

SPOON FOUNDATION

Audited Financial Statements

For the Year Ended

September 30, 2018



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SPOON Foundation

We have audited the accompanying financial statements of SPOON Foundation (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows 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 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPOON Foundation as of September 30, 2018, and 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.

McDonald Jacoby, P.C.

Portland, Oregon
January 25, 2019

SPOON FOUNDATION
STATEMENT OF FINANCIAL POSITION
September 30, 2018

	2018
ASSETS	
Cash and cash equivalents	\$ 173,979
Investments	252,380
Accounts receivable	5,016
Pledges and grants receivable	306,000
Prepaid expenses	8,413
Other assets	1,100
Property and equipment, net	60,740
 TOTAL ASSETS	 \$ 807,628
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	\$ 23,088
Deferred revenue	40,300
Total liabilities	63,388
Net assets:	
Unrestricted:	
Undesignated	124,962
Board designated	239,815
Net property and equipment	60,740
Total unrestricted	425,517
Temporarily restricted	318,723
Total net assets	744,240
 TOTAL LIABILITIES AND NET ASSETS	 \$ 807,628

See notes to financial statements.

SPOON FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 413,818	\$ 690,396	\$ 1,104,214
Program service revenue	38,365	-	38,365
Donated supplies and services	33,519	9,784	43,303
Special event revenue, net	141,854	-	141,854
Investment income	2,915	-	2,915
Other income	15,937	-	15,937
Net assets released from restrictions:			
Satisfaction of purpose restrictions	362,604	(362,604)	-
Satisfaction of time restrictions	50,000	(50,000)	-
Total support and revenue	<u>1,059,012</u>	<u>287,576</u>	<u>1,346,588</u>
Expenses:			
Program	776,885	-	776,885
Management and general	118,849	-	118,849
Fundraising	178,128	-	178,128
Total expenses	<u>1,073,862</u>	<u>-</u>	<u>1,073,862</u>
Change in net assets	(14,850)	287,576	272,726
Net assets:			
Beginning of year	<u>440,367</u>	<u>31,147</u>	<u>471,514</u>
End of year	<u>\$ 425,517</u>	<u>\$ 318,723</u>	<u>\$ 744,240</u>

See notes to financial statements.

SPOON FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2018

	2018			
	Program	Management and General	Fundraising	Total
Salaries	\$ 458,367	\$ 105,944	\$ 71,282	\$ 635,593
Payroll taxes and benefits	52,217	16,619	8,964	77,800
Professional fees and consulting	85,673	41,766	47,455	174,895
Information technology/website	379	3,456	4,567	8,403
Printing and postage	551	2,933	5,091	8,575
Marketing	883	204	-	1,087
Travel	64,356	6,184	3,056	73,597
Conferences and meetings	2,593	3,771	4,130	10,494
Miscellaneous	10,657	149	-	10,806
Professional development	2,395	2,042	100	4,537
Office expenses	-	8,458	-	8,458
Insurance	-	5,045	-	5,045
Fees, licenses, dues	1,793	3,276	8,335	13,404
Supplies	5,293	3,496	777	9,566
Rent	-	21,578	-	21,578
Depreciation	-	10,025	-	10,025
	685,158	234,947	153,757	1,073,862
Total expenses before allocated management and general				
Allocated management and general	91,727	(116,098)	24,371	-
Total expenses	\$ 776,885	\$ 118,849	\$ 178,128	\$ 1,073,862

See notes to financial statements.

SPOON FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended September 30, 2018

Cash flows from operating activities:	
Change in net assets	\$ 272,726
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	10,025
Net unrealized loss	57
(Increase) decrease in:	
Accounts receivable	(5,016)
Pledges and grants receivable	(180,958)
Prepaid expenses	1,624
Other assets	(1,100)
Increase (decrease) in:	
Accounts payable and accrued expenses	10,484
Deferred revenue	21,700
Net cash flows from operating activities	<u>129,542</u>
Cash flows from investing activities:	
Purchase of investments	<u>(40,510)</u>
Net cash flows from investing activities	<u>(40,510)</u>
Net change in cash and cash equivalents	89,032
Cash and cash equivalents - beginning of year	<u>84,947</u>
Cash and cash equivalents - end of year	<u><u>\$ 173,979</u></u>

See notes to financial statements.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

1. NATURE OF ACTIVITIES

Description of Organization

SPOON Foundation (SPOON or the Organization) is leading a local and global effort to transform nutrition and feeding for children living outside of permanent family care, and children with disabilities. SPOON, founded in 2007, was born out of a maternal response to the devastating, yet preventable, malnutrition experienced by the adopted children of the co-founders. The Organization deploys field-tested feeding and nutrition trainings and interventions in Oregon's foster care system, and around the globe, that address critical life-saving nutrition and feeding practices. SPOON's programs support and strengthen the capacity of local government and community leaders to address the urgent nutrition and feeding needs of children living outside of family care, resulting in lasting, system-wide change. Addressing malnutrition for these vulnerable groups of children is more than a health issue; it is a human rights issue.

SPOON is funded primarily through private grants and contributions. A description of SPOON's primary programs follows:

Global efforts to eradicate childhood malnutrition focus on at-risk children in families, excluding the millions of children living without permanent families. SPOON's unique and groundbreaking work is dedicated to protecting these children from the debilitating yet preventable impacts of malnutrition and improper feeding. Programs improve both what and how children living outside of family care are fed, working to improve their health outcomes by providing caregivers with training in nutrition and feeding practices. Our four-step, systems-changing approach includes:

- 1) Documenting and defining the greatest feeding and nutrition needs through comprehensive assessment of institutional, individual, and community capacity, policies, and practices.
- 2) Innovating, customizing, and implementing solutions to reduce rates of child malnutrition based on identified needs, often through our Count Me In app which identifies, improves, and tracks the nutrition and feeding status of children without families.
- 3) Building partner capacity to sustain and scale solutions to food insecurity through Training of Trainers (ToT) methodologies. Our ToT programs address the feeding and nutrition needs of children in institutional and foster care by equipping local trainers with essential knowledge and experience that they pass on to caregivers and parents.
- 4) Advancing awareness of the global need for solutions to hunger and malnutrition for children living outside of family care by disseminating information about the need for and impact of SPOON's programs, and forming strategic partnerships with local governments and agencies.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Investments

Investments consist of money market funds and are carried at fair value.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Contributions and Grants

Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period SPOON is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time SPOON has an established right to the bequest and the proceeds are measurable. Management believes amounts are fully collectible; therefore, no allowance has been established.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 15 years.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Revenue Recognition and Deferred Revenue

Revenue from contracts is recognized in the period earned. Deferred revenue represents advance payments from awarding agencies or receipts in advance of events for which services will be provided and expenses will be incurred in the subsequent year.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

SPOON Foundation is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status, Continued

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Change in Fiscal Year-End

During 2017, the Organization elected to change from a calendar year reporting period ending December 31st to a fiscal year reporting period ending September 30th. The change was made to more effectively align the Organization's budgeting and operations with its primary fundraising cycles. The accompanying financial statements reflect the first full year of operations after this change.

Subsequent Events

The Organization has evaluated all subsequent events through January 25, 2019, the date the financial statements were available to be issued.

3. INVESTMENTS

Investments consist entirely of funds held in money market accounts. Investment income includes the following for 2018:

Interest and dividends	\$ 2,972
Net unrealized loss	<u>(57)</u>
Total investment income	<u>\$ 2,915</u>

4. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are unsecured and are expected to be received within one year.

The Organization has received approximately \$74,500 in pledges contingent on meeting specific requirements that were determined not to have been met as of September 30, 2018. The Organization will record the pledges as revenue when the conditions have been met.

SPOON FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2018

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

Furniture and equipment	\$ 10,088
Website	77,508
Leasehold improvements	<u>5,110</u>
	92,706
Accumulated depreciation	<u>(31,966)</u>
Property and equipment, net	<u>\$ 60,740</u>

6. LINE OF CREDIT

The Organization has a \$100,000 line of credit with a financial institution maturing May 2019. Interest is payable monthly on outstanding advances at the prime rate plus 1% (4.50% at year-end) and is collateralized by all assets of the Organization. There were no draws on the line of credit during the year ended September 30, 2018.

7. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of amounts designated by the board of directors for an operating reserve, representing approximately three to six months of daily operating expenses.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

Purpose restricted:	
Communication program	\$ 100,524
Russia program	4,943
Oregon foster care	61,489
Zambia program	42,623
Vietnam program	7,765
Count Me In	36,373
Uganda program	15,006
Time restricted	<u>50,000</u>
Total temporarily restricted net assets	<u>\$ 318,723</u>

SPOON FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2018

9. DONATED SUPPLIES AND SERVICES

Donated supplies and services consist of the following at September 30:

Professional fees and consulting	\$ 28,502
Supplies	<u>14,801</u>
Total donated supplies and services	<u>\$ 43,303</u>

Professional fees and consulting are reported in the statement of functional expenses as follows:

Program	\$ 9,376
Management and general	18,911
Fundraising	<u>215</u>
	<u>\$ 28,502</u>

10. SPECIAL EVENT

Net special event revenue, as reported in the statement of activities, consists of the following at September 30:

Gross revenues	\$ 189,912
Direct benefit expenses	<u>(48,058)</u>
Special event revenue, net	<u>\$ 141,854</u>

II. COMMITMENTS

The Organization leases its administrative office under an operating lease which expires October 2019, with monthly rent of \$1,800. Rent expense approximated \$21,600 for the year ended September 30, 2018. The future minimum lease commitment under the operating lease is as follows:

Year ending September 30, 2019	\$ 20,400
2020	<u>1,900</u>
	<u>\$ 22,300</u>

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2018

12. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit.

Pledges receivable represent a credit risk for the Organization in that 80% of the balance is due from two foundations and one individual at September 30, 2018. The Organization's revenues are also concentrated with 28% of total revenues coming from two foundations in 2018.

13. RETIREMENT PLAN

The Organization adopted a 401(k) defined contribution plan that is made available to substantially all regular, full-time employees upon the employee's date of hire. Participants may elect to contribute up to 100% of annual compensation, up to the maximum allowed by law. The Organization will match the participant's contributions on a discretionary basis. There were no employer contributions to the plan for the year ended September 30, 2018.