

JOHNSON KIGHTLINGER & COMPANY

**CHEF ANN FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITORS' REPORT

Board of Directors
Chef Ann Foundation
Boulder, Colorado

We have audited the accompanying financial statements of the Chef Ann Foundation ("the Organization"), a Colorado nonprofit corporation, which comprise the statements of financial position as of December 31, 2017 and 2016, 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 Chef Ann Foundation as of December 31, 2017 and 2016, 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.

Johnson Kightlinger & Company

JOHNSON KIGHTLINGER & COMPANY
April 23, 2018

**CHEF ANN FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,505,299	\$ 711,214
Contributions receivable, net (Note 2)	107,750	823,330
Prepaid expenses and other	5,174	2,705
Total current assets	1,618,223	1,537,249
PROPERTY AND EQUIPMENT, NET (Note 1)	7,878	490
NONCURRENT ASSETS		
Deposit	9,665	2,300
TOTAL ASSETS	\$ 1,635,766	\$ 1,540,039
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 115,657	\$ 169,547
Grants payable	-	50,000
Payroll liabilities	18,173	642
Bank line of credit (Note 3)	-	55,722
Current portion of capital lease obligations (Note 4)	3,075	-
Total current liabilities	136,905	275,911
LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion (Note 4)	\$ 3,465	\$ -
Total long-term liabilities	3,465	-
TOTAL LIABILITIES	140,370	275,911
NET ASSETS		
Unrestricted	145,920	(6,626)
Temporarily restricted (Note 5)	1,349,476	1,270,754
Total net assets	1,495,396	1,264,128
TOTAL LIABILITIES AND NET ASSETS	\$ 1,635,766	\$ 1,540,039

See Notes to Financial Statements

**CHEF ANN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 496,516	\$ 2,055,751	\$ 2,552,267
Tuition and fees	5,418	-	5,418
Interest	637	-	637
Total revenue	502,571	2,055,751	2,558,322
 <u>Net assets released from restrictions</u>			
Satisfaction of purpose restrictions	1,188,072	(1,188,072)	-
Expiration of time restrictions	788,957	(788,957)	-
Total net assets released from restrictions	1,977,029	(1,977,029)	-
Total revenue and support	2,479,600	78,722	2,558,322
 EXPENSES AND LOSSES			
Program services	2,054,043	-	2,054,043
Management and general	188,370	-	188,370
Fund raising	84,641	-	84,641
Total expenses	2,327,054	-	2,327,054
CHANGE IN NET ASSETS	152,546	78,722	231,268
NET ASSETS - BEGINNING OF YEAR	(6,626)	1,270,754	1,264,128
NET ASSETS - END OF YEAR	\$ 145,920	\$ 1,349,476	\$ 1,495,396

**CHEF ANN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 307,014	\$ 2,895,375	\$ 3,202,389
Interest	381	-	381
Total revenue	<u>307,395</u>	<u>2,895,375</u>	<u>3,202,770</u>
 <u>Net assets released from restrictions</u>			
Satisfaction of purpose restrictions	2,051,039	(2,051,039)	-
Expiration of time restrictions	113,003	(113,003)	-
Total net assets released from restrictions	<u>2,164,042</u>	<u>(2,164,042)</u>	<u>-</u>
 Total revenue and support	 <u>2,471,437</u>	 <u>731,333</u>	 <u>3,202,770</u>
 EXPENSES AND LOSSES			
Program services	2,155,412	-	2,155,412
Management and general	181,554	-	181,554
Fund raising	45,163	-	45,163
Total expenses	<u>2,382,129</u>	<u>-</u>	<u>2,382,129</u>
 CHANGE IN NET ASSETS	 89,308	 731,333	 820,641
 NET ASSETS - BEGINNING OF YEAR	 (95,934)	 539,421	 443,487
 NET ASSETS - END OF YEAR	 <u>\$ (6,626)</u>	 <u>\$ 1,270,754</u>	 <u>\$ 1,264,128</u>

See Notes to Financial Statements

**CHEF ANN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising & Development</u>	<u>Total Expenses</u>
Salaries	\$ 340,236	\$ 88,944	\$ 54,071	\$ 483,251
Payroll taxes and benefits	30,552	13,170	8,006	51,728
Legal and accounting fees	46,350	19,281	8,843	74,474
Outside services and contract labor	514,611	23,222	11,515	549,348
Salad bars	850,339	-	-	850,339
Grants	163,828	-	-	163,828
Rent	24,929	4,442	-	29,371
Interest	-	1,960	10	1,970
Office expense	35,268	21,096	441	56,805
Travel	21,930	14,296	-	36,226
Other fundraising	-	-	1,755	1,755
Bad debt expense	26,000	-	-	26,000
Depreciation	-	1,959	-	1,959
	<u>\$ 2,054,043</u>	<u>\$ 188,370</u>	<u>\$ 84,641</u>	<u>\$ 2,327,054</u>

See Notes to Financial Statements

**CHEF ANN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising & Development</u>	<u>Total Expenses</u>
Salaries	\$ 201,393	\$ 58,788	\$ 32,066	\$ 292,247
Payroll taxes and benefits	15,619	9,146	4,988	29,753
Legal and accounting fees	25,221	37,000	-	62,221
Outside services and contract labor	324,844	23,877	6,151	354,872
Salad bars	1,183,292	-	-	1,183,292
Grants	322,196	-	-	322,196
Rent	9,840	7,160	-	17,000
Interest	-	3,444	-	3,444
Office expense	18,835	20,657	376	39,868
Travel	54,172	21,237	-	75,409
Other fundraising	-	-	1,582	1,582
Depreciation	-	245	-	245
	<u>\$ 2,155,412</u>	<u>\$ 181,554</u>	<u>\$ 45,163</u>	<u>\$ 2,382,129</u>

See Notes to Financial Statements

**CHEF ANN FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 231,268	\$ 820,641
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	1,959	245
Changes in operating assets and liabilities:		
Receivables	715,580	(483,075)
Prepaid expenses and other assets	(9,834)	(3,500)
Accounts payable and accrued liabilities	(86,359)	(369,062)
Net cash from operating activities	852,614	(34,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in bank line of credit	(55,722)	(47,248)
Payments of capital lease obligation	(2,807)	-
Net cash from financing activities	(58,529)	(47,248)
NET CHANGE IN CASH AND CASH EQUIVALENTS	794,085	(81,999)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	711,214	793,213
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,505,299	\$ 711,214
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 1,970	\$ 3,444
Purchase of equipment with capital lease	\$ 9,347	\$ -

See Notes to Financial Statements

**CHEF ANN FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Chef Ann Foundation was originally formed in 2008 under the name Food Family Farming Foundation and the name was changed in 2014 to Chef Ann Foundation (CAF). It was formed to provide school communities with the tools, training, resources and funding that enables them to create healthier food and redefine lunchroom environments. Their vision is to create an organization that helps schools take actions so that every child has daily access to fresh, healthy food. CAF carries out that vision by actively supporting school districts nationwide through grant programs and by provide tried and tested tools for school food change.

Use of Estimates in the Preparation of Financial Statements

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 and expenses during the reported period. Actual results could differ from those estimates.

Basis of Presentation and Accounting

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Organization had no permanently restricted net assets as of December 31, 2017 and 2016.

Cash and Cash Equivalents

The Organization considers money market funds and all highly liquid debt and equity instruments purchased with maturities of three months or less to be cash equivalents.

Grants and Contributions Receivable

Contributions receivable consists of promises to give and are recognized as revenue in the period received. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts are recorded as additional contribution revenue. An allowance for uncollectible contributions receivable was recorded based upon management's judgment including such factors as prior collection history.

Property and Equipment

Property and equipment consisted of office equipment and is stated at cost if purchased and at estimated fair value if donated. The Organization capitalizes property and equipment additions greater than \$500. Depreciation is computed using the straight-line method over 5-year lives; accumulated depreciation totaled \$3,484 and \$1,525 at December 31, 2017 and 2016.

Revenue Recognition

Grants, contributions and unconditional promises to give are recognized in the period received. Special purpose contributions are accounted for as an increase in temporarily restricted net assets and are to be only used for the purpose, or the period, specifically designated by the donor. When a purpose restriction is accomplished or a time restriction has lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction. The Organization treats all restricted contributions as increases to restricted net assets, even if the restrictions are fulfilled in the same reporting period.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash and contributions receivable. The Organization maintains cash balances at high-quality financial institutions where the funds are insured by the Federal Deposit Insurance Corporation. To date, the Organization has not experienced any credit losses.

**CHEF ANN FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they require specialized skills and are provided by individuals possessing those skills. Donated materials, if significant, are reported as contributions at fair market value.

Income Taxes

The Organization is a not-for-profit organization and is generally exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has taken no tax positions it believes are unlikely to be upheld, or that might jeopardize its tax-exempt status, if examined by taxing authorities with full knowledge of all relevant information.

Should its tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS. The Organization's federal information returns (Forms 990) for 2014 through 2017 and are subject to examination by the IRS, generally for three years after they were filed.

Expense Allocation

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

Subsequent Events Evaluation

Management has evaluated subsequent events through the date of the accompanying independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 2 – CONTRIBUTIONS RECEIVABLE (PROMISES TO GIVE)

The Organization had unconditional promises to give from donors netting \$107,750, which was comprised of \$133,750, less a \$26,000 allowance for doubtful accounts at December 31, 2017 and \$823,330 at December 31, 2016. The unconditional promises were recorded as increases to temporarily restricted net assets, less an allowance for doubtful accounts and were receivable within one year; therefore, no discount was applied. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of donors to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

NOTE 3 – BANK LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit with a commercial bank. Borrowings under the line of credit bear interest at a floating rate plus 4%, or the Floor Rate of 5.22%, whichever is higher (5.56% at December 31, 2017). The line is unsecured and expires in June 30, 2019. The Organization had an outstanding balance of \$0 and \$55,722 at December 31, 2017 and 2016, respectively.

**CHEF ANN FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL LEASE OBLIGATIONS

The Company purchased equipment of \$9,347 with a short-term capital lease beginning in January 2017. Payments of \$308 are due monthly until December 2019. Future maturities of long-term capital lease obligations were as follows at December 31, 2017:

2018		\$	3,695
2019			3,694
Total minimum lease payments			<u>7,389</u>
Less: amount representing interest			(849)
Present value of minimum lease payments		\$	<u><u>6,540</u></u>
Current portion		\$	3,075
Long-term portion			3,465
		\$	<u><u>6,540</u></u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

		<u>2017</u>		<u>2016</u>
<u>Restrictions</u>				
Purpose restrictions	\$	1,215,726	\$	447,424
Time - pledge collections		<u>133,750</u>		<u>823,330</u>
	\$	<u><u>1,349,476</u></u>	\$	<u><u>1,270,754</u></u>

Contributions restricted by donors to specific programs are initially reported as temporarily restricted net assets. These restrictions are not released until the funds are spent on the specific programs stipulated by the donor.

Promises to give create temporarily restricted net assets because the funds are restricted for use in the year they are actually received from the donor. When the Organization collects on these promises, the restriction is released, unless the donor has specified a program restriction.

Some donors make contributions that are restricted for use in a specific time period, typically the next calendar year. They are initially reported as temporarily restricted net assets. When the funds are spent in the stipulated time period, the restriction is released.

NOTE 6 – COMMITMENTS

The Organization has entered into a noncancellable 5-year operating lease for office space in Boulder, Colorado. The lease, which became effective October 20, 2017, has two 36-month renewal options. Lease payments commence on February 1, 2018 and terminate on January 31, 2023. Rent expense for 2017 and 2016 totaled \$29,371 and \$17,000, respectively.

**CHEF ANN FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – COMMITMENTS (Continued)

Future minimum obligations under this noncancellable operating lease are as follows:

2018	\$	43,662
2019		49,040
2020		50,577
2021		52,113
2022		53,649
2023		4,481
	\$	<u>253,522</u>

NOTE 7 – MAJOR DONORS

For the years ended December 31, 2017 and 2016, approximately 87% and 72% of the Organization's support revenue came from three donors and 57% and 79% of support receivables were from two of these donors at December 31, 2017 and 2016 respectively.

NOTE 8 – RELATED PARTY

For the years ended December 31, 2017 and 2016, the Organization engaged two companies owned by officers of the Organization to provide accounting and consulting services. Total fees from these companies totaled \$360,694 and \$148,259, respectively.