

Project Angel Heart

Independent Auditor's Report and Financial Statements

September 30, 2019

Project Angel Heart
September 30, 2019

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Independent Auditor's Report

Board of Directors
Project Angel Heart
Denver, Colorado

We have audited the accompanying financial statements of Project Angel Heart (the Organization), which comprise the statement of financial position as of September 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

Board of Directors
Project Angel Heart

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Angel Heart as of September 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 described in Note 2 to the financial statements in 2019, Project Angel Heart adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Denver, Colorado
March 13, 2020

Project Angel Heart
Statement of Financial Position
September 30, 2019

Assets

Cash and cash equivalents	\$	650,395
Investments		894,646
Grants and other receivables		163,510
Deposits and prepaid expenses		24,252
Property and equipment, net of accumulated depreciation; \$2,088,770		5,077,820
Interest in assets held by others		<u>34,088</u>
Total assets	\$	<u><u>6,844,711</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$	82,798
Deferred revenue		324,174
Accrued liabilities		<u>152,816</u>
Total liabilities		<u>559,788</u>

Net Assets

Without donor restrictions		6,269,923
With donor restrictions		<u>15,000</u>
Total net assets		<u>6,284,923</u>
Total liabilities and net assets	\$	<u><u>6,844,711</u></u>

Project Angel Heart
Statement of Activities
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions from individuals	\$ 1,887,894	\$ -	\$ 1,887,894
Contributions from corporations and organizations	542,884	-	542,884
Grants from foundations	1,428,018	-	1,428,018
Government grants	524,820	-	524,820
Donated services, food and assets	928,435	-	928,435
Special events (net of costs of \$100,795)	217,543	-	217,543
Leasing and other income	50,644	-	50,644
Interest income, net	24,598	-	24,598
Net asset released from restriction	54,000	(54,000)	-
	<u>5,658,836</u>	<u>(54,000)</u>	<u>5,604,836</u>
Total revenues, gains and other support			
	<u>5,658,836</u>	<u>(54,000)</u>	<u>5,604,836</u>
Expenses and Losses			
Program services			
Home-delivered meals	4,475,829	-	4,475,829
Supporting services			
Management and general	135,596	-	135,596
Financial development	475,944	-	475,944
	<u>5,087,369</u>	<u>-</u>	<u>5,087,369</u>
Total program and supporting services			
	<u>5,087,369</u>	<u>-</u>	<u>5,087,369</u>
Loss on uncollectable contributions	-	7,550	7,550.00
	<u>-</u>	<u>7,550</u>	<u>7,550.00</u>
Total expenses and losses			
	<u>5,087,369</u>	<u>7,550</u>	<u>5,094,919</u>
Change in Net Assets Before Noncash Items	<u>571,467</u>	<u>(61,550)</u>	<u>517,467</u>
Depreciation	(269,922)	-	(269,922)
Net realized and unrealized gain	14,174	-	14,174
	<u>14,174</u>	<u>-</u>	<u>14,174</u>
Change in Net Assets	<u>315,719</u>	<u>(61,550)</u>	<u>254,169</u>
Net Assets, Beginning of Year	<u>5,954,204</u>	<u>76,550</u>	<u>6,030,754</u>
Net Assets, End of Year	<u>\$ 6,269,923</u>	<u>\$ 15,000</u>	<u>\$ 6,284,923</u>

Project Angel Heart
Statement of Functional Expense
Year Ended September 30, 2019

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Home Delivered Meals Program</u>	<u>Management and General</u>	<u>Financial Development</u>	
Personnel and volunteer labor expense	\$ 2,598,580	\$ 98,824	\$ 351,738	\$ 3,049,142
Cost of meals	1,172,155	-	-	1,172,155
Program supplies and equipment	40,789	-	-	40,789
Occupancy	175,028	23,334	9,763	208,125
Telecommunications and other	57,518	461	1,184	59,163
Postage and printing	75,211	1,147	4,083	80,441
Development/publicity/marketing expenses	-	501	67,031	67,532
Professional and outside services	211,159	7,758	29,810	248,727
Office supplies and expense	41,421	1,575	5,607	48,603
Meetings, conference and travel	42,418	1,613	5,742	49,773
Donated volunteer mileage	44,663	-	-	44,663
Insurance expenses	16,887	383	986	18,256
	<u>4,475,829</u>	<u>135,596</u>	<u>475,944</u>	<u>5,087,369</u>
Total before noncash expenses				
Depreciation	<u>249,678</u>	<u>5,668</u>	<u>14,576</u>	<u>269,922</u>
Total expenses	<u>\$ 4,725,507</u>	<u>\$ 141,264</u>	<u>\$ 490,520</u>	<u>\$ 5,357,291</u>

Project Angel Heart
Statement of Cash Flows
Year Ended September 30, 2019

Operating Activities	
Change in net assets	\$ 254,169
Items not requiring cash	
Depreciation expense	269,922
Net realized and unrealized gain	(14,174)
Change in value of interest in assets held by others	(797)
Changes in	
Grants, pledges and other receivables	(17,667)
Deposits and prepaids	(3,223)
Accounts payable	78,994
Deferred revenue	39,144
	<hr/>
Net cash provided by operating activities	606,368
	<hr/>
Investing Activities	
Purchase of property and equipment	(179,392)
Purchase of investments	(335,642)
Proceeds from disposition of investments, net	124,213
	<hr/>
Net cash used in investing activities	(390,821)
	<hr/>
Increase in Cash and Cash Equivalents	215,547
Cash and Cash Equivalents, Beginning of Year	434,848
	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 650,395</u>

Project Angel Heart

Notes to Financial Statements

September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Project Angel Heart (the Organization) was incorporated under the laws of the state of Colorado on November 18, 1991. The Organization is a not-for-profit corporation whose purposes is to improve health and well-being for people with life threatening illnesses by preparing and delivering medically tailored meals and promoting the power of food as medicine to residents of Metro Denver, El Paso County and various communities throughout Colorado. For the year ended September 30, 2019, the Organization prepared and delivered 502,255 meals to 3,386 clients. Meals are delivered frozen weekly, excepting 1-3% of clients needing hot, daily meals within a limited geographic area and clients receiving shipped meals through a specific agreement.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. As of September 30, 2019, cash equivalents consisted primarily of money market accounts with brokers.

At September 30, 2019, the Organization's cash accounts exceed federally insured limits by approximately \$484,000.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Receivables

Pledges, grants and other receivables are stated as unpaid balances. Receivables are considered delinquent if payments are not received in accordance with the grant contract or gift terms. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the grantor or donor.

Project Angel Heart
Notes to Financial Statements
September 30, 2019

Property and Equipment

Property and equipment acquisitions over \$3,000 are capitalized at cost. Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building/renovation	30 years
Kitchen equipment	5–10 years
Furniture and fixtures	10 years
Office/computer equipment	3–5 years
Motor vehicles	5-10 years

Interest in Assets Held by Others

The Organization has transferred assets to Community First Foundation and retained a beneficial interest in those assets.

Deferred Revenue

Revenue from special event ticket sales, grants, specific programs or pilots not yet completed, and certain sponsorships is deferred and recognized over the periods to which the revenue relates.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions.

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met

Project Angel Heart
Notes to Financial Statements
September 30, 2019

Nature of the Gift	Value Recognized
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The value of donated time of volunteer cooks, kitchen staff and distribution volunteers and others in the aggregate amount of \$730,625 met these requirements and is recorded under “personnel expenses” herein.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of noncash assets, supplies, and materials from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. Food, packaging and other program materials in the amount of \$153,147 were recorded during the year ended September 30, 2019 as a component of “cost of meals.” Delivery mileage of \$44,663 is recorded as a component of “meetings, conferences and travel.”

Project Angel Heart

Notes to Financial Statements

September 30, 2019

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income, net of associated expense, over federally stipulated amounts.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and supporting services categories based on the salary allocation method and other reasonable methods.

Note 2: Change in Accounting Principle

In 2019, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets. There were no donor-restricted endowment funds for the year ended September 30, 2019.

Statement of Activities

Expenses are reported by both nature and function in one location.

Investment income is shown net of external and direct internal investment expenses.

Statement of Functional Expenses

Upon adoption of ASU 2016-14, the Organization adjusted the classification of expenses between program services and supporting services to accurately describe the costs associated with each service. Upon adoption of ASU 2016-14, marketing expense was not allocated to program services as the guidance stipulates management and general

Project Angel Heart
Notes to Financial Statements
September 30, 2019

activities include the costs associated with promoting the sale of goods or services to customers, including advertising costs.

Notes to the Financial Statements

Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

Note 3: Property and Equipment

Property and equipment at September 30, 2019 consists of:

Land and building	\$ 6,155,860
Kitchen equipment	560,574
Furniture, fixtures and office equipment	254,118
Vehicles	102,163
Software-in-progress	<u>93,875</u>
	7,166,590
Less accumulated depreciation and amortization	<u>(2,088,770)</u>
Total property and equipment, net	<u><u>\$ 5,077,820</u></u>

Note 4: Operating Leases

A non-cancelable operating lease for office space expires in 2020. Total rent expense for the year ended September 30, 2019 was \$16,157.

Future minimum lease payments for fiscal year ending at September 30, is as follows:

2020	<u><u>\$ 9,506</u></u>
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The Organization subleases a portion of the building's office and freezer space to two tenants. Rental income for the year ended September 30, 2019 was \$50,644. The future income for the remaining period of the leases is approximately \$18,000 for fiscal year 2020.

Project Angel Heart
Notes to Financial Statements
September 30, 2019

Note 5: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2019 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Adopt-a-meal program	<u>\$ 15,000</u>

Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction or purpose restrictions	
Adopt-a-meal program	\$ 2,000
Capital campaign	750
Patio build-out	<u>51,250</u>
	<u>\$ 54,000</u>

Note 6: Liquidity and Availability

The Organization regularly monitors the availability of resources required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program, management and fundraising activities.

Project Angel Heart

Notes to Financial Statements

September 30, 2019

As of September 30, 2019, the following table shows the financial assets that could be readily available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 650,395
Investments	894,646
Grants and other receivables	163,510
Interest in assets held by others	<u>34,088</u>
Total financial assets	<u>1,742,639</u>
Less amounts not available to be used within one year	
Donor-imposed restrictions	<u>(15,000)</u>
Net financial assets after donor-imposed restrictions	<u>1,403,465</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u><u>\$ 1,403,465</u></u>

The Organization manages its liquidity and reserves within an approved Investment Policy Statement for both near-term operating and long-term needs. During the year ended September 30, 2019, the level of liquidity and reserves was managed within these approved guidelines.

Note 7: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Project Angel Heart
Notes to Financial Statements
September 30, 2019

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money markets and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Interest in Assets Held by Others

Fair value is estimated based on the financial information provided by the Community First Foundation, which is based on the contributions and withdrawals to the funds and the related investment income or loss on the Organization's share of the underlying holdings of the fund. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 168,379	\$ 168,379	\$ -	\$ -
Mutual funds				
Fixed income mutual funds	345,730	345,730	-	-
Equity mutual funds	169,636	169,636	-	-
Other funds	210,901	210,901	-	-
	<u>\$ 894,646</u>	<u>\$ 894,646</u>	<u>\$ -</u>	<u>\$ -</u>
Interest in assets held by others	<u>\$ 34,088</u>	<u>\$ -</u>	<u>\$ 34,088</u>	<u>\$ -</u>

Project Angel Heart
Notes to Financial Statements
September 30, 2019

Note 8: Allocation of Joint Costs

Project Angel Heart conducted activities that included requests for contributions, as well as program and management and general components. Those activities included distribution of informational materials that included fundraising appeals. The costs of conducting those activities included a total of \$80,800 in 2019 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

General and management	\$ 201
Program expenses	45,050
Fundraising expenses	<u>35,549</u>
	<u>\$ 80,800</u>

Note 9: Defined Contribution Plan

The Organization has a defined contribution pension plan covering employees who work over 1,000 hours per year. Employees of the Organization are eligible to participate in a 403(b) tax-sheltered annuity plan under which each employee may contribute salary subject to limits. After one year of employment, the Organization is required to make matching contributions up to 3% of each participating employee's annual salary. Additionally, based on an incremental number of years of service, the Organization increases its matching requirement accordingly. Matching contributions and related expenses were \$59,712 for the year ended September 30, 2019.

Note 10: Subsequent Events

Subsequent events have been evaluated through March 13, 2020, which is the date the financial statements were available to be issued. No matters are reportable.