

WASTE NOT, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	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, 2017 and 2016, 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 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, 2017, 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. 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February __, 2017. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kimberlin Company, PLLC

Tempe, Arizona
March 5, 2018

WASTE NOT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 344,194	\$ 353,944
Contributions receivable	<u>6,250</u>	<u>13,480</u>
Total current assets	<u>350,444</u>	<u>367,424</u>
Property and equipment, net	<u>71,289</u>	<u>99,518</u>
Total assets	<u>\$ 421,733</u>	<u>\$ 466,942</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued expenses	<u>\$ 16,316</u>	<u>\$ 23,129</u>
Net assets:		
Unrestricted	399,167	437,563
Temporarily restricted	<u>6,250</u>	<u>6,250</u>
Total net assets	<u>405,417</u>	<u>443,813</u>
Total liabilities and net assets	<u>\$ 421,733</u>	<u>\$ 466,942</u>

See accompanying notes to financial statements.

WASTE NOT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Support and revenue				
Donated food	\$ 5,582,326	\$ -	\$ 5,582,326	\$ 5,094,437
Contributions	568,709	12,500	581,209	640,884
Donated materials and services	68,000	-	68,000	54,882
Interest income	61	-	61	64
Total support and revenue before special events and releases from restrictions	<u>6,219,096</u>	<u>12,500</u>	<u>6,231,596</u>	<u>5,790,267</u>
Special events:				
Revenues from special events	66,768	-	66,768	102,003
Less costs of direct donor benefits	(71,089)	-	(71,089)	(13,710)
Gross profit on special events	<u>(4,321)</u>	<u>-</u>	<u>(4,321)</u>	<u>88,293</u>
Total support and revenue before net assets released from restrictions	6,214,775	12,500	6,227,275	5,878,560
Net assets released from restrictions	<u>12,500</u>	<u>(12,500)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,227,275</u>	<u>-</u>	<u>6,227,275</u>	<u>5,878,560</u>
Expenses				
Program services	6,016,155	-	6,016,155	5,513,554
Supporting services:				
Management and general	249,516	-	249,516	180,910
Fundraising	-	-	-	48,443
Total supporting services	<u>249,516</u>	<u>-</u>	<u>249,516</u>	<u>229,353</u>
Total expenses	<u>6,265,671</u>	<u>-</u>	<u>6,265,671</u>	<u>5,742,907</u>
Change in net assets	(38,396)	-	(38,396)	135,653
Net assets, beginning of year	<u>437,563</u>	<u>6,250</u>	<u>443,813</u>	<u>308,160</u>
Net assets, end of year	<u>\$ 399,167</u>	<u>\$ 6,250</u>	<u>\$ 405,417</u>	<u>\$ 443,813</u>

See accompanying notes to financial statements.

WASTE NOT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	Programs	Management and General	Fundraising	Totals	
				2017	2016
Payroll:					
Salaries	\$ 277,290	\$ 9,781	\$ -	\$ 287,071	\$ 319,813
Employee benefits	7,993	-	-	7,993	7,768
Payroll taxes	21,367	1,357	-	22,724	24,985
Total payroll	306,650	11,138	-	317,788	352,566
Food distributed	5,582,326	-	-	5,582,326	5,094,432
Vehicle	75,179	-	-	75,179	84,539
Occupancy	-	15,000	-	15,000	15,000
Software	-	2,681	-	2,681	-
Contract labor	-	128,882	-	128,882	73,775
Professional fees	-	6,890	-	6,890	6,650
Telephone	5,737	3,538	-	9,275	8,643
Supplies	5,585	1,898	-	7,483	6,279
Insurance	-	1,031	-	1,031	1,190
Truck driver expense	2,000	-	-	2,000	3,982
Advertising	-	4,185	-	4,185	4,964
Printing	-	1,957	-	1,957	1,793
Postage	-	596	-	596	344
Other	10,449	71,720	-	82,169	57,773
Total expenses before depreciation	5,987,926	249,516	-	6,237,442	5,711,930
Depreciation	28,229	-	-	28,229	30,977
Total expenses	<u>\$ 6,016,155</u>	<u>\$ 249,516</u>	<u>\$ -</u>	<u>\$ 6,265,671</u>	<u>\$ 5,742,907</u>

See accompanying notes to financial statements.

WASTE NOT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Totals	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (38,396)	\$ 135,653
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Acquisition of property and equipment	-	(45,750)
Depreciation	28,229	30,977
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	7,230	6,250
Increase (decrease) in:		
Accrued expenses	(6,812)	9,313
Net cash (used) provided by operating activities	(9,749)	136,443
Cash, beginning of year	353,944	217,501
Cash, end of year	\$ 344,194	\$ 353,944

See accompanying notes to financial statements.

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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, 2017 the Company had deposits with financial institutions in excess of FDIC insured limits of approximately \$82,000.

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 one or more years. 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

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unrestricted net assets 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 temporarily restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. 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, 2017 and 2016:

	Functional Category Benefited:			Totals	
	Programs	Management and General	Fundraising	2017	2016
Food distributed	\$ 5,582,326	\$ -	\$ -	\$ 5,582,326	\$ 5,094,432
Vehicle	-	-	-	-	35,900
Occupancy	1,500	15,000	-	16,500	15,000
Other	2,000	49,500	-	51,500	3,982
Total In-Kind	\$ 5,585,826	\$ 64,500	\$ -	\$ 5,650,326	\$ 5,149,314

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.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support.

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying Statement of Activities.

Functional expenses – The cost of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. 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.

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, 2017, U.S. federal informational and income tax returns for years ended prior to December 31, 2014 and state returns for years ended prior to December 31, 2013 are closed to assessment.

WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2016 which represents approximately 10% 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, 2016, from which the summarized information was derived.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

A summary of contributions receivable as of December 31, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
United Way allocation	\$ 6,250	\$ 6,250
Pita Jungle	-	7,230
	<u>\$ 6,250</u>	<u>\$ 13,480</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.

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
Cost or donated value:		
Vehicles	\$ 360,976	\$ 360,976
Furniture and equipment	3,463	3,463
Website	40,000	40,000
Total cost or donated value	404,439	404,439
Accumulated depreciation	(333,150)	(304,921)
Property and equipment, net	<u>\$ 71,289</u>	<u>\$ 99,518</u>

Depreciation expense charged to operations was \$28,229 for 2017 and \$30,977 for 2016.

**WASTE NOT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, which is included in the accompanying Statement of Activities.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2017	2016
Time restrictions		
United Way contribution receivable	\$ 6,250	\$ 6,250

During 2017 the Organization received a grant from the Valley of the Sun United Way in the amount of \$25,000. The grant will be paid in quarterly installments to the Organization. The grant is shown as temporarily restricted on the financial statements as it will be used for program expenditures.

NOTE 7 – RELATED PARTY TRANSACTIONS

Expenses

The Organization has contracted Decibel Blue for design and development of their website. Decibel Blue is the employer of an elected board member. As of December 31, 2017, the Organization has paid \$5,826 to Decibel Blue.

Contributions

The Organization’s Board of Directors makes significant contributions to the Organization throughout the year. The total contributions provided by the Board of Directors accounts for 6% and 4% of the Organizations total donations during the years ended December 31, 2017 and 2016, respectively.