

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP**

FINANCIAL STATEMENTS

EIGHT-MONTH PERIOD ENDED AUGUST 31, 2016

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
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EIGHT-MONTH PERIOD ENDED AUGUST 31, 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vetri Foundation for Children
d/b/a Vetri Community Partnership
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Vetri Foundation for Children d/b/a Vetri Community Partnership (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows for the eight-month period 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.

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.

Board of Directors
Vetri Foundation for Children

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vetri Foundation for Children d/b/a Vetri Community Partnership as of August 31, 2016, and the changes in its net assets and its cash flows for the eight-month period then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
January 17, 2017

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016**

ASSETS

CURRENT ASSETS

| | | |
|-------------------------------------|----|---------|
| Cash and Cash Equivalents | \$ | 818,760 |
| Grants and Contributions Receivable | | 84,005 |
| Prepaid Expenses | | 9,598 |
| Total Current Assets | | 912,363 |

PROPERTY AND EQUIPMENT, NET

100,403

OTHER ASSETS

| | | |
|------------------------------------|--|--------|
| Security Deposits and Other Assets | | 11,362 |
| Total Other Assets | | 11,362 |

| | | |
|--------------|----|-----------|
| Total Assets | \$ | 1,024,128 |
|--------------|----|-----------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|---------------------------------------|----|---------|
| Accounts Payable and Accrued Expenses | \$ | 324,719 |
| Deferred Rent | | 4,731 |
| Total Current Liabilities | | 329,450 |

NET ASSETS

| | | |
|------------------------|--|---------|
| Unrestricted | | 404,546 |
| Temporarily Restricted | | 290,132 |
| Total Net Assets | | 694,678 |

| | | |
|----------------------------------|----|-----------|
| Total Liabilities and Net Assets | \$ | 1,024,128 |
|----------------------------------|----|-----------|

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
STATEMENT OF ACTIVITIES
EIGHT-MONTH PERIOD ENDED AUGUST 31, 2016**

| | Unrestricted | Temporarily Restricted | Total |
|--|--------------|---------------------------|------------|
| OPERATING REVENUE | | | |
| Grants and Contributions | \$ 142,137 | \$ 333,535 | \$ 475,672 |
| Fee For Service | 55,686 | | 55,686 |
| Special Event Revenue | 718,957 | - | 718,957 |
| Less: Costs of Direct Benefits to Donors | (208,702) | - | (208,702) |
| Net Revenues from Special Events | 510,255 | - | 510,255 |
| In-Kind Contributions | 244,101 | - | 244,101 |
| Other Income | 5,940 | - | 5,940 |
| Net Assets Released from Restrictions | 292,036 | (292,036) | - |
| Total Operating Revenue | 1,250,155 | 41,499 | 1,291,654 |
| EXPENDITURES | | | |
| Program Services | 978,530 | - | 978,530 |
| Management and General | 151,181 | - | 151,181 |
| Fundraising | 253,642 | - | 253,642 |
| Total Expenditures | 1,383,353 | - | 1,383,353 |
| CHANGE IN NET ASSETS | (133,198) | 41,499 | (91,699) |
| Net Assets - Beginning of Year | 537,744 | 248,633 | 786,377 |
| NET ASSETS - END OF YEAR | \$ 404,546 | \$ 290,132 | \$ 694,678 |

See accompanying Notes to Financial Statements.

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
EIGHT-MONTH PERIOD ENDED AUGUST 31, 2016**

| | Program Services | Management and General | Fundraising | Total Expenditures | Costs of Direct Benefits to Donors | Total |
|--------------------------------|---------------------|------------------------------|-------------------|-----------------------|--|---------------------|
| Payroll and Payroll Taxes | 391,845 | \$ 59,770 | \$ 122,996 | \$ 574,611 | \$ - | \$ 574,611 |
| Payroll Benefits | 27,869 | 4,763 | 8,670 | 41,302 | - | 41,302 |
| Accounting Fees | - | 12,500 | - | 12,500 | - | 12,500 |
| Advertising | 1,054 | 1,144 | - | 2,198 | - | 2,198 |
| Bad Debt Expense | 164 | - | 158 | 322 | - | 322 |
| Contract Services | 86,298 | 22,932 | 31,933 | 141,163 | - | 141,163 |
| Credit Card Fees | 13,017 | 371 | 10,967 | 24,355 | - | 24,355 |
| Depreciation Expense | - | 2,119 | - | 2,119 | - | 2,119 |
| Equipment and Facility Rental | - | 16 | - | 16 | - | 16 |
| Food and Beverages | - | - | 1,819 | 1,819 | 62,914 | 64,733 |
| Grants and Contributions | 263,668 | - | - | 263,668 | - | 263,668 |
| Information Technology | 7,954 | 3,600 | 5,282 | 16,836 | - | 16,836 |
| Insurance | 8,438 | 1,251 | 3,839 | 13,528 | - | 13,528 |
| Occupancy | 31,503 | 5,839 | 14,705 | 52,047 | 65,212 | 117,259 |
| Office Expenses | 26,011 | 2,587 | 15,842 | 44,440 | - | 44,440 |
| Professional Services | 16,720 | 32,844 | - | 49,564 | - | 49,564 |
| Program Supplies and Equipment | 57,586 | - | 227 | 57,813 | - | 57,813 |
| Special Event Expenses | 26,922 | - | 28,091 | 55,013 | 6,783 | 61,796 |
| Travel | 19,481 | 1,445 | 9,113 | 30,039 | 73,793 | 103,832 |
| Total | \$ 978,530 | \$ 151,181 | \$ 253,642 | \$ 1,383,353 | \$ 208,702 | \$ 1,592,055 |

See accompanying Notes to Financial Statements.

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
STATEMENT OF CASH FLOWS
EIGHT-MONTH PERIOD ENDED AUGUST 31, 2016**

| | |
|--|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in Net Assets | \$ (91,699) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | |
| Depreciation | 2,119 |
| (Increase) Decrease in: | |
| Grants Receivable | 100,797 |
| Prepaid Expenses | 9,785 |
| Security Deposits and Other Assets | (3,030) |
| Increase in: | |
| Accounts Payable and Accrued Expenses | 272,414 |
| Deferred Rent | 1,041 |
| Net Cash Provided by Operating Activities | <u>291,427</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of Equipment | <u>(74,741)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 216,686 |
| Cash and Cash Equivalents - Beginning of Year | <u>602,074</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 818,760</u></u> |

See accompanying Notes to Financial Statements.

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Vetri Foundation for Children d/b/a Vetri Community Partnership (the Organization) is a Pennsylvania not-for-profit organization founded in 2008. Vetri Community Partnership was established to help kids experience the connection between healthy eating and healthy living. Through food, education and social interaction, we work to give children the nutritional foundation they need to grow and thrive.

Poor eating habits are the norm across our population, and these habits are passed down from generation to generation. Many children, especially those in lower income areas, live on diets high in sugar and simple carbohydrates, the ingredients found in so many processed convenience foods. These foods are easy, cheap, and addictive. Fewer than 20% of adolescents aged 12-18 eat the recommended five or more servings of fruits and vegetables daily.

The result of poor nutrition and unhealthy eating habits?

- One out of three children in our country is overweight or obese.
- Overweight children are more likely to become overweight adults and to suffer from high cholesterol, high blood pressure and Type 2 diabetes.
- Obesity-related diseases that stem from a diet of non-nutritious foods – diabetes, heart disease and other health problems – cost Americans more than \$150 billion per year.

It can be challenging to make impactful changes to this status quo, especially when the food industry spends more than \$2 billion a year to expose children and teens to marketing messages that promote candy, sugary drinks, cereals and other highly-processed junk foods. Educating the next generation about how to take care of themselves is key, yet elementary school children in the United States receive an average of just 3.4 hours of food and nutrition education per year.

We know that good nutrition has a direct link to proper physical growth and development for kids. And it's essential to their ability to learn as well: the more fast food students report eating, the lower their rate of academic improvement.

At Vetri Community Partnership, we love real food. We are not nutritionists, dieticians or doctors. We are chefs, restaurant industry transplants and food lovers who understand that healthy food is better received when it's served in a delicious and dignified way. Our programs aren't prescriptive; they're experiential. When kids connect with real, whole food in the cafeteria, in the classroom or in the kitchen and learn how affordable cooking healthy meals can be, they are inspired to make better decisions about their own health, influence their families and become a voice for healthier choices in their communities.

OUR UNIQUE SOLUTION:

- Vetri Community Partnership empowers children and families to lead healthier lives through fresh food, hands-on experiences and education. We're committed to breaking the cycle of poor eating habits passed down from generation to generation.

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

- Founders Chef Marc Vetri and restaurateur Jeff Benjamin are social entrepreneurs committed to leveraging their experience in the food and restaurant industry for the benefit of children.
- Our program staff is made up of trained chefs and educators. Their culinary backgrounds have prepared them to be simultaneously creative and cost-efficient – two skills necessary in school cafeterias and in developing affordable, healthy eating programs.
- We provide our services at a deep discount or free of charge to schools with severe need so they can funnel every available penny into providing fresh, nutritional food to their students.

Our programs expose youth to:

Fresh food – Eatiquette school lunches are made from scratch using fresh ingredients. Students eat family style to promote pro-social behavior and a healthy relationship with food. We introduce students to whole ingredients giving school chefs the opportunity to talk about where they come from and how they're grown.

Hands-on experiences – We give students responsibility and encourage them to take ownership of our programs. In Eatiquette, table captains help set the table and serve food to their peers. Our culinary training programs - such as My Daughter's Kitchen and Vetri Cooking Lab - involve students in every aspect of cooking, giving them a chance to learn life skills, practice kitchen safety and food preparation techniques. Our Mobile Teaching Kitchen partners with food-access organizations and provides hands-on lessons about how to create healthy, tasty meals from the food that is available in each neighborhood.

Education – All of our programs promote healthy habits and emphasize the importance of nutritious food. We teach children what real food is, where they can get it and how they can cook it for themselves on a budget.

In addition to our main focus on hands-on nutrition programs, the Organization provides significant grants to organizations that promote children's health and well-being.

The Organization's main sources of revenue include individual and corporate donations, grants, and revenue from events including our annual Great Chefs Event.

Basis of Financial Statements

The accompanying financial statements are accounted for on the accrual method of accounting in accordance with generally accepted accounting principles in the United States of America.

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Organization reports contributions as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor stipulations that limits its use. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets: Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: These are net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investment for general or specific purposes. There are no permanently restricted net assets at year end.

Change in Fiscal Year

Effective January 1, 2016, the Organization changed from calendar year end of December 31 to a fiscal year end of August 31. These financial statements are an eight-month fiscal transition period from January 1, 2016 through August 31, 2016.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments in traditional bank accounts, money market funds, and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents. At times, cash in bank may exceed FDIC insurable limits.

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions Receivable

The Organization records grants and contributions receivable at the estimated present value of future cash flows, net of allowances, to include net realizable value based on management's analysis of specific grants. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At August 31, 2016 the allowance for uncollectible accounts amount was not warranted.

Equipment and Depreciation

Equipment with an estimated useful life in excess of one year and in excess of \$2,500 is capitalized at cost if purchased and at fair market value if donated. The cost of equipment is depreciated over the estimated useful lives of the assets. Depreciation is computed on the straight-line method.

The useful lives of furniture and equipment for purposes of computing depreciation are:

| | |
|-------------------------|------------|
| Furniture and Equipment | 3-10 Years |
|-------------------------|------------|

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) within the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

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

Income Taxes

The Organization is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization follows the income tax standard for uncertain tax positions. This standard had no impact on the Organization's financial statements.

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax exempt status.

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 17, 2017, the date the financial statements were available to be issued.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2016 is recorded at cost as follows:

| | |
|--------------------------------|--------------------------|
| Furniture and Equipment | \$ 29,534 |
| Vehicles | 73,242 |
| Total | <u>102,776</u> |
| Less: Accumulated Depreciation | <u>(2,373)</u> |
| Total Property and Equipment | <u><u>\$ 100,403</u></u> |

Depreciation expense for the eight-month period ended August 31, 2016 was \$2,119.

NOTE 3 LINE OF CREDIT

On May 20, 2016, the organization entered into a \$100,000 line of credit with a financial institution. Outstanding amounts will carry an interest rate of 6.30%. The line of credit is collateralized by all business assets. There was no outstanding balance on the line of credit as of August 31, 2016.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2016 consisted of the following:

| | |
|---|--------------------------|
| Restrictions Due to Purpose: | |
| My Daughter's Kitchen | \$ 4,950 |
| Mobile Kitchen | 38,659 |
| Vetri Cooking Lab | <u>186,523</u> |
| Total Restriction Due to Purpose | 230,132 |
| Restrictions Due to Time | <u>60,000</u> |
| Total Temporarily Restricted Net Assets | <u><u>\$ 290,132</u></u> |

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 5 OPERATING LEASES

The Organization leases office space and office equipment expiring in various years through 2021. Rent expense incurred under operating leases for the eight-month period ended August 31, 2016 was \$29,521.

Minimum future rental payments under non-cancelable operating leases having initial or remaining terms in excess of one year as of August 31, 2016 are as follows:

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|-------------------------------|-------------------|
| 2017 | \$ 45,679 |
| 2018 | 43,307 |
| 2019 | 47,108 |
| 2020 | 48,060 |
| 2021 | 20,411 |
| Total | <u>\$ 204,565</u> |

NOTE 6 NONCASH CONTRIBUTIONS

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of 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, are recorded at their fair values in the period received.

The Organization recognized \$226,351 in donated items, which were donated in connection with the Organization's Great Chef's event. The Organization received donated legal services in the amount of \$13,720. The Organization also received other donated items in the amount of \$4,030 for the eight-month period ended August 31, 2016. The noncash contributions have been recorded as revenue and are also included as an expense in the statement of activities.

NOTE 7 RELATED PARTY TRANSACTIONS

Members of the Board of Directors also serve on the boards of other organizations which received grants from the Organization. These grants amounted to \$244,502 for 2016. The Organization also received contributions in the amount of \$9,364 from various corporations in which three of the members of the Organization's board are shareholders and officers. The Organization also used the services of these corporations in the amount of \$10,845 for hosting fundraising events.

A board member of ESF Dream Camp is also a board member of the Organization and ESF Dream Camp hired the Organization to run its food service program and various summer camp programs and paid the Organization \$53,530 for 2016.

**VETRI FOUNDATION FOR CHILDREN
D/B/A VETRI COMMUNITY PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 8 RETIREMENT PLAN

All eligible employees of the Organization participate in a 401(k) Safe Harbor Plan. Employee contributions are matched 100% up to the first 3% of the employees' compensation and 50% for the next 2% of the employees' compensation. Employer match expense for the eight-month period ended August 31, 2016 was \$9,862.