

# PROJECT ANGEL FOOD

## FINANCIAL STATEMENTS

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June 30, 2021  
(with Comparative Totals for 2020)

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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, 2021, 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, 2021, 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.

### ***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 12/7/2021 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California  
December 7, 2021

**PROJECT ANGEL FOOD**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**ASSETS**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,416,761	\$ 5,690,519
Receivables	1,526,193	1,959,934
Prepaid expenses and other assets	498,733	114,304
Limited partnership interest	1,171,800	-
Property and equipment, net	<u>6,955,386</u>	<u>6,596,566</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 17,568,873</u></b>	<b><u>\$ 14,361,323</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 392,494	\$ 329,678
Accrued liabilities	430,679	317,831
Deferred revenue	668,355	128,832
PPP loan advance	-	541,353
Note payable, net	<u>-</u>	<u>2,497,317</u>
	<u>1,491,528</u>	<u>3,815,011</u>

**COMMITMENTS AND CONTINGENCIES (NOTE 11)**

**NET ASSETS**

**Without donor restrictions**

Undesignated	12,283,614	6,017,116
Board designated	<u>2,500,000</u>	<u>2,500,000</u>
	<u>14,783,614</u>	<u>8,517,116</u>

**With donor restrictions**

<u>1,293,731</u>	<u>2,029,196</u>
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<b>TOTAL NET ASSETS</b>	<b><u>16,077,345</u></b>	<b><u>10,546,312</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 17,568,873</u></b>	<b><u>\$ 14,361,323</u></b>
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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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Support				
Individual contributions	\$ 4,304,307	\$ 531,200	\$ 4,835,507	\$ 4,271,703
Direct mail contributions	375,897	-	375,897	355,981
Corporate and foundation grants	3,079,852	499,250	3,579,102	2,630,485
Donated goods and services	76,022	-	76,022	174,295
Total Support	7,836,078	1,030,450	8,866,528	7,432,464
Revenue				
Federal grants and contracts	2,356,172	-	2,356,172	1,128,447
State and local grants and contracts	524,197	-	524,197	542,202
Special event revenue, net of direct expenses of \$83,288 and \$266,559, respectively	655,344	-	655,344	1,572,121
PPP loan forgiveness	541,353	-	541,353	-
Other income	354,765	-	354,765	360,822
Total Revenue	4,431,831	-	4,431,831	3,603,592
Net assets released from restrictions	1,765,915	(1,765,915)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	14,033,824	(735,465)	13,298,359	11,036,056
<b>EXPENSES</b>				
Program services	6,663,863	-	6,663,863	5,661,875
Management and general services	568,266	-	568,266	583,322
Fundraising services	535,197	-	535,197	348,069
<b>TOTAL EXPENSES</b>	7,767,326	-	7,767,326	6,593,266
<b>CHANGE IN NET ASSETS</b>	6,266,498	(735,465)	5,531,033	4,442,790
<b>NET ASSETS, BEGINNING OF YEAR</b>	8,517,116	2,029,196	10,546,312	6,103,522
<b>NET ASSETS, END OF YEAR</b>	\$ 14,783,614	\$ 1,293,731	\$ 16,077,345	\$ 10,546,312

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

# PROJECT ANGEL FOOD

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021					2020 Total Expenses
	Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	
Salaries	\$ 2,990,765	\$ 340,549	\$ 320,834	\$ 661,383	\$ 3,652,148	\$ 2,870,942
Employee benefits	371,013	42,246	39,800	82,046	453,059	402,359
Payroll taxes	241,458	27,494	25,902	53,396	294,854	225,357
<b>TOTAL PERSONNEL COSTS</b>	<b>3,603,236</b>	<b>410,289</b>	<b>386,536</b>	<b>796,825</b>	<b>4,400,061</b>	<b>3,498,658</b>
Food and containers	1,559,271	-	-	-	1,559,271	1,256,418
Consultants and outside services	158,315	18,027	16,983	35,010	193,325	348,771
Supplies	182,989	20,836	19,630	40,466	223,455	221,890
Direct mail	134,251	15,287	14,402	29,689	163,940	203,615
Utilities	150,175	17,100	16,110	33,210	183,385	160,819
Meal delivery	118,302	492	293	785	119,087	135,196
Interest expense	73,137	8,328	7,846	16,174	89,311	109,490
Repairs and maintenance	116,808	13,301	12,531	25,832	142,640	91,787
Miscellaneous	94,481	10,759	10,135	20,894	115,375	88,126
Insurance	57,224	6,516	6,139	12,655	69,879	65,696
Volunteer management	62,284	7,092	6,680	13,772	76,056	65,871
Community outreach	62,147	7,076	6,667	13,743	75,890	62,828
Bank charges	43,567	4,961	4,674	9,635	53,202	57,398
Postage	20,327	2,315	2,181	4,496	24,823	15,221
Travel	574	65	62	127	701	12,839
Furniture and equipment rental	11,976	1,364	1,285	2,649	14,625	12,276
Printing	4,690	534	503	1,037	5,727	9,820
Employment recruitment	7,658	872	822	1,694	9,352	5,398
Depreciation	202,451	23,052	21,718	44,770	247,221	171,149
<b>TOTAL 2021 EXPENSES</b>	<b>\$ 6,663,863</b>	<b>\$ 568,266</b>	<b>\$ 535,197</b>	<b>\$ 1,103,463</b>	<b>\$ 7,767,326</b>	
<b>PERCENTAGE OF EXPENSES</b>	<b>86%</b>	<b>7%</b>	<b>7%</b>	<b>14%</b>	<b>100%</b>	
<b>TOTAL 2020 EXPENSES</b>	<b>\$ 5,661,875</b>	<b>\$ 583,322</b>	<b>\$ 348,069</b>	<b>\$ 931,391</b>		<b>\$ 6,593,266</b>
<b>PERCENTAGE OF EXPENSES</b>	<b>86%</b>	<b>9%</b>	<b>5%</b>	<b>14%</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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,531,033	\$ 4,442,790
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	247,221	171,149
Amortization of debt issuance costs	50,760	11,940
(Gain) loss on sale of property and equipment	(2,104)	237
Contributed limited partnership interest	(1,171,800)	-
Forgiveness of PPP Loan	(541,353)	-
Change in operating assets and liabilities:		
Receivables	433,741	(1,125,799)
Prepaid expenses and other assets	(384,429)	(23,341)
Accounts payable	62,816	144,362
Accrued liabilities	112,848	524,701
Deferred revenue	<u>539,523</u>	<u>(414,941)</u>
Net Cash Provided By Operating Activities	<u>4,878,256</u>	<u>3,731,098</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(636,678)	(240,789)
Proceeds from sale of property and equipment	<u>32,741</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(603,937)</u>	<u>(240,789)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on note payable	(2,548,077)	(111,956)
Proceeds from PPP loan advance	<u>-</u>	<u>541,353</u>
Net Cash Provided By (Used In) Financing Activities	<u>(2,548,077)</u>	<u>429,397</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,726,242	3,919,706
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,690,519</u>	<u>1,770,813</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 7,416,761</u></u>	<u><u>\$ 5,690,519</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u><u>\$ 38,551</u></u>	<u><u>\$ 97,551</u></u>

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



## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

#### **NOTE 1 – Organization**

Project Angel Food's mission is to improve health outcomes and end food insecurity for critically ill men, women, and children in Los Angeles by preparing and delivering Medically Tailored Meals with compassion and hope.

During the past 32 years, Project Angel Food (the Organization) has provided more than 14 million meals to 25,000+ 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 improve health outcomes. Scientific research and nutritional best practices transform the "food is medicine" concept into action that changes lives.

Project Angel Food's delivery fleet of refrigerated vans travels over 175,000 miles each year to distribute food across 47 major geographical routes. We serve clients throughout the entire 4,751 square miles of Los Angeles County, including the Antelope Valley, East Los Angeles, Metro Los Angeles, San Fernando Valley, San Gabriel Valley, South Los Angeles, South Bay/Long Beach, and West Los Angeles. 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 county.

During the 2021 fiscal year, Project Angel Food prepared and delivered 1,144,346 meals serving 3,066 chronically or terminally-ill clients. One-hundred-eight children also received breakfast via our Healthy Mornings Program, and 300 clients were served with support from our Health Care Partners, Anthem Health and Radiant Health, among others. These health care providers recognize that Project Angel Food's "food is medicine" approach improves health outcomes and often reduces future hospitalization.

Mandated COVID mitigation safety protocols required us to pause our kitchen volunteer program until May of 2021. As a result, we needed to hire nearly 20 additional employees to prepare, pack, and deliver our meals. Fortunately, 521 vaccinated and masked volunteers contributed more than 7,843 hours making contactless meal deliveries directly to our clients, many homebound due to the pandemic.

**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 1 – Organization (Continued)**

Project Angel Food broke agency records in clients served, meals served, and new clients enrolled. Average daily clients served increased almost 40% to 2,300, meals served increased 36% to 1,144,346, and new intakes increased 37% to 1,768. Project Angel Food served its milestone 13-millionth meal on October 9, 2020 and only eight months later, on June 3, 2021, hit a new milestone: 14 million meals served.

Project Angel Food has been awarded a Four-Star Rating from Charity Navigator, the highest possible donor confidence rating, Project Angel Food adheres to sector best practices and executes its mission in a financially efficient way.

***History of Project Angel Food***

Project Angel Food was founded during 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 the 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 AIDS 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. The onset of the COVID epidemic once again spurred Project Angel Food to adapt and expand in order to serve our clients. The pandemic brought the heightened vulnerability of our clients to the forefront.

Project Angel Food partners with more than 200 healthcare, social services, and community-based organizations to promote its Medically Tailored Meals delivery and nutritional services for critically ill clients.

**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 1 – Organization (Continued)**

***History of Project Angel Food (Continued)***

Food is Medicine. Project Angel Food is a member of the Food Is Medicine Coalition (FIMC), an association of nonprofit medically tailored meal providers who serve people in communities across the country who are too sick to shop or cook for themselves. According to research from the Food Is Medicine Coalition, chronically ill individuals receiving Medically Tailored Meals have 50% less hospitalizations than chronically ill individuals who are not receiving Medically Tailored Meals. Therefore, 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 five primary meal plan options to each of the 3,006 unique clients served annually. Those plans include Heart Healthy and Diabetic Friendly, Congestive Heart Failure, Gastral Intestinal, Renal, Chronic Kidney Disease, and Vegetarian. Other modifications are made for allergies and religious considerations. Identifying the correct meal plan for a client 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 chefs and nutrition teams collaborate on each recipe, adjusting ingredients for Medically Tailored Meal plan using the latest research and evidence-based guidelines, constantly evolving to improve health outcomes of those we serve. Meals are prepared daily by Project Angel Food chefs, all of whom are Certified Professional Food Managers. After a 15-month pause in our kitchen volunteer program due to COVID, in May of 2021, volunteers were reintroduced in limited numbers back into the process of assisting Chefs in Project Angel Food's kitchen operations. Dishes are flavorful, 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, some of which are grown pesticide-free at local community gardens. Project Angel Food Meals contain no preservatives or chemicals, no added sugar, and are delivered directly from the Project Angel Food kitchen to the client's door.

**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 1 – Organization (Continued)**

***History of Project Angel Food (Continued)***

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 thinks holistically about our clients and 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 volunteers, often elementary schools, churches, and youth groups. Special Care Packages are also delivered to veterans on Veterans Day. Traditional turkey dinners are delivered to clients and their caregivers on Thanksgiving, with culturally cultivated meals for Christmas, Passover, and June 13th. Flowers are delivered to all clients who are mothers on Mother's Day and Project Angel Food makes certain that every child of every client receives a bounty of holiday gifts at Christmas. Because parents are often struggling with their health, as well as food and financial insecurity, Project Angel Food provides breakfasts for their children, so the children can be cared for as well. Project Angel Food's Telephone Angels Program connects volunteers with clients who feel depressed, isolated, and alone to mitigate these feelings with the non-medical, non-psychological social intervention of human connection. These actions reflect Project Angel Food's commitment offering care, compassion, and hope. Project Angel Food has been delivering love for more than 32 years.

***COVID-19 Pandemic***

At the onset of COVID, 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 are most at risk of COVID-19 – could survive and thrive. In March of 2020, the Mayor's office designated Project Angel Food as an Essential Service provider. These efforts continue into the year ended June 30, 2021, as Project Angel Food experienced an increased demand for services with the fragility and inequity of the healthcare system, and the vulnerability of the critically ill population heightened by the strains of the pandemic.

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

#### **NOTE 1 – Organization (Continued)**

##### ***COVID-19 Pandemic (Continued)***

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

- Project Angel Food continued its suspension of the kitchen volunteer program until the last sixty days of the year ended June 30, 2021 and continued to rely on skilled kitchen staff to keep up the increased meal production and deliver. Volunteers were gradually integrated back into the system: three masked and vaccinated volunteers working at a time. A lot had changed in the year they were gone: the kitchen was working at a much faster, more efficient pace, and adjustments needed to be made so volunteers could contribute to the process meaningfully without slowing down production.
- COVID mitigation protocols continue with vaccination requirements, testing 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. No person can work or volunteer at Project Angel Food unless they are fully vaccinated.
- 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.

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

Project Angel Food's 3,066 clients reflect Los Angeles County's diversity as well its growing elderly and food-insecure population. Clients range from as young as 5 years old to 107. People of color comprise 76% of Project Angel Food clients. We have a population that is 37% Hispanic/Latino; 28% Black; 24% White; 6% Asian/Pacific Islander; 4% Other; and 1% Native American. Female-identified individuals make up 42% of clients, Male 57%, and 1% are female-identifying transgender clients. Twenty-five percent of Project Angel Food's clients are part of the LGBTQ+ community.

The median age of Project Angel Food's clients is 64 years old, with the vast majority of Project Angel Food clients (64%) over the age of 60. The most common illnesses in clients are HIV/AIDS (27%), cancer (20%), congestive heart failure (17%), and kidney failure (10%). Clients on service due to COVID quadrupled year-to-year and now make up 4% of our client population.

**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 1 – Organization (Continued)**

***The People Project Angel Food Serves (Continued)***

Seventy-seven percent of Project Angel Food clients live at or below the federal poverty level and 97% are considered “Very Low Income” by the Housing and Urban Development (HUD) standards. Most Project Angel Food clients 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 77% of its clients. Project Angel Food relieves clients of food-related distress and helps them focus on managing their health, while maintaining strict protocols for client safety. Project Angel Food has a good rating for HIPAA compliance and is constantly striving to improve the privacy of all Project Angel Food clients and employees.

Project Angel Food’s weekly meal deliveries also provide social connectedness, especially for the 62% 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. Ninety percent of clients participating in Project Angel Food’s volunteer-client phone buddy program, Telephone Angels, report being less depressed and in better moods because of their calls.

**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 1 – Organization (Continued)**

***The People Project Angel Food Serves (Continued)***

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 a follow-up 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.

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
- 95.9% reported Project Angel Food helped them maintain a healthy weight

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

#### **NOTE 1 – Organization (Continued)**

##### ***The People Project Angel Food Serves (Continued)***

Project Angel Food's nutrition services department creates meal orders (Medically Tailored Meals, MTMs) 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. Drivers or volunteers deliver the MTMs. 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 and/or volunteers 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. Lead by a CEO, a seven-member management team oversees Project Angel Food's daily operations. A staff of 69 comprise the Program, Kitchen, Dispatch, Client Services, Nutrition Services, Volunteer Services, Development, Operations, Finance, and Administration divisions. Together, with the support of a dedicated corps of volunteers, they fulfill the Project Angel Food mission.

Although we reduced volunteer involvement due to the pandemic, volunteers remain 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, behind the masks, 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.



**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 1 – Organization (Continued)**

***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, 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 Medi-Cal beneficiaries with congestive heart failure over a span of three years beginning in 2018. This groundbreaking program is the first in the United States to endeavor to show how medically tailored meals can lower health care costs by reducing inpatient hospitalizations, hospital readmissions, and emergency room visits. This year, Project Angel Food has served 161 clients through this program, most of whom have anecdotally reported fewer in hospitalizations because of the Medically Tailored Meal program and counseling.

On Indigenous Peoples’ Day, October 11, 2020, Project Angel Food announced the Native American Diabetes Project in conjunction with the USC Keck School of Medicine. The two-year study integrates nutrition, social needs, and tradition and measures how Project Angel Food’s Medically Tailored Meals, combined with counseling, and community can improve health outcomes and mental wellbeing of Indigenous People with Diabetes. This research is made possible with underwriting from Project Angel Food board member Runningbear Ramirez. Trials for the project are set to begin in the winter of 2021.

The Project Angel Food Programs Team began meeting with a group of Registered Dietitians and Administrators from multiple hospitals in the San Gabriel Valley as part of a Food for Health initiative that will begin providing groceries from Seeds of Hope and home-delivered Medically Tailored Meals from Project Angel Food to persons identified as food insecure and nutritional insecure by hospital staff. This one-of-a-kind collaborative will begin providing services in the year ending June 30, 2022.

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)**

#### **NOTE 1 – Organization (Continued)**

##### ***Collaborations (Continued)***

Other collaborations include partnerships with:

211 County Health and Human Services, Acceptance Hospice, Actors Fund, Agape Hospice, AIDS HEALTHCARE FOUNDATION, AIDS Service Center, AIDS for AIDS, All Seasons Hospice, Alliance for Housing and Healing, Altamed Health Services, Alzheimer's Greater Los Angeles, American Association of Retired Persons, American Cancer Society, Andrew Escajeda Clinic, Angel Hospice, Angelus Plaza, Antelope Valley Hope Center, Antelope Valley Kidney Institute, APLA-NOLP, Apple Care, Arroyo Dialysis, Avon Cares for Life, Bartz-Altadonna Medical Center Being Alive, Bienestar Human Services, Blue Cross, Blue Shield, Burbank Temporary Aid Center, CA IHSS Dept of Social Services, Cancer Care Institute, Cancer Support Communities, Carabello Dialysis, Care First Health Plan, Care More, Carson Dialysis, Catalyst Foundation, Cedars Sinai Medical Center, Central City Community Health Center, City of Carson Senior Services, City of Hope, Clinica Msr. Oscar A Romero, Comfort Care Hospice, Companion Hospice, Comprehensive Care Clinic, Davita Dialysis, Doctor's Dialysis, Downtown Women's Center, East LA Dialysis, East Los Angeles Women's Center, East Valley Community Health Center, Eisner Health, Exodus Recovery, Faith and Hope Hospice, Family Care Specialists, Florence Dialysis Center, Foothill AIDS Project, Fresenius Dialysis, Good Samaritan Hospital, HAGA Hospice, Hawthorne Care Hospice, Health Care Partners Medical Group, Helping Hands Long Beach, Heritage Clinics, High Desert Regional Health System, Hollywood Community Housing Corp., Hollywood Presbyterian Medical Center, Homeless Health Care LA, Hospice Touch, Housing Works, Hunger Action Los Angeles, Huntington Hospital, SCAN Independence at Home, Intercommunity Dialysis Clinic, Jewish Family Services of L.A., Jeffrey Goodman Clinic, JWCH Institute, Kaiser Permanente, LA CARE Health Plan, LA CO Commission on HIV, LA CO Community and Senior Services, LA CO Department of Social Services, LA CO EIP Long Beach, LA CO EIP Oasis Clinic, LA CO Harbor UCLA Medical Center, LA CO Hubert Humphrey Clinics, LA CO In Home Supportive Services, LA CO LAC+USC 5P21, LA CO LAC+USC Maternal Child & Adolescent, LA CO LAC+USC Women and Children Hospital, LA CO MLK Jr Outpatient Center, LA CO Olive View - UCLA Medical Center, LA CO Roybal Comprehensive Health Center, LA City Department on Aging, LAMP, Laurel Canyon Dialysis, Lim Keith Medical Center, Little Tokyo Service Center, Long Beach Comprehensive Health Center, Long Beach Gay and Lesbian Center, Long Beach Quest Dialysis, Los Alamitos Dialysis, Los Angeles Center for Women's Health, Los Angeles Christian Health Center, Los Angeles Community Hospital, Los Angeles Hospice, Los Angeles LGBT Center, Martin Luther King Jr. Community Hospital,

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)**

#### **NOTE 1 – Organization (Continued)**

##### ***Collaborations (Continued)***

Meals on Wheels of Long Beach, Meals on Wheels West, Men's Health Foundation, Mental Health America of Los Angeles, Minority AIDS Project, Mission Hospice, Mobile Dialysis Center, Modern Health Specialty Pharmacy, Mohan Dialysis, Molina Health Care, Montebello Artificial Kidney Center, Northeast Valley Health Corp., Northridge Dialysis Center, Northridge Hospital, Nurses Touch Hospice, Pacific Oaks Medical Center, Partners In Care, Positive Health Care, PATH, Premier Dialysis, Project Chicken Soup, Project New Hope, Promise Hospice, Providence Saint Joseph Medical Center/Hospice, Providence Trinity Hospice, Queens' Care Hospice, Rainbow Bridge Community Services, Rancho Los Amigos, Regal Medical Group, Rehab Without Walls, Renal Care Partners, Roze Room Hospice, Saban Community Clinic, Saint Barnabas Senior Services, Saint John's Well Child and Family Center, Saint Mary's Medical Center CARE Program, Saint Thomas the Apostle, Saint Vincent Meals on Wheels, San Fernando Valley Community Mental Health Center, Satellite Dialysis, SCAN Health Plan, Skid Row Housing Trust, Society of St. Vincent de Paul, Special Services for Groups, Spectrum Community Services & Research, SRO Housing Corp., Star Clinic, Sunset Hall, Susan G. Komen Los Angeles County, T.H.E. Clinic, Tarzana Treatment Center, The People Concern, The Serra Project, Thomas Safran and Associates, Thomas Safran and Associates, Trinity Hospice, U.S. Renal Care, UCLA Medical Center, University Park Dialysis, V.A. Greater Los Angeles Healthcare System, Valley's Best Hospice, Valley's Best Hospice, Valley Community Health Care, Venice Family Clinic, Vitas Hospice, Watts Health Center, West Hollywood Social Services, White Memorial Hospital, Whittier Rio Hondo AIDS Project, Wise Senior Services, Women's Cancer Center.

Over three decades of continuous, uninterrupted service proves Project Angel Food's effectiveness in the preparation and delivery of quality, nutritious Medically Tailor Meals that support the specific dietary needs of people affected by HIV/AIDS, cancer, CHF, diabetes, and other life-threatening illnesses. Project Angel Food is ending food insecurity and improving health outcomes for 3,066 unduplicated critically-ill men, women, and children each year, by preparing and delivering as many as 95,691 meals in a month. Food is medicine, food is love, and Project Angel Food will go the distance for our most vulnerable neighbors. For LIFE. For LOVE. For as Long as it takes...

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)**

#### **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.

##### ***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, 2021, the governing board has designated, from net assets without donor restrictions, net assets of \$2,500,000 as an operating reserve.

***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, 2021, 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.

**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

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

***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, 2020, 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.

***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, 2021, 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.

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

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

##### ***Investment in Limited Partnership***

The Organization's investment represents ownership in a limited partnership and is considered an alternative investment. Alternative investments that are purchased are recorded at their acquisition cost. Alternative investments received as contributions are measured at fair value and recognized as revenue or gain in the period received. Recognized gains and losses on alternative investments, and the dividends, interest, and other income generated by those investments, are reported in the statement of activities as increases in net assets without donor restrictions, unless use of the assets or investment income is limited by donor-imposed restrictions. If the Organization determines that the carrying value of an investment exceeds its fair value, and that difference is other than temporary, the Organization writes down the value of the investment to its fair value.

##### ***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, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**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, 2021.

***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.

***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. At June 30, 2021, the Organization is party to conditional contributions of approximately \$667,000, which are contingent on the occurrence of certain special events and are recognized as deferred revenue in the accompanying statement of financial position.

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 included in accrued liabilities in the statement of financial position.

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)**

#### **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, 2021, Project Angel Food recognized services of 2,526 hours valued at \$76,022.

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 5,317 hours valued at approximately \$79,892.

##### ***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, 2021, 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.



**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

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

***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.

***Fair Value of Financial Instruments***

Investments are reported at fair value (except for alternative investments, which are reported at acquisition cost or contributed value). The carrying amount of cash and payables approximates fair value because of the relatively short-term nature of these financial instruments.

Current accounting standards define fair market value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. These standards categorize the method for determining the fair market value into three levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The Organization's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

**PROJECT ANGEL FOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

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

***Recently Issued Accounting Pronouncement***

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.

***Subsequent Events***

Management has evaluated subsequent events through December 7, 2021, 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, 2021:	
Cash and cash equivalents	\$ 7,416,761
Receivables	1,526,193
Limited partnership interest	<u>1,171,800</u>
	10,114,754
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>(1,293,731)</u>
Financial assets available to meet general expenditures within one year:	<u><u>\$ 6,321,023</u></u>

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

#### **NOTE 3 – Liquidity and Availability of Resources (Continued)**

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, 2021, the Organization had an additional liquidity resource of \$700,000 through the available borrowing capacity on its bank line of credit.

#### **NOTE 4 – Receivables**

Receivables at June 30, 2021 are expected to be collected as follows:

Within one year	
Receivables from contracts with customers	\$ 374,101
Grants and contributions receivables	982,092
In one to five years	
Grants and contributions receivable	<u>170,000</u>
Total receivables	<u>\$ 1,526,193</u>

#### **NOTE 5 – Limited Partnership Interest**

During the year ended June 30, 2021, the Organization received a contribution of an 8.335% ownership interest in a limited partnership as a limited partner, which was recognized at its estimated value of the contribution at the date of the gift of \$1,171,800. The contribution was recognized with individual contributions in the statement of activities for the year ended June 30, 2021. No change in the value of the asset was recognized during the year ended June 30, 2021. Revenue earned from the partnership during the year ended June 30, 2021 totaled \$14,445. The limited partnership is a real estate holding partnership, whose primary assets are industrial warehouse buildings in New Jersey, and earns revenue through rental income.

## PROJECT ANGEL FOOD

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

#### NOTE 6 – Property and Equipment

Property and equipment at June 30, 2021 consists of the following:

Building	\$ 6,974,659
Kitchen equipment	1,371,598
Furniture and fixtures	442,041
Office equipment	55,502
Vehicles	504,469
Construction in Progress	<u>26,972</u>
	9,375,269
Less accumulated depreciation	<u>(2,419,855)</u>
Property and equipment, net	<u>\$ 6,955,386</u>

Depreciation expense for the year ended June 30, 2021 was \$274,221.

#### NOTE 7 – Accrued Liabilities

Accrued liabilities at June 30, 2021 consists of the following:

Accrued vacation	\$ 240,036
Accrued salaries and related expenses	175,643
Deferred revenue	668,355
Other accrued liabilities	<u>15,000</u>
Total accrued liabilities	<u>\$ 1,099,034</u>

#### NOTE 8 – Line of Credit

As of June 30, 2021, 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, 2021. 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, 2021, 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, 2021.

## **PROJECT ANGEL FOOD**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR 2020)**

#### **NOTE 9 – 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 ten months after the covered period, with a final installment in April 2022. In January 2021, the Organization received its approval notification for forgiveness of the loan in full from the Small Business Administration; as a result, the forgiveness is recognized as revenue for the year ended June 30, 2021 in the statement of activities.

#### **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, 2021.

#### ***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 continues to be significant uncertainty and management continues to evaluate the potential future impact on its business and financial statements.

**PROJECT ANGEL FOOD**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 11 – Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30, 2021 are restricted for the following:

Capital campaign for capacity building	\$ 733,820
Meals	214,555
Time	80,000
Other	<u>265,356</u>
	<u>\$ 1,293,731</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 and allows for both employee and discretionary employer contributions.

**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, 2021, 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 7, 2021.

**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) as a basis for designing 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 financial statement. 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.

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

Long Beach, California  
December 7, 2021



**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, 2021. 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, 2021.

### **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 7, 2021

# PROJECT ANGEL FOOD

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Through to Subrecipients</u>
<b>Department of Health and Human Services</b>			
<i>Passed-through the Department of Health Services of the County of Los Angeles</i>			
Ryan White Title I	93.914	\$ 1,002,353	\$ -
<i>Passed-through the Emergency Food and Shelter Program</i>			
Federal Emergency Management Agency	97.024	553,779	-
<b>United States Treasury</b>			
<i>Passed-through California Community Foundation</i>			
Coronavirus Relief Fund	21.019	<u>800,000</u>	<u>-</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,356,132</u></u>	<u><u>\$ -</u></u>

## **PROJECT ANGEL FOOD**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021**

#### **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, 2021.

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, 2021**

#### **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:  
Coronavirus Relief Fund, CFDA #21.019
6. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. Auditee qualified as low-risk auditee? – Yes

#### **SECTION II – FINDINGS FINANCIAL STATEMENTS AUDIT**

None noted.

#### **SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None noted.