



FEEDING CHILDREN EVERYWHERE

FEEDING CHILDREN EVERYWHERE, INC.
Financial Statements
December 31, 2017 and 2016
With Independent Auditors' Report

Feeding Children Everywhere, Inc.
December 31, 2017 and 2016

TABLE OF CONTENTS	
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-12

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Feeding Children Everywhere, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding Children Everywhere, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feeding Children Everywhere, Inc. as of December 31, 2017 and 2016, 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.

Withum Smith + Brown, PC

July 9, 2018

Feeding Children Everywhere, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 1,397,551	\$ 913,587
Prepaid expenses	151,014	79,469
Total current assets	<u>1,548,565</u>	<u>993,056</u>
Property and equipment, net	142,244	200,116
Security deposit	28,665	17,550
Intangible asset, net	<u>-</u>	<u>2,250</u>
Total assets	<u><u>\$ 1,719,474</u></u>	<u><u>\$ 1,212,972</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 105,075	\$ 139,644
Accrued compensation	44,053	63,093
Total current liabilities	<u>149,128</u>	<u>202,737</u>
Net assets		
Unrestricted	1,178,411	868,353
Temporarily restricted	391,935	141,882
Total net assets	<u>1,570,346</u>	<u>1,010,235</u>
Total liabilities and net assets	<u><u>\$ 1,719,474</u></u>	<u><u>\$ 1,212,972</u></u>

The Notes to Financial Statements are an integral part of these statements.

Feeding Children Everywhere, Inc.
Statements of Activities
Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support, revenue, and losses						
Donations and corporate contributions	\$ 336,800	\$ 6,969,289	\$ 7,306,089	\$ 602,799	\$ 5,258,524	\$ 5,861,323
Interest income	5,445	-	5,445	5,548	-	5,548
Gifts in kind	6,500	-	6,500	3,888	-	3,888
Net assets released from restrictions	6,719,236	(6,719,236)	-	5,246,807	(5,246,807)	-
Loss on sale of property and equipment	-	-	-	(6,067)	-	(6,067)
Total support, revenue, and losses	<u>7,067,981</u>	<u>250,053</u>	<u>7,318,034</u>	<u>5,852,975</u>	<u>11,717</u>	<u>5,864,692</u>
Expenses						
Program services	5,635,993	-	5,635,993	4,600,168	-	4,600,168
General and administrative	913,289	-	913,289	1,007,843	-	1,007,843
Fundraising	208,641	-	208,641	81,224	-	81,224
Total expenses	<u>6,757,923</u>	<u>-</u>	<u>6,757,923</u>	<u>5,689,235</u>	<u>-</u>	<u>5,689,235</u>
Change in net assets	310,058	250,053	560,111	163,740	11,717	175,457
Net assets						
Beginning of year	<u>868,353</u>	<u>141,882</u>	<u>1,010,235</u>	<u>704,613</u>	<u>130,165</u>	<u>834,778</u>
End of year	<u>\$ 1,178,411</u>	<u>\$ 391,935</u>	<u>\$ 1,570,346</u>	<u>\$ 868,353</u>	<u>\$ 141,882</u>	<u>\$ 1,010,235</u>

The Notes to Financial Statements are an integral part of these statements.

Feeding Children Everywhere, Inc.
Statements of Functional Expenses
Years Ended December 31, 2017 and 2016

	2017				2016			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Wages and related payroll taxes	\$ 1,611,797	\$ 416,425	\$ 84,382	2,112,604	\$ 1,548,310	\$ 471,930	\$ 73,089	\$ 2,093,329
Direct event expenses	1,278,214	-	-	1,278,214	974,994	-	-	974,994
Ingredients/supplies	1,142,492	9,120	-	1,151,612	879,344	9,336	-	888,680
Shipping and freight	824,272	1,889	-	826,161	581,352	1,405	-	582,757
Rent	146,547	62,806	-	209,353	143,846	61,648	-	205,494
Professional fees	974	110,829	61,215	173,018	9,428	207,821	-	217,249
Employee benefits	129,809	33,302	6,796	169,907	103,917	25,390	1,571	130,878
Travel/transportation	70,186	26,421	-	96,607	30,923	29,694	-	60,617
Office expenses	62,351	26,722	-	89,073	51,653	22,137	-	73,790
Advertising and promotions	38,056	29,034	15,223	82,313	16,001	9,600	6,400	32,001
Events	-	34,721	40,483	75,204	-	-	-	-
Insurance	34,327	31,835	542	66,704	27,617	22,279	164	50,060
Meals and entertainment	38,980	16,705	-	55,685	12,289	5,266	-	17,555
Contract services	34,040	14,588	-	48,628	36,719	27,798	-	64,517
Bank and credit card fees	30,522	13,813	-	44,335	14,519	7,017	-	21,536
Repairs and maintenance	30,281	12,978	-	43,259	28,513	12,220	-	40,733
Contributions	26,750	7,749	-	34,499	-	30,831	-	30,831
Utilities	23,414	10,034	-	33,448	24,208	10,375	-	34,583
Other miscellaneous expenses	7,067	8,924	-	15,991	4,485	5,074	-	9,559
Telephone	10,681	4,579	-	15,260	16,515	7,078	-	23,593
Licenses and fees	5,743	2,461	-	8,204	3,543	1,519	-	5,062
Total expenses before depreciation and amortization	5,546,503	874,935	208,641	6,630,079	4,508,176	968,418	81,224	5,557,818
Depreciation	87,915	37,679	-	125,594	90,417	38,750	-	129,167
Amortization	1,575	675	-	2,250	1,575	675	-	2,250
Total expenses	\$ 5,635,993	\$ 913,289	\$ 208,641	\$ 6,757,923	\$ 4,600,168	\$ 1,007,843	\$ 81,224	\$ 5,689,235

The Notes to Financial Statements are an integral part of these statements.

Feeding Children Everywhere, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from contributors and customers	\$ 7,306,089	\$ 5,865,122
Interest received	5,445	5,548
Cash paid to suppliers and employees	<u>(6,766,348)</u>	<u>(5,634,988)</u>
Net cash provided by operating activities	<u>545,186</u>	<u>235,682</u>
Cash flows from investing activities		
Proceeds on sale of property and equipment	-	12,750
Cash paid for property and equipment	<u>(61,222)</u>	<u>(37,827)</u>
Net cash used in investing activities	<u>(61,222)</u>	<u>(25,077)</u>
Net increase in cash and cash equivalents	483,964	210,605
Cash and cash equivalents		
Beginning of year	<u>913,587</u>	<u>702,982</u>
End of year	<u>\$ 1,397,551</u>	<u>\$ 913,587</u>
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 560,111	\$ 175,457
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	125,594	129,167
Amortization	2,250	2,250
Noncash contributions of property and equipment	(6,500)	-
Loss on sale of property and equipment	-	6,067
Changes in		
Related party receivables	-	5,978
Security deposit	(11,115)	5,440
Prepaid expenses	(71,545)	(5,382)
Accounts payable and accrued expenses	(34,569)	8,612
Accrued compensation	<u>(19,040)</u>	<u>(91,907)</u>
Net cash provided by operating activities	<u>\$ 545,186</u>	<u>\$ 235,682</u>

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Feeding Children Everywhere, Inc. (the "Organization") is a nonprofit organization established to empower and mobilize people to assemble healthy meals for hungry children and their families. The Organization organizes scalable food packing events. These events are held primarily throughout the United States. The packaged food is shipped and donated to other nonprofit organizations either within the vicinity of the packing event, to international nonprofit organizations, or to local families through the Fed 40 program.

The Organization's primary funding sources are corporate donors, individuals, and other nonprofit organizations. The funding sources are used to purchase ingredients for the food packing events.

Use of 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Preparation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support and revenue, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor imposed stipulations. Included in unrestricted net assets are amounts that may be designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets at December 31, 2017 and 2016.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are reported as an increase in unrestricted net assets unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no promises to give at December 31, 2017 and 2016.

Donated Materials and Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program activities and supporting services. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied. However, these volunteers did contribute several thousand hours each year in support of program activities and supporting services. There were \$6,500 and \$3,888 contributed materials and services for the years ended December 31, 2017 and 2016, respectively.

Change in Accounting Principle

Effective January 1, 2016, the Organization chose to present donor-restricted contributions received during the years ended December 31, 2016 and 2017, whose restrictions were met during the year as temporarily restricted net assets. Management believes the revised temporarily restricted contributions more accurately reflect the nature of the contributions. The effect of this change for the year ended December 31, 2016, was to decrease unrestricted donations and corporate contributions and increase temporarily restricted donations and corporate contributions by \$2,022,505. Such revisions had no effect on total assets, total liabilities, or total net assets.

Cash and Cash Equivalents

The Organization considers all short-term debt securities with a maturity of three months or less to be cash equivalents.

Prepaid Expenses

The Organization considers all materials purchased for the assembly of future meal packing events to be prepaid expenses.

Property and Equipment

Property and equipment are carried at cost. It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. The assets are being depreciated and/or amortized on the straight-line method over the following estimated useful lives:

Building leasehold improvements	3 – 7 years
Furniture and fixtures	7 years
Warehouse equipment	5 – 7 years
Computer equipment	5 years

Leasehold improvements are depreciated over the terms of the lease agreement.

Intangible Asset

The intangible asset consists of a domain name acquired in 2013 at a cost of \$11,250. The estimated useful life is five years and is being amortized as such. The intangible asset was fully amortized at December 31, 2017.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$82,313 and \$32,001 for the years ended December 31, 2017 and 2016, respectively.

Feeding Children Everywhere, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Income Taxes

The Organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Thus, the Organization is not subject to corporate income taxes except for taxes on unrelated business income.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Organization. The Organization's status as an exempt organization is defined as an income tax position under these requirements. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Organization may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Organization has any material uncertain tax positions for the years ended December 31, 2017 and 2016.

Functional Allocation of Expense

The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Organization has evaluated subsequent events through July 9, 2018, the date which the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred that would require disclosure in the financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017 and 2016:

	2017	2016
Building leasehold improvements	\$ 285,329	\$ 269,593
Furniture and fixtures	69,310	57,325
Warehouse equipment	44,597	21,907
Computer equipment	105,660	112,677
Total cost	<u>504,896</u>	<u>461,502</u>
Less accumulated depreciation	<u>362,652</u>	<u>261,386</u>
Property and equipment, net	<u>\$ 142,244</u>	<u>\$ 200,116</u>

Depreciation expense for the years ended December 31, 2017 and 2016, was \$125,594 and \$129,167, respectively, and is allocated to the various functional expenses in the accompanying statements of activities.

Feeding Children Everywhere, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

3. INTANGIBLE ASSET

In January 2013, the Organization registered its domain name for a cost of \$11,250. The domain name is registered for a period of five years.

	2017	2016
Domain name	\$ 11,250	\$ 11,250
Less accumulated amortization	<u>11,250</u>	<u>9,000</u>
Intangible asset, net	<u>\$ -</u>	<u>\$ 2,250</u>

Amortization expense for the years ended December 31, 2017 and 2016, was \$2,250 and is allocated to the various functional expenses in the accompanying statements of activities.

4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of \$391,935 and \$141,882 held for certain food packing events at December 31, 2017 and 2016, respectively. These food packing events occur shortly after year end, thus releasing the restrictions.

5. COMMITMENTS – OPERATING LEASES

Central Florida Headquarters

The Organization leases office and warehouse space in Central Florida. The leases are three-year leases ending in March 2020 with rent at approximately \$12,854 per month. Rent expense for these facilities were \$150,318 and \$148,718 for the years ended December 31, 2017 and 2016, respectively.

Connecticut Location

The Organization leased a 5,200 square foot warehouse in Connecticut to facilitate its operations in the Northeast. The monthly rent for this facility was \$2,380 and ended in November 2016. Rent expense for the Connecticut location was \$40,166 for the year ended December 31, 2016. There was no rent expense for the Connecticut facility for the year ended December 31, 2017.

Texas Location

On January 10, 2017, the Organization entered into an agreement to lease a 9,059 square foot warehouse in Texas to facilitate its operations across the United States. It is a five-year lease ending in March 2022. Rent expense for the Texas Location was \$49,403 for the year ended December 31, 2017. There was no rent expense for the Texas location for the year ended December 31, 2016.

Month-to-Month Rent – Other Locations

The Organization rents storage warehouses at various locations during the year based on where their events will be held. The rent for these facilities is on a month-to-month lease. Rent expense for locations on a month-to-month lease was \$15,614 and \$16,610 for the years ended December 31, 2017 and 2016, respectively.

Truck Lease

The Organization maintains a lease agreement for two trucks. Terms of the agreement include monthly payments of \$2,454, ending in September 2020. The rental expense related to this lease totaled \$31,539 and \$29,448 for the years ended December 31, 2017 and 2016, respectively.

Future Lease Payments

Minimum future lease payments under the non-cancellable operating leases noted above are as follows:

Year Ending December 31,	
2018	\$ 217,668
2019	220,275
2020	109,607
2021	52,669
2022	12,683
	<u>612,902</u>
	<u>\$ 612,902</u>

6. COMMITMENTS – SUPPLIERS

Lentil Commodity Agreements

In September 2015, the Organization entered into an agreement to purchase lentils to be used in packaged meals. Terms of this agreement required the Organization to purchase a total of 21,990 bushels of lentils at a cost of \$21.60 per bushel for a total contract value of \$474,984. The agreement ended in September 2016. For the years ended December 31, 2016, the expense related to this agreement was \$191,214. There was no expense related to this agreement for the year ended December 31, 2017.

In August 2016, the Organization entered into a one-year supplier agreement to purchase lentils to be used in packaged meals. Terms of this agreement require the Organization to purchase a total of 23,456 bushels of lentils at a cost of \$19.80 per bushel for a total contract value of \$464,429. The agreement ended in July 2017. Expenses related to this agreement were \$260,089 and \$229,431 for the years ended December 31, 2017 and 2016, respectively.

In September 2017, the Organization entered into a one-year supplier agreement to purchase lentils to be used in packaged meals. Terms of this agreement require the Organization to purchase a total of 24,500 bushels of lentils at a cost of \$18.60 per bushel for a total contract value of \$455,700. The agreement ends in October 2018. Expense related to this agreement was \$227,608 for the year ended December 31, 2017. There was no expense related to this agreement for the year ended December 31, 2016.

7. COMMITMENTS – CONSULTING AGREEMENT

Consulting Agreements

On March 3, 2016, the Organization entered into a two-year consulting agreement with a previous member of management. The terms of the consulting agreement required the Organization to pay \$60,000 at the effective date of the agreement in the form of a retainer. Quarterly payments of \$15,000 are required to be paid beginning March 3, 2017, through March 3, 2018. The expense related to this agreement was \$60,000 and \$60,000 for the year ended December 31, 2017 and 2016, respectively.

8. COMMITMENTS – SEPARATION AND SEVERANCE AGREEMENTS

Separation and Severance Agreements

On March 3, 2016, the Organization entered into a separation agreement with a previous member of management. The terms of the separation agreement require the Organization to pay \$155,000 in back pay at the effective date of the agreement. In addition to back pay, \$159,855 was due to be paid representing twelve months salary that ended March 2017. The expenses related to this agreement were \$19,982 and \$166,516 for the years ended December 31, 2017 and 2016, respectively.

On December 12, 2016, the Organization entered into a separation agreement with a previous member of management. The terms of the separation agreement require the Organization to pay \$22,500 in compensation for the nine pay periods following the effective date. An additional \$3,000 is to be paid on the effective date. The expenses related to this agreement was \$25,500 for the year ended December 31, 2016. There was no expense related to this agreement for the year ended December 31, 2017.

9. RELATED PARTY TRANSACTIONS

Transactions With Board of Directors

Through the Organization's Board of Directors, the Organization is related to several not-for-profit organizations in which contributions are received from and contributions are made to. Total contributions received from the Board of Directors, and entities of which they are a part of, totaled \$7,360 and \$30,500 for the years ended December 31, 2017 and 2016, respectively. Expenses related to contributions provided by organizations affiliated with the Board of Directors totaled \$4,400 for the year ended December 31, 2016. There were no expenses related to board members for the year ended December 31, 2017.

Transactions With Foreign Feeding Children Everywhere Offices

The Organization is affiliated with a not-for-profit organization in the United Kingdom that also uses the name Feeding Children Everywhere ("FCE UK"). This affiliate has some common Board members with the Organization and leverages the Organization's donor management initiatives for their own offices. During the years ended December 31, 2017 and 2016, the contributions to these offices totaled approximately \$7,600 and \$23,000, respectively.

10. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially expose the Organization to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with balances in excess of amounts insured by the Federal Deposit Insurance Corporation. Management evaluates the financial stability of its depositories and considers the risk of loss to be remote.

11. CONCENTRATIONS OF SUPPORT

During the years ended December 31, 2017 and 2016, three donors provided over 38% and one donor provided 21% of total contributions, respectively.

12. RETIREMENT PLAN

On April 1, 2017, the Organization established a qualified retirement plan, Feeding Children Everywhere, Inc. 403(b) for the benefit of all eligible employees. The Organization maintains a retirement plan for its employees. The plan is a defined-contribution plan with 100% vesting upon participation. The Organization's contributions to the plan for the year ended December 31, 2017 was based on 6% of qualifying employee salaries. Total retirement plan expense charged to operations amounted to \$15,230 for the year ended December 31, 2017. There were no contributions or expenses related to the plan for the year ended December 31, 2016.