

THE NASHVILLE FOOD PROJECT, INC.

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

December 31, 2016 and 2015

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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dean + Howard, PLLC

Nashville, Tennessee
February 14, 2017

THE NASHVILLE FOOD PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 444,450	\$ 317,495
Accounts receivable	650	-
Contributions receivable	96,082	76,001
Other assets	<u>500</u>	<u>500</u>
Total current assets	541,682	393,996
Deposit in escrow	25,000	-
Property and equipment, net	<u>44,594</u>	<u>61,219</u>
Total assets	<u><u>\$ 611,276</u></u>	<u><u>\$ 455,215</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 970	\$ 862
Accrued payroll	<u>29,628</u>	<u>5,489</u>
Total current liabilities	<u>30,598</u>	<u>6,351</u>
Net assets:		
Unrestricted	384,806	372,863
Temporarily restricted	<u>195,872</u>	<u>76,001</u>
Total net assets	<u>580,678</u>	<u>448,864</u>
Total liabilities and net assets	<u><u>\$ 611,276</u></u>	<u><u>\$ 455,215</u></u>

See accompanying notes.

THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Contributions	\$ 363,958	\$ 221,082	\$ 585,040
Gifts-in-kind	254,983	-	254,983
Special event revenue, net of direct benefit costs of \$42,290	171,631	-	171,631
United Way	70,000	-	70,000
Net assets released from restrictions	101,211	(101,211)	-
	<u>961,783</u>	<u>119,871</u>	<u>1,081,654</u>
Total public support			
Revenue:			
Meals program	84,320	-	84,320
Other income	880	-	880
	<u>85,200</u>	<u>-</u>	<u>85,200</u>
Total revenue			
Total public support and revenue	<u>1,046,983</u>	<u>119,871</u>	<u>1,166,854</u>
Expenses:			
Program services	815,681	-	815,681
Management and general	105,822	-	105,822
Fundraising	113,537	-	113,537
	<u>1,035,040</u>	<u>-</u>	<u>1,035,040</u>
Total expenses			
Change in net assets	11,943	119,871	131,814
Net assets at beginning of year	372,863	76,001	448,864
Net assets at end of year	<u>\$ 384,806</u>	<u>\$ 195,872</u>	<u>\$ 580,678</u>

See accompanying notes.

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 and revenue:			
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	84,695	(84,695)	-
Total public support and revenue	838,118	(8,694)	829,424
Expenses:			
Program services	438,615	-	438,615
Management and general	81,460	-	81,460
Fundraising	141,437	-	141,437
Total expenses	661,512	-	661,512
Change in net assets	176,606	(8,694)	167,912
Net assets at beginning of year	196,257	84,695	280,952
Net assets at end of year	<u>\$ 372,863</u>	<u>\$ 76,001</u>	<u>\$ 448,864</u>

See accompanying notes.

THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 365,771	\$ 50,794	\$ 97,844	\$ 514,409
Program supplies, including in-kind of \$198,960	313,510	-	-	313,510
Rent, including in-kind of \$53,733	54,307	4,293	2,293	60,893
Professional services	1,000	31,370	190	32,560
Equipment and maintenance	20,350	2,340	-	22,690
Contract labor	21,140	-	-	21,140
Depreciation	16,625	-	-	16,625
Insurance	14,890	1,660	-	16,550
Miscellaneous	6,508	615	-	7,123
Processing fees	-	2,960	3,370	6,330
Development, including in-kind of \$430	-	-	5,160	5,160
Printing and postage	-	10	4,600	4,610
Supplies, including in-kind of \$1,860	-	4,350	-	4,350
Telephone	-	3,690	-	3,690
Travel	1,060	1,200	-	2,260
Dues and subscriptions	10	2,140	-	2,150
Meals and entertainment	20	400	80	500
Education	490	-	-	490
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 815,681</u>	<u>\$ 105,822</u>	<u>\$ 113,537</u>	<u>\$ 1,035,040</u>

See accompanying notes.

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

	<u>Program Services</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>2,223</u>	<u>-</u>	<u>2,223</u>
Total expenses	<u><u>\$ 438,615</u></u>	<u><u>\$ 81,460</u></u>	<u><u>\$ 141,437</u></u>	<u><u>\$ 661,512</u></u>

See accompanying notes.

THE NASHVILLE FOOD PROJECT, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 131,814	\$ 167,912
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,625	16,813
Donated fixed assets	-	(4,500)
Changes in operating assets and liabilities:		
Accounts receivable	(650)	-
Contributions receivable	(20,081)	8,694
Other assets	-	(500)
Accounts payable	108	862
Accrued payroll	24,139	(3,925)
Net cash provided by operating activities	<u>151,955</u>	<u>185,356</u>
Cash flows from investing activities:		
Deposit in escrow	(25,000)	-
Purchases of property and equipment	-	(64,491)
Net cash used in investing activities	<u>(25,000)</u>	<u>(64,491)</u>
Net increase in cash and cash equivalents	126,955	120,865
Cash and cash equivalents at beginning of year	<u>317,495</u>	<u>196,630</u>
Cash and cash equivalents at end of year	<u><u>\$ 444,450</u></u>	<u><u>\$ 317,495</u></u>
Schedule of non-cash investing and financing activities:		
Donated fixed assets	<u><u>\$ -</u></u>	<u><u>\$ 4,500</u></u>

See accompanying notes.

THE NASHVILLE FOOD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 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, 2016 and 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.

THE NASHVILLE FOOD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 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 2016 and 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 (the “Church”). The Church provides such space rent free to the Organization. During 2016, another not-for-profit organization donated space for expanded operations of the Organization at a second location.

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.

THE NASHVILLE FOOD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

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

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.

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, 2016. 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, 2013 through December 31, 2016.

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, 2016 and 2015 totaled \$169,983 and \$67,495, respectively.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

At December 31, 2016 and 2015, contributions receivable totaled \$96,082 and \$76,001, respectively. Management considers all contributions receivable to be fully collectible at December 31, 2016 and 2015. Accordingly, no allowance for doubtful accounts has been provided.

THE NASHVILLE FOOD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Vehicles	\$ 95,339	\$ 95,339
Equipment	<u>19,382</u>	<u>19,382</u>
	114,721	114,721
Less accumulated depreciation	<u>(70,127)</u>	<u>(53,502)</u>
	<u><u>\$ 44,594</u></u>	<u><u>\$ 61,219</u></u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$16,625 and \$16,813, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Unconditional promises to give due in future periods	\$ 96,082	\$ 76,001
Capital campaign	<u>99,790</u>	<u>-</u>
	<u><u>\$ 195,872</u></u>	<u><u>\$ 76,001</u></u>

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 years ended December 31:

	<u>2016</u>	<u>2015</u>
Gifts-in-kind received:		
Supplies	\$ 200,820	\$ 80,667
Equipment	-	11,850
Professional services	430	43,200
Facilities	<u>53,733</u>	<u>36,000</u>
	<u><u>\$ 254,983</u></u>	<u><u>\$ 171,717</u></u>
Gifts-in-kind capitalized	<u><u>\$ -</u></u>	<u><u>\$ 4,500</u></u>

THE NASHVILLE FOOD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 6 – GIFTS-IN-KIND AND DONATED SERVICES (Continued)

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.

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through February 14, 2017, when these financial statements were available to be issued. In January 2017, the Organization secured \$480,000 in funding through a lender in order to acquire property in Nashville, Tennessee for the future development of a new campus that will house the Organization's administrative offices and primary kitchen. A deposit of \$25,000 had been placed into escrow prior to December 31, 2016 related to the property acquisition. The Organization expects to begin construction on the property in 2017.