

WASTE NOT, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Expenses by Nature and Function	5
Statements of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Waste Not, Inc.

We have audited the accompanying financial statements of Waste Not, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, expenses by nature and function 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 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 of 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.

Member American Institute of Certified Public Accountants / Arizona Society of Certified Public Accountants

2151 E. Broadway Road, Suite 113, Tempe, Arizona 85282

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waste Not, 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 accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Waste Not, Inc. 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 8, 2019. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kimberlin Company, PLLC

Tempe, Arizona
March 8, 2019

WASTE NOT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Current assets		
Cash	\$ 306,144	\$ 344,194
Contributions receivable	6,250	6,250
Total current assets	312,394	350,444
Property and equipment, net	84,534	71,289
Total assets	\$ 396,928	\$ 421,733

LIABILITIES AND NET ASSETS

Current liabilities		
Accrued expenses	\$ 12,195	\$ 16,316
Net assets:		
Without donor restrictions	364,683	399,167
With donor restrictions	20,050	6,250
Total net assets	384,733	405,417
Total liabilities and net assets	\$ 396,928	\$ 421,733

See accompanying notes to financial statements.

WASTE NOT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018 WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
Revenues, gains and other support:				
Donated food	\$ 5,980,455	\$ -	\$ 5,980,455	\$ 5,582,326
Contributions	586,488	38,800	625,288	581,209
Donated materials and services	42,950	-	42,950	68,000
Interest income	54	-	54	61
Special events	46,664	-	46,664	66,768
Net assets released from restrictions				
Satisfaction of program restrictions	25,000	(25,000)		
Total net assets released from restrictions	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>6,681,611</u>	<u>13,800</u>	<u>6,695,411</u>	<u>6,298,364</u>
Expenses:				
Program services	6,462,063	-	6,462,063	6,016,155
Management and general	113,639	-	113,639	249,516
Fundraising	132,947	-	132,947	50,057
Costs of direct donor benefits	10,946	-	10,946	21,032
Total expenses	<u>6,719,595</u>	<u>-</u>	<u>6,719,595</u>	<u>6,336,760</u>
Gain on sale of assets	<u>(3,500)</u>	<u>-</u>	<u>(3,500)</u>	<u>-</u>
Total expenses and gain	<u>6,716,095</u>	<u>-</u>	<u>6,716,095</u>	<u>6,336,760</u>
Change in net assets	<u>(34,484)</u>	<u>13,800</u>	<u>(20,684)</u>	<u>(38,396)</u>
Net assets at beginning of year	<u>399,167</u>	<u>6,250</u>	<u>405,417</u>	<u>443,813</u>
Net assets at end of year	<u>\$ 364,683</u>	<u>\$ 20,050</u>	<u>\$ 384,733</u>	<u>\$ 405,417</u>

See accompanying notes to financial statements.

WASTE NOT, INC.
STATEMENTS OF EXPENSES BY NATURE AND FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2018 WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Activities	Supporting Activities			Totals	
	Donated Food	Management and General	Fundraising	Supporting Total	2018	2017
Salaries and benefits	\$ 358,866	\$ 2,986	\$ 63,947	\$ 66,933	\$ 425,799	\$ 359,852
Food distributed	5,980,455	-	-	-	5,980,455	5,582,326
Vehicle	68,875	-	-	-	68,875	75,179
Occupancy	-	15,411	-	15,411	15,411	15,000
Software	-	3,568	-	3,568	3,568	2,681
Contract labor	-	46,018	69,000	115,018	115,018	128,882
Professional fees	-	8,418	-	8,418	8,418	6,890
Telephone	4,243	4,389	-	4,389	8,632	9,275
Supplies	2,770	2,545	-	2,545	5,315	7,483
Insurance	-	4,830	-	4,830	4,830	1,031
Workers compensation	8,508	-	-	-	8,508	7,993
Truck driver expense	-	-	-	-	-	2,000
Advertising	-	5,822	-	5,822	5,822	4,185
Printing	-	1,012	-	1,012	1,012	1,957
Postage	-	739	-	739	739	596
Other	2,456	17,901	-	17,901	20,357	82,169
Total expenses before depreciation	6,426,173	113,639	132,947	246,586	6,672,759	6,287,499
Depreciation	35,890	-	-	-	35,890	28,229
Total expenses	<u>\$ 6,462,063</u>	<u>\$ 113,639</u>	<u>\$ 132,947</u>	<u>\$ 246,586</u>	<u>\$ 6,708,649</u>	<u>\$ 6,315,728</u>

See accompanying notes to financial statements.

WASTE NOT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Totals	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (20,684)	\$ (38,396)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,890	28,229
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	-	7,230
Increase (decrease) in:		
Accrued expenses	(4,120)	(6,812)
Net cash provided (used) by operating activities	11,086	(9,749)
Cash flows from investing activities:		
Purchase of property and equipment	(49,135)	-
Net change in cash	(38,049)	(9,749)
Cash, beginning of year	344,194	353,944
Cash, end of year	\$ 306,144	\$ 344,194

See accompanying notes to financial statements.

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF OPERATIONS

Waste Not, Inc. (“Organization”) rescues and distributes excess food from restaurants, resorts, caterers, grocers and various vendors and delivers it to a diverse network of agencies that feed the hungry including schools, after-school programs, daycare centers, senior facilities, transition homes and rehabilitation centers. The Organization does not warehouse food, but transfers, on average, 10,000 pounds of food, six days a week.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – 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. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization. When a restriction expires or is satisfied, 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.

Cash and cash equivalents - For financial statement purposes, the Company considers all highly liquid instruments with original maturities at date of purchase of three months or less to be cash equivalents. The Company maintains cash balances at one financial institution. Interest bearing cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000. At December 31, 2018 the Company had deposits with financial institutions in excess of FDIC insured limits of approximately \$42,000.

Liquidity and Availability - Waste Not, Inc. has \$312,394 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$306,144, which includes restricted cash of \$13,800 to be used for purchase of equipment and contributions receivable of \$6,250. Assets subject to donor or other contractual restrictions are included in restricted cash and make them unavailable for general expenditures. The contributions receivable are subject to donor imposed restrictions but are expected to be collected within one year. Waste Not, Inc. has a goal to maintain financial assets, which consist of cash, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$265,000. Waste Not, Inc. has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment – Purchased property and equipment is valued at cost and donated property and equipment is recorded at the fair value at the date of the gift to the Organization. Maintenance and repairs are charged to operations when incurred. The Organization capitalizes assets with a basis of \$500 or more and an estimated useful life of more than one year. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Vehicles	5 years
Furniture and equipment	5 years
Website	5 years

Donated materials and services – Donated materials and professional services are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify under rules for doing so; however, a substantial number of volunteers have donated significant amounts of their time to the Organization’s program services and fundraising campaigns.

Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as assets restricted to investment in land, buildings, and equipment. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Donated materials and services consisted of the following for the years ended December 31, 2018 and 2017:

	Functional Category Benefited:			Totals	
	Programs	Management and General	Fundraising	2018	2017
	Food distributed	\$ 5,980,455	\$ -	\$ -	\$ 5,980,455
Vehicle	2,250	-	-	2,250	-
Occupancy	-	15,000	-	15,000	16,500
Other	-	7,700	18,000	25,700	51,500
Total In-Kind	\$ 5,982,705	\$ 22,700	\$ 18,000	\$ 6,023,405	\$ 5,650,326

Promises to give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions – Contributions received are recorded as without donor restrictions and with donor restrictions support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (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. Restricted support, where restrictions are met in the same period as the donation is made, is shown as additions to satisfaction of program restrictions.

Special events – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective reason exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are included in special events revenues and simultaneously recorded as costs of direct donor benefits.

Expenses by Nature and Function – The cost of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Expenses by Nature and Function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management’s estimate of employee hours devoted to each function.

Concentration of credit risk – The Organization places its cash with high quality credit institutions. At times, such cash may be in excess of FDIC insurance limits.

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

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax status – The Organization is exempt from Federal and State income taxes under section 501(c)(3) of the Internal Revenue Code (the “IRC”) and similar state provisions. However, the income from certain activities not directly related to the Organization’s tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the IRC and has been classified as an organization other than a private foundation under Section 509(a)(1) of the IRC. In the event of unrelated business income, the Organization will provide for income taxes on its unrelated business income as required by Section 512 of the Code.

The Organization follows guidance issued by the Financial Accounting Standards Board (“FASB”) related to accounting for income tax uncertainties. Under this guidance, the Organization accounts for the effect of any uncertain tax positions based on whether it is “more-likely-than-not” that the position will be sustained by the taxing authority upon examination. The Organization routinely evaluates potential uncertain tax positions. The Organization has identified its status as an exempt organization as a tax position; however, the Organization has determined that such a tax position does not result in an uncertainty that requires recognition.

The Organization files informational and income tax returns in the U.S. federal jurisdiction and in certain state and local jurisdictions. As of December 31, 2018, U.S. federal informational and income tax returns for years ended prior to December 31, 2015 and state returns for years ended prior to December 31, 2014 are closed to assessment.

Fair Value of Financial Instruments – Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximated the carrying values of such amounts.

Major donor - A major donor is any donor that donates more than 10% of contributions. The Organization did not have any major donors in 2017. The Organization received approximately \$100,000 of contributions from a major donor during 2018 which represents approximately 17% of total contributions.

Subsequent Events – Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. No subsequent events or disclosures were identified. Subsequent events after that date have not been evaluated.

Prior Year Summarized Information - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassification – We have reclassified certain prior-period amounts in the financial statements to conform to the current-period presentation.

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transition related to accounting standards update No. 2016-14, not-for-profit entities (Topic 958): Presentation of financial statements of not-for-profit entities - The pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early application of the pending content that links to this paragraph is permitted. The pending content that links to this paragraph shall be initially adopted only for an annual fiscal period or for the first interim period within the fiscal year of adoption.

- a. The pending content that links to this paragraph shall be applied on a retrospective basis. However, if presenting comparative financial statements, a not-for-profit entity (NFP) would have the option to omit the following information for any periods presented before the period of adoption:
 1. Analysis of expenses by both functional classification and natural classification as required by paragraph 958-720-45-15 (the separate presentation of expenses by functional classification and expenses by natural classification is still required). NFPs that previously were required to present a statement of functional expenses do not have the option to omit this analysis; however, they may present the 13 comparative period information in any of the formats permitted by paragraph 958-720-45-15, consistent with the presentation in the period of adoption.
 2. Disclosures about liquidity and availability of resources as required by paragraphs 958-210-45-7(c) and 958-210-50-1A.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

A summary of contributions receivable as of December 31, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
United Way	<u>\$ 6,250</u>	<u>\$ 6,250</u>

Management considers the entire amount of contributions receivable to be fully collectible and, therefore, no allowance for bad debts has been provided. All contributions receivable are due within one year.

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Cost or donated value:		
Vehicles	\$ 355,071	\$ 360,976
Furniture and equipment	1,777	3,463
Website	-	40,000
Total cost or donated value	<u>356,848</u>	<u>404,439</u>
Accumulated depreciation	<u>(272,314)</u>	<u>(333,150)</u>
Property and equipment, net	<u>\$ 84,534</u>	<u>\$ 71,289</u>

Depreciation expense charged to operations was \$35,890 for 2018 and \$28,229 for 2017.

NOTE 5 – DONATED SERVICES

The City of Scottsdale has donated office space for the Organization’s use at the Granite Reef Senior Center. The estimated value of that space is \$15,000 for the year ended December 31, 2018 and 2017, which is included in the accompanying Statement of Activities.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:

	<u>2018</u>	<u>2017</u>
Purchase of equipment	\$ 13,800	\$ -
Program expenditures	6,250	6,250
	<u>\$ 20,050</u>	<u>\$ 6,250</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors.

Purpose restrictions accomplished:

	<u>2018</u>	<u>2017</u>
Program expenses	<u>\$ 25,000</u>	<u>\$ 25,000</u>

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 – RELATED PARTY TRANSACTIONS

Contributions

The Organization's Board of Directors makes contributions to the Organization throughout the year. The total contributions provided by the Board of Directors accounts for 1% and 6% of the Organizations total donations during the years ended December 31, 2018 and 2017, respectively.