

**JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.**

FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

**JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.**

**FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Just Food of Douglas County, Kansas, Inc.

We have audited the accompanying financial statements of Just Food of Douglas County, Kansas, Inc. (a nonprofit organization) which comprise the statement of financial position - modified cash basis as of December 31, 2018, and the related statements of activities – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the year 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit. 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 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 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 Just Food of Douglas County, Kansas, Inc. as of December 31, 2018 and the changes in its net assets, and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

*Summers, Spencer & Company P.A.*

Summers, Spencer & Company, P.A.  
Lawrence, Kansas

July 15, 2019

**JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.**

**STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS**

December 31,	2018
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 269,589
Investments, at fair value	2,743
Inventory	53,326
<i>Total current assets</i>	325,658
<b>Property and equipment, net</b>	36,171
<i>Total assets</i>	\$ 361,829
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities</b>	
Accrued payroll tax liabilities	\$ 4,781
Deferred revenue	38,722
<i>Total current liabilities</i>	43,503
<b>Net assets</b>	
Without donor restrictions	
Undesignated	298,326
<i>Total net assets without donor restrictions</i>	298,326
With donor restrictions	
Purpose restrictions	20,000
<i>Total net assets with donor restrictions</i>	20,000
<i>Total net assets</i>	318,326
<i>Total liabilities and net assets</i>	\$ 361,829

**JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

For the year ended December 31,	2018				
	<b>Foodbank and Education</b>	<b>Contributed Food</b>	<b>Total Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue</b>					
Contributions received and other revenue	\$ 684,228	\$ -	\$ 684,228	\$ 20,000	\$ 704,228
Contributed food received	-	1,544,416	1,544,416	-	1,544,416
<i>Total support and revenue</i>	<u>684,228</u>	<u>1,544,416</u>	<u>2,228,644</u>	<u>20,000</u>	<u>2,248,644</u>
<b>Expenses</b>					
Foodbank and education	373,768	-	373,768	-	373,768
Contributed food distributed	-	1,542,136	1,542,136	-	1,542,136
Management and general	94,500	-	94,500	-	94,500
Fundraising	168,420	-	168,420	-	168,420
<i>Total expenses</i>	<u>636,688</u>	<u>1,542,136</u>	<u>2,178,824</u>	<u>-</u>	<u>2,178,824</u>
<b>Change in net assets</b>	47,540	2,280	49,820	20,000	69,820
<b>Net assets, beginning of year</b>	<u>197,460</u>	<u>51,046</u>	<u>248,506</u>	<u>-</u>	<u>248,506</u>
<b>Net assets, end of year</b>	<u>\$ 245,000</u>	<u>\$ 53,326</u>	<u>\$ 298,326</u>	<u>\$ 20,000</u>	<u>\$ 318,326</u>

The accompanying notes are an integral part of the financial statements.

**JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS**

For the year ended December 31,	2018			
	Foodbank and Education	Management and general	Fundraising	Total
Compensation	\$ 146,915	\$ 63,326	\$ 43,062	\$ 253,303
Food purchased	66,767	-	-	66,767
Insurance	3,901	1,681	1,143	6,725
Office supplies, printing and postage	7,881	1,601	7,740	17,222
Marketing	-	-	7,664	7,664
Services and staff support	25,629	-	-	25,629
Professional fees	-	18,350	-	18,350
Rent	46,750	5,500	2,750	55,000
Utilities and telephone	24,236	2,851	1,426	28,513
Equipment	11,639	-	-	11,639
Vehicle cost and freight	27,862	-	-	27,862
Special events	-	-	100,206	100,206
Bank fees	-	-	4,429	4,429
Miscellaneous	-	384	-	384
<i>Total expenses before depreciation and contributed food distributed</i>	361,580	93,693	168,420	623,693
Depreciation	12,188	807	-	12,995
Contributed food distributed	1,542,136	-	-	1,542,136
<i>Total expenses</i>	\$ 1,915,904	\$ 94,500	\$ 168,420	\$ 2,178,824

*The accompanying notes are an integral part of the financial statements.*

JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.

STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS

For the year ended December 31,	2018
<b>Cash flows from operating activities</b>	
Change in net assets	\$ 69,820
Adjustments to reconcile change in net assets to net operating cash activities:	
Net contributed food activity	(2,280)
Depreciation	12,995
Unrealized loss on investments	733
Increase (decrease) in operating liabilities:	
Accrued payroll tax liabilities	1,184
Deferred revenue	13,722
<i>Net cash flows provided by operating activities</i>	96,174
<b>Cash flows from investing activities</b>	
Purchase of investments	(93)
Purchase of property and equipment	(15,470)
<i>Net cash flows used in investing activities</i>	(15,563)
<b>Net increase in cash and cash equivalents</b>	80,611
<b>Cash and cash equivalents, beginning of year</b>	188,978
<b>Cash and cash equivalents, end of year</b>	\$ 269,589



# JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 - Description of business and ownership**

#### **Organization and nature of operations**

Just Food of Douglas County, Kansas, Inc. (the Organization) is a 501(c)(3), nonprofit organization which was incorporated under the laws of the State of Kansas. The Organization is a central food distribution facility for persons and organizations in Douglas County, Kansas needing food and nutritional assistance.

### **Note 2 - Summary of significant accounting policies**

#### **Basis of accounting**

The financial statements of the Organization have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP).

This basis of accounting differs from U.S. GAAP because the Organization has not recognized grants or pledges receivable, accounts payable and accrued salaries or other liabilities. The effect of not recording these on the financial statements has not been determined. The Organization does recognize payroll tax liabilities as well as deferred revenue. The cash basis is additionally modified to include capitalization of purchased and donated property and equipment with a provision for depreciation, recognition of donated services and in-kind contributions (including contributed food) and to reflect inventory on hand, prepaid expenses and unrealized gain (loss) on investments.

#### **Net assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net assets with donor restrictions* – The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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

#### **Use of estimates**

Management uses estimates and assumptions in preparing the financial statements on a modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities. Actual results could vary by a material amount from the estimates that were used.

# JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.

## NOTES TO FINANCIAL STATEMENTS

### Contributions and other support

Contributions are considered available for unrestricted use in the appropriate time period, unless specifically restricted by the donor. Contributions generally include cash contributions.

Certain contributions received by the Organization include donor imposed restrictions that require that unspent funding be returned if not used for their intended purpose. Income from these contributions is recognized when the expenses are incurred or restrictions met. Funds received but not yet expended are recorded as deferred revenue on the Statement of Financial Position – Modified Cash Basis.

Contributed food received, as well as the related food distributed expense and the contributed food inventory accounts, are computed by valuing the Organization’s respective pounds of food at a weighted average wholesale price per pound as determined by the Feeding America’s national food bank network. The Organization treats contributed food as an unrestricted contribution.

### Cash and cash equivalents

The Organization considers all investments with original maturities of three months or less to be cash equivalents.

### Inventory

Contributed food is valued on a first-in, first-out basis using a weighted average wholesale price per pound as determined by the Feeding America national food bank network. For the year ended December 31, 2018, contributed food was valued at \$1.68 per pound.

### Property and equipment

Fixed assets are recorded at cost, if purchased. Donated fixed assets are reported at estimated fair value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computers and hardware	5 years
Equipment	5 - 7 years
Vehicles	5 years

### Fair value measurements

The Organization has adopted the provisions of FASB ASC 820-10. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization.

# JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.

## NOTES TO FINANCIAL STATEMENTS

Unobservable inputs are inputs that reflect the Organization's assumption about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

### **Donated services and in-kind contributions**

Accounting principles for non-profit organizations require donated services which require specific expertise or enhance a non-financial asset be recorded in the financial statements at their fair value. For the year ended December 31, 2018, the Organization has recorded in-kind contributions as revenue and expense totaling \$62,148, for donated services and goods other than contributed food. In addition, many individuals have volunteered over 18,000 hours, respectively of their time in organizational governance, program services and fundraising efforts for the year ended December 31, 2018. No amounts have been reflected in the statements for these donated hours as they did not meet the accounting principles criteria for recognition.

### **Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and change in net assets. Certain costs have been allocated among the program and supporting services benefited as depicted in the Statement of Functional Expenses – Modified Cash Basis. Expenses that can be identified with a specific program and support are allocated directly according to their natural expenditure classification.

Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support source. Direct benefit to donor costs have been included in fundraising costs on the statement of functional expenses as the associated costs are not material in relation to the financial statements taken as a whole.

### **Income taxes**

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) as provided by a determination letter from the Internal Revenue Service.

The Organization has adopted the provisions of FASB ASC 740-10, Accounting for Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The standard prescribes recognition and the measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization has not identified any uncertain tax positions for the year ended December 31, 2018.

## JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.

### NOTES TO FINANCIAL STATEMENTS

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

#### Change in accounting principle

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of The Organization's financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

#### Note 3 – Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2018:

Cash and investments available within one year of the statement of financial position - modified cash basis for general expenditures	\$ 272,332
Less those generally unavailable for expenditure due to:	
Grant designated purposes	(38,722)
Donor-imposed purpose restrictions	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditures with one year	<u>\$ 213,610</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

#### Note 4 – Property and equipment, net

The cost and related accumulated depreciation of property and equipment at December 31, 2018 are as follows:

Computers and software	\$ 4,400
Equipment	45,023
Vehicles	<u>32,000</u>
Total cost	81,423
Less accumulated depreciation	<u>(45,252)</u>
Net property and equipment	<u>\$ 36,171</u>

Depreciation expense charged to operations is \$12,995 for the year ended December 31, 2018.

**JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 – Net assets with donor restrictions**

Net assets with donor restrictions as December 31, 2018 in the amount of \$20,000 were restricted for a mobile pantry.

**Note 6 – Investments, at fair value**

Investments held by the Organization consist of the following as of December 31, 2018:

	<u>Cost basis</u>	<u>Fair Value</u>	<u>Unrealized depreciation</u>
Brokerage cash	\$ 112	\$ 112	\$ -
Common stock	3,257	2,631	(626)
Total	<u>\$ 3,369</u>	<u>\$ 2,743</u>	<u>\$ (626)</u>

The following table presents the investments by hierarchy level as of December 31, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Brokerage cash	\$ 112	\$ 112	\$ -	\$ -
Common stock				
Industrials	1,905	1,905	-	-
Household products	298	298	-	-
Telecommunications	428	428	-	-
Total	<u>\$ 2,743</u>	<u>\$ 2,743</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a summary of investment returns and losses for the year ended December 31, 2018 and is included in other revenue in the Statement of Activities:

Dividends and interest	\$ 161
Unrealized loss on investments	<u>(733)</u>
	<u>\$ (572)</u>

**Note 7 – Functional allocation of expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function and allocated on a reasonable basis that is consistently applied. Compensation and insurance expenses are allocated on the basis of estimates of time and effort while rent and utilities and telephone expenses are allocated on the basis of the square footage of the Organization’s facility.

## JUST FOOD OF DOUGLAS COUNTY, KANSAS, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **Note 8 – Operating leases**

The Organization currently leases its facility under an operating lease which expires June 30, 2019. The Organization is in negotiations for renewal of the lease of its facility. Rent expense totaled \$55,000 for the year ended December 31, 2018.

#### **Note 9 – Concentrations of credit and market risks**

Primarily all of the Organization's revenues and receivables are from businesses and individuals located in the Douglas County area in the state of Kansas.

The Organization maintains cash and investments in bank and brokerage accounts which at times may exceed federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation (FDIC). The accounts are held by banks and brokerage firms that are well established and highly regarded. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances. As of December 31, 2018, amounts in excess of these limits totaled \$29,564.

#### **Note 10 – Pending accounting pronouncements**

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenues from Contracts with Customers*, and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2018. It is management's responsibility to ensure appropriate adoption of ASU 2014-09.

In February 2016, FASB issued ASU 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities for operating leases on the statement of financial position for lessees, and the disclosure of key information about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2019. Early application is permitted. The standard will need to be applied retrospectively in the year adopted. It is management's responsibility to ensure appropriate adoption of ASU 2016-02.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. The guidance should assist entities in (1) evaluating whether transactions should be accounted for as contributions or as exchange transactions and (2) determining whether a contribution is conditional. The new standard is effective for fiscal years beginning after December 31, 2019, including interim periods within those fiscal years. It is management's responsibility to ensure appropriate adoption of ASU 2018-08.

#### **Note 11 – Subsequent events**

The Organization has evaluated subsequent events through July 15, 2019 the date which the financial statements were available to be issued.