

The Lunchbox Fund

Financial Report
December 31, 2018

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Independent Auditor's Report

Board of Directors
The Lunchbox Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the Lunchbox Fund, which comprise the statement of financial position as of December 31, 2018, 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 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 financial position of the Lunchbox Fund as of December 31, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Lunchbox Fund adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. The adoption of the standard resulted in additional note disclosures and changes to the classification of net assets and disclosures relating to net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

New York, New York
August 29, 2019

The Lunchbox Fund

**Statement of Financial Position
December 31, 2018**

Assets

Cash	\$	566,197
Contributions receivable		362,272
Prepaid expenses		<u>20</u>
Total assets	\$	<u><u>928,489</u></u>

Liabilities and net assets

Liabilities:

Accounts payable	\$	<u>1,064</u>
Total liabilities		<u>1,064</u>

Net assets:

Without donor restrictions		287,335
With donor restrictions		<u>640,090</u>
Total net assets		<u><u>927,425</u></u>

Total liabilities and net assets	\$	<u><u>928,489</u></u>
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See notes to financial statements.

The Lunchbox Fund

**Statement of Activities
Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and revenue:			
Contributions	\$ -	\$ 1,131,172	\$ 1,131,172
Special events income	41,105	172,920	214,025
Less direct cost of donor benefit	(61,357)	-	(61,357)
Net special event (loss) income	(20,252)	172,920	152,668
Net assets released from restrictions	729,905	(729,905)	-
Total contributions and revenue	709,653	574,187	1,283,840
Expenses:			
Program	588,848	-	588,848
Management and general	107,432	-	107,432
Fundraising	33,625	-	33,625
Total expenses	729,905	-	729,905
Change in net assets	(20,252)	574,187	553,935
Net assets:			
Beginning	307,587	65,903	373,490
Ending	\$ 287,335	\$ 640,090	\$ 927,425

See notes to financial statements.

The Lunchbox Fund

Statement of Functional Expenses Year Ended December 31, 2018

	Program Services	Management and General	Fund- Raising	Total Supporting Services	Total
Salaries	\$ 25,000	\$ 31,000	\$ 24,000	\$ 55,000	\$ 80,000
Payroll taxes and benefits	1,929	2,391	1,852	4,243	6,172
Grant expense	558,661	-	-	-	558,661
Office expenses	1,121	1,390	1,076	2,466	3,587
Travel and transportation	1,529	725	-	725	2,254
Professional fees	-	61,156	6,113	67,269	67,269
Bank fees	-	7,757	-	7,757	7,757
Miscellaneous	608	3,013	584	3,597	4,205
Subtotal of expenses	588,848	107,432	33,625	141,057	729,905
Special event – direct cost	-	-	61,357	61,357	61,357
Total expenses	\$ 588,848	\$ 107,432	\$ 94,982	\$ 202,414	\$ 791,262

See notes to financial statements.

The Lunchbox Fund

Statement of Cash Flows Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 553,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in contributions receivable	(357,459)
Increase in prepaid expenses	(20)
Increase in accounts payable	68
Net cash provided by operating activities	<u>196,524</u>
Increase in cash	196,524
Cash:	
Beginning	<u>369,673</u>
Ending	<u>\$ 566,197</u>

See notes to financial statements.

The Lunchbox Fund

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

The LunchBox Fund (the Fund) is a not-for-profit organization founded in California in 2004. It focuses on fostering education via nutrition by providing a daily meal for orphaned and at-risk school children in township and rural areas nationwide across South Africa.

Basis of accounting and financial statement presentation: The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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: The Fund maintains cash in bank accounts which, at times, may exceed federally insured limits. The Fund has not experienced any losses in such accounts.

Contribution revenue and contributions receivable: Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Effective January 1, 2016, the Fund committed to their potential donors that all contributions would be restricted to grant-making purposes through its solicitation materials and other publications, unless otherwise restricted by the donor.

Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received.

For the year ended December 31, 2018, two donors accounted for approximately 64% of total contributions.

The Fund's contributions receivable as of December 31, 2018 were \$362,272 and fully collected within one year.

The Lunchbox Fund

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Income taxes: The Fund has been determined by the Internal Revenue Service to be a Section 501(c)(3) charitable organization exempt from federal income taxes under section 501(a) of the Internal Revenue Code (IRC). The Fund has been classified as a publicly supported organization and not as a private fund under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction by donors.

Management evaluated the Fund's tax positions and concluded that the Fund had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Fund is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2015, which is the standard statute of limitations look-back period.

Recently adopted accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Fund has adopted this ASU in the year ended December 31, 2018. The impact to the financial statements include a change in the net asset classification from unrestricted, temporarily restricted, and permanently restricted to with donor restrictions and without donor restrictions, additional disclosure on liquidity analysis (see Note 2) and an expanded disclosure on the functional expense allocation (See note 4).

Recent accounting pronouncement: In August 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The guidance in this ASU provides a framework for determining whether a transaction should be accounted for as an exchange transaction or as a contribution. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The new standard is effective for annual reporting periods beginning after December 15, 2019. The Fund has not evaluated the impact of the ASU on the financial statements.

Subsequent events: The Fund evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was August 29, 2019, for these financial statements.

Note 2. Liquidity and Availability of Resources

Financial assets at December 31, 2018:

Cash	\$ 566,197
Contributions receivable	362,272
Total financial assets at December 31, 2018	<u>928,469</u>
Less funds restricted by donors for the Fund's programs in South Africa	<u>(290,090)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 638,379</u>

The Fund regularly monitors liquidity required to meet its annual operating needs. As of December 31, 2018, the above financial assets are available to meet annual operating needs of the 2019 fiscal year.

The Lunchbox Fund

Notes to Financial Statements

Note 3. Net Assets With Donor Restrictions

All contributions received from general public were solely restricted for grant-making purposes. Contributions received from the Fund's Board member were solely restricted for administrative expenses of the Fund and the LunchBox Fund South Africa (LunchBox-SA), a registered not-for profit organization in South Africa. As of December 31, 2018, net assets restricted for the above purposes totaled \$640,090.

During the year ended December 31, 2018, the Fund released net assets with donor restrictions of \$729,905, as the donors' restrictions were met.

Note 4. Functional Allocation of Expenses

Certain expenses are attributable to more than one program or supporting function. The following expenses are allocated consistently based on time and effort of the employees of the Fund. All other expenses are directly charged to program and supporting services.

- Salaries
- Payroll taxes and employee benefits
- Office expenses; and
- Miscellaneous expenses

Note 5. Related Party Transactions

A member of the Board of Directors of the Fund is also a member of the Board of LunchBox-SA. The Fund and LunchBox-SA have a funding agreement in place, in which LunchBox-SA is the grantee who delivers the Fund's programs in South Africa. During the year ended December 31, 2018, the Fund provided grants to LunchBox-SA in the total amount of \$558,661.