

# PROJECT ANGEL FOOD

## FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Managements' 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 auditors consider 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, 2018, 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 the Summarized Comparative Information**

We have previously audited Project Angel Food's 2017 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated December 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California  
February 4, 2019

**PROJECT ANGEL FOOD**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,049,528	\$ 561,664
Accounts receivable	150,690	196,529
Pledges and contributions receivable	488,548	271,417
Prepaid expenses and other assets	91,472	84,273
Property and equipment, net	<u>6,603,364</u>	<u>6,519,148</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,383,602</u>	<u>\$ 7,633,031</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 264,343	\$ 173,798
Accrued liabilities	269,890	279,542
Line of credit	195,248	640,000
Notes payable	<u>2,757,317</u>	<u>2,857,608</u>
<b>TOTAL LIABILITIES</b>	<u>3,486,798</u>	<u>3,950,948</u>

**COMMITMENTS AND CONTINGENCIES (NOTE 8)**

<b>NET ASSETS</b>		
Unrestricted		
Undesignated	4,224,593	3,468,666
Board designated	<u>544,381</u>	<u>56,609</u>
Total unrestricted	4,768,974	3,525,275
Temporarily restricted	<u>127,830</u>	<u>156,808</u>
<b>TOTAL NET ASSETS</b>	<u>4,896,804</u>	<u>3,682,083</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,383,602</u>	<u>\$ 7,633,031</u>

The accompanying notes are an integral part of these financial statements.

**PROJECT ANGEL FOOD**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE AND SUPPORT</b>				
Support				
Individual contributions	\$ 1,669,811	\$ -	\$ 1,669,811	\$ 648,208
Direct mail contributions	459,076	-	459,076	521,944
Corporate and foundation grants	1,487,457	17,198	1,504,655	1,175,650
Donated goods and services	<u>83,921</u>	<u>-</u>	<u>83,921</u>	<u>29,307</u>
Total Support	<u>3,700,265</u>	<u>17,198</u>	<u>3,717,463</u>	<u>2,375,109</u>
Revenue				
Federal grants and contracts	876,266	-	876,266	396,810
State and local grants and contracts	192,797	-	192,797	160,822
Special event revenue, net of direct expenses of \$326,150 and \$424,110, respectively	962,767	-	962,767	1,064,706
Other income	<u>66,711</u>	<u>-</u>	<u>66,711</u>	<u>137,996</u>
Total Revenue	<u>2,098,541</u>	<u>-</u>	<u>2,098,541</u>	<u>1,760,334</u>
Net assets released from restrictions	<u>46,176</u>	<u>(46,176)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>5,844,982</u>	<u>(28,978)</u>	<u>5,816,004</u>	<u>4,135,443</u>
<b>EXPENSES</b>				
Program services	3,819,064	-	3,819,064	3,378,786
Management and general services	368,102	-	368,102	172,301
Fundraising services	<u>414,117</u>	<u>-</u>	<u>414,117</u>	<u>448,868</u>
<b>TOTAL EXPENSES</b>	<u>4,601,283</u>	<u>-</u>	<u>4,601,283</u>	<u>3,999,955</u>
<b>CHANGE IN NET ASSETS</b>	1,243,699	(28,978)	1,214,721	135,488
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,525,275</u>	<u>156,808</u>	<u>3,682,083</u>	<u>3,546,595</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,768,974</u>	<u>\$ 127,830</u>	<u>\$ 4,896,804</u>	<u>\$ 3,682,083</u>

The accompanying notes are an integral part of these financial statements.

**PROJECT ANGEL FOOD**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018				Total Expenses	2017 Total Expenses
	Program Services	Management and General	Fundraising	Total Support Services		
Salaries	\$ 1,608,566	\$ 155,042	\$ 174,423	\$ 329,465	\$ 1,938,031	\$ 1,683,311
Employee benefits	221,880	21,386	24,059	45,445	267,325	224,004
Payroll taxes	132,871	12,807	14,408	27,215	160,086	132,503
<b>TOTAL PERSONNEL COSTS</b>	<b>1,963,317</b>	<b>189,235</b>	<b>212,890</b>	<b>402,125</b>	<b>2,365,442</b>	<b>2,039,818</b>
Food and containers	711,405	68,569	77,140	145,709	857,114	742,254
Consultants and outside services	221,553	21,354	24,024	45,378	266,931	257,992
Interest expense	122,873	11,843	13,324	25,167	148,040	152,556
Direct mail	121,720	11,732	13,199	24,931	146,651	113,881
Utilities	109,677	10,571	11,893	22,464	132,141	118,307
Meal delivery	70,671	6,812	7,663	14,475	85,146	96,779
Repairs and maintenance	59,472	5,732	6,449	12,181	71,653	49,512
Volunteer management	70,477	6,793	7,642	14,435	84,912	29,356
Community outreach	55,466	5,346	6,014	11,360	66,826	55,334
Insurance	43,125	4,157	4,676	8,833	51,958	54,322
Bank charges	35,017	3,375	3,797	7,172	42,189	51,877
Office supplies	30,014	2,893	3,254	6,147	36,161	25,590
Miscellaneous	21,526	2,075	2,334	4,409	25,935	23,784
Furniture and equipment rental	15,876	1,530	1,722	3,252	19,128	22,364
Printing	13,702	1,321	1,486	2,807	16,509	14,214
Dues, subscriptions and publications	9,512	917	1,031	1,948	11,460	6,140
Travel	7,346	708	797	1,505	8,851	5,194
Postage	6,890	664	747	1,411	8,301	10,080
Employment recruitment	3,049	294	331	625	3,674	8,950
Occupancy	2,026	195	220	415	2,441	2,230
Staff and board development	29	3	3	6	35	223
Depreciation	124,321	11,983	13,481	25,464	149,785	119,198
<b>TOTAL 2018 EXPENSES</b>	<b>\$ 3,819,064</b>	<b>\$ 368,102</b>	<b>\$ 414,117</b>	<b>\$ 782,219</b>	<b>\$ 4,601,283</b>	
<b>PERCENTAGE OF EXPENSES</b>	<b>83%</b>	<b>8%</b>	<b>9%</b>	<b>17%</b>	<b>100%</b>	
<b>TOTAL 2017 EXPENSES</b>	<b>\$ 3,378,786</b>	<b>\$ 172,301</b>	<b>\$ 448,868</b>	<b>\$ 621,169</b>		<b>\$ 3,999,955</b>
<b>PERCENTAGE OF EXPENSES</b>	<b>84%</b>	<b>4%</b>	<b>11%</b>	<b>16%</b>		<b>100%</b>

The accompanying notes are an integral part of these financial statements.

## PROJECT ANGEL FOOD

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,214,721	\$ 135,488
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	149,785	119,198
Amortization of debt issuance costs	11,940	11,942
Gain on sale of property and equipment	-	(8,753)
Change in operating assets and liabilities:		
Accounts receivable	45,839	135,431
Pledges and contributions receivable	(217,131)	7,074
Prepaid expenses and other assets	(7,199)	(13,727)
Accounts payable	90,545	(88,666)
Accrued liabilities	(9,652)	556
Net Cash Provided By Operating Activities	1,278,848	298,543
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	-	8,753
Purchase of property and equipment	(234,001)	(56,580)
Net Cash Used In Investing Activities	(234,001)	(47,827)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in line of credit	(444,752)	(33,013)
Payments on notes payable	(112,231)	(98,249)
Net Cash Used In Financing Activities	(556,983)	(131,262)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	487,864	119,454
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	561,664	442,210
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,049,528	\$ 561,664
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 104,243	\$ 136,770
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of property and equipment financed by debt obligations	\$ -	\$ 66,858

The accompanying notes are an integral part of these financial statements.



## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 1 – Organization

*For Life, for Love, for as Long as it takes...* Project Angel Food's mission is to prepare and deliver healthy, medically tailored meals the sick as they battle critical illness, bringing comfort and hope every day.

Throughout its 29 years, Project Angel Food has provided over 11 million meals to more than 20,000 chronically and terminally ill clients throughout Los Angeles County. Volunteers and staff cook, prepare and deliver nutritious meals, free of charge, to homes throughout Los Angeles County. Project Angel Food's medically tailored meals and nutritional counseling services nourish people who are too sick to shop or cook for themselves, thereby alleviating hunger, preventing malnutrition, and helping to return clients to health.

Project Angel Food's delivery fleet travels over 100,000 miles, distributing food across thirty major geographical routes – from South and East Los Angeles, to Long Beach, to the San Fernando and San Gabriel Valleys, and even to the rural towns of the Antelope Valley. Project Angel Food remains the only non-profit in Southern California to provide free food and nutrition services to individuals of all backgrounds and diagnoses throughout the entire 4,000+ square-mile Los Angeles County region.

During fiscal year 2018 specifically, Project Angel Food provided 607,363 medically tailored meals to the homes of 2,171 chronically or terminally ill clients. 4,713 volunteers assisted Project Angel Food's chefs and kitchen staff; volunteers donated over 40,000 hours to Project Angel Food's lifesaving cause.

By September 2017, Project Angel Food reached its 20,000th client and increased the number of active clients served daily from 1,200 to 1,300. Project Angel Food celebrated its 11 millionth meal in November 2017 on *Giving Tuesday*.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 1 – Organization (Continued)

As a result of State recommendations for the highest quality control assurance of meals, in 2018 Project Angel Food began refrigerating its delivery vans. In April 2018, Project Angel Food, along with five other sister agencies in the California Food is Medicine Coalition, received funding from the California Department of Health Care Services to implement a three-year pilot program that would reduce healthcare costs and improve health outcomes for 1,000 high Medi-Cal utilizers. Project Angel Food’s directive is to provide medically tailored meals and intensive medical nutrition intervention to 60 Medi-Cal beneficiaries with congestive heart failure per year for three years. This pilot is groundbreaking, as it is the first statewide pilot in the United States designed to prove the cost-effectiveness of medically tailored meals – reducing health care costs for inpatient hospitalizations, hospital readmissions and emergency room department visits.

#### *History of Project Angel Food*

Project Angel Food was founded in 1989 in West Hollywood, California during the AIDS crisis to provide love in the form of food to friends and neighbors afflicted with the life threatening illness. Conceived by Marianne Williamson, the all-volunteer operation prepared meals to drop-in clients in a makeshift kitchen on the second floor of a church, but soon shifted its model to deliver the meals, as fewer and fewer people were able to leave their homes. In 2004, Project Angel Food expanded its program to tailor meals to different diagnoses, including breast cancer, congestive heart failure, kidney failure, lung disease, diabetes, and stroke. In 2007, Project Angel Food moved to its current facility in Hollywood, California, and in doing so doubled its capacity to reach people in need.

What began as an all-volunteer operation in that makeshift kitchen has grown into a multi-million dollar service organization with a 40-plus member staff that includes registered dietitians, bilingual client services personnel, skilled drivers, and professional chefs, all of whom work together to cook and distribute 11,000 meals each week and over 600,000 meals annually throughout Los Angeles County. Project Angel Food maintains a single program with a focused mission – to provide free medically tailored meals and nutritional counseling to Los Angeles County residents facing the multiple struggles of their critical illness.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 1 – Organization (Continued)

##### *Project Angel Food Work*

Project Angel Food partners with over 200 health care, social services, and community-based organizations to promote its medically tailored meal delivery and nutritional services for critically ill clients. Under the care of registered dietitians, and in consultation with the client's primary healthcare case manager, each client receives one-on-one nutritional counseling and a specialized menu that is unique to their diagnosis and aligned with their personal dietary restrictions and preferences. In collaboration with the client's case manager, Project Angel Food's registered dietitians use lab tests and client applications to prescribe clients to one of Project Angel Food's thirty-nine meal plan options. This process begins with an initial assessment upon enrollment, followed by routine check-ins to monitor progress and revise medically tailored meal plans based on client malnutrition levels.

Meals are prepared daily by Project Angel Food chefs, all of whom are credentialed professional food managers. Project Angel Food chefs are assisted by volunteers that drive 80% of Project Angel Food's kitchen operations. Dishes are flavorful and aesthetically pleasing, made with high-quality ingredients selected by Project Angel Food dietitians. Meals include low-fat proteins to preserve lean body mass, protein-rich legumes to lower cholesterol and assist in blood sugar regulation, and antioxidant-rich vegetables, many of which are grown pesticide-free at local community gardens, to block the activity of free radicals.

Striving to be as respectful and unobtrusive as possible, Project Angel Food drivers deliver seven days' worth of meals within a 4-hour window and may be the only human contact clients have that day or week. This human interaction is very meaningful, as more than half of Project Angel Food clients live alone. In addition, Project Angel Food drivers are trained to recognize troubling shifts in physical appearance, including signs of abuse and neglect, and to report unclean, potentially unsafe living conditions.

Food is love. Project Angel Food understands the many role it plays in people's recovery from, or stabilization of, a life-threatening illness. 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 delivers birthday bags on each person's special day. These bags are filled with toiletries, makeup, socks, DVDs/CDS, snacks, and other special treats, and are decorated by students from Vine Street Elementary School. Other personal acts of love in Project Angel Food's service includes special meals on Thanksgiving and Christmas Eve, flowers on Mother's Day to all clients who are mothers, and breakfast and holiday toys to client's children and grandchildren.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 1 – Organization (Continued)

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

The 2,171 people Project Angel Food serves reflect Los Angeles County’s diversity as well as the growing aging and food insecure population. Clients cover five generations, ranging from ages 20 to 107. People of color comprise 76% of Project Angel Food clients. Female identified individuals make up 42% of clients, and 1% of clients identify as transgender. A vast majority of Project Angel Food clients (60%) are ages 60 and over. Top illnesses include:

- 26% HIV/AIDS
- 25% cancer
- 13% kidney failure
- 12% congestive heart failure.

Of the over 2,000 Project Angel Food clients, 76% live at or below the federal poverty level; 99% are considered “Very Low Income” by HUD standards. A majority of Project Angel Food clients were everyday people who led productive lives and careers prior to their disability from life-threatening illness. The severity and complications of the critical illness forced clients to stop working. Homebound and unable to stand in lines at food banks, they lack the strength to shop and cook for themselves, which places them at greater risk for malnourishment. For many, their sole source of revenue is monthly payments from the Supplemental Security Income Program, which must cover all their expenses – including rent.

Project Angel Food clients require nutritional oversight and medically tailored meals for their recovery—services that are unavailable at most for-profit home-delivered meal programs, or from organizations like Meals on Wheels, that serve only seniors and suggest donations for the service. With most clients on the brink of homelessness, Project Angel Food serves as the only consistent food source for nearly 60% of its clients. Project Angel Food meals relieve clients from food-related distress and help them instead to focus on managing their health.

Project Angel Food’s weekly meal deliveries provide social connectedness to clients, especially for the 54% of clients who live alone. This direct connection is particularly important amongst older adults with more than one social integration risk indicator (e.g., living alone, lack of social network, retirement, physical impairment, mental illness) and helps to prevent premature mortality. Anecdotal evidence indicates that Project Angel Food clients value Project Angel Food drivers and look forward to their weekly visits. These visits lift the clients’ spirits and remind them that they are loved.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 1 – Organization (Continued)

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

Project Angel Food's goals are:

- To serve all critically ill people in need within the Los Angeles County service area.
- Alleviate malnutrition and starvation through its medically tailored meal program
- Provide nutritional counseling to all clients enrolled in Project Angel Food's service.

New clients receive one-on-one nutritional counseling from Project Angel Food's registered dietitians, while continuing clients receive counseling on an as-needed basis. The primary concerns addressed in these sessions include the client's ability to achieve and/or maintain a healthy body weight, attend medical appointments, adhere to prescription drug regimens and cope with side-effects of those medications. Clients are advised on ways to counter loss of appetite due to nausea, mouth sores and/or trouble swallowing. Meal plans are revised when ingredients cause digestive issues or have tastes and textures that treatment has rendered unpalatable.

Project Angel Food's registered dietitians assess the frequency of nutritional counseling for the client using the ASPEN Clinical Criteria for Malnutrition (White JV et al. JPEN 2012; 36:275): Malnutrition ID Guide. The dietitian also determines the client's priority level, assigning a priority level of 1 – 4 based on the severity of the medical condition and food security, and informs the client when the next nutrition follow up will take place. Priority 1 clients will require a follow up within 3 months, while priority 4 clients are more stable and may not require a follow up for as long as one year. After the session, the dietitian will populate meal orders that fit the chosen special diet category, taking care to troubleshoot any issues with food allergens.

All clients undergo annual assessments to determine continuation of services. These assessments are made by the Project Angel Food registered dietitian in collaboration with the client's case manager.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 1 – Organization (Continued)

##### *Evaluation of Project Angel Food Program (Continued)*

Every year Project Angel Food conducts client feedback surveys as part of its program improvement strategy. Drivers deliver the surveys with Project Angel Food meals; the surveys are enclosed with a self-addressed business reply envelope with a deadline for submission and room for comments/feedback. The annual feedback survey demonstrates the effectiveness of medically tailored diets on client recovery. Based on Project Angel Food's most recent survey:

- 94.8% of clients were able to maintain taking their medications
- 90.2% of clients feel their health has improved
- 96.2% of clients reported reduced food insecurity stress
- 91.9% reported Project Angel Food helped them maintain a healthy weight.

For tracking and monitoring the delivery of meals, Project Angel Food's nutrition services department creates meal orders for clients based on their medical needs. Meal orders are then fulfilled by Project Angel Food's kitchen staff. Project Angel Food's dispatch department packages meals according to routes and create route sheets matching specific medically tailored meals to client addresses. Route sheets are distributed to both the nutrition services and client services departments and serve as a record of the number of meals delivered each day, with Project Angel Food drivers verifying the delivery.

##### *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 five-member management team oversees Project Angel Food's daily operations. Forty staff members comprise the program, kitchen, dispatch, client services, nutrition services, volunteer services, development, operations, finance and administrative divisions, fulfilling the Project Angel Food mission. The Project Angel Food staff is supported by a dedicated corps of volunteers.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 1 – Organization (Continued)

##### *Organizational Structure (Continued)*

Volunteers continue to be the heart and soul of Project Angel Food. 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 client’s lives. Representing the breadth of the Los Angeles County community, Project Angel Food’s volunteers include 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 and engages with volunteer opportunities specific community groups such as adults with developmental delays and individuals who are deaf. Walk into the Project Angel Food kitchen on any given day and you'll see a stunning display of the diversity of humanity, united in their commitment to help people in need and make a positive impact on their community.

##### *Collaborations*

Project Angel Food is involved in hunger, HIV, malnutrition, aging, and “food is medicine” advocacy causes. This, combined with Project Angel Food’s referral partnerships with 150 healthcare, human services, and community based organizations and Project Angel Food’s 4,700 volunteers and interns, are key to Project Angel Food’s success. Project Angel Food’s collaborative partners include:

- Hunger Action Los Angeles (HALA)
- Los Angeles Aging Advocacy Coalition (LAAAC)
- Directors of Volunteers in Agencies Los Angeles (DOVIA LA)
- The Emergency Food and Shelter Program Fund administered by the United Way
- San Fernando Valley HIV Provider Consortium
- The Los Angeles County Commission for Older Adults

Project Angel Food’s ongoing contracted relationship with the Los Angeles County Department of Public Health, Division of HIV and STD Programs (DHSP) targets the African American community for testing and access to care. DHSP promotes Project Angel Food and other nutrition service organizations as an outreach tool to begin and remain in care.

Project Angel Food’s longest collaborations transpired during the AIDS crisis. Project Angel Food continues a collaboration of over 15 years with APLA Health, including their Necessities of Life Program food pantry items in Project Angel Food vans to deliver to underserved residents of the Antelope Valley and North Hollywood.

**PROJECT ANGEL FOOD**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 1 – Organization (Continued)**

*Collaborations (Continued)*

In addition, through the Charles Drew University OASIS Clinic and E.I.P. (Early Intervention Program), Project Angel Food engages the underserved HIV/AIDS community of South Los Angeles. Project Angel Food meals become an incentive for patients, many of whom are homeless or transient and struggling with mental illness and addiction, to remain in care and address their illnesses. Patients receive Project Angel Food meals once they complete their visits. Through this partnership alone, Project Angel Food provides 3,700 meals annually.

*Project Angel Food's Commitment to the Community*

Nearly three decades of continuous, uninterrupted service proves Project Angel Food's effectiveness in the preparation and delivery of quality, nutritious food that supports the specific dietary needs of people affected by HIV/AIDS, cancer and other life-threatening illnesses. Today, Project Angel Food cooks and delivers 11,000 meals a week to 1,300 people daily, for whom a healthy meal, delivered with a warm smile, is truly lifesaving. *For Life, for Love, for as Long as it takes.*

**NOTE 2 – Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.



## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Financial Statement Presentation*

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions. The Organization holds certain cash equivalents in a separate account to act as a board-designated reserve. The Board of Directors of the Organization direct the use of the funds. At June 30, 2018, the balance in the board-designated reserve account totaled \$544,381 and is included in unrestricted net assets on the statement of financial position.
- **Temporarily Restricted** – Net assets subject to 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. Donor restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support in the statement of activities.
- **Permanently Restricted** – Net assets subject to donor-imposed restrictions that the resources are to be maintained permanently, but permit income (or other economic benefits) derived from the donated assets to be expended. The Organization has no permanently restricted net assets at June 30, 2018.

##### *Cash and Cash Equivalents*

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less at the time of purchase to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts and other highly liquid investment accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Accounts Receivable*

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. Management estimates an allowance for doubtful account based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2018, Project Angel Food evaluated the collectability of accounts receivable and determined that no allowance for doubtful accounts was necessary.

##### *Pledges and Contributions Receivable*

Discounts for pledges due over one year are recorded as reductions to contribution revenue and pledges receivable when deemed material. The Organization did not discount the pledges over one year due to the immaterial nature of the discount.

At June 30, 2018, Project Angel Food evaluated the collectability of pledges and contributions receivable and determined that no allowance for uncollectible pledges was necessary.

##### *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. Bequests are included in contributions in the statement of activities.

##### *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.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Property and Equipment (Continued)*

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

##### *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, 2018.

##### *Debt Issuance Costs*

Commissions and fees associated with acquiring debt facilities paid to third parties are netted against the related debt instrument and amortized on a straight-line basis, which approximates the interest method, over the term of the agreements. Debt issuance costs, net of accumulated amortization, totaled \$74,640 at June 30, 2018.

##### *Revenue Recognition*

Unconditional contributions, including pledges, are recognized as revenues and support in the period received and recorded at estimated fair value. Revenues and support are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Revenue Recognition (Continued)*

Event revenues are recognized when the event takes place. Any funds received in advance are recorded as deferred revenues and are included in accrued liabilities in the statement of financial position.

##### *Donated Goods and Services*

Contributions of donated noncash 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, 2018, Project Angel Food recognized services of 859 hours valued at \$15,329.

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 41,000 hours valued at about \$624,000.

##### *Advertising Costs*

Project Angel Food expenses the costs of advertising (Community Outreach) as incurred. The total expense was \$66,409 for the year ended June 30, 2018.

##### *Income Taxes*

The Organization is exempt from federal income tax under Section 501(c)(3) of United States Internal Revenue Code (and similar provisions under California state law) and is not a private foundation. Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2018, the Organization had no unrecognized tax benefits, tax penalties, or interest.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Income Taxes (Continued)*

The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years.

##### *Functional Allocation of Expenses*

The costs of providing the Organization'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. The Organization uses salary dollars and the number of employees per department to allocate indirect costs.

##### *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. These funds are combined as part of the presentation in the statement of activities.

##### *Prior-Period Information*

The financial statements include certain prior-period 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, 2017, from which the summarized information was derived.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *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 and disclosures. Accordingly, actual results could differ from those estimates.

##### *Recently Issued Accounting Pronouncements*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with the cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

**PROJECT ANGEL FOOD**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Recently Issued Accounting Pronouncements (Continued)*

In June 2018, the FASB issues ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

*Subsequent Events*

Management has evaluated subsequent events through February 4, 2019, the date on which the financial statements were available to be issued.

**NOTE 3 – Pledges and Contributions Receivable**

Pledges and contributions receivable at June 30, 2018 are expected to be collected as follows:

Within one year	\$ 438,548
In one to five years	40,000
Thereafter	<u>10,000</u>
Total pledges and contributions receivable	<u>\$ 488,548</u>

**PROJECT ANGEL FOOD**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 4 – Property and Equipment**

Property and equipment at June 30, 2018 consists of the following:

Land and building	\$ 7,063,609
Kitchen equipment	964,926
Furniture and fixtures	287,213
Office equipment	241,681
Vehicles	300,792
Event equipment	<u>55,967</u>
	8,914,188
Less accumulated depreciation	<u>(2,310,824)</u>
Property and equipment, net	<u>\$ 6,603,364</u>

Depreciation expense for the year ended June 30, 2018 was \$149,785.

At June 30, 2018, property and equipment under capital leases totaled \$136,465, with accumulated depreciation approximating \$46,923.

**NOTE 5 – Accrued Liabilities**

Accrued liabilities at June 30, 2018 consists of the following:

Accrued vacation	\$ 119,383
Accrued salaries	34,373
Deferred revenue	110,500
Other accrued liabilities	<u>5,634</u>
Total accrued liabilities	<u>\$ 269,890</u>



**PROJECT ANGEL FOOD**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 6 – Line of Credit**

As of June 30, 2018, Project Angel Food had a reducing revolving line of credit in the amount of \$640,000 from a bank at an interest rate of 0.5% over the bank’s prime rate. The bank’s prime rate was 5.00% as of June 30, 2018. 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, 2018, \$195,248 was borrowed against the line. The line of credit contains various financial and nonfinancial covenants with which the Organization was in compliance at June 30, 2018.

**NOTE 7 – Notes Payable**

Notes payable consists of the following at June 30, 2018:

Note payable - bank, secured by a deed of trust on land and building, interest at 3.675%, monthly principal and interest payments of \$15,569, with remaining balance due October 2024	\$ 2,746,570
Notes payable - credit lender, secured by equipment, interest at 4.84% and 4.89%, monthly principal and interest payments of \$2,862 through April 2022	<u>85,387</u> 2,831,957
Less unamortized debt issuance costs	<u>(74,640)</u>
	<u>\$ 2,757,317</u>

**PROJECT ANGEL FOOD**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 7 – Notes Payable (Continued)**

Future minimum payments under these notes consist of the following:

<b>Year Ending June 30,</b>	
2019	\$ 116,784
2020	119,643
2021	106,730
2022	105,882
2023	99,742
Thereafter	<u>2,283,176</u>
	<u>\$ 2,831,957</u>

The note payable to the bank contains various financial and nonfinancial covenants with which the Organization was in compliance at June 30, 2018.

**NOTE 8 – Commitments and Contingencies**

The Organization’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, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provision for the possible disallowance of program costs on its financial statements.

***Litigation***

In the normal course of business, the Organization may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Organization as of June 30, 2018.

**PROJECT ANGEL FOOD**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 9 – Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2018 are restricted for the following:

Transportation	\$ 50,662
Other purpose	17,168
Time	<u>60,000</u>
	<u>\$ 127,830</u>

**NOTE 10 – Allocation of Joint Costs**

The Organization conducted direct mail campaigns that included requests for contributions, as well as program components. The costs of conducting these activities included joint costs totaling \$146,650 for the year ended June 30, 2018. The joint costs for these direct mail campaigns were allocated as follows:

Program services	\$ 121,740
Fundraising	13,160
General and administrative	<u>10,590</u>
	<u>\$ 146,650</u>

**NOTE 11 – Retirement Plan**

The Organization 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.