

**PROJECT ANGEL FOOD**  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

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**YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Project Angel Food

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Project Angel Food, which comprise the statement of financial position as of June 30, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Project Angel Food as of June 30, 2016 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 Project Angel Food's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors  
Project Angel Food

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017 on our consideration of Project Angel Food's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Project Angel Food's internal control over financial reporting and compliance.

*Green Hasson & Janks LLP*

January 10, 2017  
Los Angeles, California

## PROJECT ANGEL FOOD

### STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Summarized Totals at June 30, 2015

ASSETS	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
Cash and Cash Equivalents	\$ 263,354	\$ 178,856	\$ 442,210	\$ 535,146
Accounts Receivable	331,960	-	331,960	71,689
Pledges and Contributions Receivable (Net)	195,646	82,845	278,491	36,553
Prepaid Expenses and Other Assets	70,546	-	70,546	89,180
Property and Equipment (Net)	6,514,908	-	6,514,908	6,536,056
Debt Issuance Costs (Net)	98,522	-	98,522	110,464
<b>TOTAL ASSETS</b>	<b>\$ 7,474,936</b>	<b>\$ 261,701</b>	<b>\$ 7,736,637</b>	<b>\$ 7,379,088</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 262,464	\$ -	\$ 262,464	\$ 197,584
Accrued Liabilities	278,986	-	278,986	249,888
Line of Credit	673,013	-	673,013	453,013
Notes Payable	2,975,579	-	2,975,579	2,985,202
<b>TOTAL LIABILITIES</b>	<b>4,190,042</b>	<b>-</b>	<b>4,190,042</b>	<b>3,885,687</b>
<b>NET ASSETS:</b>				
<b>Operating:</b>				
Unrestricted	835,601	-	835,601	943,257
Temporarily Restricted	-	99,167	99,167	6,970
<b>TOTAL OPERATING</b>	<b>835,601</b>	<b>99,167</b>	<b>934,768</b>	<b>950,227</b>
<b>Property and Equipment:</b>				
Unrestricted	2,449,293	-	2,449,293	2,442,875
Temporarily Restricted	-	162,534	162,534	100,299
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>2,449,293</b>	<b>162,534</b>	<b>2,611,827</b>	<b>2,543,174</b>
<b>TOTAL NET ASSETS</b>	<b>3,284,894</b>	<b>261,701</b>	<b>3,546,595</b>	<b>3,493,401</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,474,936</b>	<b>\$ 261,701</b>	<b>\$ 7,736,637</b>	<b>\$ 7,379,088</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**PROJECT ANGEL FOOD**

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016				Total	2015 Total
	Operating		Property and Equipment			
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted		
<b>REVENUE AND SUPPORT:</b>						
<b>Public Support:</b>						
Direct Marketing	\$ 465,174	\$ -	\$ -	\$ -	\$ 465,174	\$ 276,840
Corporate and Foundation Grants	1,156,000	-	-	149,000	1,305,000	1,113,839
Contributions	519,028	92,197	-	-	611,225	652,623
Donated Goods and Services	54,261	-	-	-	54,261	63,102
Bequests	16,449	-	-	-	16,449	158,144
<b>TOTAL PUBLIC SUPPORT</b>	<b>2,210,912</b>	<b>92,197</b>	<b>-</b>	<b>149,000</b>	<b>2,452,109</b>	<b>2,264,548</b>
<b>Fees from Government Agencies:</b>						
Federal Grants and Contracts	564,231	-	-	-	564,231	479,090
State and Local Grants and Contracts	71,675	-	-	-	71,675	70,205
<b>TOTAL FEES FROM GOVERNMENT AGENCIES</b>	<b>635,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>635,906</b>	<b>549,295</b>
<b>Special Events Revenue:</b>						
Gross Receipts	1,178,763	-	-	-	1,178,763	1,177,623
Less: Costs of Direct Benefit to Donors	(269,415)	-	-	-	(269,415)	(233,378)
<b>NET SPECIAL EVENTS REVENUE</b>	<b>909,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>909,348</b>	<b>944,245</b>
Investment Income (Loss)	(1,707)	-	-	-	(1,707)	1,202
Other Income	145,948	-	-	-	145,948	81,658
Gain on Sale of Property and Equipment	10,745	-	-	-	10,745	-
Net Assets Released from Program Restrictions and Inter-Fund Transfers	10,174	-	76,591	(86,765)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>3,921,326</b>	<b>92,197</b>	<b>76,591</b>	<b>62,235</b>	<b>4,152,349</b>	<b>3,840,948</b>
<b>EXPENSES:</b>						
Program Services	3,371,263	-	64,559	-	3,435,822	3,623,018
Support Services	657,719	-	5,614	-	663,333	686,853
<b>TOTAL EXPENSES</b>	<b>4,028,982</b>	<b>-</b>	<b>70,173</b>	<b>-</b>	<b>4,099,155</b>	<b>4,309,871</b>
<b>CHANGE IN NET ASSETS</b>	<b>(107,656)</b>	<b>92,197</b>	<b>6,418</b>	<b>62,235</b>	<b>53,194</b>	<b>(468,923)</b>
Net Assets - Beginning of Year	943,257	6,970	2,442,875	100,299	3,493,401	3,962,324
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 835,601</b>	<b>\$ 99,167</b>	<b>\$ 2,449,293</b>	<b>\$ 162,534</b>	<b>\$ 3,546,595</b>	<b>\$ 3,493,401</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**PROJECT ANGEL FOOD**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016				Total Expenses	2015 Total Expenses
	Program Services	Support Services		Total Support Services		
		Management and General	Fundraising			
Salaries	\$ 1,414,485	\$ 120,749	\$ 189,748	\$ 310,497	\$ 1,724,982	\$ 1,791,343
Employee Benefits	215,107	7,682	33,290	40,972	256,079	281,997
Payroll Taxes	120,899	8,955	19,404	28,359	149,258	167,626
<b>TOTAL PERSONNEL COSTS</b>	<b>1,750,491</b>	<b>137,386</b>	<b>242,442</b>	<b>379,828</b>	<b>2,130,319</b>	<b>2,240,966</b>
Food and Containers	694,036	-	-	-	694,036	720,957
Consultants and Outside Services	224,413	13,601	102,007	115,608	340,021	330,170
Interest Expense	120,983	8,852	17,705	26,557	147,540	134,316
Utilities	108,982	2,294	3,442	5,736	114,718	110,616
Meal Delivery	112,009	-	-	-	112,009	96,865
Direct Mail	67,849	-	41,179	41,179	109,028	125,278
Community Outreach	58,816	1,939	3,878	5,817	64,633	94,983
Insurance	41,112	1,935	5,320	7,255	48,367	42,687
Bank Charges	14,635	610	31,924	32,534	47,169	90,595
Repairs and Maintenance	41,294	1,347	2,244	3,591	44,885	40,589
Employment Recruitment	27,376	13,481	834	14,315	41,691	2,519
Office Supplies	18,189	933	4,197	5,130	23,319	32,394
Furniture and Equipment Rental	18,138	806	1,209	2,015	20,153	20,328
Miscellaneous	14,067	1,603	2,137	3,740	17,807	31,018
Printing	8,631	632	1,263	1,895	10,526	40,295
Postage	2,840	71	4,190	4,261	7,101	9,425
Dues, Subscriptions and Publications	3,200	171	2,343	2,514	5,714	3,946
Occupancy	4,147	303	607	910	5,057	6,114
Travel	1,275	89	1,602	1,691	2,966	3,096
Volunteer Management	2,957	-	-	-	2,957	4,086
Staff and Board Development	239	17	32	49	288	2,827
<b>SUB-TOTAL</b>	<b>3,335,679</b>	<b>186,070</b>	<b>468,555</b>	<b>654,625</b>	<b>3,990,304</b>	<b>4,184,070</b>
Depreciation	100,143	3,266	5,442	8,708	108,851	125,801
<b>TOTAL 2016 FUNCTIONAL EXPENSES</b>	<b>\$ 3,435,822</b>	<b>\$ 189,336</b>	<b>\$ 473,997</b>	<b>\$ 663,333</b>	<b>\$ 4,099,155</b>	
	84%	5%	11%	16%	100%	
<b>TOTAL 2015 FUNCTIONAL EXPENSES</b>	<b>\$ 3,623,018</b>	<b>\$ 197,297</b>	<b>\$ 489,556</b>	<b>\$ 686,853</b>		<b>\$ 4,309,871</b>
	84%	5%	11%	16%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

## PROJECT ANGEL FOOD

### STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 53,194	\$ (468,923)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	108,851	125,801
Amortization of Debt Issuance Costs	11,942	8,957
Gain on Sale of Property and Equipment	(10,745)	-
Contributions Received for Long-Term Purposes	(149,000)	(140,000)
(Increase) Decrease in:		
Accounts Receivable	(260,271)	(28,560)
Pledges and Contributions Receivable	(250,644)	54,072
Prepaid Expenses and Other Assets	18,634	(61,998)
Increase (Decrease) in:		
Accounts Payable	64,880	3,008
Accrued Liabilities	29,098	66,848
	(384,061)	(440,795)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of Property and Equipment	10,745	-
Purchase of Property and Equipment	(87,703)	(69,175)
	(76,958)	(69,175)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Line of Credit (Net)	220,000	103,013
Proceeds from Note Payable	69,608	234,142
Payments on Notes Payable	(79,231)	(60,836)
Payment of Debt Issuance Costs	-	(119,421)
Contributions Received for Long-Term Purposes	157,706	140,000
	368,083	296,898
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(92,936)	(353,072)
Cash and Cash Equivalents - Beginning of Year	535,146	748,218
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 442,210	\$ 535,146
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid During the Year for Interest	\$ 135,032	\$ 130,785
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Purchase of Property and Equipement Financed by Debt Obligations	\$ 69,608	\$ -

The Accompanying Notes are an Integral Part of These Financial Statements



# **PROJECT ANGEL FOOD**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

### **NOTE 1 - ORGANIZATION**

Project Angel Food's mission is to feed and nourish the sick as they battle critical illness. Volunteers and staff cook and deliver nutritious meals, free of charge, to homes throughout Los Angeles County to alleviate hunger, prevent malnutrition and return their clients to health.

Project Angel Food is unique: they are the only organization that delivers freshly-cooked, nutritiously-appropriate meals, free-of-charge, to men, women and children debilitated by life-threatening illnesses throughout all of Los Angeles County.

During the twelve months covered in this audit, Project Angel Food continued to provide life-saving meals to the seriously ill throughout Los Angeles County. With the reliable commitment of more than 3,600 active volunteers, who provided more than 35,000 hours of service, Project Angel Food cooked and delivered 554,800 meals.

During fiscal year 2016, the agency also continued its important program of Community Garden Partnerships whereby Project Angel Food grows some of its own fresh, organic produce for their life-saving meals in community gardens and gardens dedicated solely to the agency's work. Since the Garden Program's inception, the agency has harvested more than 3,800 pounds of fresh produce. Over time, this program has had a positive impact on the quality of the meals provided and in the agency's expenses.

#### **History of Project Angel Food**

In 1989, Project Angel Food was conceived by a group of caring friends driven to action after witnessing their loved ones' health deteriorate as a result of disease and the malnutrition that accompanies it. Project Angel Food's first meals were cooked and delivered out of a donated church kitchen. In January 2014, Project Angel Food marked its 25<sup>th</sup> year of uninterrupted service. Currently Project Angel Food has cooked and delivered over 10.5 million meals. Today, Project Angel Food is a nationally-recognized organization with an involved Board of Directors, a professional staff and more than 3,600 active volunteers. Yet its goals remain consistent: it continues to combat the hardships endured by people with HIV/AIDS, cancer and other life-threatening illnesses through cooking and delivering free, nutritious meals to their homes.

#### **Project Angel Food Work**

Six days a week, volunteers arrive at Project Angel Food's kitchen at 8 am to begin a day of cooking and packing 1,200 meals that have been designed by an on-staff Registered Dietician to address the nutritional and physical needs of the people Project Angel Food serves. Once the meals are cooked, "plated" and sealed, they move to dispatch. Meals are divided into routes that serve all of Los Angeles County - from Lancaster to Long Beach and Pomona to the West Valley.

Project Angel Food's professional staff of Registered Dieticians, certified by the American Dietetic Association, is specialized in nutrition and disease. For example, they understand that people undergoing chemotherapy often have no interest in eating and that every bite must be nutritionally powerful. Therefore, Project Angel Food purchases food with a high protein count, serves impactful vegetables like broccoli and spinach, and makes sure that desserts are nutritionally valuable such as apples and oranges.

# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### **NOTE 1 - ORGANIZATION** (continued)

Project Angel Food's meals also help manage a range of secondary medical conditions like hypertension, heart disease, and low body weight that can be brought on by poor nutrition, the stresses of a life-threatening illness and its often grueling treatments. They also take great care to ensure their meals are both delicious and visually appealing - two very important considerations when feeding people facing life threatening illnesses and the depression that often accompanies it.

Project Angel Food's Breakfast - Critical First Meal program, which supplements their regular meal delivery, is aimed at their most vulnerable clients: those with so few resources that they rely exclusively on Project Angel Food for their food needs. Project Angel Food knows that the additional breakfast meal has a positive impact on their clients' well-being by providing crucial calories and nutrients and reducing the level of food insecurity. Breakfast is also vital because many of their clients take morning medications and they no longer have to do so on an empty stomach (or worse, delay their medications until their mid-day meal arrives.)

Project Angel Food also empowers clients to make healthier, more informed eating choices overall. Throughout the year, each client speaks with a Registered Dietician at regular intervals. For example, a client with significant fluctuations in his/her health may speak monthly with a dietician, whereas someone with a more consistent medical scenario might only need to check in once or twice per year. During these nutritional counseling sessions, clients learn about the complex interrelationship between their diet, exercise and lifestyle patterns, disease status, medication and general health.

The agency understands the many roles it plays in people's recovery from, or stabilization with, a life-threatening illness. For example, illness can be isolating and the Project Angel Food delivery driver can too often be the only human interaction a client has in his/her homebound day. With this in mind, Project Angel Food also delivers birthday bags on each person's special day, filled with utilitarian items and special treats; the gift bags are decorated by elementary school children. National holidays are also recognized with special desserts or small gifts.

#### **The People Project Angel Food Serves**

Project Angel Food proudly serves any man, woman, or child struggling with HIV/AIDS, cancer, or other life-threatening illness rendering them too weak to shop for groceries or cook their own meals. Clients range in age from 23 - 101 years old. Project Angel Food serves all of Los Angeles County and their client population reflects its diversity: 79% of their clients are people of color; they serve many women (which are 43% of their clients), and they honor people of all sexual orientations.

The lives of the 2,100 unduplicated people Project Angel Food serves in a given year have taken a difficult turn due to the ravages of HIV/AIDS, cancer and other life-threatening illness. These include a 30-year-old client living with HIV and Colon Cancer; while he is undergoing both chemo and radiation, the weekly meals from Project Angel Food enable him to keep his weight up and relieves the stress of worrying about how to eat healthy during cancer treatments. We have a 72-year-old client living with Congestive Heart Failure and COPD. She is on 24 hour oxygen and has mobility issues getting around. Because of the meals from Project Angel Food, she knows she can count on always having healthy, nutritious meals on hand. There are many, many others.

The majority of Project Angel Food's clients are everyday people who led productive lives and careers prior to their disability from life-threatening illness. The annual Project Angel Food client survey reveals a wide range of occupations held by clients before their diagnosis - school teachers, nurse assistants, welders, carpenters, legal secretaries, engineers, accountants, truck drivers, computer technicians, hair stylists and salesmen.

# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 1 - ORGANIZATION (continued)

#### **Evaluation of Project Angel Food Program**

Project Angel Food's staff - Registered Dietitians, client services team, kitchen staff, dispatch and delivery driving crew - work together to monitor the number of meals planned, prepared, delivered and received. This system of checks and balances ensures that no one who needs a meal is missed, and keeps the nutrition and client services team aware of each particular client's health.

Project Angel Food also distributes an annual Client Satisfaction Survey to better understand the degree to which they are meeting their clients' needs. The survey also affords clients the chance to self-report on the impact the program is having on their lives with room for comments relating to services.

Their work is effective. According to the most recent annual client survey, 97% of clients report Project Angel Food meals have helped them improve their health and 96% feel that they learned a lot about good nutrition while on service thus empowering them to eat healthier on their own. Furthermore, an equal number, 97%, felt that Project Angel Food service has reduced their anxiety about food while helping them take their medications. In addition, a majority of the client base comes through referrals from doctors, hospitals, clinics, and other partnering medical organizations who know about the agency's long history of responsive nutritional support and its positive impact on managing chronic, life-threatening disease.

Project Angel Food also seeks ongoing verbal feedback and perspective from their clients through the Client Advisory Board (CAB). Client representatives bring a unique perspective to the organization's governance and make sure that the focus remains on the best interests of the people that Project Angel Food serves.

#### **Organizational Structure**

Project Angel Food is governed by a volunteer Board of Directors. The Board of Directors provides strategic vision and direction for agency endeavors, and assumes financial and legal oversight of the organization. A seven-member management team oversees the daily operations of the agency. Thirty-five staff members comprise the program, kitchen and dispatch teams as well as client services, nutrition services and volunteer services, fulfilling the mission of the organization. They are supported by a dedicated corps of volunteers and the eight members of the development, special events, finance and administrative staffs.

Volunteers continue to be the heart and soul of Project Angel Food. More importantly, volunteers provide a critical human touch to the Project Angel Food program with an element of caring and compassion that is unmatched and often missing from the lives of the people served. Representing the breadth of the Los Angeles County community as well, the agency's volunteers are retired senior citizens, high school and college students, unemployed individuals, people with flexible work schedules, and many corporate and community groups. Project Angel Food also embraces specific groups such as adults with developmental delays to volunteer, or individuals who are deaf (their Kitchen Manager is able to communicate with sign language). Walk into the kitchen on any day and you'll see a stunning diversity of humanity united in their commitment to help people in need and make a positive impact on their community.

# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 1 - ORGANIZATION (continued)

#### **Collaborations**

Every week, Project Angel Food is an agency of collaboration, working with more than ninety social service and medical organizations throughout Los Angeles County. They also, of course, welcome referrals from all groups and individuals. By collaborating and building relationships with many organizations, Project Angel Food “drills” into the various communities of Los Angeles County and addresses the nutritional needs of the many people struggling with HIV/AIDS, cancer and other life-threatening illnesses.

#### **Project Angel Food’s Commitment to the Community**

More than two decades of continuous service prove Project Angel Food’s effectiveness in the preparation and delivery of quality food that support the specific nutritional needs of people affected by HIV/AIDS, cancer and other life-threatening illnesses. Today, Project Angel Food cooks and delivers 10,000 meals a week to people for whom a healthy meal, delivered with a warm smile, is truly life-saving-For Life, For Love, For as long as it takes.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **(a) BASIS OF PRESENTATION**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **(b) ACCOUNTING**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Project Angel Food are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** Project Angel Food reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 purpose or time restrictions. Project Angel Food has temporarily restricted net assets of \$261,701 at June 30, 2016.

# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) ACCOUNTING (continued)

- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit Project Angel Food to expend all of the income (or other economic benefits) derived from the donated assets. Project Angel Food has no permanently restricted net assets at June 30, 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

#### (c) CASH AND CASH EQUIVALENTS

Project Angel Food maintains its cash and cash equivalents in bank deposit accounts and other highly liquid investment accounts with maturities of three months or less at the time of purchase which, at times, may exceed federally insured limits. Project Angel Food has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2016 approximates its fair value.

#### (d) ACCOUNTS RECEIVABLE

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their fair value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions.

If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2016, Project Angel Food evaluated the collectability of accounts receivable and determined that no allowance for doubtful accounts was necessary.

#### (e) PLEDGES AND CONTRIBUTIONS RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. Project Angel Food reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received. The discount rate used by Project Angel Food was 3% at June 30, 2016.

# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) PLEDGES AND CONTRIBUTIONS RECEIVABLE (continued)

At June 30, 2016, Project Angel Food evaluated the collectability of pledges receivable and determined that no allowance for uncollectible pledges was necessary.

#### (f) BEQUESTS

Project Angel Food has been named as a beneficiary in a number of bequests. Certain of these gifts have not been recorded in the financial statements because the donors' wills have not yet been declared valid by the probate court and/or the value of the amounts to be received is not yet determinable. Project Angel Food records and reports all gifts when declared valid and the amount is determinable.

#### (g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,500 and the useful life is greater than one year. The estimated useful lives of property and equipment are as follows:

Building	50 Years
Kitchen Equipment	7 Years
Furniture and Fixtures	7 Years
Office Equipment	3 Years
Vehicles	5 Years
Event Equipment	3 Years

#### (h) DEBT ISSUANCE COSTS

Debt issuance costs are amortized by the use of the straight-line method over the term of the related debt.

#### (i) LONG-LIVED ASSETS

Project Angel Food reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended June 30, 2016.

#### (j) DEFERRED REVENUE

Event revenues are recognized when the event takes place. Any fees received in advance are recorded as deferred revenues and are included in accrued liabilities.

# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(k) DONATED GOODS AND SERVICES**

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended June 30, 2016, Project Angel Food recognized donated goods of \$10,000 and services of 1,604 hours valued at \$44,261.

Project Angel Food receives a significant amount of contributed time from volunteers that does not meet the recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. Project Angel Food receives donated services in the form of kitchen assistants, drivers, Board of Directors and committee members, creative consultants, event volunteers, and office assistants. The hours contributed is estimated by management to be 35,000 hours valued at about \$962,000.

#### **(l) ADVERTISING COSTS**

Project Angel Food expenses the costs of advertising (Community Outreach) as incurred. The total expense was \$64,633 for the year ended June 30, 2016.

#### **(m) INCOME TAXES**

Project Angel Food is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

#### **(n) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing Project Angel Food's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Project Angel Food uses salary dollars and the number of employees per department to allocate indirect costs.

#### **(o) FUND ACCOUNTING**

Project Angel Food maintains two funds - the Operating Fund and the Property and Equipment Fund. The purpose of the Operating Fund is to capture all revenue and expense associated with the normal operations of fulfilling Project Angel Food's mission. The purpose of the Property and Equipment Fund is to account for all revenue and expense related to those assets that management has determined will not be replaced through normal operations, specifically Project Angel Food's building and capitalized kitchen equipment. Instead, those assets will be replaced only through dedicated capital campaigns.

# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(p) USE OF 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented.

#### **(q) COMPARATIVE TOTALS**

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Project Angel Food's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

#### **(r) NEW ACCOUNTING PRONOUNCEMENTS**

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the balance sheet/statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. For Project Angel Food, the ASU will be effective for the year ending June 30, 2021.

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For Project Angel Food the ASU will be effective for the year ending June 30, 2019.

#### **(s) SUBSEQUENT EVENTS**

Project Angel Food has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 10, 2017, the date these financial statements were available to be issued. No material events or transactions were noted to have occurred, except for what is mentioned in Note 8.



# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 3 - PLEDGES AND CONTRIBUTIONS RECEIVABLE

Pledges and contributions receivable at June 30, 2016 are expected to be collected as follows:

Within One Year	\$ 213,322
In One to Five Years	<u>75,032</u>
<b>GROSS PLEDGES AND CONTRIBUTIONS RECEIVABLE</b>	288,354
Present Value Discount	<u>(9,863)</u>
<b>PLEDGES AND CONTRIBUTIONS RECEIVABLE (NET)</b>	<u>\$ 278,491</u>

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 consist of the following:

Land and Building	\$ 6,974,659
Kitchen Equipment	877,914
Furniture and Fixtures	278,024
Office Equipment	208,350
Vehicles	184,371
Event Equipment	<u>55,967</u>
<b>TOTAL</b>	8,579,285
Less: Accumulated Depreciation	<u>(2,064,377)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<u>\$ 6,514,908</u>

Depreciation expense for the year ended June 30, 2016 was \$108,851.

### NOTE 5 - DEBT ISSUANCE COSTS

Debt issuance costs at June 30, 2016 consist of the following:

Costs Related to Issuance of Debt	\$ 119,421
Less: Accumulated Depreciation	<u>(20,899)</u>
<b>DEBT ISSUANCE COSTS (NET)</b>	<u>\$ 98,522</u>

Amortization expense for the year ended June 30, 2016 was \$11,942. Amortization expense relating to debt issuance costs for each of the next five succeeding years is \$11,942.

# PROJECT ANGEL FOOD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consist of the following:

Accrued Vacation	\$	85,655
Accrued Salaries		89,667
Deferred Revenue		84,600
Other Accrued Liabilities		<u>19,064</u>
<b>TOTAL ACCRUED LIABILITIES</b>	<b>\$</b>	<b><u>278,986</u></b>

### NOTE 7 - LINE OF CREDIT

Project Angel Food has a reducing revolving line of credit in the amount of \$680,000 from a bank at an interest rate of 0.5% over the bank's prime rate. The bank's prime rate was 3.50% as of June 30, 2016. The line of credit is secured by a deed of trust on land and building (Vine Street) and all of Project Angel Food's personal property. This line of credit matures in October 2024. As of June 30, 2016, \$673,013 was borrowed against the line.

### NOTE 8 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2016:

Note Payable - Bank, Secured by a Deed of Trust on Land and Building (Vine Street), Interest at 3.675%, Monthly Principal and Interest Payments of \$15,569 with a Final Principal and Interest Payment of \$2,159,629 in October 2024.	\$	2,908,611
Note Payable - Credit Lender, Secured by Equipment, Interest at 4.89%, Monthly Principal Payments of \$1,320 through September 2020.		<u>66,968</u>
<b>TOTAL NOTES PAYABLE</b>	<b>\$</b>	<b><u>2,975,579</u></b>

Future minimum payments, by year, and in the aggregate, under this note consist of the following:

#### Years Ending June 30

2017	\$	95,634
2018		98,659
2019		101,798
2020		104,788
2021		96,207
Thereafter		<u>2,478,493</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>2,975,579</u></b>

The line of credit and note payable - bank contain various covenants which include, among others, the maintenance of debt service coverage ratio. As of June 30, 2016, Project Angel Food is not in compliance with its financial covenant. Subsequent to year end, Project Angel Food has obtained a forbearance agreement from the bank for this covenant non-compliance.

**PROJECT ANGEL FOOD**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 9 - CONTINGENCIES**

Project Angel Food's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Project Angel Food has no provision for the possible disallowance of program costs on its financial statements.

**NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

Project Angel Food has restrictions on certain net assets placed upon by the donors as well as restrictions in the time period that the contributions will be received. A detail of the programs with temporarily restricted net assets is as follows:

Dispatch Vans	\$ 136,209
Pledges With Time Restrictions	70,197
Meal Service Truck	13,677
Capital Campaign Pledges	12,648
Cookie Expansion Program	6,970
Other Pledges with Purpose Restrictions	<u>22,000</u>
<b><i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i></b>	<b><i>\$ 261,701</i></b>

**NOTE 11 - ALLOCATION OF JOINT COSTS**

Project Angel Food conducted direct mail campaigns that included requests for contributions as well as program components. The costs of conducting these activities included joint costs totaling \$109,028 for the year ended June 30, 2016.

The joint costs for these direct mail campaigns were allocated as follows:

Program Services	\$ 67,849
Fundraising	<u>41,179</u>
<b><i>TOTAL</i></b>	<b><i>\$ 109,028</i></b>

**NOTE 12 - RETIREMENT PLAN**

Project Angel Food maintains a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code which covers substantially all of its full time employees. It is an employee only contribution plan.