

**FOOD SECURITY FOR AMERICA, INC.
AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Food Security for America, Inc.
4850 Ivy Ridge Drive SE, Suite 104
Atlanta, GA 30339

Report on the Financial Statements

We have audited the accompanying financial statements of Food Security for America, Inc., a non-profit organization (the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 upon 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.

To the Board of Directors
Food Security for America, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Security for America, Inc. as of December 31, 2018 and 2017, 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.

R MICHAEL LABOUNTY & ASSOCIATES, PC

Atlanta, Georgia
May 10, 2019

**FOOD SECURITY FOR AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
ASSETS:		
Cash	\$ 39,263	\$ 44,932
Grants receivable	<u>34,518</u>	<u>3,976</u>
Total assets	<u><u>\$ 73,781</u></u>	<u><u>\$ 48,908</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	<u>\$ 2,128</u>	<u>\$ 3,298</u>
Total liabilities	<u>2,128</u>	<u>3,298</u>
NET ASSETS:		
Net assets without donor restrictions	<u>71,653</u>	<u>45,610</u>
Total liabilities and net assets	<u><u>\$ 73,781</u></u>	<u><u>\$ 48,908</u></u>

SEE INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FOOD SECURITY FOR AMERICA, INC.
STATEMENTS OF ACTIVITIES
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES & SUPPORT:		
Contributions	\$ 172,172	\$ 170,875
Member fees	9,217	10,739
Government grants	22,828	18,039
Other income	694	536
Donations in-kind	<u>323,431</u>	<u>401,202</u>
Total revenues & support	<u>528,342</u>	<u>601,391</u>
EXPENSES:		
Program expenses	471,617	542,636
Fundraising expenses	274	295
General & administrative expenses	<u>30,408</u>	<u>32,681</u>
Total expenses	<u>502,299</u>	<u>575,612</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	26,043	25,779
NET ASSETS - BEGINNING OF YEAR	<u>45,610</u>	<u>19,831</u>
NET ASSETS - END OF YEAR	<u>\$ 71,653</u>	<u>\$ 45,610</u>

SEE INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FOOD SECURITY FOR AMERICA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Program Expenses	Fundraising Expenses	General & Administrative Expenses	Total
December 31, 2018				
Food expense	\$ 353,681	\$ -	\$ -	\$ 353,681
Personnel	102,476	-	19,506	121,982
Professional fees	-	-	10,730	10,730
Transportation	8,992	-	-	8,992
Supplies	4,039	274	172	4,485
Travel	2,429	-	-	2,429
	<u>471,617</u>	<u>274</u>	<u>30,408</u>	<u>502,299</u>
Total expenses	\$ <u>471,617</u>	\$ <u>274</u>	\$ <u>30,408</u>	\$ <u>502,299</u>
December 31, 2017				
Food expense	\$ 431,231	\$ -	\$ -	\$ 431,231
Personnel	92,687	-	19,825	112,512
Professional fees	-	-	12,350	12,350
Transportation	8,224	-	-	8,224
Supplies	5,051	295	506	5,852
Travel	5,443	-	-	5,443
	<u>542,636</u>	<u>295</u>	<u>32,681</u>	<u>575,612</u>
Total expenses	\$ <u>542,636</u>	\$ <u>295</u>	\$ <u>32,681</u>	\$ <u>575,612</u>

SEE INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FOOD SECURITY FOR AMERICA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS (USED BY) PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 26,043	\$ 25,779
Adjustments to reconcile increase in net assets to net cash (used by) provided by operating activities		
(Increase) decrease in grants receivable	(30,542)	363
(Decrease) increase in accounts payable	<u>(1,170)</u>	<u>812</u>
Net cash (used by) provided by operating activities	<u>(5,669)</u>	<u>26,954</u>
NET (DECREASE) INCREASE IN CASH	(5,669)	26,954
CASH, BEGINNING OF YEAR	<u>44,932</u>	<u>17,978</u>
CASH, END OF YEAR	<u>\$ 39,263</u>	<u>\$ 44,932</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

SEE INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FOOD SECURITY FOR AMERICA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Founded and incorporated in 2012, Food Security for America, Inc. (the Organization) is a non-profit corporation operating out of facilities in Atlanta, Georgia. The Organization provides food for those in need in a way that affirms dignity and builds community. Funds are provided from member fees, contributions and grants.

Note A – Summary of Significant Accounting Policies

The Organization's Summary of Significant Accounting Policies is presented to assist in understanding its financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the statements' preparation. The financial statements and notes are representations of the Organization's management, who are responsible for their integrity and objectivity.

New Accounting Pronouncement – The Organization has adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), effective for fiscal years beginning after December 15, 2017. This update addresses the current net asset classification requirements and the information presented in financial statements and notes about a non-profit organization's liquidity, financial performance, and cash flows. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has been added. This new accounting policy did not affect net assets.

Basis of Accounting and Presentation - The Organization maintains its accounting records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions are not subject to or no longer subject to donor-imposed time and/or purpose restrictions.

Net Assets with Donor Restrictions whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents - Cash and cash equivalents include all highly liquid investments purchased with an initial maturity of three months or less. There were no cash equivalents as of December 31, 2018 and 2017.

Grants Receivable - The Organization records grants receivable upon execution of the grant contract or when cost reimbursement amounts are known. The primary payment source for these receivables is cost reimbursement contracts. The Organization records an allowance for uncollectable accounts receivable and adjusts the required provision based upon an evaluation of its historical experience and industry averages. For both years ended December 31, 2018 and 2017, the Organization concluded that no allowance for uncollectable accounts was required.

In-Kind Donations – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. If those conditions are met, then a contribution and an expense of equal amounts are recognized. Other donations in-kind are recorded at their estimated fair value at the date of donation. For the year ended December 31, 2018, the Organization recognized in-kind donations of food and professional services of \$316,232 and \$7,200, respectively. For the year ended December 31, 2017, Organization recognized in-kind donations of food and professional services of \$394,002 and \$7,200, respectively.

FOOD SECURITY FOR AMERICA, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note A – Summary of Significant Accounting Policies (continued)

Contributions – Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Functional Allocation of Expenses - The Organization applies formulas to certain groups of expenses to allocate them between programs, fundraising and general & administrative. The allocation formulas are derived from labor costs based upon personnel assignments and/or the space and resources assigned to personnel involved in an activity. In addition, there are analyses of time expended for certain activities. Allocation formulas are reevaluated annually or as material changes warrant.

Tax Exempt Status - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a) (2). Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended December 31, 2018 and 2017, the Organization did not have any unrelated business income and, accordingly, no unrelated business income tax. The Financial Accounting Standards Board has issued an Interpretation clarifying when an uncertainty in income taxes should be recognized or disclosed in the Organization's financial statements. The Organization has reviewed its tax positions and has determined that there are no tax uncertainties requiring recognition or disclosure for the years open to potential IRS examination (2016-2018).

Fair Value of Financial Instruments - The Organization's financial instruments consist of cash, accounts receivable and accounts payable. The carrying value of these instruments approximates fair value due to their relatively short-term nature.

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 affecting the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Note B – Concentration of Credit and Other Risks

The Organization maintains its cash at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC-insured limit is \$250,000 per accountholder per financial institution. As of December 31, 2018 and 2017 the Organization's balances did not exceed these insured limits. Management believes that the FDIC backing and the quality of the financial institution with which these amounts are deposited minimizes any potential risk of material loss. The Organization depends on government grants and private contributions for a significant portion of its revenues. These revenues may be negatively affected if overall economic conditions deteriorate in the future. Some government grants and private contributions may require the Organization to meet certain conditions and to return the funds if those conditions are not fulfilled. The Organization has never returned funds as the result of not fulfilling conditions and management believes that this contingency is unlikely to occur in the future. Subsequent to the year end, the Organization was notified by one of their grantor agencies that it is no longer offering grants, therefore, the Organization will not receive funding in 2019. The Organization has adjusted their 2019 budget to reflect this change.

FOOD SECURITY FOR AMERICA, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note C – Liquidity and Availability of Financial Assets

The Organization’s primary source of support is grants and contributions. Monthly cash outflows vary each year based on the number of clients served. The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations, if applicable. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Organization approves the action.

The Organization’s financial assets as of December 31, 2018 and 2017 available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

	2018	2017
Cash	\$ 39,263	\$ 44,932
Grants receivable, net collected in less than one year	<u>34,518</u>	<u>3,976</u>
 Financial assets available to meet cash needs for expenditures within one year	 \$ <u><u>73,781</u></u>	 \$ <u><u>48,908</u></u>

Note E – Reclassification

Certain reclassifications have been made to the prior year’s comparative information to conform to the presentation of the current financial statements. The reclassifications have no effect on the change in net assets for the prior year.

Note E – Subsequent Events

Management has evaluated events and transactions which occurred through May 10, 2019, which was the date the financial statements were available to be issued. Except as discussed in Note B, as a result of this evaluation, management has determined that no events or transactions are required to be disclosed.