

PROJECT ANGEL FOOD

FINANCIAL STATEMENTS

June 30, 2019
(with Comparative Totals for 2018)

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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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, during the year ended June 30, 2019, Project Angel Food adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
December 4, 2019

PROJECT ANGEL FOOD

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,770,813	\$ 1,049,528
Accounts receivable	396,160	150,690
Pledges and contributions receivable	437,975	488,548
Prepaid expenses and other assets	90,963	91,472
Property and equipment, net	<u>6,527,163</u>	<u>6,603,364</u>
TOTAL ASSETS	<u>\$ 9,223,074</u>	<u>\$ 8,383,602</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 185,316	\$ 264,343
Accrued liabilities	336,903	269,890
Line of credit	-	195,248
Notes payable	<u>2,597,333</u>	<u>2,757,317</u>
TOTAL LIABILITIES	<u>3,119,552</u>	<u>3,486,798</u>

COMMITMENTS AND CONTINGENCIES (NOTE 9)

NET ASSETS

Without donor restrictions

Undesignated	4,786,192	4,224,593
Board designated	<u>1,012,330</u>	<u>544,381</u>
	5,798,522	4,768,974

With donor restrictions

Purpose restricted	<u>305,000</u>	<u>127,830</u>
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TOTAL NET ASSETS	<u>6,103,522</u>	<u>4,896,804</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,223,074</u>	<u>\$ 8,383,602</u>

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

PROJECT ANGEL FOOD

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Support				
Individual contributions	\$ 1,704,465	\$ -	\$ 1,704,465	\$ 1,669,811
Direct mail contributions	373,931	-	373,931	459,076
Corporate and foundation grants	1,204,720	255,000	1,459,720	1,504,655
Donated goods and services	<u>125,440</u>	<u>-</u>	<u>125,440</u>	<u>83,921</u>
Total Support	<u>3,408,556</u>	<u>255,000</u>	<u>3,663,556</u>	<u>3,717,463</u>
Revenue				
Federal grants and contracts	999,424	-	999,424	876,266
State and local grants and contracts	337,587	-	337,587	192,797
Special event revenue, net of direct expenses of \$296,532 and \$326,150, respectively	1,106,807	-	1,106,807	962,767
Other income	<u>99,645</u>	<u>-</u>	<u>99,645</u>	<u>66,711</u>
Total Revenue	<u>2,543,463</u>	<u>-</u>	<u>2,543,463</u>	<u>2,098,541</u>
Net assets released from restrictions	<u>77,830</u>	<u>(77,830)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>6,029,849</u>	<u>177,170</u>	<u>6,207,019</u>	<u>5,816,004</u>
EXPENSES				
Program services	4,368,200	-	4,368,200	3,819,064
Management and general services	305,487	-	305,487	368,102
Fundraising services	<u>326,614</u>	<u>-</u>	<u>326,614</u>	<u>414,117</u>
TOTAL EXPENSES	<u>5,000,301</u>	<u>-</u>	<u>5,000,301</u>	<u>4,601,283</u>
CHANGE IN NET ASSETS	1,029,548	177,170	1,206,718	1,214,721
NET ASSETS, BEGINNING OF YEAR	<u>4,768,974</u>	<u>127,830</u>	<u>4,896,804</u>	<u>3,682,083</u>
NET ASSETS, END OF YEAR	<u>\$ 5,798,522</u>	<u>\$ 305,000</u>	<u>\$ 6,103,522</u>	<u>\$ 4,896,804</u>

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

PROJECT ANGEL FOOD

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019				2018	
	Program Services	Support Services		Total Support Services	Total Expenses	Total Expenses
		Management and General	Fundraising			
Salaries	\$ 1,850,979	\$ 167,831	\$ 177,936	\$ 345,767	\$ 2,196,746	\$ 1,938,031
Employee benefits	243,603	22,088	23,418	45,506	289,109	267,325
Payroll taxes	136,756	12,400	13,147	25,547	162,303	160,086
TOTAL PERSONNEL COSTS	2,231,338	202,319	214,501	416,820	2,648,158	2,365,442
Food and containers	890,438	-	-	-	890,438	857,114
Consultants and outside services	189,018	17,139	18,171	35,310	224,328	266,931
Interest expense	103,347	9,371	9,935	19,306	122,653	148,040
Direct mail	124,921	11,327	12,009	23,336	148,257	146,651
Utilities	127,485	11,559	12,255	23,814	151,299	132,141
Meal delivery	112,630	366	388	754	113,384	85,146
Repairs and maintenance	98,559	8,937	9,475	18,412	116,971	71,653
Volunteer management	112,942	10,241	10,857	21,098	134,040	84,912
Community outreach	49,818	4,517	4,789	9,306	59,124	66,826
Insurance	43,695	3,962	4,200	8,162	51,857	51,958
Bank charges	34,601	3,137	3,326	6,463	41,064	42,189
Office supplies	30,196	2,738	2,903	5,641	35,837	36,161
Miscellaneous	18,963	1,719	4,555	6,274	25,237	28,411
Furniture and equipment rental	18,717	1,697	1,799	3,496	22,213	19,128
Printing	14,625	1,326	1,406	2,732	17,357	16,509
Travel	13,935	1,263	1,339	2,602	16,537	8,851
Postage	9,380	850	902	1,752	11,132	8,301
Employment recruitment	8,296	752	798	1,550	9,846	3,674
Dues, subscriptions and publications	4,257	386	409	795	5,052	11,460
Depreciation	131,039	11,881	12,597	24,478	155,517	149,785
TOTAL 2019 EXPENSES	\$ 4,368,200	\$ 305,487	\$ 326,614	\$ 632,101	\$ 5,000,301	
PERCENTAGE OF EXPENSES	87%	6%	7%	13%	100%	
TOTAL 2018 EXPENSES	\$ 3,819,064	\$ 368,102	\$ 414,117	\$ 782,219		\$ 4,601,283
PERCENTAGE OF EXPENSES	83%	8%	9%	17%		100%

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

PROJECT ANGEL FOOD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,206,718	\$ 1,214,721
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	155,517	149,785
Amortization of debt issuance costs	11,940	11,940
Gain on sale of property and equipment	(4,910)	-
Change in operating assets and liabilities:		
Accounts receivable	(245,470)	45,839
Pledges and contributions receivable	50,573	(217,131)
Prepaid expenses and other assets	509	(7,199)
Accounts payable	(79,027)	90,545
Accrued liabilities	67,013	(9,652)
Net Cash Provided By Operating Activities	1,162,863	1,278,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	5,000	-
Purchase of property and equipment	(79,406)	(234,001)
Net Cash Used In Investing Activities	(74,406)	(234,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	(195,248)	(444,752)
Payments on notes payable	(171,924)	(112,231)
Net Cash Used In Financing Activities	(367,172)	(556,983)
NET CHANGE IN CASH AND CASH EQUIVALENTS	721,285	487,864
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,049,528	561,664
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,770,813	\$ 1,049,528
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 101,346	\$ 104,243

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

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization

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

During the past 30 years, Project Angel Food has provided more than 12 million meals to more than 21,000 chronically and terminally ill clients throughout Los Angeles County. Volunteers and staff cook, prepare, and deliver nutritious meals, free of charge, to people who are too sick to shop or cook for themselves. Project Angel Food's medically-tailored meals and nutritional counseling services alleviate hunger, prevent malnutrition, and help return clients to health.

Project Angel Food's delivery fleet travels over 100,000 miles each year to distribute food across thirty major geographical routes; from South and East Los Angeles, to Long Beach, to the San Fernando and San Gabriel Valleys, and to the rural towns of the Antelope Valley. Project Angel Food remains the only non-profit in Southern California to provide free food and nutrition services to individuals of all backgrounds and diagnoses throughout all 4,751 square-miles of Los Angeles County.

During the 2019 fiscal year, Project Angel Food provided 640,580 medically-tailored meals to the homes of 2,367 chronically or terminally ill clients. More than 4,713 volunteers assisted Project Angel Food's chefs and kitchen staff, and donated more than 40,000 hours to Project Angel Food's lifesaving cause. By July 2019, Project Angel Food had served its 12-millionth meal and increased the number of active clients served daily from 1,200 to 1,300.

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

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization (Continued)

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.

What began as a volunteer operation in a makeshift kitchen has grown into a multi-million dollar service organization with 45 staff members, including registered dietitians, bilingual client services personnel, skilled drivers, and professional chefs. Together, they cook and distribute more than 15,000 meals each week and more than 640,000 meals annually throughout Los Angeles County. Project Angel Food maintains a single program with a focused mission, to provide free medically-tailored meals and nutritional counseling to Los Angeles County residents who are facing the multiple struggles of hunger, isolation, and their critical illness.

Project Angel Food Work

Project Angel Food partners with more than 200 health care, social services, and community-based organizations to promote its medically-tailored meal delivery and nutritional services for critically ill clients. Under the care of registered dietitians, and in consultation with the client's primary healthcare case manager, each client receives one-on-one nutritional counseling and a specialized menu that is unique to their diagnosis and aligned with their personal dietary restrictions and preferences. Project Angel Food's registered dietitians use lab tests and client feedback to prescribe one of the thirty-nine meal plan options to each of the 2,367 clients annually. This process begins with an initial assessment upon enrollment and is followed by routine check-ins to monitor progress and to inform meal plan adjustments.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization (Continued)

Project Angel Food Work (Continued)

Meals are prepared daily by Project Angel Food chefs, all of whom are Certified Professional Food Managers. Chefs are assisted by a team of volunteers who execute 80% of Project Angel Food's kitchen operations. Dishes are flavorful and aesthetically pleasing, and made with high-quality ingredients selected by Project Angel Food dietitians. Meals include low-fat proteins to preserve lean body mass, protein-rich legumes to lower cholesterol and assist in blood sugar regulation, and antioxidant-rich vegetables, many of which are grown pesticide-free at local community gardens.

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

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

The People Project Angel Food Serves

Project Angel Food's 2,367 clients reflect Los Angeles County's diversity as well its growing elderly and food-insecure population. Clients range from ages 16 to 109. People of color comprise 76% of Project Angel Food clients. Female identified individuals make up 39% of clients and 1% of clients identify as transgender. A vast majority of Project Angel Food clients (65%) are 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%).

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization (Continued)

The People Project Angel Food Serves (Continued)

About 76% of Project Angel Food clients live at or below the federal poverty level and 98% are considered “Very Low Income” by HUD standards. Most Project Angel Food clients were everyday people who led productive lives and careers prior to being diagnosed with a disabling and life-threatening illness. The severity and complications of critical illness forced many clients to stop working. They became homebound, unable to stand in lines at food banks, unable to shop and cook for themselves, and are at greater risk for malnourishment. For many, their sole source of revenue is the monthly payment from the Supplemental Security Income Program; a sum that is not enough to cover the high costs of rent and medical treatment. In these circumstances, many forgo the nutrition they need to recover, potentially exacerbating and prolonging their disability.

Project Angel Food clients require nutritional oversight and medically-tailored meals for their recovery—services that are unavailable at most for-profit home-delivered meal programs. Organizations like Meals on Wheels serve only seniors and they ask for a donation fee. With many clients on the brink of homelessness, Project Angel Food is the only consistent food source for nearly 60% of its clients. Project Angel Food relieves clients of food-related distress and helps them focus on managing their health.

Project Angel Food’s weekly meal deliveries also provide social connectedness, especially for the 55% 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.

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 provide nutritional counseling to all clients enrolled in the meal program.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization (Continued)

Evaluation of Project Angel Food Program (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 follow-up for once a year. After the session, the dietitian populates meal orders that fit the chosen special diet category, taking care to troubleshoot any issues with food allergens.

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

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, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization (Continued)

Evaluation of Project Angel Food Program (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. Route sheets are distributed to both the nutrition services and client services departments and serve as a record of the number of meals delivered each day, with Project Angel Food drivers verifying the delivery.

Organizational Structure

Project Angel Food is governed by a volunteer Board of Directors. The Board of Directors provides strategic vision and direction for agency endeavors and assumes financial and legal oversight of the organization. A six-member management team oversees Project Angel Food’s daily operations. A staff of 45 comprise the program, kitchen, dispatch, client services, nutrition services, volunteer services, development, operations, finance and administrative divisions. Together, with the support of a dedicated corps of volunteers, they fulfill the Project Angel Food mission.

Volunteers are the heart and soul of Project Angel Food. They provide a critical human touch to the program and supply an element of caring and compassion that is often missing from the clients’ lives. Representing the breadth of the Los Angeles County community, Project Angel Food’s volunteers include retired senior citizens, high school and college students, people on hiatus, people with flexible work schedules, and many corporate and community groups. Project Angel Food also provides volunteer opportunities for specific community groups such as, adults with developmental delays and individuals who are deaf. Walk into the Project Angel Food kitchen on any given day and you’ll see a stunning display of the diversity of humanity, united in their commitment to help people in need and make a positive impact on their community.

Collaborations

Project Angel Food is involved in hunger, HIV, malnutrition, aging, and “food is medicine” advocacy causes. This involvement and Project Angel Food’s partnerships with 200 health care, social services, and community-based organizations are key to Project Angel Food’s success.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization (Continued)

Collaborations (Continued)

Project Angel Food’s collaborative partners include:

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

Project Angel Food’s ongoing contracted relationship with the Los Angeles County Department of Public Health, Division of HIV and STD Programs (DHSP) has targeted the African American community to ensure access to testing and care. DHSP promotes Project Angel Food and other nutrition service organizations as avenues for facilitating and supporting medical treatment.

Project Angel Food’s collaboration with APLA Health is 18 years old and includes the delivery of food pantry items from APLA’s Necessities of Life Program to underserved residents of North Hollywood, Pomona, and Venice Beach. APLA Health and Project Angel Food are piloting a program to combat social isolation of HIV clients by creating screening parties of the FX TV show *Pose*, while a delicious lunch is served at our Vine Street location.

Project Angel Food also works with the Charles Drew University OASIS Clinic and Spectrum to engage the underserved HIV/AIDS community of South Los Angeles. Project Angel Food meals function as an incentive for patients—many of whom are homeless or transient, and struggling with mental illness and addiction—to remain in care and address their illnesses. Patients receive Project Angel Food meals once they complete their visits. Through this partnership alone, Project Angel Food provides 3,700 meals annually.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization (Continued)

Project Angel Food's Commitment to the Community

Three decades of continuous, uninterrupted service proves Project Angel Food's effectiveness in the preparation and delivery of quality, nutritious food that supports the specific dietary needs of people affected by HIV/AIDS, cancer, and other life-threatening illnesses. Today, Project Angel Food cooks and delivers more than 15,000 meals a week to 2,367 clients, for whom a healthy meal, delivered with a warm smile, is truly lifesaving. *For Life. For Love. For as Long as it takes...*

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standard

During the year ended June 30, 2019, the Project Angel Food (the Organization) adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities* and applied changes retrospectively. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Organization updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

Basis of Presentation

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

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 revenues 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, 2019, the balance in the board-designated reserve account totaled \$1,012,330 and is included in without donor restriction net assets on the statement of financial position.

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, 2019, the Organization had no net assets with donor restrictions that are restricted in perpetuity.

Cash and Cash Equivalents

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

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. Management estimates an allowance for doubtful account based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2019, Project Angel Food evaluated the collectability of accounts receivable and determined that no allowance for doubtful accounts was necessary. All accounts receivable are expected to be received within the next twelve months.

Pledges and Contributions Receivable

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

At June 30, 2019, Project Angel Food evaluated the collectability of pledges and contributions receivable and determined that no allowance for uncollectible pledges was necessary.

Bequests

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

Property and Equipment

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

PROJECT ANGEL FOOD

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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

Building	50 years
Kitchen equipment	7 years
Furniture and fixtures	7 years
Office equipment	3 years
Vehicles	5 years
Event equipment	3 years

Long-Lived Assets

Project Angel Food reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended June 30, 2019.

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 \$62,700 at June 30, 2019.

Revenue Recognition

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

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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

Donated Goods and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended June 30, 2019, Project Angel Food recognized services of 5,053 hours valued at \$125,440. Additionally, the Organization received donated goods sold at its special events for a total of \$825,443, which was included in net special event revenue in the statement of activities.

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 42,000 hours valued at about \$621,000.

Advertising Costs

Project Angel Food expenses the costs of advertising (Community Outreach) as incurred. The total expense was \$56,801 for the year ended June 30, 2019.

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of United States Internal Revenue Code (and similar provisions under California state law) and is not a private foundation. Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2019, the Organization had no unrecognized tax benefits, tax penalties, or interest.

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

Functional Allocation of Expenses

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

Fund Accounting

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

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

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

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. During October 2019, the FASB approved a deferral of the effective date of Topic 842 until annual reporting periods beginning after December 15, 2020. 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 4, 2019, the date on which the financial statements were available to be issued.

PROJECT ANGEL FOOD

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

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 balance sheet date, comprise the following:

Financial assets at June 30, 2019:	
Cash and cash equivalents	\$ 1,770,813
Accounts receivable	396,160
Pledges and contributions receivable	<u>437,975</u>
	2,604,948
Less amounts not available to be used within one year due to:	
Board-designated reserve	(1,012,330)
Donor-imposed purpose or time restrictions	<u>(205,000)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 1,387,618</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's governing board has designated a portion of its unrestricted resources for reserve purposes. These funds remain available and may be spent at the discretion of the board and could be appropriated if needed. At June 30, 2019, the Organization had an additional liquidity resource of \$700,000 through the available borrowing capacity on its bank line of credit.

NOTE 4 – Pledges and Contributions Receivable

Pledges and contributions receivable at June 30, 2019 are expected to be collected as follows:

Within one year	\$ 397,975
In one to five years	<u>40,000</u>
Total pledges and contributions receivable	<u>\$ 437,975</u>

PROJECT ANGEL FOOD

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

NOTE 5 – Property and Equipment

Property and equipment at June 30, 2019 consists of the following:

Building	\$ 7,067,719
Kitchen equipment	1,016,369
Furniture and fixtures	289,591
Office equipment	245,616
Vehicles	318,242
Event equipment	<u>55,967</u>
	8,993,504
Less accumulated depreciation	<u>(2,466,341)</u>
Property and equipment, net	<u>\$ 6,527,163</u>

Depreciation expense for the year ended June 30, 2019 was \$155,517.

NOTE 6 – Accrued Liabilities

Accrued liabilities at June 30, 2019 consists of the following:

Accrued vacation	\$ 114,429
Accrued salaries and related expenses	76,336
Deferred revenue	143,773
Other accrued liabilities	<u>2,365</u>
Total accrued liabilities	<u>\$ 336,903</u>

NOTE 7 – Line of Credit

As of June 30, 2019, 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 5.50% as of June 30, 2019. 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, 2019, 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, 2019.

PROJECT ANGEL FOOD

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 8 – Notes Payable

Notes payable consists of the following at June 30, 2019:

Note payable - bank, secured by a deed of trust on land and building, interest at 3.675%, monthly principal and interest payments of \$15,569, with remaining balance due October 2024	\$ 2,660,033
Less unamortized debt issuance costs	<u>(62,700)</u>
	<u>\$ 2,597,333</u>

Future minimum payments under these notes consist of the following:

<u>Year Ending June 30,</u>	
2020	\$ 88,950
2021	92,590
2022	96,099
2023	99,742
2024	103,294
Thereafter	<u>2,179,358</u>
	<u>\$ 2,660,033</u>

The note payable to the bank contains various financial and nonfinancial covenants with which the Organization was in compliance at June 30, 2019.

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 financial statements.

PROJECT ANGEL FOOD

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 9 – Commitments and Contingencies (Continued)

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, 2019.

NOTE 10 – Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 are restricted for the following:

Transportation	\$ 25,000
Diabetes pilot program	100,000
Other purpose	30,000
Time	<u>150,000</u>
	<u>\$ 305,000</u>

NOTE 11 – Retirement Plan

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

**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, 2019, 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 4, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Long Beach, California
December 4, 2019

**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, 2019. 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, 2019.


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 4, 2019

PROJECT ANGEL FOOD

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<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	\$ 795,109	\$ -
 <i>Passed-through the Emergency Food and Shelter Program</i>			
Federal Emergency Management Agency	97.024	<u>204,315</u>	<u>-</u>
 Total Expenditures of Federal Awards		<u>\$ 999,424</u>	<u>\$ -</u>

PROJECT ANGEL FOOD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

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, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting

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

Federal Awards

Internal control over major programs

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

SECTION II - FINDINGS FINANCIAL STATEMENTS AUDIT

None noted.

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

None noted.