

FOOD FOR THOUGHT

Financial Statements
December 31, 2020

VICTORIA MWANGI, CPA
dba VM ACCOUNTING SERVICES

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Victoria W. Mwangi, CPA
dba VM Accounting Services

INDEPENDENT AUDITOR'S REPORT

July 15, 2021

Board of Directors
Food For Thought
Forestville, California

I have audited the accompanying financial statements of **Food For Thought** (a California not-for-profit corporation) which comprise the statement of financial position as of December 31, 2020 and the related statement of activities 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 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT

July 15, 2021

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Food For Thought** as of December 31, 2020 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.



Victoria Mwangi, CPA
dba VM Accounting Services.

FOOD FOR THOUGHT

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,112,040
Grants receivable		99,454
Inventory		86,858
Prepaid expenses and deposits		68,357
Total current assets		<u>1,366,709</u>

NON-CURRENT ASSETS

Restricted cash & cash equivalents		83,555
Investments		3,992,188
Property, improvements & equipment, <i>net</i>		573,868
		<u>4,649,611</u>

TOTAL ASSETS

\$ 6,016,320

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	60,539
Accrued payroll expenses		150,573
Loan, Payroll Protection Program (PPP)		236,922
Total current liabilities		<u>448,034</u>

NET ASSETS

Net assets with donor restrictions		1,814,066
Net assets without donor restrictions		3,754,220
		<u>5,568,286</u>

TOTAL LIABILITIES & NET ASSET

\$ 6,016,320

The accompanying notes are an integral part of this statement

FOOD FOR THOUGHT

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE AND OTHER INCOME			
Contributions & Legacy gifts	\$ 1,873,988	\$ 165,500	\$ 2,039,488
Government grants	485,245	22,000	507,245
In-kind donations	453,502	-	453,502
Event revenue	253,223	-	253,223
Other income	57,258	-	57,258
Investment income, <i>net</i>	462,084	-	462,084
Net assets released from restrictions	603,884	(603,884)	-
TOTAL SUPPORT, REVENUE, AND OTHER INCOME	<u>4,189,184</u>	<u>(416,384)</u>	<u>3,772,800</u>
EXPENSES			
Program expenses	2,255,052	-	2,255,052
Management and general	218,474	-	218,474
Fundraising	489,343	-	489,343
TOTAL EXPENSES	<u>2,962,869</u>	<u>-</u>	<u>2,962,869</u>
CHANGE IN NET ASSETS	1,226,315	(416,384)	809,931
NET ASSETS, January 1, 2020	<u>2,527,905</u>	<u>2,230,450</u>	<u>4,758,355</u>
NET ASSETS, December 31, 2020	<u>\$ 3,754,220</u>	<u>\$ 1,814,066</u>	<u>\$ 5,568,286</u>

The accompanying notes are an integral part of this statement

FOOD FOR THOUGHT

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 809,931
Adjustments to reconcile change in net assets to cash flows from operating activities	
Depreciation	48,514
Realized gain on investments	(136,428)
Unrealized gain on investments	(269,174)
Stock donations	(24,527)
Decrease/(Increase) in current assets	
Grants receivable	54,709
Inventory	(22,590)
Prepaid expenses & deposit	19,268
Increase/(Decrease) in current liabilities	
Accounts payable	15,746
Accrued payroll expenses	31,327
Deferred revenue	(410)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>526,366</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of vehicle	(59,297)
Purchase of investments	(435,918)
Proceeds from sale of investments	511,067
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>15,852</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Loan proceeds, Payroll Protection Program (PPP)	236,922
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>236,922</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	779,140
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, January 1, 2020	<u>416,455</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, December 31, 2020	<u>\$ 1,195,595</u>

No interest paid and no income taxes paid

The accompanying notes are an integral part of this statement

FOOD FOR THOUGHT

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising and Events</u>	<u>Total</u>
Salaries & wages	\$ 794,141	\$ 142,214	\$ 311,126	\$ 1,247,481
Payroll tax expense	61,922	10,874	24,122	96,918
Employee benefits	124,292	26,122	46,622	197,036
Food-purchased & donated	1,002,103	-	-	1,002,103
Event expenses	-	-	71,649	71,649
Occupancy	57,508	4,299	4,859	66,666
Program expenses	20,230	-	-	20,230
Supplies	25,765	663	1,789	28,217
Garden expenses	4,986	-	-	4,986
Office expense	39,763	3,209	9,109	52,081
Professional fees	18,885	23,741	2,052	44,678
Advertising	4,017	140	52	4,209
Staff/volunteer recognition	16,262	1,270	2,356	19,888
Insurance	10,972	630	1,616	13,218
Travel & meetings	6,986	433	531	7,950
Equipment repairs & maint.	23,226	1,589	1,863	26,678
Other operating expenses	2,255	4	8,108	10,367
Depreciation	41,739	3,286	3,489	48,514
	<u>\$ 2,255,052</u>	<u>\$ 218,474</u>	<u>\$ 489,343</u>	<u>\$ 2,962,869</u>

The accompanying notes are an integral part of this statement

FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 1 Nature of business

Food For Thought's (FFT) mission is to foster health and healing with food and compassion. The organization was founded in 1988 amidst the AIDS epidemic to provide groceries to those who were living with and dying from HIV/AIDS. Over time, FFT expanded its eligibility to include residents of Sonoma County, California who are affected by a wide range of medical conditions and are at risk of malnutrition.

In 2020, the Organization provided lifesaving, comprehensive nutrition services to more than 4,000 clients free of charge through the following Food Programs, which improve health and decrease medical expenses:

- *HIV Nutrition Program*: Weekly groceries and medically tailored prepared meals for up to 21 meals per week per person plus vitamins, supplements, and nutrition education for people living with HIV and their dependents.
- *Welcome Home Program*: All services listed above plus regular case management, for patients released from the hospital who are at risk of malnutrition.
- *COVID-19 Nutrition Program*: All services listed above, plus essential items such as diapers, soap, toilet paper and more for low-income people affected by COVID-19, and others living in their households.
- *Medically Tailored Meals Program*: 12 weeks of medically tailored prepared meals and nutrition counseling, and an additional eight weeks of grocery services listed above, for Medi-Cal patients affected by congestive heart failure.
- *Bags of Love*: Bags of healthy, ready-to-eat food for people who are seriously ill and experiencing homelessness.

The COVID-19 pandemic presented serious challenges to FFT's operations, and the Organization took the following steps in response:

- Cancelled congregate lunch program and cooking classes; began distributing lunch items via delivery or curbside pick-up, increased nutrition consultations by phone.
- Increased number of delivery routes; began curbside pickup for clients in our parking lot, rather than having clients enter the building.
- Limited indoor volunteer opportunities; hired temporary employees to fill the gap.
- Cancelled numerous fundraising events and food drives; pivoted fundraising strategies.

FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 2 Summary of significant accounting policies

- a. Tax Status - FFT is a not-for-profit corporation and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and state income taxes under California Code Section 23701d. Continuance of such exempt status is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax-exempt purpose of FFT may generate income that is taxable. For the year ended December 31, 2020 FFT did not generate such income. Accordingly, no provision has been made for income taxes in the Statement of Activities.
- b. Basis of 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). FFT reports revenue, expenses, gains/losses and net assets based on the existence or absence of donor restrictions.

The following net assets classifications are used:

Without donor restrictions – net assets not subject to donor-imposed stipulations and are available to cover general operations.

With donor restrictions – net assets subject to donor-imposed stipulations that may or will be met by actions of FFT and/or passage of time. Donor stipulations could also require the assets to be maintained into perpetuity by FFT.

- c. Fair Value Measurement – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles established a fair value measurement hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (Observable inputs) and the lowest priority to an entity's own assumptions (Unobservable inputs).

Level 1 – Quoted prices in active markets for identical assets as reported at the measurement date.

Level 2 – Other than quoted prices in active markets which are either directly or indirectly observable.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 2 Summary of significant accounting policies, continued

- d. Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, FFT considers cash on hand, cash in demand accounts and highly liquid investments with an initial maturity of three months or less to be cash & cash equivalents. Cash restricted for long-term purposes are excluded from this definition.
- e. Grants and Accounts Receivable – This consists primarily of grant balances to FFT. Management believes that all receivables are collectable and, therefore, an allowance for uncollectable receivables is not recorded.
- f. Inventory – Inventory consists of dry and canned foods, fruits, vegetables, and nutritional supplements, both purchased and donated. Purchased foods are stated at the lower of cost or net realizable value. Donated food value is determined by considering average purchase prices of similar items at the time of donation.
- g. Investments - Investments are reported at fair value. Donated investments are recorded at fair value at the date of donation. FFT reports gains and losses on investments, dividends and interest in the Statement of Activities as increases or decreases in net assets without donor restrictions unless they are donor restricted in which case they are reported as increases or decreases in net assets with donor restrictions. Investment returns are reported net of external and direct internal expenses.
- h. Property & Equipment and Depreciation - Fixed assets are stated at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. Fixed asset additions with a cost equal or exceeding \$5,000 are capitalized. FFT depreciates assets using the straight-line method of depreciation over estimated useful lives of 3 to 39 years.
- i. Contributions – Contributions received are recognized as support upon receipt and are reported as increases in net assets without donor restrictions unless they are received with donor stipulations that limit the purpose or time of use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as *'Net assets released from donor restrictions.'* FFT reports restricted contributions whose restrictions are met in the same reporting period as net assets without donor restrictions.

FFT receives grant funds from government agencies to provide food and services to the community served. These are considered net assets without donor restrictions unless the contribution is clearly intended to support services in a future year.

FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 2 Summary of significant accounting policies, continued

- j. Endowment funds – The Board of Directors of FFT has interpreted the Uniform Prudent Management of Institutions Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FFT classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations made pursuant to donor direction at the time the accumulation is added.

Spending policy – In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of FFT and the endowment funds
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of FFT
7. The investment policies of FFT

FFT's spending policy for endowment funds is designed so that earnings from donor restricted funds available for distribution are calculated based on a blended approach, which uses a percentage of prior year's spending adjusted for inflation and to the current year beginning portfolio value a specific rate is applied. The spending policy is reviewed annually to ensure that earnings and accumulated appreciation are adequate to sustain the distribution. In no event shall the spending rate percentage be higher than 7% unless specially authorized by a two-thirds (2/3) majority vote of the governing board.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires FFT to retain as a fund of perpetual duration. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to net assets without donor restriction until such time as the fair value equals or exceeds book value. As of December 31, 2020, FFT had no endowment funds with deficiencies.

FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 2 Summary of significant accounting policies, continued

- k. Functional Allocation of Expenses – The cost of providing programs and supporting activities has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. The expenses that are allocated include payroll and payroll related expenses, employee benefits, occupancy costs, depreciation, insurance, office supplies and expenses. The allocation is based upon estimates and assumptions made by management which consider employee effort and time spent on various functions, facilities square footage, and the nature of expense in relation to the function.
- l. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates, and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 3 Liquidity and Availability

The following reflects FFT's financial assets at December 31, 2020, reduced by amounts not available for general use because of donor imposed restrictions or board designations.

Cash and cash equivalents	\$	1,112,040
Grants receivable		99,454
Investments (excluding endowment funds)		1,804,852
Prepaid expenses and deposits		68,357
		<u>3,084,703</u>
Less board designated and donor restricted assets		<u>(1,558,350)</u>
Assets available for general use within one year	\$	<u>1,526,353</u>

FFT operates with a balanced budget and anticipates covering its general expenditures with existing assets and by maintaining and expanding relationships with supporters and funders who provided donations without restrictions. In addition, with the approval of the governing board, board designated assets could also be used in the event of cash flow needs.

FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 4 Grants Receivable

Balance at December 31, 2020 include the following:

Contributions & legacy gifts	\$	19,457
Government grants		79,997
		<hr/>
	\$	99,454
		<hr/>

Note 5 Investments

Investments measured on a recurring basis using quoted market values (level 1) at December 31, 2020 includes the following:

Cash & cash equivalents	\$	49,665
Exchange traded funds		958,477
Mutual funds		3,033,711
		<hr/>
Total investments at fair value	\$	4,041,853
		<hr/>

Investment returns as reflected in the Statement of Activities for the year ended December 31, 2020, include the following:

Dividends & interest	\$	70,510
Realized & Unrealized gains		405,603
		<hr/>
		476,113
Less management fees		(14,029)
		<hr/>
	\$	462,084
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FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 6 Property & equipment

Building & improvements	\$	778,891
Furniture & fixtures		14,235
Vehicles		59,296
Equipment		63,307
		<hr/>
		915,729
Less Accumulated depreciation		(654,017)
		<hr/>
		261,712
Land		312,156
		<hr/>
	\$	573,868
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Depreciation expense for the year ended December 31, 2020 was \$48,514.

Note 7 Accrued vacation

Unused employee vacation time benefits are recognized as liabilities of FFT. The value of accrued benefits at December 31, 2020 was \$75,198, which is included in Accrued payroll expenses on the Statement of Position.

Note 8 Note payable

On April 11, 2020, FFT was granted a loan totaling \$235,300, pursuant to the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses. Payments on the loan are deferred for six months from the date of disbursement of loan proceeds. However, interest continues to accrue during the deferment period. The loan bears interest at a rate of 1% per annum, payable monthly. The note and accrued interest are forgivable if loan proceeds were used for qualifying purposes, including payroll, employee benefits, rent and utilities.

Subsequent to December 31, 2020, the loan principle and accrued interest were forgiven.

FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 9 Net Assets Classification

At December 31, 2020, net assets with donor restrictions include the following:

Food & nutrients	\$	158,193
Equipment, generator		50,694
Project Africa		157
Endowment funds		<u>1,605,022</u>
Total net assets with donor restrictions	\$	<u>1,814,066</u>

At times donations received without donor restrictions are designated by FFT's board of directors as board designated funds. These funds consist of funds with no donor or legal restrictions but, through board resolutions, have been set aside for specific purposes.

Board designated net assets consist of the following at December 31, 2020:

Operating reserve	\$	1,000,000
Capital improvement reserve		300,000
Maintenance reserve		<u>100,000</u>
Total board designated net assets	\$	<u>1,400,000</u>

These funds are reported in the Statement of Position as net assets without donor restrictions.

Note 10 Endowment Funds

Changes in endowment assets for the year ended December 31, 2020 are as follows:

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Balance, January 1, 2020	\$ 1,605,022	\$ 476,076	\$ 2,081,098
Interest & Dividends	-	37,183	37,183
Realized & Unrealized gains	-	239,169	239,169
Management fees	-	(7,681)	(7,681)
Appropriation of endowment assets for expenditure	-	(129,572)	(129,572)
Balance, December 31, 2020	<u>\$ 1,605,022</u>	<u>\$ 615,175</u>	<u>\$ 2,220,197</u>

FOOD FOR THOUGHT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 11 Pension plan

FFT provides a defined contribution pension plan under Section 403(b) of the Internal Revenue Code. Eligible employees may make contributions to the plan up to the maximum amount allowed. The plan calls for matching contributions up to a maximum of 5% of a participant's compensation. For the year ended December 31, 2020, FFT incurred \$36,953 in such matching contributions.

Note 12 Uncertain tax positions

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by FFT in their federal and state exempt agency tax returns are more likely than not to be sustained upon examination. FFT's evaluation on December 31, 2020 revealed no tax positions that would have a material impact on the financial statements.

Generally, FFT's tax returns remain open for federal income tax examination for three years from the date of filing, and four years for the state of California. FFT classifies income tax related interest and penalties, if any, in interest expense and miscellaneous expenses, respectively.

Note 13 Volunteers

During the year ended December 31, 2020, FFT received over 9,700 hours from 730 volunteers. The volunteers contributed their time in support of FFT's programs and support functions. The value of the contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Note 14 Legacy gift

During the year ended December 31, 2020, FFT was notified of a 25% interest in several real properties in Sonoma County. To facilitate distribution, the properties will be sold and the proceeds distributed to the beneficiaries. The estate trustee has not finalized all the legal proceedings to allow for the sale of the properties. Therefore, at the time of issuing these financial statements the property sales amount was undeterminable.

Note 15 Subsequent events

Management has evaluated subsequent events through July 15, 2021, which is the date the financial statements were available to be issued, and determined that there are no events requiring disclosure in the financial statements.