

FEAST, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

FARBER HASS HURLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

FEAST, INC.
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DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Feast, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Feast, Inc., which comprise the statement of financial position — cash basis as of December 31, 2018, and the related statements of activities — cash basis and functional expenses— 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 cash basis of accounting as described in Note 1; this includes determining that the 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.

Auditors' 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 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 assets, liabilities, and net assets of Feast, Inc., as of December 31, 2018, and its support, revenue, and functional expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Farber Hass Hurley LLP

FEAST, INC.
STATEMENT OF FINANCIAL POSITION - CASH BASIS
DECEMBER 31, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 159,225
Investments	<u>10,187</u>
Total current assets	<u>169,412</u>
Total assets	<u><u>\$ 169,412</u></u>

LIABILITIES AND NET ASSETS

Net assets:	
Without donor restrictions	\$ 133,684
With donor restrictions	<u>35,728</u>
Total net assets	<u>169,412</u>
Total liabilities and net assets	<u><u>\$ 169,412</u></u>

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

FEAST, INC.
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Grants and contributions	\$ 284,891	\$ 123,915	\$ 408,806
Investments gains	45	-	45
Program service fees	2,000	-	2,000
Assets released from restrictions	104,187	(104,187)	-
Total support, revenue and other gains	391,123	19,728	410,851
EXPENSES:			
Program services	281,489	-	281,489
General and administrative	54,902	-	54,902
Fundraising	40,508	-	40,508
Total expenses	376,899	-	376,899
Change in net assets	14,224	19,728	33,952
Net assets – beginning of year	119,460	16,000	135,460
Net assets – end of year	\$ 133,684	\$ 35,728	\$ 169,412

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

FEAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	General and Administrative	Fund Raising	Total
Salaries	\$ 137,873	\$ 10,471	\$ 26,178	\$ 174,522
Employee benefits	13,426	1,020	2,549	16,995
Payroll taxes	12,223	928	2,321	15,472
Total employee costs	163,522	12,419	31,048	206,989
Supplies	43,790	-	5,195	48,985
Educator expenses	27,800	-	-	27,800
Staff training	830	-	-	830
Advertising and promotion	4,470	-	1,118	5,588
Rent	22,908	2,545	-	25,453
Travel	7,613	-	1,903	9,516
Insurance	4,195	466	-	4,661
Accounting and consulting	-	36,058	-	36,058
Bank charge	-	30	-	30
Computer and internet	694	-	-	694
Dues and subscriptions	2,140	2,140	-	4,280
Office expenses	3,527	441	441	4,409
Merchant account fees	-	803	803	1,606
Total other expenses	117,967	42,483	9,460	169,910
Total expenses	\$ 281,489	\$ 54,902	\$ 40,508	\$ 376,899

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

FEAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Feast, Inc. (the “Organization”) is a non-profit corporation formed in 2013 in Los Angeles, California, originally under the name of Groceryships, a California public benefit corporation. The Organization legally changed its name to Feast, Inc. in May 2018, and is now acknowledged by the Internal Revenue Service (“IRS”) under that designation. This Organization is organized to promote health and wellness in low-income communities by creating a network of educational support groups and enhancing access to healthy, fresh and affordable foods. The Organization’s primary revenue is from contributions and grants.

Basis of accounting

The accompanying financial statements have been prepared on cash basis. That basis of accounting differs from accounting principles generally accepted in the United States of America primarily because revenues are recognized when cash is received rather than when revenue is earned, and expenses are recognized when cash is paid rather than when the obligation is incurred. In cash basis accounting, no expenses will be capitalized.

Net asset classifications

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s Board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetual.

Contributions

The Organization recognizes contributions as with donor restrictions, or without donor restrictions depending on the existence or nature of any donor restrictions. During the year ended December 31, 2018, the Organization recognized contributions without donor restrictions and with donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. When restrictions on contributions are satisfied in the same period as the receipt of the contribution, the Organization reports both the contribution revenue and the related expense in net assets without donor restrictions.

FEAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and benefits	Time and effort
Supplies	Full time equivalent
Educator expenses	Time and effort
Rent	Square Footage
Travel	Time and effort
Professional expenses	Full time equivalent
Office expenses	Full time equivalent
Other expenses	Time and effort

Investments

Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value, net of investment management fees, included in the statement of support, revenue and expenses as “investments gains /losses”.

Property and equipment

Furniture and equipment are not recognized since this Organization adopted cash basis accounting.

Grants

Resources from government and other grants are recorded as revenues when the grant is received.

Cash and cash equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income taxes

The Organization has received favorable determination letters from the IRS dated September 3, 2014 and from the Franchise Tax Board dated October 8, 2013 that the Organization is exempt from Federal and State income tax under Internal Revenue Code Section 501(c)(3) and applicable state statutes. In addition, the Organization has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization is subject to examinations by U.S. Federal and State tax authorities from 2015 to the present, generally for three years after they are filed.

FEAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketing costs

The Organization expenses its costs for marketing when paid. For the year ended December 31, 2018, marketing expense was \$5,588.

Volunteer hours

A substantial number of volunteers have donated significant amounts of time in the Organization's program services. No amounts have been reflected in the statements for donated services, as no objective basis is available to measure the value of such services.

Fair values of financial instruments

The carrying amount of cash and cash equivalents approximates fair value because of the liquidity of these instruments. The market values of investments are equal to the fair values based upon observable inputs as either fair market value or net asset value ("NAV").

New accounting pronouncement

On August 18, 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies and information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Feast, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent events

Management has evaluated subsequent events through October 21, 2019, the date the financial statements were available to be issued.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2018 consist of the following:

	Cash and cash equivalents	Cash with donor restrictions	Total
Cash in checking	\$ 123,254	\$ 35,728	\$ 158,982
Cash in Stripe	243	-	243
	<u>\$ 123,497</u>	<u>\$ 35,728</u>	<u>\$ 159,225</u>

The cash balances are held at Wells Fargo Bank and Stripe. Deposits held with Wells Fargo Bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2018, there were no fund balances exceeding the FDIC limits. Management does not believe that the Organization is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships. The Organization has not experienced any losses on its deposits of cash and cash equivalents.

FEAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3. FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Corporate Common Stocks: Investments in Wells Fargo Advisors account consist of corporate stocks. The fair market value of investments was determined through quoted market value.

The following tables set forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2018:

Assets at Fair Value as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Assets in the fair value hierarchy				
Corporate common stocks	\$10,187	-	-	\$10,187
Investments at fair value	\$10,187	-	-	\$10,187

FEAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4. NET ASSETS

Net assets with donor restrictions are income items designated for specific purposes. At December 31, 2018, net assets with donor restrictions are as follows:

Educator expenses and supplies	\$ 35,728
	<u>\$ 35,728</u>

NOTE 5. LEASE COMMITMENTS

In April 2018, the Organization signed a one-year lease agreement with Esperanza Community Housing Corporation. The lease commenced on April 1, 2018 and expired on March 31, 2019. Monthly rental payments for the facility are approximately \$2,699 from April 2018 to June 2018. In July 2018 to February 2019, the Organization shared half of the office with another company and the monthly rent payment decreased to \$1,349.50. The other company paid Esperanza Community Housing directly each month for their half of the rent. In 2019, the Organization extended the contract for another year until March 2020 with monthly rental payments of \$2,779.

NOTE 6. LIQUIDITY

Feast, Inc.'s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 159,225
Investments	10,187
	<u>\$ 169,412</u>