



NOURISH NOW, INC.

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Nourish Now, Inc.

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors and Management of
Nourish Now, Inc.
Rockville, Maryland**

We have audited the accompanying financial statements of Nourish Now, Inc. (a non profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nourish Now, Inc. as of December 31, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, as of December 31, 2018, Nourish Now, Inc. adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

DeLeon & Stang

DeLeon & Stang, CPAs
Gaithersburg, Maryland
May 14, 2019

Nourish Now, Inc.
Statements of Financial Position
December 31, 2018 and 2017

ASSETS

	2018	2017
<u>Assets:</u>		
Cash and equivalents	\$ 155,421	\$ 161,760
Grants receivable, net	47,997	-
Investments, at fair value	10,108	-
Inventory	19,343	33,452
Prepaid expenses and other assets	8,426	14,348
Property and equipment, net of accumulated depreciation	72,914	44,070
Total Assets	\$ 314,209	\$ 253,630

LIABILITIES AND NET ASSETS

<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 14,702	\$ 25,333
Capital lease obligation	22,271	-
Total liabilities	36,973	25,333
 <u>Net Assets:</u>		
Without donor restrictions	277,236	228,297
Total net assets	277,236	228,297
Total Liabilities and Net Assets	\$ 314,209	\$ 253,630

Nourish Now, Inc.
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions:						
Corporate & individual	\$ 258,822	\$ -	\$ 258,822	\$ 120,107	\$ -	\$ 120,107
Foundations	118,646	-	118,646	132,945	-	132,945
In-kind contributions	843,667	-	843,667	850,267	-	850,267
Special events	123,203	-	123,203	124,133	-	124,133
Government funding	90,751	-	90,751	74,792	-	74,792
Other income	20	-	20	2	-	2
Interest, dividends, and unrealized gain	5,657	-	5,657	17	-	17
(Loss) on disposal of property and equipment	(8,345)	-	(8,345)	-	-	-
Net assets released from restrictions	-	-	-	13,535	(13,535)	-
Total revenue and support	1,432,421	-	1,432,421	1,315,798	(13,535)	1,302,263
Expenses:						
Program services	1,254,648	-	1,254,648	1,069,873	-	1,069,873
Supporting services	128,834	-	128,834	178,361	-	178,361
Total expenses	1,383,482	-	1,383,482	1,248,234	-	1,248,234
Change in net assets	48,939	-	48,939	67,564	(13,535)	54,029
Net assets, beginning of year	228,297	-	228,297	160,733	13,535	174,268
Net assets, end of year	\$ 277,236	\$ -	\$ 277,236	\$ 228,297	\$ -	\$ 228,297

See Accompanying Notes to Financial Statements

Nourish Now, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018				
	Supporting Services				Total
	Program Services	General and Administrative	Fundraising	Total Supporting Services	
Food donations	\$ 857,776	\$ -	\$ -	\$ -	\$ 857,776
Salaries and payroll taxes	267,064	31,419	15,710	47,129	314,193
Events	-	-	44,464	44,464	44,464
Rent	25,479	3,185	3,185	6,370	31,849
Supplies	23,391	-	-	-	23,391
Equipment rental & maintenance	17,085	4,271	-	4,271	21,356
Utilities	13,638	3,410	-	3,410	17,048
Gas	15,725	-	-	-	15,725
Insurance	11,722	1,466	1,465	2,931	14,653
Depreciation	12,054	-	-	-	12,054
Professional fees	878	3,948	3,949	7,897	8,775
Telephone	5,350	669	669	1,338	6,688
Marketing	1,767	1,767	1,767	3,534	5,301
Software	1,089	2,212	-	2,212	3,301
Payment processing	-	-	2,454	2,454	2,454
Printing and copying	-	1,012	1,012	2,024	2,024
Food	1,340	-	-	-	1,340
Other expenses	290	289	290	579	869
Postage and shipping	-	110	111	221	221
Total	\$ 1,254,648	\$ 53,758	\$ 75,076	\$ 128,834	\$ 1,383,482

(Continued)

See Accompanying Notes to Financial Statements

Nourish Now, Inc.
Statements of Functional Expenses (Continued)
For the Years Ended December 31, 2018 and 2017

	2017				
	Supporting Services				Total
	Program Services	General and Administrative	Fundraising	Total Supporting Services	
Food donations	\$ 753,080	\$ -	\$ -	\$ -	\$ 753,080
Salaries and payroll taxes	184,768	21,737	10,869	32,606	217,374
Marketing	26,384	26,383	26,384	52,767	79,151
Events	-	-	48,762	48,762	48,762
Rent	24,797	3,099	3,100	6,199	30,996
Professional fees	2,347	10,561	10,562	21,123	23,470
Equipment rental & maintenance	13,022	3,256	-	3,256	16,278
Utilities	12,734	3,183	-	3,183	15,917
Supplies	14,322	-	-	-	14,322
Gas	14,144	-	-	-	14,144
Depreciation	10,004	-	-	-	10,004
Insurance	7,934	991	992	1,983	9,917
Telephone	3,958	494	495	989	4,947
Other expenses	942	941	942	1,883	2,825
Payment processing	-	-	2,220	2,220	2,220
Printing and copying	-	998	999	1,997	1,997
Software	498	997	-	997	1,495
Food	939	-	-	-	939
Postage and shipping	-	198	198	396	396
Total	\$ 1,069,873	\$ 72,838	\$ 105,523	\$ 178,361	\$ 1,248,234

See Accompanying Notes to Financial Statements

Nourish Now, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 48,939	\$ 54,029
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,054	10,004
Unrealized gain on investments	(5,465)	-
Loss on disposal of property and equipment	8,345	-
Donated investments	(4,643)	-
Donated inventory	(868,080)	(759,797)
Distributed inventory	882,189	753,080
Reduction in allowance for doubtful accounts	(5,000)	-
Donated property and equipment	-	-
Decrease (increase) operating assets:		
Grants receivable	(42,997)	13,535
Prepaid expenses and other assets	5,922	(4,990)
(Decrease) increase operating liabilities:		
Accounts payable and accrued expenses	(10,631)	5,423
Total adjustments	<u>(28,306)</u>	<u>17,255</u>
Net cash provided by operating activities	20,633	71,284
<u>Cash Flows From Investing Activities:</u>		
Purchases of property and equipment	<u>(49,243)</u>	<u>-</u>
Net cash used in investing activities	<u>(49,243)</u>	<u>-</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from capital lease	23,583	-
Payments made under capital lease obligations	<u>(1,312)</u>	<u>-</u>
Net cash provided by financing activities	<u>22,271</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(6,339)	71,284
Cash and equivalents at beginning of year	161,760	90,476
Cash and equivalents at end of year	<u>\$ 155,421</u>	<u>\$ 161,760</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for interest	<u>\$ 739</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

Nourish Now, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 1- ORGANIZATION AND OPERATIONS

Nourish Now, Inc. (Nourish Now or the Organization) is a nonprofit organization that was founded and incorporated under the laws of the state of Maryland in May 2011. Nourish Now works to alleviate food insecurity in Montgomery County, MD and beyond by reducing the waste of unused fresh food. Nourish Now collects surplus fresh food from various organizations throughout the Washington D.C. metro area, and redistributes it directly to families in need and other nonprofit organizations that provide food assistance to those in need. Nourish Now has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

During 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Nourish Now, Inc.
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets

Net assets are classified based on existence or absence of donor imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets that are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.
- *Net Assets With Donor Restrictions* – Net assets that are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose. There were no net assets with donor restrictions at December 31, 2018 or 2017.

Cash and Cash Equivalents

Nourish Now considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Investments

Investments consist liquid funds, exchange traded funds and mutual funds. These investments are reported at fair value based on quoted market prices on active markets (Level 1) for identical securities because quoted market prices are readily available. Net unrealized gains and losses on investments are reflected in the statements of activities, netted with investment fees. Interest and dividends are reflected as income when earned.

Grants and Other Receivables

Grants and other receivables consist of contributions promised and not received as of the end of the year. Grants and other receivables are stated at the amount management expects to collect on the outstanding balance. Account balances over 90 days past due are considered delinquent. No amount was considered delinquent at December 31, 2018 or 2017. Management provides for probable uncollectible amounts through an increase in bad debt expense and an increase in allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a decrease in the allowance for doubtful accounts and a decrease in pledges receivable. Nourish Now determined no allowance for doubtful accounts was needed at December 31, 2018. At December 31, 2017, Nourish Now maintained an allowance for doubtful accounts in the amount \$5,000.

Nourish Now, Inc.
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

It is Nourish Now's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Furniture and equipment, leasehold improvements, and vehicles are being depreciated using the straight-line method over their estimated useful lives (generally five to fifteen, three to five, and five years, respectively). The cost of maintenance is expensed as incurred.

Inventory

Nourish Now's purchased inventory is stated at the lower of average cost or market. Donated food items are recorded as donations when received and inventoried at average estimated fair value.

Contributions

All contributions to Nourish Now are considered to be available for general operations in the year received, unless specifically restricted by the donor. Amounts received that are designated for future periods or that are restricted by the donor for specific purposes, if any, are reported as net assets with donor restrictions support that increases those asset classes. If a restriction is fulfilled in the same period in which the donation was received, the amount is reported as without donor restrictions.

Donated Assets and Services

Donated assets and services are recorded at their fair market value at the date of the gift. Donated services are recorded only when a clearly measurable basis exists.

Expense Allocation

The Foundation allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with specific programs or supporting services are allocated directly according to their natural expenditure classification. Shared costs are allocated based on various identifiable bases (i.e. allowable occupancy costs are allocated based on the percentage of space occupied).

Marketing

Nourish Now expenses the costs of marketing as they are incurred. Marketing costs aggregated \$5,301 and \$79,151 (which includes \$75,000 in in-kind professional services during 2017) for the years ended December 31, 2018 and 2017, respectively.

Nourish Now, Inc.
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Nourish Now is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been established, as the Organization has no unrelated business activity.

Nourish Now has determined that there are no uncertain tax positions which require accrual or disclosure under the Income Taxes Topic of the FASB Accounting Standards Codification.

Nourish Now's tax filings are subject to audit by various taxing authorities, generally for three years after filing, hence the Organization's tax returns for the years 2015 and onward are open to examination.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements' presentation to correspond to the current year's format.

Subsequent Events

The financial statements have been evaluated by management for subsequent events requiring disclosure through May 14, 2019, the date the financial statements were available to be issued.

NOTE 3- VALUATION OF IN-KIND FOOD DONATIONS

Entities receiving contributions are to recognize them at the estimated fair value of the assets received. Nourish Now has determined that the estimated fair value of donated food would be based on the average wholesale value per pound of the donated product type as determined by an independent annual survey commissioned by Feeding America, a national hunger relief, public policy and advocacy organization.

Nourish Now, Inc.
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 3- VALUATION OF IN-KIND FOOD DONATIONS (Continued)

Details of the estimated food value donations for the years ended December 31, 2018 and 2017 were:

	<u>2018</u>		
	Value per Pound	Pounds	Value
Beverage	\$ 0.58	69,849	\$ 40,512
Bread/bakery	\$ 2.09	43,354	90,610
Meals, soups, entrees	\$ 1.83	144,669	264,744
*Mixed foods	\$ 1.73	119,510	206,752
Protein	\$ 2.89	57,027	164,808
Produce	\$ 0.53	143,850	76,241
Totals	\$ 1.46	<u>578,259</u>	<u>\$ 843,667</u>

	<u>2017</u>		
	Value per Pound	Pounds	Value
Beverage	\$ 0.83	33,970	\$ 28,195
Bread/bakery	\$ 2.38	58,155	138,409
Meals, soups, entrees	\$ 1.95	144,258	281,303
*Mixed foods	\$ 1.67	101,922	170,209
Protein	\$ 1.48	28,163	41,681
Produce	\$ 0.67	149,254	100,000
Totals	\$ 1.47	<u>515,722</u>	<u>\$ 759,797</u>

* Mixed foods: Nourish Now receives substantial donations (such as from canned food drives) which are received in a mixed state and later sorted into individual categories prior to distribution.

Nourish Now, Inc.
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 4 - INVESTMENTS

The cost, fair values and unrealized gain of investments at December 31, 2018 are as follows:

	2018		
	Cost	Fair Value	Unrealized Gain
Liquid funds	\$ 100	\$ 100	\$ -
Mutual Funds	631	2,223	1,592
Exchange Traded Funds	3,912	7,785	3,873
Total	<u>\$ 4,643</u>	<u>\$ 10,108</u>	<u>\$ 5,465</u>

Investment income for the years ended December 31, 2018 and 2017 is summarized as follows:

	2018	2017
Interest and dividends	\$ 192	\$ 17
Unrealized gains	5,465	-
	<u>\$ 5,657</u>	<u>\$ 17</u>

NOTE 5- PROPERTY AND EQUIPMENT

Property and equipment consisted on the following at December 31:

	2018	2017
Furniture and equipment	\$ 46,089	\$ 35,429
Leasehold improvements	2,313	2,313
Vehicles	53,460	35,740
	101,862	73,482
Accumulated depreciation	(28,948)	(29,412)
	<u>\$ 72,914</u>	<u>\$ 44,070</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$12,054 and \$10,004, respectively.

Nourish Now, Inc.
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 6- NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor-imposed restrictions by incurring expenses satisfying the purpose or time restrictions was as follows:

	<u>2018</u>	<u>2017</u>
Expired time restrictions	<u>\$ -</u>	<u>\$ 13,535</u>

NOTE 7- DONATED ASSETS AND SERVICES

During the years ended December 31, 2018 and 2017, the Organization received donated assets and services in the form of various food products, professional branding and legal services, and property and equipment. The value of all donations reflects the fair value of similar materials and services. Donated assets and services on the statement of activities consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Food donations	\$ 843,667	\$ 759,797
Professional services	-	90,470
	<u>\$ 843,667</u>	<u>\$ 850,267</u>

NOTE 8- COMMITMENTS

Operating Lease

In May 2016, the Organization expanded its current premises to the adjacent warehouse space. The additional space required monthly installments of \$1,273. On August 22, 2016, the original lease was extended for one additional year. The leases were both set to expire ending September 30, 2017, with a base monthly rent of \$1,273. In September 2017, the Organization extended the lease for one additional year, to expire September 30, 2018. On January 1, 2018, the monthly installments increased 3% to \$1,311. The lease was again extended through September 30, 2019, requiring monthly installments of \$2,701.

Future minimum lease payments required under the above leases are as follows:

<u>Year Ending December 31,</u>	
2019	<u>\$ 24,311</u>

Annual rent expense aggregated \$31,849 and \$30,996 for the years ended December 31, 2018 and 2016, respectively.

Nourish Now, Inc.
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 8- COMMITMENTS (Commitments)

Capital Lease

The organization maintains a vehicle under a capital lease. The lease arrangements require monthly installments of \$409 through July 2024. Future minimum payments under the capital lease together with the present value of the net minimum payments are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 4,908
2020	4,908
2021	4,908
2022	4,908
2023	4,908
Thereafter	<u>2,888</u>
Total minimum lease payments	27,428
Less: amount representing interest	<u>(5,157)</u>
Total principal obligation	<u>\$ 22,271</u>

As of December 31, 2018, the leased vehicle included in property and equipment in the accompanying statements of financial position is as follows:

Vehicle	38,583
Accumulated depreciation	<u>(1,929)</u>
	<u>\$ 36,654</u>

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Nourish Now, Inc.
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 9- LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets available to meet cash needs for general expenditures within on year as of December 31:

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash	\$ 155,421	\$ 161,760
Grants receivable, net	47,997	-
Investments, at fair value	<u>10,108</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 213,526</u>	<u>\$ 161,760</u>

Nourish Now has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10- CONCENTRATIONS OF RISK

The Organization maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. There were no uninsured cash balances at December 31, 2018 or 2017.