



FOOD FOR FREE COMMITTEE, INC.

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

JUNE 30, 2017 AND 2016

FOOD FOR FREE COMMITTEE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017, 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, 2017, 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 2016 financial statements, and our report dated August 11, 2016, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BJHC PC

Topsfield, Massachusetts
July 25, 2017

FOOD FOR FREE COMMITTEE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 377,324	\$ 284,760
Contributions and grants receivable, current	80,680	115,139
Prepaid expenses	36,557	26,528
	<u>494,561</u>	<u>426,427</u>
Total current assets		
CASH AND CASH EQUIVALENTS, board-restricted as to use	<u>101,190</u>	<u>101,090</u>
LONG-TERM GRANTS RECEIVABLE, net of current portion	<u>25,000</u>	<u>50,000</u>
PROPERTY AND EQUIPMENT, net	<u>107,275</u>	<u>72,513</u>
DEPOSITS	<u>1,280</u>	<u>-</u>
Total assets	<u>\$ 729,306</u>	<u>\$ 650,030</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 16,717	\$ 7,633
Accrued expenses	32,325	38,398
	<u>49,042</u>	<u>46,031</u>
Total current liabilities		
NET ASSETS:		
Unrestricted:		
General operations	436,074	297,909
Board designated	101,190	101,090
Temporarily restricted	143,000	205,000
	<u>680,264</u>	<u>603,999</u>
Total net assets		
Total liabilities and net assets	<u>\$ 729,306</u>	<u>\$ 650,030</u>

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, 2017 AND 2016

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
OPERATING REVENUE AND SUPPORT:				
Contracts and grants	\$ -	\$ 330,052	\$ 330,052	\$ 472,478
Individual and business contributions	411,710	-	411,710	268,758
Events and appeals	287,141	-	287,141	226,234
In-kind food delivery	3,311,669	-	3,311,669	2,903,559
Earned income	33,627	-	33,627	21,950
Investment income and other	592	-	592	975
Net assets released from program restrictions	392,052	(392,052)	-	-
	<hr/>			
Total operating revenue and support	4,436,791	(62,000)	4,374,791	3,893,954
	<hr/>			
PROGRAM AND SUPPORT SERVICES:				
Program services	4,014,381	-	4,014,381	3,527,469
Management and general	125,025	-	125,025	132,793
Fundraising	159,120	-	159,120	132,962
	<hr/>			
Total program and support services	4,298,526	-	4,298,526	3,793,224
	<hr/>			
NON-OPERATING REVENUE:				
Contribution of program net assets	-	-	-	54,358
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Change in net assets	138,265	(62,000)	76,265	155,088
	<hr/>			
Net assets, beginning of year	398,999	205,000	603,999	448,911
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Net assets, end of year	\$ 537,264	\$ 143,000	\$ 680,264	\$ 603,999
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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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 76,265	\$ 155,088
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	39,578	40,072
Non-operating contribution of program net assets	-	(54,358)
Cash provided by (used in) changes in:		
Contributions and grants receivable	59,459	(121,050)
Prepaid expenses	(10,029)	4,903
Accounts payable	9,084	7,633
Accrued expenses	(6,073)	24,005
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>168,284</u>	<u>56,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(74,340)	(7,668)
(Increase) decrease in cash and cash equivalents restricted as to use	(100)	63,911
Increase in deposits	(1,280)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(75,720)</u>	<u>56,243</u>
CASH FLOWS FROM FINANCING ACTIVITIES -		
Non-operating contribution of program net assets	-	54,358
NET INCREASE IN CASH AND CASH EQUIVALENTS	92,564	166,894
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>284,760</u>	<u>117,866</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 377,324</u>	<u>\$ 284,760</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, 2017
(with comparative totals for 2016)

	Program Services	Management and General	Fundraising	Total 2017	Total 2016
Salaries	\$ 366,250	\$ 28,999	\$ 99,617	\$ 494,866	453,551
Payroll taxes	32,790	2,596	8,918	44,304	40,869
Fringe benefits	26,374	2,088	7,174	35,636	32,016
Total compensation and benefits	425,414	33,683	115,709	574,806	526,436
Rent	6,912	432	1,296	8,640	4,800
Depreciation	39,578	-	-	39,578	40,072
Total occupancy costs	46,490	432	1,296	48,218	44,872
Transportation	39,398	-	-	39,398	40,112
In-kind food delivery	3,310,942	-	-	3,310,942	2,902,471
Food purchases	124,075	-	-	124,075	89,812
Insurance	23,380	1,919	2,524	27,823	33,856
Other program expenses	26,583	-	-	26,583	15,197
Total program expenses	3,524,378	1,919	2,524	3,528,821	3,081,448
Administrative and office	246	20,757	195	21,198	14,625
Consulting fees	-	56,719	-	56,719	60,138
Fundraising	-	-	19,761	19,761	18,658
Bank and credit card fees	-	95	2,370	2,465	1,836
Printing, postage and publications	-	8,465	13,918	22,383	19,262
Accounting and bookkeeping	17,853	1,116	3,347	22,316	19,541
Miscellaneous	-	1,839	-	1,839	6,408
Total other expenses	18,099	88,991	39,591	146,681	140,468
Total expenses	\$ 4,014,381	\$ 125,025	\$ 159,120	\$ 4,298,526	\$ 3,793,224

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

FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 2017.

Management’s Review

In preparing the financial statements, management evaluated events and transactions for potential recognition or disclosure through July 25, 2017, 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, 2017 AND 2016

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, 2017.

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, 2017 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, 2017, 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, 2017 AND 2016

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.

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, 2017 and 2016, Food For Free distributed approximately 1.9 and 1.7 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 \$1.67, was based upon a study performed by Feeding America. The dollar value of these pounds distributed is \$3,310,942 and \$2,902,471 for the years ended June 30, 2017 and 2016, respectively, and is included within in-kind food delivery in the accompanying financial statements.

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.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, 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, 2017.

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 2016, 2015 and 2014 remain subject to examination by the Internal Revenue Service and the state of Massachusetts.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016, property and equipment consists of the following:

	2017	2016
Transportation vehicles	\$ 183,190	\$ 164,542
Equipment	75,221	55,326
Leasehold improvements	29,725	26,352
	288,136	246,220
Less accumulated depreciation	(180,861)	(173,707)
Net property and equipment	\$ 107,275	\$ 72,513

Depreciation expense was \$39,578 and \$40,072 for the years ended June 30, 2017 and 2016.

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 2017 or 2016.

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, 2017 or 2016.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. NET ASSETS

Board Designated Net Assets

The Board of Directors has designated assets for the following purposes as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating contingencies	\$ 50,000	\$ 50,000
Capital replacement costs	51,190	51,090
Total board designated net assets	<u>\$ 101,190</u>	<u>\$ 101,090</u>

Temporarily Restricted Net Assets

Donor restrictions on temporarily restricted net assets consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Programs	\$ 93,000	\$ 80,000
Capital purchases	-	50,000
Time-restricted grants	50,000	75,000
Total restricted net assets	<u>\$ 143,000</u>	<u>\$ 205,000</u>

6. NON OPERATING CONTRIBUTION OF PROGRAM NET ASSETS

During the year ended June 30, 2016, Food For Free was granted sponsorship of the *Cambridge Weekend Backpack Program*; a program that sends meals home on Fridays to Cambridge Public School students whose primary source of nutrition is the school cafeteria. The former program sponsor contributed the program's net assets to Food For Free which totaled \$54,358.

7. RENT

Food For Free occupies space owned by Cambridge Economic Opportunity Committee located in Cambridge, MA. Monthly rent expense is currently \$400 under a tenant-at-will agreement.

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

Rent expense for the years ended June 30, 2017 and 2016 was \$8,640 and \$4,800.

8. 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, one is a corporator, and another is a corporator and director.