

PROJECT ANGEL FOOD

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022
(with Comparative Totals for 2021)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Project Angel Food

Opinion

We have audited the accompanying consolidated financial statements of Project Angel Food (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Project Angel Food (the Organization) as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken 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 purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied to the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 January 31, 2023 on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Project Angel Food's 2021 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
January 31, 2023

PROJECT ANGEL FOOD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 10,536,457	\$ 7,416,761
Receivables	1,295,038	1,526,193
Prepaid expenses and other assets	286,526	498,733
Limited partnership interest	1,643,146	1,171,800
Property and equipment, net	<u>11,624,780</u>	<u>6,955,386</u>
TOTAL ASSETS	<u>\$ 25,385,947</u>	<u>\$ 17,568,873</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 494,155	\$ 392,494
Accrued liabilities	652,074	430,679
Deferred revenue and advances received	1,019,248	668,355
Note payable, net	<u>4,459,905</u>	<u>-</u>
	<u>6,625,382</u>	<u>1,491,528</u>

COMMITMENTS AND CONTINGENCIES (NOTE 9)

NET ASSETS

Without donor restrictions

Undesignated	14,055,858	12,283,614
Board designated	<u>3,067,000</u>	<u>2,500,000</u>
	17,122,858	14,783,614

With donor restrictions

	<u>1,637,707</u>	<u>1,293,731</u>
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TOTAL NET ASSETS	<u>18,760,565</u>	<u>16,077,345</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,385,947</u>	<u>\$ 17,568,873</u>
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The accompanying notes are an integral part of these consolidated financial statements.

PROJECT ANGEL FOOD

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Support				
Individual contributions	\$ 2,653,666	\$ 248,460	\$ 2,902,126	\$ 4,835,507
Direct mail contributions	385,399	-	385,399	375,897
Corporate and foundation grants	2,089,063	856,250	2,945,313	3,579,102
Donated goods and services	74,300	-	74,300	76,022
Total Support	<u>5,202,428</u>	<u>1,104,710</u>	<u>6,307,138</u>	<u>8,866,528</u>
Revenue				
Federal grants and contracts	1,773,014	-	1,773,014	2,356,172
State and local grants and contracts	2,400,611	-	2,400,611	524,197
Special event revenue, net of direct expenses of \$380,977 and \$83,288, respectively	1,512,548	-	1,512,548	655,344
PPP loan forgiveness	-	-	-	541,353
Other income	300,448	-	300,448	354,765
Total Revenue	<u>5,986,621</u>	<u>-</u>	<u>5,986,621</u>	<u>4,431,831</u>
Net assets released from restrictions	<u>760,734</u>	<u>(760,734)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>11,949,783</u>	<u>343,976</u>	<u>12,293,759</u>	<u>13,298,359</u>
EXPENSES				
Program services	8,211,612	-	8,211,612	6,663,863
Management and general services	689,576	-	689,576	568,266
Fundraising services	709,351	-	709,351	535,197
TOTAL EXPENSES	<u>9,610,539</u>	<u>-</u>	<u>9,610,539</u>	<u>7,767,326</u>
CHANGE IN NET ASSETS	<u>2,339,244</u>	<u>343,976</u>	<u>2,683,220</u>	<u>5,531,033</u>
NET ASSETS, BEGINNING OF YEAR	<u>14,783,614</u>	<u>1,293,731</u>	<u>16,077,345</u>	<u>10,546,312</u>
NET ASSETS, END OF YEAR	<u>\$ 17,122,858</u>	<u>\$ 1,637,707</u>	<u>\$ 18,760,565</u>	<u>\$ 16,077,345</u>

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

PROJECT ANGEL FOOD

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022					2021 Total Expenses
	Program Services	Support Services		Total Support Services	Total Expenses	
		Management and General	Fundraising			
Salaries	\$ 3,562,205	\$ 388,093	\$ 378,891	\$ 766,984	\$ 4,329,189	\$ 3,652,148
Employee benefits	488,821	53,256	51,993	105,249	594,070	453,059
Payroll taxes	289,722	31,564	30,816	62,380	352,102	294,854
TOTAL PERSONNEL COSTS	4,340,748	472,913	461,700	934,613	5,275,361	4,400,061
Food and containers	1,784,256	-	-	-	1,784,256	1,559,271
Consultants and outside services	373,688	42,593	48,737	91,330	465,018	193,325
Supplies	188,671	21,505	24,607	46,112	234,783	223,455
Direct mail	135,086	15,397	17,618	33,015	168,101	163,940
Utilities	161,638	18,423	21,081	39,504	201,142	183,385
Meal delivery	190,027	492	293	785	190,812	119,087
Interest expense	955	109	125	234	1,189	89,311
Repairs and maintenance	178,787	20,378	23,318	43,696	222,483	142,640
Miscellaneous	157,010	28,055	32,103	60,158	217,168	115,375
Insurance	72,477	8,261	9,453	17,714	90,191	69,879
Volunteer management	2,475	422	422	844	3,319	34
In kind expense	59,900	6,687	7,713	14,400	74,300	76,022
Community outreach	141,953	6,020	6,889	12,909	154,862	75,890
Bank charges	48,002	5,471	6,261	11,732	59,734	53,202
Postage	14,948	1,704	1,950	3,654	18,602	24,823
Travel	7,500	855	978	1,833	9,333	701
Furniture and equipment rental	11,474	1,308	1,496	2,804	14,278	14,625
Printing	1,141	130	149	279	1,420	5,727
Employment recruitment	21,295	2,427	2,777	5,204	26,499	9,352
Depreciation	319,581	36,426	41,681	78,107	397,688	247,221
TOTAL 2022 EXPENSES	<u>\$ 8,211,612</u>	<u>\$ 689,576</u>	<u>\$ 709,351</u>	<u>\$ 1,398,927</u>	<u>\$ 9,610,539</u>	
PERCENTAGE OF EXPENSES	85%	8%	7%	15%	100%	
TOTAL 2021 EXPENSES	<u>\$ 6,663,863</u>	<u>\$ 568,266</u>	<u>\$ 535,197</u>	<u>\$ 1,103,463</u>		<u>\$ 7,767,326</u>
PERCENTAGE OF EXPENSES	86%	7%	7%	14%		100%

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

PROJECT ANGEL FOOD

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,683,220	\$ 5,531,033
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	397,688	247,221
Amortization of debt issuance costs	1,139	50,760
Gain on sale of property and equipment	(526)	(2,104)
Contributed limited partnership interest	(471,346)	(1,171,800)
Forgiveness of PPP Loan	-	(541,353)
Contributions restricted for capital campaign	(70,876)	-
Change in operating assets and liabilities:		
Receivables	231,155	433,741
Prepaid expenses and other assets	170,973	(384,429)
Accounts payable	101,661	62,816
Accrued liabilities	221,395	112,848
Deferred revenue and advances received	350,893	539,523
Net Cash Provided By Operating Activities	<u>3,615,376</u>	<u>4,878,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,198,281)	(636,678)
Proceeds from sale of property and equipment	131,725	32,741
Net Cash Used In Investing Activities	<u>(5,066,556)</u>	<u>(603,937)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	4,500,000	-
Payments on note payable	-	(2,548,077)
Contributions restricted for capital campaign	70,876	-
Net Cash Provided By (Used In) Financing Activities	<u>4,570,876</u>	<u>(2,548,077)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,119,696	1,726,242
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,416,761</u>	<u>5,690,519</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 10,536,457</u></u>	<u><u>\$ 7,416,761</u></u>

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

PROJECT ANGEL FOOD

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)
(Continued)**

	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 1,189</u>	<u>\$ 38,551</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment financed by debt obligations	<u>\$ 4,300,000</u>	<u>\$ -</u>

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

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

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 33 years, Project Angel Food (the Organization) has provided more than 15 million meals to 27,000+ seriously 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 not only alleviate hunger and prevent malnutrition, but improve health outcomes as well. Our registered dietitians work with our chefs, utilizing scientific research and nutritional best practices to turn the philosophy that "food is medicine" into action, providing meals designed to meet each client's needs based on their medical condition.

Project Angel Food's delivery fleet of refrigerated vans travels over 175,000 miles each year to distribute food across 57 major geographical routes, covering 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 2022 fiscal year, Project Angel Food prepared and delivered 1,225,369 meals, a 7% increase from the prior year. We served 3,798 unduplicated clients, a 24% increase over the previous year. Both in number of clients served and number of meals delivered, Project Angel Food set new agency records. While these numbers are impressive, they do not reflect the additional 241 children who received breakfast each morning as part of our Healthy Start Program, which provides cereal, fruit, yogurt, milk and other food items for children living with our critically ill clients.

Due to our rapidly expanding numbers, our team of professional chefs, food packers, drivers and administrators rely heavily on volunteers, whom we refer to as "the heart of the organization." Fiscal year 2022 saw a 350%+ increase in volunteerism from the previous year with 2,362 volunteers contributing 31,649 hours to Project Angel Food's lifesaving mission. This is up from 521 volunteers donating 7,843 hours in 2021.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

This number is especially impressive considering that Project Angel Food's Custom Volunteer Experience program for large corporations such as Disney, CAA, Children's Hospital, LA, and others was suspended until July 2022. Therefore, without the benefit of these large corporate groups of 20, 50, 100+ volunteers, Volunteer Services needed to cultivate the participation of thousands of individual volunteers to reach 2,362.

Serving 2,336 active daily clients, Project Angel Food broke agency records in FY 2022 for number of clients and meals served. On June 9, 2021, we marked our 15 millionth meal with trustee Sheryl Lee Ralph presenting to client Vernel Primus. Primus credits Project Angel Food for saving his life. With his health improving on our program, he began working part-time at Project Angel Food to give back to others.

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 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.

Being of service to our most vulnerable neighbors, no matter what, is in Project Angel Food's DNA. Growing to meet those needs is part of the Organization's history, its future, and is one of the most pressing issues Project Angel Food is faced with today as the pandemic exposed greater and greater needs within Los Angeles of critically ill populations, who also face poverty and food insecurity. What began as a volunteer operation in a makeshift kitchen has grown into a multi-million-dollar service organization with 90 staff members, including registered dietitians, bilingual client services personnel, skilled drivers, and professional chefs. Together, they cook and distribute more than 23,565 meals each week and more than 1.2 million meals annually throughout Los Angeles County. Project Angel Food maintains a single program with a focused mission to provide free medically tailored meals, nutritional counseling, and social connection to Los Angeles County residents who are facing the multiple struggles of hunger, isolation, and their critical illness.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

History of Project Angel Food (Continued)

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

Project Angel Food's Work

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 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 3,798 unique clients served annually. Those plans include Heart Healthy and Diabetic Friendly, Congestive Heart Failure Friendly, Gastrointestinal Friendly, Renal Friendly, Chronic Kidney Disease Friendly, 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. This year, we also added the soft and bite-sized categories to our medically tailored meals which are designed for clients who are not able to bite off pieces of food safely but are able to chew bite-sized pieces down into little pieces that are safe to swallow.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

Project Angel Food's Work (Continued)

Project Angel Food chefs and nutrition teams collaborate on each recipe, adjusting ingredients for medically tailored meal plans 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. 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, 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.

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 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.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

Project Angel Food's Work (Continued)

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. Drivers or volunteers deliver the medically tailored meals. 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.

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.

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). When asked, 98% of clients say Project Angel Food drivers delivering meals to them make them feel cared for. These visits uplift 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.

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.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

Project Angel Food's Work (Continued)

On Thanksgiving, traditional turkey dinners are delivered to clients and their caregivers. We also create culturally cultivated meals for Christmas, Passover, and Juneteenth. 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 30 years.

Agency Challenges

COVID-19 Pandemic

In fiscal year 2022, Project Angel Food continues to be impacted by the COVID pandemic. We imagined our numbers would surge and then stabilize. However, each year we set new agency service records as we see an increased demand for our medically tailored meal home deliveries due to the fragility and inequity of the healthcare system, and the vulnerability of the seriously ill population heightened by the strains of the pandemic.

Project Angel Food was a first responder in the COVID pandemic, providing uninterrupted meal preparation and delivery to our most vulnerable neighbors. This year, Project Angel Food completed 1,564 new intakes in the year ended June 30, 2022, which is down only 11.5% from the height of the pandemic, a year earlier. To cope with the sustained growth, we increased our intake capacity with additional resources in Client Services, Nutrition Services, Operations, and Administration.

In addition, Project Angel Food, to keep our growing workforce protected, enacted strict COVID mitigation protocols and continue with full vaccination requirements, weekly on-site employee testing, temperature checks, surgical masks, six 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.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

COVID-19 Pandemic (Continued)

Meal deliveries are made to our clients' doorsteps in surgical masks and gloves, maintaining social distancing to keep both client and employees safe.

Inflation

Inflation had a major impact on Project Angel Food's operating budget. Expenses for our meal delivery program increased by more than one million dollars because of rising food and fuel costs. Gas is one of the biggest challenges with an 81% increase in fiscal year 2022 from \$5,156 to \$9,319 per month. Milk jumped 46%. A unit of chicken thighs increased 36%, ground beef increased 27%, ground turkey increased 26%, frozen tilapia increased 18% and corn increased 11%.

Capacity

Project Angel Food serves the sickest of the sick – including those recently discharged from the hospital and who are unable to cook and shop for themselves. Looking to the future, the Project Angel Food Board of Directors (the Board) approved a plan to take advantage of the strategic opportunity of purchasing the adjacent property. Project Angel Food secured 960 N. Vine Street for \$4.3 million to allow the agency to begin the process of expanding to meet the need. Because the existing and new buildings are next to one another, this location generates economies of scale which would not be possible with two separate locations.

The People Project Angel Food Serves

Project Angel Food's 3,798 clients reflect Los Angeles County's diversity as well its growing elderly and food-insecure population. People of color comprise 77% of Project Angel Food clients. Our client population is 39% Hispanic/Latino; 24% Black; 23% White; 7% Asian/Pacific Islander; 1% Native American, and 6% other. Female-identified individuals make up 45% of clients (1% are female-identifying transgender clients), Male 55%. LGBTQ individuals make up 16% of clients.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

The People Project Angel Food Serves (Continued)

The most common illnesses in clients are congestive heart failure 18%, ESRD – kidney failure 16%, HIV/AIDS 15%, severe diabetes 14%, cancer 13%, in addition to COPD – emphysema 5%, Alzheimer's 4%, CVA – stroke 3%, chronic kidney disease 2%, liver disease .5%, muscular-skeletal .4%, and other 8%.

The median age of Project Angel Food's clients is 65 years old, with most Project Angel Food clients (66%) over the age of 60.

Eighty-one 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 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 clients, 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 87% 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 very good rating for HIPAA compliance and is constantly striving to improve the privacy of all Project Angel Food clients and employees.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

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
- To improve health outcomes and reduce hospitalizations through an intervention of medically tailored meals
- To provide nutritional counseling to all clients enrolled in the meal program

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

- 93 % of clients report they have more energy due to Project Angel Food's Medically Tailored Meals
- 87 % report better adherence to their medication protocols
- 88 % say Project Angel Food supports them with weight
- 96 % of clients rate Project Angel Food's overall service as good or very good
- 97 % of clients say Project Angel Food meals help them financially
- 98 % of clients say they would recommend Project Angel Food to a friend

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

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, an eight-member director team oversees Project Angel Food's daily operations. This year, with the expectation of a capital campaign to expand Project Angel Food's capacity, the board approved a new Director, Special Projects position to oversee these fundraising efforts. A staff of 90 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.

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.

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 healthcare, social services, and community-based organizations are key to Project Angel Food's success.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

Collaborations (Continued)

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 health care costs and improve health outcomes for 1,000 Medi-Cal subscribers. The program ran through December 2021, and 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 show how Medically Tailored Meals can reduce health care costs by reducing inpatient hospitalizations, hospital readmissions, and emergency room visits. This year, Project Angel Food has served 375 clients through this program, most of whom have reported reductions in hospitalizations because of the Medically Tailored Meal program and counseling.

Trials began in winter of 2021 for Project Angel Food's 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.

Another example of how Project Angel Food works with our community can be seen in our partnership with Seeds of Hope through the UniHealth Food4All grant. Beginning in June 2022, we created a 10-week Medically Tailored Meal intervention for vulnerable individuals after a hospital stay. As a partner organization, Seeds of Hope is providing immediate food resources and referral support to assist with other social health needs. Two-thirds of the clients referred have diabetes, food insecurity and had a recent hospital stay in the last three months. Project Angel Food provided medically tailored meals and assisted with making third-party referrals to ensure we meet their social needs (i.e., transportation, in-home supportive services, resource center).

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,

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

Collaborations (Continued)

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, Bartz-Altadonna Medical Center Being Alive, Care More, 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's 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, 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.,

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Organization (Continued)

Collaborations (Continued)

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, Trinity Hospice, U.S. Renal Care, UCLA Medical Center, University Park Dialysis, V.A. Greater Los Angeles Healthcare System, 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, and Women's Cancer Center.

Project Angel Food's Commitment to the Community

Over three decades of continuous, uninterrupted service proves Project Angel Food's effectiveness in the preparation and delivery of quality, nutritious medically tailored 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 3,798 unduplicated critically ill men, women, and children each year, by preparing and delivering as many as 102,114 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 CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Project Angel Food and its wholly owned subsidiary, 960 Vine LLC (collectively, the Organization). 960 Vine LLC is a limited liability company that was established to own and rent out the building at 960 Vine Street. All intercompany amounts and transactions have been eliminated upon consolidation.

Basis of Presentation

The accompanying consolidated 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 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 operating reserve. The Board of Directors of the Organization direct the use of the funds. The funds have been designated to be used as a cushion to stabilize finances in the event of unexpected events, short-term loss of income or other large unbudgeted expenses. At June 30, 2022, net assets of \$3,067,000 have been designated in the operating reserve.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that are temporary in nature are those that 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 consolidated 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. At June 30, 2022, the Organization had no net assets with donor restrictions that are restricted in perpetuity.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidated 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 consolidated 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 consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

For the purpose of the consolidated 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 receivable 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, 2022, 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 CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Limited Partnership Interest

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 consolidated 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.

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

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, 2022.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 \$40,095 at June 30, 2022.

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, 2022, the Organization is party to conditional contributions of approximately \$1,019,000, which are contingent on the occurrence of certain special events and are recognized as deferred revenue and advances received in the accompanying consolidated 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 deferred revenue and advances received in the consolidated statement of financial position.

Event revenue is recognized when the event takes place. Any funds received in advance are recorded as deferred revenue and are included in deferred revenue and advances received in the consolidated statement of financial position.

Rental income is generated from the leasing of facilities and is recognized when the performance obligations of providing the services are met.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Special Event Revenue

Revenue from special events includes sponsorships, ticket sales, and donations. Sponsorship and ticket sales are recognized in the period in which the event occurs. During 2022, the Organization held five events and was the recipient of funds from multiple third-party fundraising events.

Rental Income

The Organization leases portions of its operating facility to unrelated third parties. Rental income from unrelated parties for the years ended June 30, 2022 and 2021 was \$17,702 and \$0, respectively.

Bequests

The Organization has been named as a beneficiary in a number of bequests. Certain of these gifts have not been recorded in the consolidated 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 consolidated statement of activities.

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, 2022, Project Angel Food recognized services of 1,488 hours valued at \$74,300, which were all utilized in the delivery of the programs of the organization.

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 consolidated 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 30,161 hours.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

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 consolidated 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 consolidated 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, 2022, 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 consolidated 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.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

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.

Recently Adopted 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 consolidated statement of activities, disaggregate the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets, and provide additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The Organization adopted the standard during the year ended June 30, 2022. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years (effective July 1, 2022).

Subsequent Events

Management has evaluated subsequent events through January 31, 2023, the date on which the consolidated 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 consolidated statement of financial position date, comprise the following:

Financial assets at June 30, 2022:

Cash and cash equivalents	\$ 10,536,457
Receivables to be collected in one year	1,133,464
Limited partnership interest	<u>1,643,146</u>
	13,313,067

Less amounts not available to be used within
one year due to:

Board-designated reserve	(3,067,000)
Donor-imposed purpose or time restrictions	<u>(1,637,707)</u>

Financial assets available to meet general expenditures within one year:	<u>\$ 8,608,360</u>
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PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

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, 2022, the Organization had an additional liquidity resource of \$560,000 through the available borrowing capacity on its bank line of credit.

NOTE 4 – Receivables

Receivables at June 30, 2022 are expected to be collected as follows:

Within one year	
Receivables from contracts with customers	\$ 752,395
Grants and contributions receivables	381,069
In one to five years	
Grants and contributions receivable	<u>161,574</u>
Total receivables	<u>\$ 1,295,038</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. No change in the value of the asset was recognized during the year ended June 30, 2022.

During the year ended June 30, 2022, the Organization received a contribution of an 11.67% 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 \$471,346. The contribution was recognized with individual contributions in the consolidated statement of activities for the year ended June 30, 2022. No change in the value of the asset was recognized during the year ended June 30, 2022.

Both limited partnerships are real estate holding partnerships, whose primary assets are industrial warehouse buildings in New Jersey, and earn revenue through rental income.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 6 – Property and Equipment

Property and equipment at June 30, 2022 consists of the following:

Buildings	\$11,275,798
Kitchen equipment	1,571,614
Furniture and fixtures	448,013
Office equipment	298,850
Vehicles	687,944
Construction in progress	<u>114,837</u>
	14,397,056
Less accumulated depreciation	<u>(2,772,276)</u>
Property and equipment, net	<u>\$11,624,780</u>

Depreciation expense for the year ended June 30, 2022 was \$397,687. Construction in progress relates to renovations of buildings.

NOTE 7 – Line of Credit

As of June 30, 2022, Project Angel Food had a recurring revolving line of credit in the amount of \$560,000 from a bank at an interest rate of 0.5% over the bank's prime rate. The bank's prime rate was 4.75% as of June 30, 2022. 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, 2022, 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, 2022.

NOTE 8 – Note Payable

In April 2022, the Organization entered into an agreement with City National Bank to finance the purchase of the building adjacent to its existing location. The principal amount of the loan is \$4,500,000. Interest-only payments are due monthly starting July 2022. The interest rate is 3.45%. The principal balance is due, in full, on June 1, 2025. The note balance is shown net of debt issuance costs totaling \$40,095, which will be amortized to interest expense over the life of the note. Borrowings are secured by the building located at 922 Vine Street.

PROJECT ANGEL FOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 8 – Note Payable (Continued)

The note payable consists of the following at June 30, 2022:

Note payable - bank, secured by a deed of trust on land and building, interest at 3.45% due monthly, beginning July 1, 2022, with remaining balance due June 1, 2025	\$ 4,500,000
Less unamortized debt issuance costs	<u>(40,095)</u>
	<u>\$ 4,459,905</u>

NOTE 9 – 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 consolidated 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 consolidated financial statements of the Organization as of June 30, 2022.

NOTE 10 – Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 are restricted for the following:

Capital campaign for capacity building	\$ 758,433
Meals	784,274
Time	<u>95,000</u>
	<u>\$ 1,637,707</u>

PROJECT ANGEL FOOD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 11 – Retirement Plan

The Organization maintains a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code which covers substantially all of its full-time employees and allows for both employee and discretionary employer contributions. The Organization contributed \$84,786 to the Plan during the year ended June 30, 2022.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED 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 consolidated financial statements of Project Angel Food (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. 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
January 31, 2023

**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

Opinion on Each Major Federal Program

We have audited Project Angel Food's (the Organization) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

Long Beach, California
January 31, 2023

PROJECT ANGEL FOOD

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

<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	\$ 1,009,648	\$ -
<i>Passed-through the Emergency Food and Shelter Program</i>			
Federal Emergency Management Agency	97.024	489,000	-
<i>Passed-through the Department of Community Services and Development</i>			
Community Services Block Grant	93.569	<u>252,985</u>	<u>-</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,751,633</u></u>	<u><u>\$ -</u></u>

PROJECT ANGEL FOOD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

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 consolidated 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 consolidated financial statements of the Organization as of and for the year ended June 30, 2022.

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, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Consolidated Financial Statements

The auditors’ report expresses an unmodified opinion on whether the consolidated 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 consolidated 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? – Yes

SECTION II – FINDINGS CONSOLIDATED FINANCIAL STATEMENTS AUDIT

None noted.

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

None noted.