

THE NASHVILLE FOOD PROJECT, INC.

FINANCIAL STATEMENTS

***As of and for the Years Ended December 31, 2017
and 2016***

And Report of Independent Auditor

THE NASHVILLE FOOD PROJECT, INC.
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Report of Independent Auditor

Board of Directors
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, 2017, 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.

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, 2017, 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.

Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated February 14, 2017 expressed an unmodified opinion on those statements.



Nashville, Tennessee
April 29, 2018

THE NASHVILLE FOOD PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 856,813	\$ 444,450
Accounts receivable	1,278	650
Contributions receivable	732,645	96,082
Prepaid expenses	1,770	-
Other assets	7,600	500
Total Current Assets	1,600,106	541,682
Contributions receivable, net of current portion	555,940	-
Deposit in escrow	-	25,000
Construction in progress	161,424	-
Property and equipment, net	577,309	44,594
Total Assets	\$ 2,894,779	\$ 611,276
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 7,722	\$ 970
Accrued payroll	13,292	29,628
Total Liabilities	21,014	30,598
Net Assets:		
Unrestricted	1,168,668	384,806
Temporarily restricted	1,705,097	195,872
Total Net Assets	2,873,765	580,678
Total Liabilities and Net Assets	\$ 2,894,779	\$ 611,276

THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 525,012	\$ 2,416,124	\$ 2,941,136
Gifts-in-kind	404,184	-	404,184
Special event revenue, net of direct benefit costs of \$32,701	210,273	-	210,273
United Way	-	-	-
Net assets released from restrictions	906,899	(906,899)	-
Total Public Support	<u>2,046,368</u>	<u>1,509,225</u>	<u>3,555,593</u>
Revenue:			
Meals program	185,135	-	185,135
Other income	170	-	170
Total Revenue	<u>185,305</u>	<u>-</u>	<u>185,305</u>
Total Public Support and Revenue	<u>2,231,673</u>	<u>1,509,225</u>	<u>3,740,898</u>
Expenses:			
Program services	1,142,607	-	1,142,607
Management and general	111,682	-	111,682
Fundraising	193,522	-	193,522
Total Expenses	<u>1,447,811</u>	<u>-</u>	<u>1,447,811</u>
Change in net assets	783,862	1,509,225	2,293,087
Net assets, beginning of year	384,806	195,872	580,678
Net assets, end of year	<u>\$ 1,168,668</u>	<u>\$ 1,705,097</u>	<u>\$ 2,873,765</u>

THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF ACTIVITIES (CONTINUED)

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)	-
Total Public Support	<u>961,783</u>	<u>119,871</u>	<u>1,081,654</u>
Revenue:			
Meals program	84,320	-	84,320
Other income	880	-	880
Total Revenue	<u>85,200</u>	<u>-</u>	<u>85,200</u>
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
Total Expenses	<u>1,035,040</u>	<u>-</u>	<u>1,035,040</u>
Change in net assets	11,943	119,871	131,814
Net assets, beginning of year	372,863	76,001	448,864
Net assets, end of year	<u>\$ 384,806</u>	<u>\$ 195,872</u>	<u>\$ 580,678</u>

THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and related benefits	\$ 538,611	\$ 37,690	\$ 49,557	\$ 625,858
Program supplies, including in-kind of \$326,840	503,936	-	-	503,936
Capital project, including in-kind of \$12,292	-	-	116,257	116,257
Rent, including in-kind of \$55,207	58,917	2,293	2,293	63,503
Professional services	-	42,461	-	42,461
Equipment and maintenance	22,591	-	-	22,591
Development, including in-kind of \$2,223	-	-	19,023	19,023
Depreciation	12,855	-	-	12,855
Supplies, including in-kind of \$7,622	-	11,181	-	11,181
Processing fees	-	7,630	-	7,630
Printing and postage	-	-	6,392	6,392
Contract labor	5,684	-	-	5,684
Telephone	-	3,557	-	3,557
Miscellaneous	-	2,179	-	2,179
Dues and subscriptions	-	1,794	-	1,794
Insurance	-	1,679	-	1,679
Travel	-	1,028	-	1,028
Meals and entertainment	-	190	-	190
Education	13	-	-	13
Total Expenses	<u>\$ 1,142,607</u>	<u>\$ 111,682</u>	<u>\$ 193,522</u>	<u>\$ 1,447,811</u>

THE NASHVILLE FOOD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fundraising	Total Expenses
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
Total Expenses	<u>\$ 815,681</u>	<u>\$ 105,822</u>	<u>\$ 113,537</u>	<u>\$ 1,035,040</u>

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

THE NASHVILLE FOOD PROJECT, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 2,293,087	\$ 131,814
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,855	16,625
Contributions receivable restricted for long term purposes	(1,127,539)	-
Changes in operating assets and liabilities:		
Accounts receivable	(628)	(650)
Contributions receivable	(84,534)	(20,081)
Prepaid expenses	(1,770)	-
Other assets	(7,100)	-
Accounts payable	6,752	108
Accrued payroll	(16,336)	24,139
Net cash provided by operating activities	<u>1,074,787</u>	<u>151,955</u>
Cash flows from investing activities:		
Deposit in escrow	25,000	(25,000)
Purchases of property and equipment	(706,994)	-
Net cash used in investing activities	<u>(681,994)</u>	<u>(25,000)</u>
Cash flows from financing activities:		
Contributions restricted for long term purposes	19,570	-
Proceeds from debt borrowings	480,000	-
Repayments of debt borrowings	(480,000)	-
Net cash provided by financing activities	<u>19,570</u>	<u>-</u>
Net increase in cash and cash equivalents	412,363	126,955
Cash and cash equivalents, beginning of year	444,450	317,495
Cash and cash equivalents, end of year	<u>\$ 856,813</u>	<u>\$ 444,450</u>
Supplementary Cash Flow Information:		
Cash paid for interest	<u>\$ 11,439</u>	<u>\$ -</u>

THE NASHVILLE FOOD PROJECT, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of organization and significant accounting policies

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, Tennessee. 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, 2017 and 2016.

Cash and Cash Equivalents – 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.

Property and Equipment – Property and equipment are recorded at cost or, if donated, at their estimated fair value at the date of donation, if cost or fair value is greater than \$5,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives of major classes of property and equipment range from 3 to 10 years.

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 2017 was generally \$3 per pound. The standard rate used for 2016 was \$1.70 per pound, which was the standard rate calculated by a national food bank agency historically. This change in accounting estimate for the value of donated food was deemed necessary in order to more accurately reflect the value of the donations received. Other assets donated are recorded at estimated fair value on the date received.

THE NASHVILLE FOOD PROJECT, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of organization and significant accounting policies (continued)

Donated Services – The Organization generally does not recognize donated services 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. Additionally, during 2016, another not-for-profit organization donated space for expanded operations of the Organization at a second location. Such arrangement continued through 2017. The Organization recorded both contribution income and rent expense for the fair value of use of these facilities.

Meals Program Revenue – The Organization has entered into contracts with various third parties under which the Organization will provide meals under specific conditions for a fee. Revenue is recognized in accordance with the contracts, which are generally based on the number of meals provided. Such arrangements are typically one year or less in duration.

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.

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 (“IRC”), and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. 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 50% likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at December 31, 2017. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements.

Subsequent Events – The Organization evaluated subsequent events through April 29, 2018 in connection with the preparation of these financial statements, which is the date the 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.

THE NASHVILLE FOOD PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 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, 2017 and 2016 totaled approximately \$565,200 and \$170,000, respectively.

Contributions from two donors represent approximately 42% of total public support for the year ended December 31, 2017.

Note 3—Contributions receivable

At December 31, 2017 and 2016, contributions receivable totaled \$1,288,585 and \$96,082, respectively. Management considers all contributions receivable to be fully collectible at December 31, 2017 and 2016. Accordingly, no allowance for doubtful accounts has been provided. In addition, discounts of long-term contributions receivable are not significant to the financial statements and have not been recorded. Contributions receivable are scheduled to be received as follows at December 31:

	2017	2016
Receivable in less than one year	\$ 732,645	\$ 96,082
Receivable in one to five years	555,940	-
	<u>\$ 1,288,585</u>	<u>\$ 96,082</u>

Note 4—Property and equipment

Property and equipment consists of the following at December 31:

	2017	2016
Land (held for future building site)	\$ 544,574	\$ -
Vehicles	95,339	95,339
Equipment	20,382	19,382
	660,295	114,721
Less accumulated depreciation	(82,986)	(70,127)
	<u>\$ 577,309</u>	<u>\$ 44,594</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$12,855 and \$16,625, respectively.

Construction in progress at December 31, 2017 of \$161,424 represents the architectural designs and initial construction costs incurred related to building a new facility on the land acquired early in 2017. (See Note 7.)

THE NASHVILLE FOOD PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 5—Temporarily restricted net assets

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

	2017	2016
Unconditional promises to give due in future periods	\$ 180,616	\$ 96,082
Capital campaign, including unconditional promises to give due in future periods	1,524,481	99,790
	<u>\$ 1,705,097</u>	<u>\$ 195,872</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:

	2017	2016
Gifts-in-kind received:		
Supplies	\$ 334,462	\$ 200,820
Facilities	55,207	53,733
Capital project expenses	12,292	-
Professional services	2,223	430
	<u>\$ 404,184</u>	<u>\$ 254,983</u>

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—Capital campaign

During 2016, the Organization began a capital campaign effort to, among other things, raise funds for the purchase of land and construction of a new facility. The capital campaign is expected to continue through 2020 with a total fundraising goal of \$5,000,000 in order to cover the costs of construction, furnishings, and campaign expenses, as well as the establishment of capital reserves estimated to be approximately \$200,000.

In connection with the capital campaign, 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. The note arrangement bears interest of 3.50% and requires monthly interest only payments until maturity on February 28, 2018, when all interest and principal are due. The Organization paid all amounts due under the note in 2017. Interest incurred during 2017 totaled \$11,439 and is included in capital project expenses in the statement of functional expenses.

THE NASHVILLE FOOD PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 7—Capital campaign (continued)

A deposit of \$25,000 had been placed into escrow prior to December 31, 2016 related to the property acquisition. During 2017, the initial architectural and design work was begun and is in construction in progress at December 31, 2017. The Organization expects to begin construction on the property in 2018. Total costs of construction are expected to be approximately \$2,650,000.