

PROJECT ANGEL FOOD

FINANCIAL STATEMENTS

June 30, 2020
(with Comparative Totals for 2019)

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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, 2020, 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.

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 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 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, 2020, 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.

Emphasis of Matter

As discussed in Note 2, during the year ended June 30, 2020, Project Angel Food adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020 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.

Report on Summarized Comparative Information

We have previously audited Project Angel Foods's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
December 21, 2020

PROJECT ANGEL FOOD

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

ASSETS

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 5,690,519	\$ 1,770,813
Receivables	1,959,934	834,135
Prepaid expenses and other assets	114,304	90,963
Property and equipment, net	<u>6,596,566</u>	<u>6,527,163</u>
TOTAL ASSETS	<u>\$ 14,361,323</u>	<u>\$ 9,223,074</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 329,678	\$ 185,316
Accrued liabilities	446,663	336,903
PPP loan advance	541,353	-
Note payable, net	<u>2,497,317</u>	<u>2,597,333</u>
	<u>3,815,011</u>	<u>3,119,552</u>

COMMITMENTS AND CONTINGENCIES (NOTE 10)

NET ASSETS

Without donor restrictions

Undesignated	6,017,116	4,786,192
Board designated	<u>2,500,000</u>	<u>1,012,330</u>
	8,517,116	5,798,522

With donor restrictions

	<u>2,029,196</u>	<u>305,000</u>
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TOTAL NET ASSETS	<u>10,546,312</u>	<u>6,103,522</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,361,323</u>	<u>\$ 9,223,074</u>
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The accompanying notes are an integral part of these financial statements.

PROJECT ANGEL FOOD

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Support				
Individual contributions	\$ 3,368,697	\$ 903,006	\$ 4,271,703	\$ 1,704,465
Direct mail contributions	355,981	-	355,981	373,931
Corporate and foundation grants	2,235,735	394,750	2,630,485	1,459,720
Donated goods and services	174,295	-	174,295	125,440
Total Support	6,134,708	1,297,756	7,432,464	3,663,556
Revenue				
Federal grants and contracts	1,128,447	-	1,128,447	999,424
State and local grants and contracts	542,202	-	542,202	337,587
Special event revenue, net of direct expenses of \$266,559 and \$296,532, respectively	980,681	591,440	1,572,121	1,106,807
Other income	360,822	-	360,822	99,645
Total Revenue	3,012,152	591,440	3,603,592	2,543,463
Net assets released from restrictions	165,000	(165,000)	-	-
TOTAL REVENUE AND SUPPORT	9,311,860	1,724,196	11,036,056	6,207,019
EXPENSES				
Program services	5,661,875	-	5,661,875	4,368,200
Management and general services	583,322	-	583,322	305,487
Fundraising services	348,069	-	348,069	326,614
TOTAL EXPENSES	6,593,266	-	6,593,266	5,000,301
CHANGE IN NET ASSETS	2,718,594	1,724,196	4,442,790	1,206,718
NET ASSETS, BEGINNING OF YEAR	5,798,522	305,000	6,103,522	4,896,804
NET ASSETS, END OF YEAR	\$ 8,517,116	\$ 2,029,196	\$ 10,546,312	\$ 6,103,522

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

PROJECT ANGEL FOOD

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	2020				Total Expenses	2019 Total Expenses
	Program Services	Support Services		Total Support Services		
		Management and General	Fundraising			
Salaries	\$ 2,357,314	\$ 321,681	\$ 191,947	\$ 513,628	\$ 2,870,942	\$ 2,196,746
Employee benefits	330,375	45,083	26,901	71,984	402,359	289,109
Payroll taxes	185,039	25,251	15,067	40,318	225,357	162,303
TOTAL PERSONNEL COSTS	2,872,728	392,015	233,915	625,930	3,498,658	2,648,158
Food and containers	1,256,418	-	-	-	1,256,418	890,438
Consultants and outside services	286,374	39,079	23,318	62,397	348,771	224,328
Supplies	182,191	24,862	14,837	39,699	221,890	35,837
Direct mail	167,188	22,815	13,612	36,427	203,615	148,257
Utilities	132,048	18,019	10,752	28,771	160,819	151,299
Meal delivery	134,411	492	293	785	135,196	113,384
Interest expense	89,902	12,268	7,320	19,588	109,490	122,653
Repairs and maintenance	75,366	10,284	6,137	16,421	91,787	116,971
Miscellaneous	72,360	9,874	5,892	15,766	88,126	30,289
Insurance	53,943	7,361	4,392	11,753	65,696	51,857
Volunteer management	54,086	7,381	4,404	11,785	65,871	134,040
Community outreach	51,587	7,040	4,201	11,241	62,828	59,124
Bank charges	47,129	6,431	3,838	10,269	57,398	41,064
Postage	12,498	1,705	1,018	2,723	15,221	11,132
Travel	10,542	1,439	858	2,297	12,839	16,537
Furniture and equipment rental	10,080	1,375	821	2,196	12,276	22,213
Printing	8,063	1,100	657	1,757	9,820	17,357
Employment recruitment	4,432	605	361	966	5,398	9,846
Depreciation	140,529	19,177	11,443	30,620	171,149	155,517
TOTAL 2020 EXPENSES	\$ 5,661,875	\$ 583,322	\$ 348,069	\$ 931,391	\$ 6,593,266	
PERCENTAGE OF EXPENSES	86%	9%	5%	14%	100%	
TOTAL 2019 EXPENSES	\$ 4,368,200	\$ 305,487	\$ 326,614	\$ 632,101		\$ 5,000,301
PERCENTAGE OF EXPENSES	87%	6%	7%	13%		100%

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

PROJECT ANGEL FOOD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,442,790	\$ 1,214,721
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	171,149	149,785
Amortization of debt issuance costs	11,940	11,940
Loss on sale of property and equipment	237	-
Change in operating assets and liabilities:		
Receivables	(1,125,799)	(171,292)
Prepaid expenses and other assets	(23,341)	(7,199)
Accounts payable	144,362	90,545
Accrued liabilities	109,760	(9,652)
Net Cash Provided By Operating Activities	3,731,098	1,278,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(240,789)	(234,001)
Net Cash Used In Investing Activities	(240,789)	(234,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	-	(444,752)
Payments on note payable	(111,956)	(112,231)
Proceeds from PPP loan advance	541,353	-
Net Cash Provided By (Used In) Financing Activities	429,397	(556,983)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,919,706	487,864
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,049,528	561,664
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,969,234	\$ 1,049,528
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 97,551	\$ 101,346

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

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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 to the sick as they battle critical illness, bringing comfort and hope every day.

During the past 30 years, Project Angel Food (the Organization) has provided more than 12 million meals to 23,000 chronically and terminally ill clients throughout Los Angeles County. Volunteers and staff cook, prepare, and deliver nutritious meals, free of charge, to people who are too sick to shop or cook for themselves. Project Angel Food's medically tailored meals and nutritional counseling services alleviate hunger, prevent malnutrition, and help return clients to health.

Project Angel Food's delivery fleet travels over 100,000 miles each year to distribute food across thirty major geographical routes; from South and East Los Angeles, to Long Beach, to the San Fernando and San Gabriel Valleys, and 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 all 4,751 square miles of Los Angeles County.

During the 2020 fiscal year, Project Angel Food provided 842,343 medically tailored meals to the homes of 2,913 chronically or terminally ill clients. More than 3,597 volunteers assisted Project Angel Food's chefs and kitchen staff, and donated more than 33,600 hours to Project Angel Food's lifesaving cause. These numbers reflect the furlough of kitchen volunteers as of April 1 due to COVID-19. By July 2020, Project Angel Food had served more than 12 million meals and increased the number of active clients served daily from 1,500 to more than 2,000.

As a result of California State recommendations for the highest level of meal quality control and assurance, Project Angel Food installed refrigeration systems in its delivery vans in 2018. In April of that year, Project Angel Food, along with five 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 to reduce healthcare costs and improve health outcomes for 1,000 Medi-Cal subscribers. Project Angel Food was tasked with providing medically tailored meals and intensive medical nutrition therapy to 170 Medi-Cal beneficiaries with congestive heart failure over a span of three years. This groundbreaking program is the first in the United States to endeavor to show how medically tailored meals can reduce health care costs by reducing inpatient hospitalizations, hospital readmissions, and emergency room visits.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Organization (Continued)

History of Project Angel Food

Project Angel Food was founded at the height of the AIDS crisis in 1989 in West Hollywood, California. The mission was to provide love in the form of food to friends and neighbors afflicted with this life-threatening illness. Conceived by Marianne Williamson, the all-volunteer operation prepared meals for drop-in clients in a makeshift kitchen on the second floor of a church. The nature of the epidemic forced Project Angel Food to shift its model to delivering meals as fewer and fewer people were able to leave their homes. In 2004, Project Angel Food expanded its program to serve clients with different diagnoses, such as 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 a volunteer operation in a makeshift kitchen has grown into a multi-million dollar service organization with 73 staff members, including registered dietitians, bilingual client services personnel, skilled drivers, and professional chefs. Together, they cook and distribute more than 15,000 meals each week and more than 842,343 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 who are facing the multiple struggles of hunger, isolation, and their critical illness.

Project Angel Food Work

Project Angel Food partners with more than 200 healthcare, 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. Project Angel Food's registered dietitians use lab tests and client feedback to prescribe one of the 39 meal plan options to each of the 2,913 clients served during the year ended June 30, 2020. This process begins with an initial assessment upon enrollment and is followed by routine check-ins to monitor progress and to inform meal plan adjustments.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Organization (Continued)

Project Angel Food Work (Continued)

Meals are prepared daily by Project Angel Food chefs, all of whom are Certified Professional Food Managers. Chefs are assisted by a team of volunteers who execute 80% of Project Angel Food's kitchen operations in a non-COVID year. Dishes are flavorful and aesthetically pleasing, and 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.

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 are required to report unclean and unsafe living conditions.

Food is Love. Project Angel Food understands the many roles it plays in people's recovery from, or stabilization of, a life-threatening illness. Illness can be isolating, and with this in mind, Project Angel Food delivers birthday bags on each client's special day. These bags are filled with toiletries, makeup, socks, DVDs and/or CDs, snacks, other special treats, and are decorated by students from Vine Street Elementary School. Recently, Project Angel Food strengthened its collaboration with Vine Street Elementary by piloting a monthly nutrition education program. Project Angel Food also delivers hot meals to clients who are alone on Thanksgiving and Christmas Eve, flowers to all clients who are mothers on Mother's Day, and breakfast bags and holiday toys to the children of clients. Most importantly, Project Angel Food has been delivering love for more than 30 years.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Organization (Continued)

COVID-19 Pandemic

At the onset of COVID-19, Project Angel Food continued to stay open, providing uninterrupted meal preparation and delivery, serving as a critical component of the first responder ecosystem across Los Angeles County, ensuring that our clients – all of whom have medical diagnoses and most at risk of COVID-19 – can survive and thrive. In early March, the Mayor’s office designated Project Angel Food as an Essential Service provider. This enabled us to be a Front Line responder and we expanded services to meet the increased need for medically tailored meals. An aggressive fundraising campaign allowed us to immediately onboard 417 waitlist clients. At the early height of the pandemic, we were receiving 60-80 calls per day asking for our help.

In response to COVID-19, Project Angel Food provided

- chefs, dispatch, and delivery drivers to support St. Vincent Meals on Wheels;
- backup support services for Jewish Family Services of West Hollywood;
- bulk shelf stable food for the Central Hollywood Neighborhood Council’s seniors in the Hollywood zip codes of 90028 and 90038;
- an additional 3 weeks of shelf stable meals on top of regularly delivered meals for all clients; and
- two rounds of personal hygiene kits with masks, hand sanitizer, gloves and toilet paper for all clients.

Notwithstanding, Project Angel Food has also had challenges to overcome:

- For the first time in 30 years, Project Angel Food had to temporarily suspend volunteer service. Ordinarily, volunteers contribute more than 800 hours of labor to our kitchen and office operations each week – but in order to minimize potential infection and the spread of COVID-19, we mandated they stay at home.
- In their absence, we recruited skilled kitchen staff from nearby Hollywood restaurants to not only continue our kitchen service but expand due to the demand. We hired 17 employees: out-of-work restaurant chefs, dispatch workers, and delivery drivers.
- We have always adhered to strict health department guidelines, but in response we implemented new protocols including temperature checks, surgical masks, 6 feet of social distancing in the kitchen, and increased frequency of deep cleaning crew visits to our 8,000-square-foot kitchen and refrigerated vans.
- Our delivery drivers, who are on the front lines, deliver meals to our clients’ doorsteps in surgical masks and gloves, keeping 6-foot social distancing, and practice a temporary no-touch policy.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Organization (Continued)

The People Project Angel Food Serves

Project Angel Food’s 2,913 clients reflect Los Angeles County’s diversity as well its growing elderly and food-insecure population. Clients range from ages 16 to 109. People of color comprise 76% of Project Angel Food clients. Female-identified individuals make up 39% of clients and 1% of clients identify as transgender. A vast majority of Project Angel Food clients (63%) are over the age of 60. The most common illnesses in clients are HIV/AIDS (28%), cancer (15%), congestive heart failure (19%), and kidney failure (12%).

Approximately 78% of Project Angel Food clients live at or below the federal poverty level and 97% are considered “Very Low Income” by HUD standards. Most Project Angel Food clients were everyday people who led productive lives and careers prior to being diagnosed with a disabling and life-threatening illness. The severity and complications of critical illness forced many clients to stop working. They became homebound, unable to stand in lines at food banks, unable to shop and cook for themselves, and are at greater risk for malnourishment. For many, their sole source of revenue is the monthly payment from the Supplemental Security Income Program; a sum that is not enough to cover the high costs of rent and medical treatment. In these circumstances, many forgo the nutrition they need to recover, potentially exacerbating and prolonging their disability.

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. Organizations like Meals on Wheels serve only seniors and they ask for a donation fee. With many clients on the brink of homelessness, Project Angel Food is the only consistent food source for nearly 60% of its clients. Project Angel Food relieves clients of food-related distress and helps them focus on managing their health.

Project Angel Food’s weekly meal deliveries also provide social connectedness, especially for the 61% of clients who live alone. Personal connection is particularly important for older adults with more than one social integration risk indicator (e.g., living alone, lack of social network, retirement, physical impairment, mental illness). And, anecdotal evidence indicates that Project Angel Food clients look forward to their drivers’ weekly visits as they lift the clients’ spirits and remind them that they are loved. This spring, we implemented a new program, “Telephone Angels” offering furloughed volunteers the opportunity to connect by phone with our clients who have been more isolated than ever due to COVID-19.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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;
- to alleviate malnutrition and starvation through its medically tailored meal program; and
- to provide nutritional counseling to all clients enrolled in the meal program.

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 require follow-up within 3 months while priority 4 clients are more stable and receive follow-up for once a year. After the session, the dietitian populates 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, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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, and include a self-addressed business reply envelope, and deadline for submission. The annual feedback survey demonstrates the effectiveness of medically tailored diets on client recovery. Based on Project Angel Food's most recent survey

- 97.2% of clients were able to maintain taking their medications;
- 97.8% of clients feel their health has improved;
- 97.4% of clients reported reduced food insecurity stress; and
- 95.9% reported Project Angel Food helped them maintain a healthy weight.

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 creates route sheets matching specific 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 six-member management team oversees Project Angel Food's daily operations. A staff of 73 comprise the program, kitchen, dispatch, client services, nutrition services, volunteer services, development, operations, finance and administrative divisions. Together, with the support of a dedicated corps of volunteers, they fulfill the Project Angel Food mission.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Organization (Continued)

Organizational Structure (Continued)

Volunteers are the heart and soul of Project Angel Food. They provide a critical human touch to the program and supply an element of caring and compassion that is often missing from the clients' lives. Representing the breadth of the Los Angeles County community, Project Angel Food's volunteers include retired senior citizens, high school and college students, people on hiatus, people with flexible work schedules, and many corporate and community groups. Project Angel Food also provides volunteer opportunities for 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 involvement and Project Angel Food's partnerships with 200 health care, social services, and community-based organizations 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, California Food Is Medicine Coalition, National Food Is Medicine Coalition, and Root Cause Coalition.

Project Angel Food's ongoing contracted relationship with the Los Angeles County Department of Public Health, Division of HIV and STD Programs (DHSP) has targeted services to highly impacted communities of color in Los Angeles County, as well as those who are aging with HIV and experiencing early onset health decline and frailty. DHSP promotes Project Angel Food and other support services as avenues for facilitating and supporting medical treatment and community viral suppression.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Organization (Continued)

Collaborations (Continued)

Project Angel Food’s collaboration with APLA Health is nearly 30 years old and now includes sharing our Vine Street space for APLA’s Necessities of Life food pantry every Saturday and our drivers providing monthly delivery of APLA groceries to underserved residents in the eastern San Gabriel Valley and Venice Beach areas. APLA Health and Project Angel Food have also piloted a program to combat social isolation of older HIV clients by creating screening parties of the FX TV show *Pose*, while a delicious lunch is served at our Vine Street location. This program is now on hold due to COVID-19.

Project Angel Food also works with the Charles Drew University OASIS Clinic and Spectrum to engage the underserved HIV/AIDS community of South Los Angeles. Project Angel Food meals function as 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

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 more than 15,000 meals a week to 2,367 clients, for whom a healthy meal, delivered with a warm smile, is truly lifesaving. For Life. For Love. For as Long as it takes...

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standard

During the year ended June 30, 2020, Project Angel Food adopted Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) and 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), and has applied them prospectively. ASU 2014-09 will replace most existing revenue recognition guidance and requires 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. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

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.

Financial Statement Presentation

The financial statements of the Organization have been prepared under the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions - 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, 2020, the governing board has designated, from net assets without donor restrictions, net assets of \$2,500,000 as an operating reserve.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

With Donor Restrictions - Net assets subject to donor-imposed restrictions that may be temporary in nature and that may be or will be met either by actions of the Organization or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus. At June 30, 2020, the Organization had no net assets with donor restrictions that are restricted in perpetuity.

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.

Prior-Year Comparative Information

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 the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Receivables

Receivables mainly consist of grants and contributions receivables and amounts due for services performed. Management estimates an allowance for doubtful accounts 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, 2020, the Organization evaluated the collectability of receivables and determined that no allowance for doubtful accounts was necessary.

Discounts for receivables due over one year are recorded as reductions to contribution revenue and receivables when deemed material. The Organization did not discount any long-term receivables due to the immaterial nature of the discount.

Bequests

The Organization 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. The Organization 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. 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

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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, 2020.

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 \$50,760 at June 30, 2020.

Revenue Recognition

Revenue from the sales of goods is recognized when the performance obligation is met, at the time of purchase.

Unconditional contributions, including promises to give, are recognized as revenue and support in the period received and recorded at estimated fair value. Revenue and support are reported as increases in without donor restricted net assets, unless use of the related assets is limited by donor-imposed restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no significant conditional promises to give at June 30, 2020.

A portion of revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are deferred and are recorded as deferred revenue and are included in accrued liabilities in the statement of financial position.

PROJECT ANGEL FOOD

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Event revenue is recognized when the event takes place. Any funds received in advance are recorded as deferred revenue 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, 2020, Project Angel Food recognized services of 2,369 hours valued at \$50,605. Additionally, the Organization received donated goods, which totaled \$123,690.

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 31,000 hours valued at approximately \$421,000.

Advertising Costs

Project Angel Food expenses the costs of advertising (Community Outreach) as incurred. The total expense was \$51,329 for the year ended June 30, 2020.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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, 2020, the Organization had no unrecognized tax benefits, tax penalties, or interest.

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.

Recently Issued Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. 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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through December 21, 2020, the date on which the financial statements were available to be issued.

NOTE 3 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at June 30, 2020:	
Cash and cash equivalents	\$ 5,690,519
Receivables	<u>1,959,934</u>
	7,650,453
Less amounts not available to be used within one year due to:	
Board-designated reserve	(2,500,000)
Donor-imposed purpose or time restrictions	<u>(2,029,196)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 3,121,257</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's governing board has designated a portion of its unrestricted resources for reserve purposes. These funds remain available and may be spent at the discretion of the board and could be appropriated if needed. At June 30, 2020, the Organization had an additional liquidity resource of \$700,000 through the available borrowing capacity on its bank line of credit.

PROJECT ANGEL FOOD

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 4 – Receivables

Receivables at June 30, 2020 are expected to be collected as follows:

Within one year	
Receivables from contracts with customers	\$ 123,522
Grants and contributions receivables	1,666,412
In one to five years	
Grants and contributions receivable	<u>170,000</u>
Total receivables	<u>\$ 1,959,934</u>

NOTE 5 – Property and Equipment

Property and equipment at June 30, 2020 consists of the following:

Building	\$ 7,067,719
Kitchen equipment	1,086,972
Furniture and fixtures	117,030
Office equipment	55,502
Vehicles	<u>460,585</u>
	8,787,808
Less accumulated depreciation	<u>(2,191,242)</u>
Property and equipment, net	<u>\$ 6,596,566</u>

Depreciation expense for the year ended June 30, 2020 was \$171,149.

NOTE 6 – Accrued Liabilities

Accrued liabilities at June 30, 2020 consists of the following:

Accrued vacation	\$ 156,071
Accrued salaries and related expenses	152,567
Deferred revenue	128,832
Other accrued liabilities	<u>9,193</u>
Total accrued liabilities	<u>\$ 446,663</u>

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 7 – Line of Credit

As of June 30, 2020, Project Angel Food had a reducing revolving line of credit in the amount of \$700,000 from a bank at an interest rate of 0.5% over the bank's prime rate. The bank's prime rate was 3.25% as of June 30, 2020. 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, 2020, no amount 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, 2020.

NOTE 8 – PPP Loan Advance

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the PPP are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In April 2020, the Organization received a loan in the amount of \$541,353 through the PPP. To the extent it is not forgiven, the Organization would be required to repay that portion at an interest rate of 1%, beginning February 2021, with a final installment in April 2022. Management expects that the entire loan will be used for payroll; therefore, management anticipates that the loan will be substantially forgiven. Final approval of any loan forgiveness amount is subjected to the Small Business Administration, which management believes will be granted.

NOTE 9 – Note Payable

The note payable consists of the following at June 30, 2020:

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	\$ 2,548,077
Less unamortized debt issuance costs	<u>(50,760)</u>
	<u>\$ 2,497,317</u>

PROJECT ANGEL FOOD

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 9 – Note Payable (Continued)

The note payable to the bank contains various financial and nonfinancial covenants with which the Organization was in compliance at June 30, 2020.

At June 30, 2020, the future minimum payments under the note are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 91,704
2022	95,242
2023	98,918
2024	102,502
2025	<u>2,159,711</u>
	<u>\$ 2,548,077</u>

Subsequent to year-end, the Organization made significant advance payments on the note payable of approximately \$1,450,000, which led to a revised payment schedule.

NOTE 10 – 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, 2020.

PROJECT ANGEL FOOD

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 10 – Commitments and Contingencies (Continued)

Business Risks Associated with the Impact of COVID-19

Because of the severity and global nature of the COVID-19 pandemic, the impact on the Organization’s business could be significant and have a material impact on its financial position and operating results. There is significant uncertainty and management is in the process of evaluating the potential future impact on its business and financial statements.

NOTE 11 – Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 are restricted for the following:

Capital campaign for capacity building	\$ 903,006
Staffing	100,000
Meals	294,750
Time	631,440
Other	<u>100,000</u>
	<u>\$ 2,029,196</u>

NOTE 12 – 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.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Project Angel Food

We have audited, in accordance with the 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, the financial statements of Project Angel Food (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winder, Inc.

Long Beach, California
December 21, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Project Angel Food

Report on Compliance for Each Major Federal Program

We have audited Project Angel Food's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

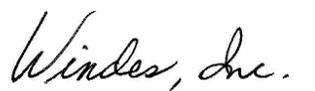
Report on Compliance for Each Major Federal Program

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Long Beach, California
December 21, 2020

PROJECT ANGEL FOOD

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Through to Subrecipients</u>
Department of Health and Human Services <i>Passed-through the Department of Health Services of the County of Los Angeles</i>			
Ryan White Title I	93.914	\$ 889,768	\$ -
 <i>Passed-through the Emergency Food and Shelter Program</i>			
Federal Emergency Management Agency	97.024	<u>243,300</u>	<u>-</u>
 Total Expenditures of Federal Awards		<u>\$ 1,133,068</u>	<u>\$ -</u>

PROJECT ANGEL FOOD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in the notes to the financial statements of the Organization as of and for the year ended June 30, 2020.

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

There were no awards passed through to subrecipients.

PROJECT ANGEL FOOD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

The auditors' report expresses an unmodified opinion on whether the financial statements of the Organization were prepared in accordance with general accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Type of auditors' report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? – No
5. Identification of major programs:
Ryan White Title I, CFDA #93.914
6. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. Auditee qualified as low-risk auditee? – No

SECTION II - FINDINGS FINANCIAL STATEMENTS AUDIT

None noted.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted.