

FOOD FIRST, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 and 2018, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

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, 2019 and 2018, 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, 2019 shown on page 14 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 12, 2019

FOOD FIRST, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2019	2018
ASSETS		
Current assets		
Cash	\$ 74,196	\$ 76,816
Grants receivable	200,965	140,355
Due from affiliates	427,045	440,924
Loans receivable, affiliates	67,081	86,881
Prepaid expenses and other current assets	43,592	43,592
Total current assets	812,879	788,568
Noncurrent assets		
Property and equipment - at cost, less accumulated depreciation	33,754	11,150
Due from affiliates, less current portion	704,880	698,495
Loans receivable, affiliates, less current portion	195,202	259,135
Total noncurrent assets	933,836	968,780
	\$ 1,746,715	\$ 1,757,348
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 25,268	\$ 55,480
Due to affiliate	93,941	73,445
Share of deficiency in assets of limited partnership investment	113,167	75,782
Total current liabilities	232,376	204,707
Contingencies		
Net assets		
Without donor restrictions	1,514,339	1,552,641
	\$ 1,746,715	\$ 1,757,348

See notes to financial statements.

FOOD FIRST, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2019	2018
Revenues and support		
Grants and contracts	\$ 343,736	\$ 453,921
Administrative fees	386,030	385,614
Donations	1,837	1,158
Other	38,088	46,069
Total revenues and support	769,691	886,762
Expenses		
Program expenses	476,165	463,566
General and administrative	294,443	410,586
Total expenses	770,608	874,152
Distributive share of loss from investment	(37,385)	(17,252)
Change in net assets	(38,302)	(4,642)
Net assets without donor restrictions, beginning of year	1,552,641	1,557,283
Net assets without donor restrictions, end of year	\$ 1,514,339	\$ 1,552,641

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
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.

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2018		
	Program Expenses	General and Administrative	Total
Salaries	\$ 150,873	\$ 288,959	\$ 439,832
Fringe benefits	9,966	27,173	37,139
Payroll taxes	15,795	30,082	45,877
Workers' compensation insurance	6,381	-	6,381
Total personnel costs	183,015	346,214	529,229
Office			
Occupancy	42,000	-	42,000
Utilities	9,414	1,449	10,863
Equipment and furniture	229	2,149	2,378
Insurance	10,007	5,695	15,702
Travel	-	3,340	3,340
Professional fees	5,545	35,685	41,230
International programs	10,000	-	10,000
Supplies	7,716	4,352	12,068
Food	122,147	-	122,147
Vehicle use	-	1,256	1,256
Training and support	1,551	535	2,086
Depreciation	-	4,780	4,780
Administrative charges	48,409	-	48,409
Other	23,533	5,131	28,664
Total expenses	\$ 463,566	\$ 410,586	\$ 874,152

See notes to financial statements.

FOOD FIRST, INC.

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (38,302)	\$ (4,642)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Distributive share of loss from investment	37,385	17,252
Depreciation	8,396	4,780
Changes in assets and liabilities		
Grants receivable	(60,610)	(90,661)
Due from affiliates	7,494	53,558
Accounts payable and accrued expenses	(30,212)	(13,738)
Due to affiliate	20,496	2,183
Net cash used in operating activities	(55,353)	(31,268)
Cash flows from investing activities		
Acquisitions of property and equipment	(31,000)	-
Repayments from loans receivable, affiliates	83,733	96,242
Investment in limited partnership	-	(41,200)
Net cash provided by investing activities	52,733	55,042
Net increase (decrease) in cash	(2,620)	23,774
Cash, beginning of year	76,816	53,042
Cash, end of year	\$ 74,196	\$ 76,816

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.

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, as amended by Accounting Standards Update (“ASU”) No. 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. The Organization adopted ASU 2016-14 for the fiscal year ended June 30, 2019 and has applied the amendments retrospectively to the fiscal 2018 financial statements and related footnotes. There have been no reclassifications in the accompanying financial statements as a result of this adoption.

Under ASC 958, as amended, the Organization 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, 2019 and 2018, all of the Organization’s net assets were without donor restrictions.

Other major changes resulting from ASU 2016-14 include (a) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (c) presenting investment return net of external and direct internal investment expenses, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Grants Receivable

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 is required at June 30, 2019 and 2018.

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, 2018 and 2017, the limited partnership reported total assets of approximately \$564,000 and \$618,000, respectively, and total liabilities of approximately \$946,000 and \$963,000, respectively. For the years ended December 31, 2018 and 2017, this entity reported a net loss of approximately \$38,000 and \$17,000, 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. There are no expenses that are allocated between programs and supporting services.

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.

Revenue Recognition

Revenue from government contracts and grants is recognized when costs are incurred or services are performed.

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 12, 2019. 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 2019 and 2018, the Organization contributed approximately \$8,000 and \$10,000, 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 \$704,880 prior to July 1, 2020, 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, 2019 and 2018 was \$15,314 and \$16,300, respectively. The unpaid principal balance at June 30, 2019 and 2018 was approximately \$182,000 and \$193,000, 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, 2019 and 2018 was \$4,221 and \$5,281, respectively. The unpaid principal balance at June 30, 2019 and 2018 was approximately \$70,000 and \$111,000, respectively.

In December 2016, the Organization loaned an affiliate approximately \$100,000, with interest at 4% a year. The loan requires monthly payments of \$2,952 and matures on November 1, 2019. Interest income for the fiscal years ended June 30, 2019 and 2018 was \$1,452 and \$2,489, respectively. The unpaid principal balance at June 30, 2019 and 2018 was approximately \$10,000 and \$42,000, respectively.

Administrative Fees and Other Revenues

The Organization provides administrative services to an affiliate. For the fiscal years ended June 30, 2019 and 2018, \$386,030 and \$385,614, respectively, was charged to the affiliate and is included in administrative fees. The Organization also provides legal services to various affiliates. For the fiscal years ended June 30, 2019 and 2018, \$17,000 and \$22,000, respectively, was charged to these affiliates and is included in other revenues.

Rental Expense

The Organization had a lease agreement with an affiliate which expired. The space is currently being leased on a month-to-month basis. This affiliate pays the rent directly to another affiliate, who is the landlord of the premises. Rent expense was \$42,000 for each of the fiscal years ended June 30, 2019 and 2018.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

4 - RELATED PARTY TRANSACTIONS (Continued)

Salaries and Employee Benefits

The Organization reimburses an affiliate for salaries and employee benefits. Reimbursed payroll and related expenses of \$497,269 and \$529,229 were paid to an affiliate for the fiscal years ended June 30, 2019 and 2018, respectively.

5 - DONATED GOODS

In fiscal years 2019 and 2018, the Organization received donated goods from one of its grant agreements with the City of New York amounting to \$102,294 and \$117,498, respectively.

6 - CONCENTRATIONS

The Organization entered into a contract with the New York City Department of Human Resources Administration in the amount of \$323,656 and \$336,423 for the fiscal years ended June 30, 2019 and 2018, respectively. Such contract represents approximately 39% and 42% of total revenue for fiscal years 2019 and 2018, respectively. The grants receivable balance at June 30, 2019 and 2018 consists solely of receivables due from the New York City Department of Human Resources Administration. An affiliate of the Organization received a grant from the New York City Department of Human Resources Administration, of which \$386,030 and \$385,614 was allocated to the Organization to cover administration fees for fiscal years 2019 and 2018, respectively. These fees represent approximately 47% and 51% of total revenue for fiscal years 2019 and 2018, respectively.

7 - CONTINGENCIES

Government-Funded Activities

Government-funded activities are subject to audit by the applicable government granting agencies. At June 30, 2019, 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.

FOOD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

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:

	2019	2018
Cash	\$ 74,196	\$ 76,816
Grants receivable	200,965	140,355
Short term affiliate loans receivable	67,081	86,881
Due from affiliates - short term	427,045	440,924
Total financial assets available within one year	\$ 769,287	\$ 744,976

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.

9 – SUBSEQUENT EVENTS

The Organization's contract with the New York City Department of Human Resources Administration expires on December 31, 2019. Management has decided to not renew the contract and will discontinue all related costs associated with the contract upon termination.

SUPPLEMENTARY INFORMATION

FOOD FIRST, INC.

SCHEDULE OF HASA REVENUES AND SUPPORT AND EXPENSES

YEAR ENDED JUNE 30, 2019

HASA revenues and support	
Grant revenue	\$ 241,442
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HASA expenses	
Salaries	199,211
Fringe benefits	14,376
Payroll taxes	15,186
Workers' compensation insurance	5,809
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Total personnel costs	234,582
Office	
Occupancy	42,000
Utilities	7,590
Equipment and furniture	729
Insurance	14,386
Travel	11,807
Professional fees	5,500
Supplies	3,241
Food	1,924
Training and support	1,222
Administrative charges	49,513
Other	1,377
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Total expenses	373,871
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Total HASA expenses over revenues and support	\$ (132,429)

See Independent Auditors' Report.