

FOOD FIRST, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019

AND

INDEPENDENT AUDITORS' REPORT

FOOD FIRST, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Food First, Inc.

We have audited the accompanying financial statements of Food First, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 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 Organization'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 Organization'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.

(Continued)

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 First, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of HASA revenues and support and expenses for the year ended June 30, 2020 shown on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

December 10, 2020

FOOD FIRST, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
ASSETS		
Current assets		
Cash	\$ 249,542	\$ 74,196
Grants receivable	-	200,965
Due from affiliates	360,098	427,045
Loans receivable, affiliates	44,137	67,081
Prepaid expenses and other current assets	53,592	43,592
Total current assets	707,369	812,879
Noncurrent assets		
Vehicles and equipment - at cost, less accumulated depreciation	21,183	33,754
Due from affiliates	705,067	704,880
Loans receivable, affiliates, less current portion	151,053	195,202
Total noncurrent assets	877,303	933,836
	\$ 1,584,672	\$ 1,746,715
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 12,962	\$ 25,268
Due to affiliate	61,442	93,941
Share of deficiency in assets of limited partnership investment	29,155	113,167
Total current liabilities	103,559	232,376
Commitments and contingencies		
Net assets		
Without donor restrictions	1,481,113	1,514,339
	\$ 1,584,672	\$ 1,746,715

See notes to financial statements.

FOOD FIRST, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2020	2019
Revenues and support		
Grants and contracts	\$ 140,454	\$ 343,736
Administrative fees	404,540	386,030
Donations	2,638	1,837
Other	18,899	38,088
Total revenues and support	566,531	769,691
Expenses		
Program expenses	203,859	476,165
General and administrative	388,633	294,443
Total expenses	592,492	770,608
Distributive share of loss from investment	(7,265)	(37,385)
Change in net assets	(33,226)	(38,302)
Net assets without donor restrictions, beginning of year	1,514,339	1,552,641
Net assets without donor restrictions, end of year	\$ 1,481,113	\$ 1,514,339

See notes to financial statements.

FOOD FIRST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2020		
	Program Expenses	General and Administrative	Total
Salaries	\$ 80,051	\$ 268,195	\$ 348,246
Fringe benefits	2,283	17,253	19,536
Payroll taxes	8,673	26,819	35,492
Workers' compensation insurance	4,612	-	4,612
Total personnel costs	95,619	312,267	407,886
Office			
Occupancy	21,000	18,900	39,900
Utilities	4,366	4,304	8,670
Equipment and furniture	591	-	591
Insurance	13,093	-	13,093
Travel	-	2,075	2,075
Professional fees	45	24,950	24,995
International operations	11,050	-	11,050
Supplies	1,173	5,503	6,676
Food	27,607	-	27,607
Training and support	1,926	6,944	8,870
Depreciation	-	8,590	8,590
Administrative charges	26,204	-	26,204
Other	1,185	5,100	6,285
Total expenses	\$ 203,859	\$ 388,633	\$ 592,492

See notes to financial statements.

FOOD FIRST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2019		
	Program Expenses	General and Administrative	Total
Salaries	\$ 199,211	\$ 201,307	\$ 400,518
Fringe benefits	14,376	37,119	51,495
Payroll taxes	15,186	24,261	39,447
Workers' compensation insurance	5,809	-	5,809
Total personnel costs	234,582	262,687	497,269
Office			
Occupancy	42,000	-	42,000
Utilities	7,590	1,165	8,755
Equipment and furniture	729	1,229	1,958
Insurance	14,386	-	14,386
Travel	11,807	4,566	16,373
Professional fees	5,500	5,521	11,021
International programs	-	-	-
Supplies	3,241	4,264	7,505
Food	104,218	-	104,218
Vehicle use	-	753	753
Training and support	1,222	295	1,517
Depreciation	-	8,396	8,396
Administrative charges	49,513	-	49,513
Other	1,377	5,567	6,944
Total expenses	\$ 476,165	\$ 294,443	\$ 770,608

See notes to financial statements.

FOOD FIRST, INC.

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (33,226)	\$ (38,302)
Adjustments to reconcile, change in net assets to net cash provided by (used in) operating activities		
Distributive share of loss from investment	7,265	37,385
Depreciation	8,590	8,396
Changes in assets and liabilities		
Grants receivable	200,965	(60,610)
Due from affiliates	66,760	7,494
Prepaid expenses and other current assets	(10,000)	-
Accounts payable and accrued expenses	(12,306)	(30,212)
Due to affiliate	(32,499)	20,496
Net cash provided by (used in) operating activities	195,549	(55,353)
Cash flows from investing activities		
Acquisitions of equipment	-	(31,000)
Proceeds from sale of vehicles and equipment, net	3,981	-
Repayments from loans receivable, affiliates	67,093	83,733
Investment in limited partnership	(91,277)	-
Net cash provided by (used in) investing activities	(20,203)	52,733
Net increase (decrease) in cash	175,346	(2,620)
Cash, beginning of year	74,196	76,816
Cash, end of year	\$ 249,542	\$ 74,196

See notes to financial statements.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

Food First, Inc. (the “Organization”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”), and a type B Corporation incorporated in the State of New York under Section 402 of the Not-for-Profit Corporation Law. The programs that the Organization has undertaken have been designed to provide housing and supportive social services for homeless and disadvantaged persons and their families, including those infected with HIV. The majority of the Organization’s revenues result from government grants from entities such as the HIV/AIDS Services Administration (“HASA”). The agency provides grants to international NGOs in child survival issues, HIV, micro-credit, and water management. As of December 31, 2019, the grant contract with HASA expired and the Organization opted not to renew.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The financial statement presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958, Not-for-Profit Entities. Under ASC 958, the Institute is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions, which either expire by the passage of time or when used for specified purposes. As of June 30, 2020 and 2019, all of the Organization’s net assets were without donor restrictions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash balances in banks are insured by the Federal Deposit Insurance Corporation, subject to certain limitations. For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Revenue and Receivable

The Organization adopted ASU No. 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made", effective July 1, 2019 using the modified prospective approach. The ASU amends the new revenue recognition standard and long-standing contribution accounting guidance. This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. Contributions of cash or non-cash assets are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized until the performance barrier and the right of return or release have been overcome. There was no restatement or cumulative effect to the consolidated financial statements as a result of adoption.

Grant and contract revenue, and administration fee revenue is recognized at the time related expenditures are incurred. The Organization has elected the simultaneous release policy which allows a non-for-profit organization to recognize a contribution with donor restriction as without donor restriction if the restriction is met in the same period that the revenue is recognized.

The grants receivable is stated at the amount management expects to collect. An allowance for doubtful accounts is recorded based on information on specific accounts. Grant balances are written off against the allowance after all methods of collection have been exhausted and the potential for recovery is considered remote. Grants are considered past due or delinquent based on individual contractual terms. Management has determined that no allowance was required at June 30, 2019.

Depreciation

Depreciation is computed using the straight-line method over estimated useful asset lives, which range from 5-7 years.

Investment in Limited Partnership

The investment is accounted for under the equity method because, in the opinion of management, the Organization is not able to exercise significant influence over the investee. Original cost is adjusted for additional capital contributions, distributions received, and net income and losses of the investee.

The Organization holds a 99% limited partnership interest in 1374 Boston Road Associates, LP, a limited partnership. The Organization obtained this interest on January 6, 2015. At December 31, 2019 and 2018, the limited partnership reported total assets of approximately \$548,000 and \$564,000, respectively, and total liabilities of approximately \$938,000 and \$946,000, respectively. For the years ended December 31, 2019 and 2018, this entity reported a net loss of approximately \$7,000 and \$38,000, respectively.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Indirect costs that are not specifically attributable to as a specific program or supporting activity are allocated by management on a consistent basis among program and supporting services benefited, based on an agreed upon percentage set forth in the HASA contract.

Donated Goods

Those donated goods that meet the requirements for recognition under GAAP are recorded as both revenue and expense in the accompanying statements of activities at amounts determined by management to be reasonable for acquiring such goods and services.

Income Taxes

The Organization is tax-exempt under Section 501(c)(3) of the Code and, accordingly, no provision has been made for income taxes.

Subsequent Events

These financial statements were approved by management and available for issuance on December 10, 2020. Management has evaluated subsequent events through this date.

3 - RETIREMENT PLANS

The Organization established a defined contribution profit sharing plan qualifying under Section 401(k) of the Code, which permits eligible employees to voluntarily contribute a percentage of their compensation to the plan, not to exceed contributions allowed under the Code. The Organization at its option may contribute additional amounts to the plan. The Organization also established a thrift plan, qualifying under Section 403(b) of the Code, which permits eligible employees to voluntarily contribute a percentage of their compensation to the plan, not to exceed the maximum allowed under the Code. The Organization at its option may contribute additional amounts to the plan. In fiscal years 2020 and 2019, the Organization contributed approximately \$8,000 and \$8,000, respectively, to both plans in total.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

4 - RELATED PARTY TRANSACTIONS

Due from Affiliates

The Organization advances funds to affiliates. All advances are noninterest-bearing. The Organization has agreed not to seek repayment of funds due from affiliates totaling \$705,067 prior to July 1, 2021, and has therefore classified these due from affiliates as long-term.

Loans Receivable, Affiliates

In January 2014, the Organization loaned an affiliate approximately \$260,000, with interest at 7.52% a year. The loan requires monthly payments of \$2,413 and matures on January 1, 2029. Interest income for the fiscal years ended June 30, 2020 and 2019 was \$14,252 and \$15,314, respectively. The unpaid principal balance at June 30, 2020 and 2019 was approximately \$167,000 and \$182,000, respectively.

In March 2016, the Organization loaned an affiliate approximately \$200,000, with interest at 4% a year. The loan requires monthly payments of \$3,683 and matures on February 1, 2021. Interest income for the fiscal years ended June 30, 2020 and 2019 was \$2,696 and \$4,221, respectively. The unpaid principal balance at June 30, 2020 and 2019 was approximately \$28,000 and \$70,000, respectively.

In December 2016, the Organization loaned an affiliate approximately \$100,000, with interest at 4% a year. The loan required monthly payments of \$2,952 and matured on November 1, 2019. Interest income for the fiscal years ended June 30, 2020 and 2019 was \$98 and \$1,452, respectively. The unpaid principal balance at June 30, 2019 was approximately \$10,000. As of June 30, 2020, loan was paid in full.

Administrative Fees and Other Revenues

The Organization provides administrative services to its affiliates and subsidiaries. For the fiscal years ended June 30, 2020 and 2019, \$404,540 and \$386,030, respectively, was charged to the affiliate and is included in administrative fees. The Organization also provides legal services to various affiliates. For the fiscal year ended June 30, 2019, \$17,000 was charged to these affiliates and was included in other revenues.

Salaries and Employee Benefits

The Organization reimburses an affiliate for salaries and employee benefits. Reimbursed payroll and related expenses of \$407,886 and \$497,269 were paid to an affiliate for the fiscal years ended June 30, 2020 and 2019, respectively.

Leases

The Organization leases space from related parties. (See Note 7)

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

5 - DONATED GOODS

In fiscal years 2020 and 2019, the Organization received donated goods from one of its grant agreements with the City of New York amounting to \$25,143 and \$102,294, respectively.

6 - CONCENTRATIONS

The Organization entered into a contract with HASA in the amount of \$115,311 and \$323,656 for the fiscal years ended June 30, 2020 and 2019, respectively. Such contract represents approximately 20% and 39% of total revenue for fiscal years 2020 and 2019, respectively. The grants receivable balance at June 30, 2019 consists solely of receivables due from HASA. An affiliate of the Organization received a grant from HASA, of which \$404,540 and \$386,030 was allocated to the Organization to cover administration fees for fiscal years 2020 and 2019, respectively. These fees represent approximately 71% and 47% of total revenue for fiscal years 2020 and 2019, respectively.

7 - COMMITMENTS AND CONTINGENCIES

Government-Funded Activities

Government-funded activities are subject to audit by the applicable government granting agencies. At June 30, 2020, there were no material obligations outstanding as a result of such audit, and management believes that unaudited projects would not result in any material obligations.

Lease Commitments

The Organization entered into a noncancelable operating lease with a related party to lease office space which expires December 31, 2025. Scheduled rent increases, if any, will be in accordance with the rent guidelines board rate of increase in effect each subsequent year and will be recognized on a straight-line basis over the lease term, in accordance with GAAP. The cumulative difference between the rent expense and the contractual payments, if any, is reflected as deferred rent on the statements of financial position.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

7 - COMMITMENTS AND CONTINGENCIES (Continued)

Minimum future rental payments are approximately as follows:

Year Ending June 30,	
2021	\$ 37,800
2022	37,800
2023	37,800
2024	37,800
2025	18,900
	<u>\$ 170,100</u>

Office Rent Expense

The Organization leased space from an affiliated on a month-to-month basis. This affiliate paid the rent directly to another affiliate, who is the landlord of the premises. The Organization terminated the lease on December 31, 2019. Rent expense was \$21,000 and \$42,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the consolidating statements of financial position date for general expenditures are as follows:

	June 30,	
	2020	2019
Cash	\$ 249,542	\$ 74,196
Grants receivable	-	200,965
Short term affiliate loans receivable	44,137	67,081
Due from affiliates - short term	360,098	427,045
Total financial assets available within one year	<u>\$ 653,777</u>	<u>\$ 769,287</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of financial distress or an unanticipated liquidity need, Management believes it has the ability to borrow from affiliates if cash generated from operating activities is insufficient to meet its obligations.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

9 - RISKS AND UNCERTAINTIES

The spread of a novel strain of coronavirus (“COVID-19”) around the world in 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact on its operations.

SUPPLEMENTARY INFORMATION

FOOD FIRST, INC.

SCHEDULE OF HASA REVENUES AND SUPPORT AND EXPENSES

FOR THE PERIOD JULY 1, 2019 TO DECEMBER 31, 2019

HASA revenues and support	
Grant revenue	\$ 115,311
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HASA expenses	
Salaries	80,051
Fringe benefits	2,283
Payroll taxes	8,673
Workers' compensation insurance	4,612
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Total personnel costs	95,619
Office	
Occupancy	21,000
Utilities	4,366
Equipment and furniture	591
Insurance	13,093
Professional fees	45
Grant	11,050
Supplies	1,173
Food	910
Training and support	1,926
Administrative charges	26,204
Other	1,185
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Total expenses	177,162
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Total HASA expenses over revenues and support	\$ (61,851)

See Independent Auditors' Report.