	-	72,382
Total assets	\$ 458,881	\$ -	\$ 458,881	\$ 441,168	\$ 85,000	\$ 526,168
Liabilities and Net Assets						
Current Liabilities:						
Current portion of note payable	\$ 10,090	\$ -	\$ 10,090	\$ 9,354	\$ -	\$ 9,354
Accounts payable and accrued expenses	63,860	-	63,860	107,966	-	107,966
Total current liabilities	73,950	-	73,950	117,320	-	117,320
Note Payable, net of current portion	9,946	-	9,946	20,036	-	20,036
Total liabilities	83,896	-	83,896	137,356	-	137,356
Net Assets:						
Unrestricted:						
Operating	302,200	-	302,200	260,820	-	260,820
Property and equipment	72,785	-	72,785	42,992	-	42,992
Total unrestricted	374,985	-	374,985	303,812	-	303,812
Temporarily restricted	-	-	-	-	85,000	85,000
Total net assets	374,985	-	374,985	303,812	85,000	388,812
Total liabilities and net assets	\$ 458,881	\$ -	\$ 458,881	\$ 441,168	\$ 85,000	\$ 526,168

The accompanying notes are an integral part of these statements.

LOVIN' SPOONFULS, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenues:						
Special events contributions and support	\$ 184,901	\$ -	\$ 184,901	\$ 87,138	\$ -	\$ 87,138
Less - direct expenses	43,639	-	43,639	32,076	-	32,076
Special events contributions and support, net	141,262	-	141,262	55,062	-	55,062
In-kind food	675,977	-	675,977	367,254	-	367,254
Grants and contributions	440,149	-	440,149	419,218	85,000	504,218
Other income	430	-	430	625	-	625
Net assets released from time restriction	50,000	(50,000)	-	15,625	(15,625)	-
Net assets released from purpose restriction	35,000	(35,000)	-	-	-	-
Total operating revenues	<u>1,342,818</u>	<u>(85,000)</u>	<u>1,257,818</u>	<u>857,784</u>	<u>69,375</u>	<u>927,159</u>
Operating Expenses:						
Program services	1,074,524	-	1,074,524	657,790	-	657,790
General and administrative	103,235	-	103,235	74,360	-	74,360
Fundraising	127,656	-	127,656	98,418	-	98,418
Total operating expenses	<u>1,305,415</u>	<u>-</u>	<u>1,305,415</u>	<u>830,568</u>	<u>-</u>	<u>830,568</u>
Changes in net assets from operations	37,403	(85,000)	(47,597)	27,216	69,375	96,591
Non-Operating Revenue:						
Donated vehicle	33,770	-	33,770	-	-	-
Changes in net assets	71,173	(85,000)	(13,827)	27,216	69,375	96,591
Net Assets:						
Beginning of year	<u>303,812</u>	<u>85,000</u>	<u>388,812</u>	<u>276,596</u>	<u>15,625</u>	<u>292,221</u>
End of year	<u>\$ 374,985</u>	<u>\$ -</u>	<u>\$ 374,985</u>	<u>\$ 303,812</u>	<u>\$ 85,000</u>	<u>\$ 388,812</u>

The accompanying notes are an integral part of these statements.

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LOVIN' SPOONFULS, INC.

Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (13,827)	\$ 96,591
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	27,982	21,195
Donated stock	(1,275)	-
Donated vehicle	(33,770)	-
Changes in operating assets and liabilities:		
Contributions receivable	47,837	(57,760)
Prepaid expenses	(8,352)	(9,031)
Accounts payable and accrued expenses	<u>(44,106)</u>	<u>80,002</u>
Net cash provided by (used in) operating activities	(25,511)	130,997
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(14,651)	(45,945)
Cash Flows from Financing Activities:		
Principal payments on note payable	<u>(9,354)</u>	<u>(8,672)</u>
Net Change in Cash	(49,516)	76,380
Cash:		
Beginning of year	<u>363,950</u>	<u>287,570</u>
End of year	<u>\$ 314,434</u>	<u>\$ 363,950</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 3,039</u>	<u>\$ 1,750</u>
Donated vehicle	<u>\$ 33,770</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

LOVIN' SPOONFULS, INC.

Statements of Functional Expenses
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
In-kind food	\$ 675,977	\$ -	\$ -	\$ 675,977	\$ 367,254	\$ -	\$ -	\$ 367,254
Salaries and related	270,955	42,363	88,211	401,529	182,756	40,543	63,151	286,450
Professional fees	-	50,933	-	50,933	-	26,949	-	26,949
Advertising and marketing	20,980	-	20,980	41,960	-	-	23,935	23,935
Vehicle	33,141	-	-	33,141	24,264	-	-	24,264
Depreciation	24,615	-	3,367	27,982	18,199	-	2,996	21,195
Travel	9,242	-	3,552	12,794	15,083	-	1,354	16,437
Miscellaneous	7,017	2,346	1,666	11,029	1,988	903	904	3,795
Office expense	5,479	922	3,264	9,665	4,445	1,212	1,552	7,209
Repairs and maintenance	9,043	-	-	9,043	9,962	-	-	9,962
Supplies and materials	8,554	-	-	8,554	27,582	20	20	27,622
Food and beverage	2,540	2,526	2,526	7,592	2,857	2,856	2,857	8,570
Rent and utilities	2,000	2,000	2,000	6,000	1,000	1,000	1,000	3,000
Insurance	1,028	1,029	1,029	3,086	581	580	580	1,741
Interest	3,039	-	-	3,039	1,750	-	-	1,750
Printing and postage	914	913	1,061	2,888	69	68	69	206
Bank and service fees	-	203	-	203	-	229	-	229
Total expenses	\$ 1,074,524	\$ 103,235	\$ 127,656	\$ 1,305,415	\$ 657,790	\$ 74,360	\$ 98,418	\$ 830,568

The accompanying notes are an integral part of these statements.

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LOVIN' SPOONFULS, INC.

Notes to Financial Statements
December 31, 2014 and 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 (ASC).

Contributions Receivable and Allowance for Doubtful Accounts

Contributions receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts, 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, 2014 and 2013. Contributions receivable at December 31, 2014 and 2013, were due in 2015 and 2014, respectively.

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 statements 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 years ended December 31, 2014 and 2013, these goods are reflected in the accompanying financial statements based upon the estimated value assigned by the donating agencies or by management.

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LOVIN' SPOONFULS, INC.

Notes to Financial Statements
December 31, 2014 and 2013

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>

There were no temporarily restricted net assets as of December 31, 2014.

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.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

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LOVIN' SPOONFULS, INC.

Notes to Financial Statements
December 31, 2014 and 2013

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An 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. All qualifying assets and liabilities are valued using Level 1 inputs.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. As of December 31, 2014, investments consist of marketable securities. Investments have been classified as long-term in the accompanying statements of financial position based on management's intent.

Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on market value changes during the period.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value. 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.

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LOVIN' SPOONFULS, INC.

Notes to Financial Statements
December 31, 2014 and 2013

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements 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, 2014 and 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 13, 2015, 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 \$25,717 and \$20,297 for these services for the years ended December 31, 2014 and 2013, respectively. The Agency also leases space under a tenant-at-will agreement from the same nonprofit organization (see Note 6).

3. LEASES

Operating

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 \$6,000 and \$3,000 for the years ended December 31, 2014 and 2013, respectively.

Capital

The Agency entered into a capital lease during 2014 for a truck, with a monthly lease obligation of \$1,322 per month over a period of five years. The truck was received by the Agency and placed into service in 2015 and, as such, is not reflected in the accompanying financial statements as of December 31, 2014. Future minimum payments under this agreement are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 15,684
2016	\$ 15,684
2017	\$ 15,684
2018	\$ 15,684
2019	\$ 15,684

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LOVIN' SPOONFULS, INC.

Notes to Financial Statements
December 31, 2014 and 2013

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Vehicles	\$ 159,417	\$ 110,996
Website	16,788	16,788
Software	<u>2,230</u>	<u>2,230</u>
	178,435	130,014
Less - accumulated depreciation	<u>85,614</u>	<u>57,632</u>
	<u>\$ 92,821</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:

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

6. MANAGEMENT AGREEMENT

The Agency receives management services under an agreement with a nonprofit 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 \$750 as of December 31, 2014 for financial services and additional payments for overhead costs. Management expense under this agreement was \$25,717 and \$20,297 for the years ended December 31, 2014 and 2013, respectively, and is included in professional fees in the accompanying statements of functional expenses. Management intends to formally extend this agreement in writing during fiscal year 2015.