

SPOON FOUNDATION

Audited Financial Statements

For the Year Ended September 30, 2019



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, 2019, 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited SPOON Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
January 21, 2020

SPOON FOUNDATION
STATEMENT OF FINANCIAL POSITION
September 30, 2019
(With comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 104,843	\$ 173,979
Investments	146,108	252,380
Accounts receivable	-	5,016
Pledges and grants receivable	322,667	306,000
Prepaid and other assets	9,218	9,513
Property and equipment, net	<u>211,884</u>	<u>60,740</u>
 TOTAL ASSETS	 <u>\$ 794,720</u>	 <u>\$ 807,628</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 9,100	\$ 23,088
Deferred revenue	<u>6,050</u>	<u>40,300</u>
Total liabilities	<u>15,150</u>	<u>63,388</u>
Net assets:		
Without donor restrictions:		
Undesignated	25,049	124,962
Board designated	25,049	239,815
Net property and equipment	<u>211,884</u>	<u>60,740</u>
Total without donor restrictions	261,982	425,517
With donor restrictions	<u>517,588</u>	<u>318,723</u>
Total net assets	<u>779,570</u>	<u>744,240</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 794,720</u>	 <u>\$ 807,628</u>

See notes to financial statements.

SPOON FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended September 30, 2019
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions and grants	\$ 247,163	\$ 692,271	\$ 939,434	1,104,214
Program service revenue	8,094	-	8,094	38,365
In-kind donations	52,185	13,647	65,832	29,987
Special events, net of direct costs of \$66,402 in 2019 and \$48,058 in 2018	187,261	-	187,261	155,170
Investment income	4,940	-	4,940	2,915
Other income	15,251	-	15,251	15,937
Net assets released from restrictions:				
Satisfaction of purpose restrictions	457,053	(457,053)	-	-
Satisfaction of time restrictions	50,000	(50,000)	-	-
Total support and revenue	<u>1,021,947</u>	<u>198,865</u>	<u>1,220,812</u>	<u>1,346,588</u>
Expenses:				
Program	815,199	-	815,199	776,885
Management and general	194,355	-	194,355	118,849
Fundraising	175,928	-	175,928	178,128
Total expenses	<u>1,185,482</u>	<u>-</u>	<u>1,185,482</u>	<u>1,073,862</u>
Change in net assets	(163,535)	198,865	35,330	272,726
Net assets:				
Beginning of year	<u>425,517</u>	<u>318,723</u>	<u>744,240</u>	<u>471,514</u>
End of year	<u>\$ 261,982</u>	<u>\$ 517,588</u>	<u>\$ 779,570</u>	<u>744,240</u>

See notes to financial statements.

SPOON FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 403,061	\$ 137,795	\$ 79,781	\$ 620,637
Payroll taxes and benefits	57,778	29,721	11,385	98,884
Professional fees and consulting	108,711	62,071	104,604	275,386
Information technology/website	1,073	14,702	2,038	17,813
Printing and postage	3,964	2,493	695	7,152
Marketing	2,938	2,806	496	6,240
Travel	76,144	11,459	1,386	88,989
Conferences and meetings	7,348	4,651	359	12,358
Miscellaneous	25,031	85	-	25,116
Professional development	1,783	814	-	2,597
Office expenses	-	12,069	-	12,069
Insurance	-	6,163	-	6,163
Fees, licenses, dues	3,186	2,671	8,061	13,918
Supplies	17,733	4,984	9,608	32,325
Rent	-	22,225	-	22,225
Depreciation	-	10,012	-	10,012
	<u>708,750</u>	<u>324,721</u>	<u>218,413</u>	<u>1,251,884</u>
Allocated overhead costs	106,449	(130,366)	23,917	-
Less special event direct benefit costs netted with revenue	<u>-</u>	<u>-</u>	<u>(66,402)</u>	<u>(66,402)</u>
Total expenses	<u>\$ 815,199</u>	<u>\$ 194,355</u>	<u>\$ 175,928</u>	<u>\$ 1,185,482</u>

See notes to financial statements.

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

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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	87,699	215,138
Information technology/website	380	3,457	4,566	8,403
Printing and postage	551	2,933	5,091	8,575
Marketing	883	204	-	1,087
Travel	64,356	6,184	3,056	73,596
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	8,592	17,381
Rent	-	21,578	-	21,578
Depreciation	-	10,025	-	10,025
	<u>685,158</u>	<u>234,947</u>	<u>201,815</u>	<u>1,121,920</u>
Allocated overhead costs	91,727	(116,098)	24,371	-
Less special event direct benefit costs netted with revenue	<u>-</u>	<u>-</u>	<u>(48,058)</u>	<u>(48,058)</u>
Total expenses	<u>\$ 776,885</u>	<u>\$ 118,849</u>	<u>\$ 178,128</u>	<u>\$ 1,073,862</u>

See notes to financial statements.

SPOON FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended September 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 35,330	\$ 272,726
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	10,012	10,025
Net unrealized loss	581	57
(Increase) decrease in:		
Accounts receivable	5,016	(5,016)
Pledges and grants receivable	(16,667)	(180,958)
Prepaid and other assets	295	524
Increase (decrease) in:		
Accounts payable	(13,988)	10,484
Deferred revenue	(34,250)	21,700
Net cash flows from operating activities	(13,671)	129,542
Cash flows from investing activities:		
Purchase of property and equipment	(161,156)	-
Purchase (proceeds) of investments	105,691	(40,510)
Net cash flows from investing activities	(55,465)	(40,510)
Net change in cash and cash equivalents	(69,136)	89,032
Cash and cash equivalents - beginning of year	173,979	84,947
Cash and cash equivalents - end of year	\$ 104,843	\$ 173,979

See notes to financial statements.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

I. NATURE OF ACTIVITIES

Description of Organization

SPOON Foundation (SPOON or the Organization) is a global nonprofit that empowers caregivers to nourish children who are highly vulnerable to malnutrition because of disability and lack of permanent family care. Founded in 2007, SPOON is leading a global movement to transform feeding and nutrition for these children by empowering their caregivers. SPOON has worked in 16 countries and the Oregon Foster Care system.

The Need

Without family care, children often lose access to the nutrition they need and to nurturing interactions that are critical for healthy brain and physical development. Global efforts to eradicate childhood malnutrition typically focus on at-risk children in families, excluding the millions of children living without permanent families. Resources and training for caregivers are still limited because these children are simply not counted, and not included, in global feeding and nutrition programs.

The Impact of Our Approach

SPOON designs tools and trainings specifically tailored to reach and improve the lives of these vulnerable children by partnering with local organizations and government ministries to disseminate our interventions. We utilize a Training-of-Trainers model, distance learning and our mHealth app, *Count Me In*, to build the capacity of local communities and institutions. We also advocate for policies, programs, and investments to improve nutrition and feeding for highly vulnerable children.

Count Me In allows SPOON to scale our feeding and nutrition interventions to reach substantially more children. The app monitors feeding practices, growth, and anemia status over time and provides individualized interventions and care plans for every child. Through a Training-of-Trainers model, national trainers are equipped with the app via smartphones and tablets, enabling SPOON to scale our program growth rapidly with a consistency of up-to-date instruction and resources. Most critically, *Count Me In* fills a longstanding gap in data collection to inform and improve programing and drive our advocacy for policy-level change around the world.

SPOON is funded primarily through private grants and individual contributions.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Pledges and Grants Receivable

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.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Capitalized Software

Externally-developed software is stated at cost less accumulated amortization and is amortized using the straight-line method over the estimated useful life of the software. Software assets are reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable over the remaining lives of the assets. During the period which the software is determined to be technologically feasible to the period the software is made available for general use, capitalized costs include external consulting costs, internal payroll and payroll-related costs for employees who are directly associated with the software project and indirect costs limited to a percentage of total direct costs. Software maintenance, training, and business process costs are expensed in the period in which they are incurred.

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.

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 support without donor restrictions unless the donor has restricted the donation 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 for which services will be provided and expenses will be incurred in the subsequent year.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. The expenses that are allocated include salaries and related expenses, marketing, travel, and conferences and meetings, which are allocated on the basis of full-time employee equivalents.

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 since the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Summarized Financial Information for 2018

The financial information as of September 30, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented, except for the disclosure regarding available resources and liquidity (see Note 3).

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Organization has evaluated all subsequent events through January 21, 2020, the date the financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at September 30, 2019:

	Total Financial <u>Assets</u>	Board Designated	With Donor Restrictions	Available for General <u>Expenditure</u>
Cash and cash equivalents	\$ 104,843	\$ -	\$ 105,638	\$ (795)
Investments	146,108	25,049	121,059	-
Pledges and grants receivable	<u>322,667</u>	<u>-</u>	<u>202,891</u>	<u>119,776</u>
	<u>\$ 573,618</u>	<u>\$ 25,049</u>	<u>\$ 429,588</u>	<u>\$ 118,981</u>

The board-designated operating reserve is based on three months of organizational operating expenses. The average monthly expense amount is recalculated every fiscal year to ensure the amount in reserves is kept up-to-date. Management must obtain approval from the board treasurer in order to access one month equivalent of funding. Releases in excess of one month of reserves requires approval by a majority of the board of directors. See Note 7 regarding board designated net assets.

See Note 6 regarding the Organization's access to a line of credit.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

4. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are unsecured and receivable as follows at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 311,667	\$ 306,000
Within two to five years	<u>11,000</u>	<u>-</u>
Total pledges and grants receivable	<u>\$ 322,667</u>	<u>\$ 306,000</u>

The Organization has received \$39,500 in pledges contingent on meeting specific requirements that were determined not to have been met as of September 30, 2019. The Organization will record the pledges as revenue when the conditions have been met.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 15,743	\$ 10,088
Website	77,508	77,508
Leasehold improvements	5,110	5,110
Software	<u>155,502</u>	<u>-</u>
	253,863	92,706
Accumulated depreciation and amortization	<u>(41,979)</u>	<u>(31,966)</u>
Property and equipment, net	<u>\$ 211,884</u>	<u>\$ 60,740</u>

6. LINE OF CREDIT

The Organization has a \$100,000 line of credit with a financial institution maturing May 2020. 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 years ended September 30, 2019 and 2018.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

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 months of daily operating expenses.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Communication program	\$ 8,022	\$ 100,524
Russia program	11,878	4,943
Oregon foster care	75,863	61,489
Zambia program	237,268	42,623
Vietnam program	-	7,765
Count Me In	-	36,373
Uganda program	61,557	15,006
Time restricted	<u>123,000</u>	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 517,588</u>	<u>\$ 318,723</u>

9. IN-KIND DONATIONS

In-kind donations consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Professional fees and consulting	\$ 45,011	\$ 28,502
Supplies	<u>47,455</u>	<u>14,801</u>
	92,466	43,303
Less donated items netted with special events	<u>(26,634)</u>	<u>(13,316)</u>
Total donated supplies and services	<u>\$ 65,832</u>	<u>\$ 29,987</u>

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

9. IN-KIND DONATIONS, Continued

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

	2019	2018
Program	\$ 10,792	\$ 9,376
Management and general	34,219	18,911
Fundraising	-	215
	\$ 45,011	\$ 28,502

10. COMMITMENTS

The Organization leases its administrative office under an operating lease which expires October 2022, with monthly rent of approximate \$1,850, subject to annual escalations. Rent expense approximated \$22,200 and \$21,600 for each of the years ended September 30, 2019 and 2018, respectively. The future minimum lease commitment under the operating lease is:

Year ending September 30, 2020	\$ 22,300
2021	22,900
2022	23,600
2023	2,000
Total	\$ 70,800

11. CONTRACTUAL ARRANGEMENTS

During 2019, The Organization entered into an agreement to help fund and provide trainings through December 2020. Payments are agreed upon and made quarterly based on budgeted amounts. The Organization also entered into an agreement help fund and provide trainings through June 2021. Future commitments under this agreement are approximately \$92,000.

SPOON FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

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 79% of the balance is due from one foundation and one individual at September 30, 2019 (80% from two foundations and one individual at September 30, 2018). The Organization's revenues are also concentrated with 37% of total revenues coming from one foundation in 2019 (28% 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 after one year from 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 up to 1%. Subsequent to year-end, the Organization increased the employer match to 2%. Employer contributions to the plan for the year ended September 30, 2019 and 2018 were approximately \$5,200. There were no contributions for 2018.