

Preliminary Draft

THE NASHVILLE FOOD PROJECT, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2015

Preliminary Draft

THE NASHVILLE FOOD PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Nashville Food Project, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of The Nashville Food Project, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2015, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Nashville Food Project, Inc. as of December 31, 2015, 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.

February 25, 2016

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THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

Assets

Current assets:	
Cash and cash equivalents	\$ 317,495
Contributions receivable	76,001
Other assets	<u>500</u>
Total current assets	393,996
Property and equipment, net	<u>61,219</u>
Total assets	<u><u>\$ 455,215</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 862
Accrued payroll	<u>5,489</u>
Total current liabilities	<u>6,351</u>
Net assets:	
Unrestricted net assets	372,863
Temporarily restricted net assets	<u>76,001</u>
Total net assets	<u>448,864</u>
Total liabilities and net assets	<u><u>\$ 455,215</u></u>

See accompanying notes.

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THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support:			
Contributions	\$ 357,203	\$ 76,001	\$ 433,204
Gifts-in-kind	171,717	-	171,717
Special event revenue, net of direct benefit costs of \$52,984	153,528	-	153,528
United Way	61,999	-	61,999
Grant revenue	8,976	-	8,976
Net assets released from restrictions	<u>84,695</u>	<u>(84,695)</u>	<u>-</u>
Total support and revenue	<u>838,118</u>	<u>(8,694)</u>	<u>829,424</u>
Expenses:			
Program	438,615	-	438,615
Management and general	81,460	-	81,460
Fundraising	<u>141,437</u>	<u>-</u>	<u>141,437</u>
Total expenses	<u>661,512</u>	<u>-</u>	<u>661,512</u>
Change in net assets	176,606	(8,694)	167,912
Net assets at beginning of year	<u>196,257</u>	<u>84,695</u>	<u>280,952</u>
Net assets at end of year	<u><u>\$ 372,863</u></u>	<u><u>\$ 76,001</u></u>	<u><u>\$ 448,864</u></u>

See accompanying notes.

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THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 198,748	\$ 42,537	\$ 73,741	\$ 315,026
Supplies, including in-kind of \$80,667	119,784	2,363	967	123,114
Professional services, including in-kind of \$43,200	6,036	15,997	46,660	68,693
Rent, including in-kind of \$36,000	34,495	2,520	2,520	39,535
Equipment and maintenance, including in-kind of \$7,350	26,690	4,613	-	31,303
Miscellaneous	16,503	4,724	2,428	23,655
Contract labor	10,465	-	8,500	18,965
Depreciation	16,813	-	-	16,813
Insurance	5,919	1,626	-	7,545
Printing	-	99	6,421	6,520
Education	3,162	1,188	200	4,550
Telephone	-	3,570	-	3,570
Dues and subscriptions	-	2,223	-	2,223
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 438,615</u>	<u>\$ 81,460</u>	<u>\$ 141,437</u>	<u>\$ 661,512</u>

See accompanying notes.

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THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 167,912
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	16,813
Donated equipment	(4,500)
Change in operating assets and liabilities:	
Contributions receivable	8,694
Other assets	(500)
Accounts payable	862
Accrued payroll	<u>(3,925)</u>
Net cash provided by operating activities	<u>185,356</u>
Cash flows from investing activities:	
Purchase of vehicle and equipment	<u>(64,491)</u>
Net cash used in investing activities	<u>(64,491)</u>
Net increase in cash and cash equivalents	120,865
Cash and cash equivalents at beginning of year	<u>196,630</u>
Cash and cash equivalents at end of year	<u><u>\$ 317,495</u></u>
Supplemental disclosure of noncash investing activities:	
Donated equipment	<u><u>\$ 4,500</u></u>

See accompanying notes.

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THE NASHVILLE FOOD PROJECT, INC. NOTES TO THE FINANCIAL STATEMENTS December 31, 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Nashville Food Project, Inc. (the “Organization”) was established in 2011 to bring people together to grow, cook, and share nourishing food with the goals of alleviating hunger in Nashville. The Organization uses recovered, donated, and garden grown food to prepare and cook healthy, hot meals. Those meals, along with produce grown in the Organization’s gardens, are distributed to people in need. The Organization also shares its resources with others interested in growing their own food.

Basis of Presentation

The Organization presents its financial statements in accordance with accounting and reporting prescribed for not-for-profit organizations. Using the accrual basis of accounting, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. Net assets of the Organization are presented as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that require that the assets be maintained permanently. The Organization does not have any permanently restricted net assets at December 31, 2015.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash and related short-term investments with original maturities of three months or less when purchased to be cash equivalents.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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THE NASHVILLE FOOD PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at their estimated fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Public Support

The Organization receives public support in the form of cash contributions, unconditional promises to give, gifts-in-kind and donated services. The Organization generally recognizes public support in the year contributed at fair value, with gifts-in-kind determined as follows:

Gifts-in-kind: primarily includes donated food. The value of donated food is recognized at estimated fair value on the date it is received with a corresponding expense for program services when consumed. The value of donated food is calculated at pounds donated times a standard rate. The standard rate used for 2015 was \$1.70 per pound, which is the standard rate calculated by a national food bank agency. Other assets donated are recorded at estimated fair value on the date received.

Donated Services: generally not recognized unless the services:

- a. create or enhance a non-financial asset (such as a building), or
- b. are specialized skills provided by entities or persons possessing those skills and would be purchased if they were not donated.

Donated Facilities: The Organization conducts its primary operations from a facility located on the campus of Woodmont Christian Church ("Church"). The Church provides such space rent free to the Organization.

Use of Estimates

The preparation of the 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 and expenses during the reporting period. Actual results could differ from those estimates.

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**THE NASHVILLE FOOD PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2015**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at December 31, 2015. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2012 through December 31, 2015.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Company up to statutory limits. Management believes the Organization is not exposed to any significant credit risk on its cash balances. Uninsured balances at December 31, 2015 totaled \$67,455.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

At December 31, 2015, contributions receivable totaled \$76,001. Management considers all contributions receivable to be fully collectible at December 31, 2015. Accordingly, no allowance for doubtful accounts has been provided.

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THE NASHVILLE FOOD PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2015

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015:

Vehicles	\$ 95,339
Equipment	19,382
Less accumulated depreciation	<u>(53,502)</u>
	<u>\$ 61,219</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015:

Unconditional promises to give due in future periods	<u>\$ 76,001</u>
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NOTE 6 – GIFTS-IN-KIND AND DONATED SERVICES

As described in Note 1, the Organization receives various non-cash gifts, primarily food, and recognizes them as public support as the gifts are utilized. Generally, these gifts-in-kind are utilized in the same year they are received. Gifts-in-kind received, distributed and capitalized are summarized as follows for the year ended December 31, 2015:

Gifts-in-kind received:

Food	\$ 80,667
Supplies	11,850
Professional services	43,200
Facilities	<u>36,000</u>
	<u>\$ 171,717</u>

Gifts-in-kind capitalized	<u>\$ 4,500</u>
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As described in Note 1, the Organization has recognized contributions of gifts-in-kind for donated professional services and recorded the services at their estimated fair value. These services primarily include marketing services provided by an advertising and marketing agency.

In addition, a substantial number of non-professional volunteers have donated significant amounts of their time to the Organization's program services; however, the fair value of these services has not been reflected in the accompanying financial statements as such services do not meet the criteria for recognition.

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**THE NASHVILLE FOOD PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2015**

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through February 25, 2016, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.