

**GOD'S LOVE WE DELIVER, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2016**

**GOD'S LOVE WE DELIVER, INC.**

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## **Independent Auditor's Report**

**Board of Directors  
God's Love We Deliver, Inc.**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of God's Love We Deliver, Inc., which comprise the balance sheet as of June 30, 2016, 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 God's Love We Deliver, Inc. as of June 30, 2016, 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.

***Report on Summarized Comparative Information***

We have previously audited God's Love We Deliver, Inc.'s June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

September 22, 2016

## GOD'S LOVE WE DELIVER, INC.

## BALANCE SHEET

JUNE 30, 2016

(With Summarized Financial Information for June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 6,643,166	\$ 1,269,159
Investments (Note 3)	2,600,903	7,346,249
Contributions receivable (Note 4)		
Expansion campaign (Note 9)	\$ 2,001,067	
Other	<u>576,040</u>	4,723,706
Receivable - Airvana L. P.	672,299	
Receivable - sale of air rights		1,338,350
Accounts receivable		
Government agencies	510,583	
Other (less allowance for doubtful accounts of \$46,500 in 2016 and 2015)	<u>330,246</u>	958,602
Bequest receivable	500,000	
Tax refund receivable	361,301	130,301
Prepaid expenses and other current assets	373,062	259,452
Inventory	128,378	
Fixed assets - net (Note 5)	<u>33,262,898</u>	<u>33,510,943</u>
Total assets	<u>\$ 47,959,943</u>	<u>\$ 49,536,762</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 424,020	\$ 639,830
Accrued payroll and related liabilities	483,546	377,677
Deferred revenue	35,467	
Construction costs payable (Note 10)	2,505,631	3,746,175
Construction bridge loan payable (Note 11)	<u>4,078,713</u>	<u>4,078,713</u>
Total liabilities	<u>7,527,377</u>	<u>8,842,395</u>
Net assets (Exhibit B)		
Unrestricted	39,437,281	39,367,680
Temporarily restricted (Note 8)	<u>995,285</u>	<u>1,326,687</u>
Total net assets	<u>40,432,566</u>	<u>40,694,367</u>
Total liabilities and net assets	<u>\$ 47,959,943</u>	<u>\$ 49,536,762</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**GOD'S LOVE WE DELIVER, INC.**

**EXHIBIT B**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016**  
**(With Summarized Financial Information**  
**for the Year Ended June 30, 2015)**

	<b>2016</b>			<b>2015</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	
Revenues, gains, losses and other support				
Government grants	\$ 2,290,795		\$ 2,290,795	\$ 2,584,052
Contributions				
Foundations and corporations	862,067	\$ 1,211,493	2,073,560	1,651,478
Individuals	1,970,503	87,125	2,057,628	2,061,370
Direct mail campaigns	578,844		578,844	633,039
Bequests	826,986		826,986	363,863
Managed care program	2,243,371		2,243,371	1,943,873
Special events revenues	3,533,618	250,000	3,783,618	3,680,772
Direct costs of special events	(545,696)		(545,696)	(576,273)
Catalog sales	27,417		27,417	31,586
Cost of goods sold - catalog sales				
Goods purchased	(4,900)		(4,900)	(3,368)
Donated materials (Note 6)*	719		719	22,350
Investment income (Note 3)	79,063		79,063	51,073
Miscellaneous	105,119		105,119	44,706
Net assets released from restriction (Note 8)	1,194,234	(1,194,234)		
Total revenues, gains, losses and other support	<u>13,162,140</u>	<u>354,384</u>	<u>13,516,524</u>	<u>12,488,521</u>
Expenses (Exhibit C)				
Program services				
Meal preparation	5,666,239		5,666,239	4,886,306
Delivery services	3,203,802		3,203,802	2,441,468
Client services	468,036		468,036	474,839
Policy and planning	395,201		395,201	321,628
Program coordination	953,206		953,206	851,297
Nutrition education and counseling	881,154		881,154	756,566
Volunteer recruitment and recognition	513,366		513,366	573,928
Total program services	<u>12,081,004</u>		<u>12,081,004</u>	<u>10,306,032</u>

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**GOD'S LOVE WE DELIVER, INC.**

**EXHIBIT B**

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**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016**  
**(With Summarized Financial Information**  
**for the Year Ended June 30, 2015)**

	<b>2016</b>			<b>2015</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	
Expenses (Exhibit C) (continued)				
Supporting services				
Management and general	\$ 698,446		\$ 698,446	\$ 647,732
Fund raising	1,901,665		1,901,665	2,040,483
Total supporting services	<u>2,600,111</u>		<u>2,600,111</u>	<u>2,688,215</u>
Total expenses	<u>14,681,115</u>		<u>14,681,115</u>	<u>12,994,247</u>
Change in net assets from operations before loss on disposal of fixed assets	(1,518,975)	\$ 354,384	(1,164,591)	(505,726)
Loss on disposal of fixed assets				<u>(1,720,733)</u>
Change in net asset from operations	(1,518,975)	354,384	(1,164,591)	(2,226,459)
Expansion campaign (Note 9)				
Donated services (Note 6)	52,804		52,804	69,363
Contributions		137,304	137,304	5,018,141
Government grants - New York City capital allocation		156,752	156,752	6,855,165
Expense - management and general, and fund raising relating to expansion campaign (Exhibit C)	(196,094)		(196,094)	(81,484)
Gain (loss) on investments - donated securities (Note 3)	521,024		521,024	(475,916)
Federal and state income tax refund	231,000		231,000	
Net assets released from restrictions (Note 8)	<u>979,842</u>	<u>(979,842)</u>		
Change in net assets (Exhibit D)	69,601	(331,402)	(261,801)	9,158,810
Net assets - beginning of year	<u>39,367,680</u>	<u>1,326,687</u>	<u>40,694,367</u>	<u>31,535,557</u>
Net assets - end of year (Exhibit A)	<u>\$ 39,437,281</u>	<u>\$ 995,285</u>	<u>\$ 40,432,566</u>	<u>\$ 40,694,367</u>

\* Donated service revenues and expenses of \$2,429,905 and \$1,951,077 for 2016 and 2015, respectively, are not recorded in these statements (see Note 6).

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016  
(With Summarized Financial Information  
for the Year Ended June 30, 2015)

	Program Services							Supporting Services				Total		
	Meal Preparation	Delivery Services	Client Services	Policy and Planning	Program Coordination	Nutrition Education and Counseling	Volunteer Recruitment and Recognition	Total	Management and General	Fund Raising	Special Events and Catalog Sales	Total	2016	2015
Salaries	\$ 1,032,605	\$ 1,065,879	\$ 263,010	\$ 163,370	\$ 511,777	\$ 538,229	\$ 294,170	\$ 3,869,040	\$ 418,614	\$ 825,626	\$	\$ 1,244,240	\$ 5,113,280	\$ 4,548,180
Employee benefits and payroll taxes	443,012	532,517	108,044	65,551	141,297	215,189	95,005	1,600,615	97,388	237,623		335,011	1,935,626	1,904,470
Temporary services	81,208	160,932	457	191	474	936	637	244,835	1,679	1,196		2,875	247,710	140,967
Professional fees	19,062	23,354	4,611	77,073	76,998	8,693	7,578	217,369	43,008	118,776		161,784	379,153	404,111
Donated services (Note 6)										52,804		52,804	52,804	69,363
Food costs	2,294,967							2,294,967					2,294,967	2,108,166
Meal containers	339,425							339,425					339,425	286,923
Kitchen supplies and maintenance	122,996							122,996					122,996	97,703
Vehicle expenses		462,969						462,969					462,969	392,346
Occupancy	203,843	96,139	10,416	4,361	10,796	21,341	14,521	361,417	38,278	27,630		65,908	427,325	678,176
Telephone and internet	2,318	28,264	6,400	1,157	2,212	6,265	4,629	51,245	7,329	6,476		13,805	65,050	64,761
Office expenses and supplies	6,345	4,724	23,654	344	1,168	2,771	1,790	40,796	4,748	5,816		10,564	51,360	63,591
Minor equipment, repair and maintenance	100,699	52,189	9,885	2,968	7,303	14,591	10,329	197,964	21,801	20,740		42,541	240,505	189,527
Insurance	44,704	42,743	1,688	774	2,357	2,189	3,348	97,803	12,436	4,308		16,744	114,547	34,993
Staff training, conferences and related costs	12,978	13,103	4,166	60,510	8,890	12,543	3,963	116,153	15,011	42,195		57,206	173,359	175,036
Volunteer recognition	7,330	3,518	951	470	904	1,270	23,926	38,369	7,493	4,271		11,764	50,133	64,737
Outreach and communication			1,500	8,696	13,562	336	8,135	32,229		82,937		82,937	115,166	248,923
Printing	267	144	2,824	646	45,699	22,248	531	72,359	197	273,452		273,649	346,008	402,835
Venue, catering and other direct event expenses											\$ 545,696	\$ 545,696	\$ 545,696	\$ 576,273
Direct cost of catalog sales														
Goods purchased											4,900	4,900	4,900	3,368
Postage	1,384	847	10,158	291	10,520	5,944	687	29,831	3,581	96,750		100,331	130,162	157,283
Credit card and mailing list fees										102,476		102,476	102,476	127,899
Interest (Note 11)									143,105			143,105	143,105	
Depreciation and amortization	939,454	713,536	19,206	8,376	29,347	27,108	43,758	1,780,785	22,091	34,338		56,429	1,837,214	856,295
Bad debt expense					89,902			89,902					89,902	
Other expenses	13,642	2,944	1,066	423		1,501	359	19,935	4,792	17,240		22,032	41,967	59,446
<b>Total expenses</b>	<b>5,666,239</b>	<b>3,203,802</b>	<b>468,036</b>	<b>395,201</b>	<b>953,206</b>	<b>881,154</b>	<b>513,366</b>	<b>12,081,004</b>	<b>841,551</b>	<b>1,954,654</b>	<b>550,596</b>	<b>3,346,801</b>	<b>15,427,805</b>	<b>13,655,372</b>
Less expenses deducted directly from revenues														
Direct cost of catalog sales											(4,900)	(4,900)	(4,900)	(3,368)
Direct costs of special events											(545,696)	(545,696)	(545,696)	(576,273)
Expansion campaign expense									(143,105)	(52,989)		(196,094)	(196,094)	(81,484)
<b>Total expenses reported by function on the statement of activities (Exhibit B)</b>	<b>\$ 5,666,239</b>	<b>\$ 3,203,802</b>	<b>\$ 468,036</b>	<b>\$ 395,201</b>	<b>\$ 953,206</b>	<b>\$ 881,154</b>	<b>\$ 513,366</b>	<b>\$ 12,081,004</b>	<b>\$ 698,446</b>	<b>\$ 1,901,665</b>	<b>\$ -</b>	<b>\$ 2,600,111</b>	<b>\$ 14,681,115</b>	<b>\$ 12,994,247</b>

See independent auditor's report.

The accompanying notes are an integral part of these statements.



**GOD'S LOVE WE DELIVER, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (261,801)	\$ 9,158,810
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,837,214	856,295
Loss (gain) on investments	(32,932)	480,111
Loss on disposal on fixed asset		1,720,733
Decrease (increase) in assets		
Contributions receivable	36,167	(1,973,060)
Receivable - sale of air rights	1,338,350	4,015,050
Accounts receivable	117,773	(266,418)
Bequest receivable	(500,000)	
Tax refund receivable	(231,000)	(130,301)
Prepaid expenses and other current assets	(113,610)	(113,528)
Inventory	(128,378)	
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(215,810)	(122,119)
Accrued payroll and related liabilities	105,869	70,812
Deferred revenue	35,467	
Net cash provided by operating activities	<u>1,987,309</u>	<u>13,696,385</u>
Cash flows from investing activities		
Purchase of investments	(1,304,793)	(1,035,521)
Proceeds from sale of investments	5,410,772	4,748,952
Fixed asset acquisitions	(1,589,169)	(159,731)
Construction costs paid	<u>(1,240,544)</u>	<u>(21,715,629)</u>
Net cash provided (used) by investing activities	<u>1,276,266</u>	<u>(18,161,929)</u>
Cash flows from financing activities		
Proceeds from loan	-	4,078,713
Proceeds from contributions restricted for long term use	<u>2,110,432</u>	<u>661,158</u>
Net cash provided by financing activities	<u>2,110,432</u>	<u>4,739,871</u>
Net change in cash	5,374,007	274,327
Cash - beginning of year	<u>1,269,159</u>	<u>994,832</u>
Cash - end of year	<u>\$ 6,643,166</u>	<u>\$ 1,269,159</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 143,105</u>	<u>\$ -</u>
Federal and state income taxes paid	<u>\$ -</u>	<u>\$ 265,966</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**GOD'S LOVE WE DELIVER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - NATURE AND PURPOSES OF THE ORGANIZATION**

God's Love We Deliver, Inc. (the "Organization" or "God's Love") is a not-for-profit entity located in New York City whose mission is to improve the health and well-being of men, women and children living with HIV/AIDS, cancer and other life-altering illnesses by alleviating hunger and malnutrition. God's Love prepares and delivers nutritious, high-quality meals to people who, because of their illness, are unable to provide or prepare meals for themselves. The meals are individually tailored to meet each client's specific medical needs. God's Love also provides illness-specific nutrition education and counseling to its clients, their families and care providers and to other service organizations. All of the services of God's Love are provided free of charge to clients in all five boroughs of New York City, in Hudson County and Newark in New Jersey and in Westchester and Nassau Counties in New York State.

As a not-for-profit organization God's Love is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

The Organization is supported primarily by government grants, contributions from individuals, foundations and corporations and revenue from special events.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of accounting*** - The financial statements are prepared on the accrual basis of accounting.

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

***Investments*** - Investments are recorded at fair value.

***Contributions receivable*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. God's Love has determined that no allowance is necessary as of June 30, 2016.

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**GOD'S LOVE WE DELIVER, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Accounts receivable and allowance for doubtful accounts*** - The Organization records receivables based on established rates or contracts for services provided. Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable, a review of payments subsequent to year end, and other factors. The Organization does not charge interest on outstanding receivables. There was no allowance on the receivables from government agencies for 2016 and 2015.

***Inventory*** - Inventory is recorded at the lower of cost (first-in, first-out method) or market.

***Fixed assets and depreciation*** - Fixed assets costing in excess of \$2,500 with an estimated useful life of greater than one year are capitalized. Depreciation is calculated by use of the straight-line method over the estimated useful lives of the assets.

***Net assets*** - Unrestricted net assets include funds having no restriction as to use or purpose imposed by a donor. Temporarily restricted net assets are those whose use has been restricted by donors to a specific time period or purpose.

***Revenues from government agencies*** - Revenues from government agencies are recognized when earned. Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as milestones are achieved. Laws and regulations related to government programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the government programs.

***Contributions*** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***Managed care program*** - Managed care program revenue is recorded based on the number of meals delivered to clients of long-term managed care providers.

***Cost of goods sold*** - Cost of goods sold includes the cost of inventory sold during the period net of rebates, cost incurred to return merchandise to vendors and inventory shrinkage costs.

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**GOD'S LOVE WE DELIVER, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Operating leases* - Operating leases are straight-lined over the term of the lease. Deferred rent is recorded where there are material differences between the fixed payment and rent expense.

*Functional expenses* - The costs of providing the Organization's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Measure of operations* - The Organization includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities and excludes revenues and expenses related to the expansion campaign and donated securities.

*Summarized financial information for 2015* - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Tax refund receivable was segregated from prepaid expenses and other current assets for 2015 to conform with current year presentation.

***Fair Value Measurements***

*Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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**GOD'S LOVE WE DELIVER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair Value Measurements (continued)*

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at June 30, 2016 as compared to that used at June 30, 2015.

*Mutual funds* - Valued at the net asset value (NAV) of shares held at year end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The assets at fair value as of June 30, 2016 and 2015 are set forth by level and type within the fair value hierarchy in Note 3.

*Uncertainty in income taxes* - The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2013 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through September 22, 2016, which is the date the financial statements were available to be issued.

**GOD'S LOVE WE DELIVER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 3 - INVESTMENTS**

The following table sets forth by level and type the assets at fair value at June 30, 2016 within the fair value hierarchy:

	<u>Level 1</u>
Mutual funds	
Money market	\$ 779,155
U.S. equity	227,042
International equity	106,417
Fixed income	<u>1,488,289</u>
Total investments	<u>\$ 2,600,903</u>

Investment income consists of the following:

Operations	
Operating interest and dividends	\$ 46,131
Realized and unrealized gain on investments	<u>32,932</u>
	79,063
Nonoperating	
Realized gain on investments	<u>521,024</u>
	<u>\$ 600,087</u>

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the Organization's financial statements.

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**GOD'S LOVE WE DELIVER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 3 - INVESTMENTS (continued)**

**Level 3 Gains and Losses**

The interest in Airvana L.P. (donated security) was sold during the year ended June 30, 2016.

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2016:

	<b>Limited Partnership</b>
Beginning balance	\$ 4,674,321
Sales	(5,195,345)
Total realized and unrealized gain included in changes in net assets for 2016	<u>521,024</u>
Ending balance	<u>\$ -</u>

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable for on-going operations and the expansion campaign have been recorded at fair value. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 4% as follows:

2017	\$ 1,936,203
2018	562,000
2019	71,000
2020	20,000
2021	<u>20,000</u>
	2,609,203
Less discount to present value	<u>(32,096)</u>
Present value of contributions receivable	<u>\$ 2,577,107</u>

Four contributions receivable totaling \$1,367,000 represent a significant portion of the total contributions receivable as of June 30, 2016.

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**GOD'S LOVE WE DELIVER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 5 - FIXED ASSETS**

Fixed assets consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 32,500	
Building and building improvements	35,342,611	2-31.5 years
Office furniture and fixtures	298,203	5 years
Delivery vehicles	1,199,034	5 years
Kitchen equipment	10,285	5-10 years
Computers and peripherals	<u>1,353,144</u>	5 years
	38,235,777	
Less accumulated depreciation	<u>(4,972,879)</u>	
	<u>\$ 33,262,898</u>	

The Organization owns its building at 166 Avenue of the Americas. The property is encumbered with restricted use covenants particular to the mission of the Organization.

**NOTE 6 - DONATED SERVICES AND MATERIALS**

The Organization depends on approximately 1,300 volunteers a month to carry out its mission, especially with regard to meal preparation and delivery. In fiscal 2016, individuals, corporate groups, the Board of Directors and Trustees contributed over 110,000 hours of volunteer service valued at \$2,429,905. Without these volunteers, God's Love would have to hire paid staff to fulfill its mission. That would have increased salary, payroll tax and fringe benefit expenses.

In addition, throughout the year, the Board of Directors, Board of Trustees and others act in an advisory capacity on program, financial and fundraising matters. These individuals also assume additional duties with regard to events, building expansion and special projects. The Organization estimates that the value of this service was \$215,300 in fiscal year 2016.

The value of service contributed by volunteers and advisors is not reflected in these financial statements because the service provided does not meet the criteria for recognition under Generally Accepted Accounting Principles.

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**GOD'S LOVE WE DELIVER, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****NOTE 6 - DONATED SERVICES AND MATERIALS (continued)**

Contributions of services are recognized when they are received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization received contributed legal services related to the expansion campaign and for management related matters. During fiscal year 2016, the value of contributed legal and other professional services recognized as revenues and expenses in the accompanying financial statements was \$52,804.

The fair value of donated materials was as follows:

Donated materials	\$ <u>      719</u>
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Donated materials were used for sale or for auctions at events.

**NOTE 7 - RETIREMENT PLAN**

Effective July 1, 1998, the Organization implemented for eligible employees a tax-sheltered annuity retirement plan in accordance with Section 403(b) of the Internal Revenue Code (the "Plan"). The Plan covers all full-time employees. Part-time employees who work a minimum of twenty hours per week are eligible to participate for the sole purpose of making contributions to the Plan. Employee contributions are voluntary and are determined on an individual basis, limited to the maximum amount allowable under federal tax regulations. All investment options are employee-directed. Both employee and employer contributions (and the related earnings) are fully and immediately vested. In addition, all employee contributions made to the Plan were matched in each pay period by the Organization in amounts up to 2% of total compensation. Furthermore, the Organization may make a year-end discretionary contribution to the Plan for all full-time employees who have completed a minimum of one thousand hours of service during the year in question and are still employed at the Organization at fiscal year end. Employees are not required to make voluntary contributions to the Plan in order to receive the employer's annual contribution. The annual contribution to the Plan is determined by the Board of Directors. For fiscal year 2016, eligible employees received a discretionary contribution of 2% of their total earnings. Pension expense for the year ended June 30, 2016 was \$155,503. The pension expense includes both the match in each pay period and the year-end discretionary contribution.

God's Love also sponsors a 457(b) Plan. As of June 30, 2016, the liability was \$34,885. There were no contributions for the year ended June 30, 2016.

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**GOD'S LOVE WE DELIVER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2016 were available for the following activities:

Volunteer cultivation	\$ 134,708
Meal preparation	326,795
Staff training	3,714
Delivery services	170,000
Nutrition education and counseling	4,129
Information technology enhancements	39,317
Advocacy	175,000
Publication	<u>141,622</u>
	<u>\$ 995,285</u>

Net assets released from restrictions during the fiscal year consist of the following:

Building expansion		\$ 979,842
Other than building expansion		
Volunteer cultivation	\$ 65,292	
Staff training	10,314	
Meal preparation	752,977	
Delivery services	95,000	
Nutrition education and counseling	18,404	
Advocacy	133,185	
Publication	<u>119,062</u>	<u>1,194,234</u>
		<u>\$ 2,174,076</u>

**NOTE 9 - EXPANSION CAMPAIGN**

As of July 2015, God's Love completed a construction project begun in October 2013 that more than doubled the size of its building at 166 Avenue of the Americas in SoHo. The expansion was driven by a need to accommodate:

- the continuously growing demand for the Organization's service and
- program improvements that enhance clients' experience with the Organization's service.

Demand for the Organization's service has grown rapidly. In fiscal year 2016, God's Love delivered 1,529,494 meals - a record for one year and 53% more than five years ago and 118% more than ten years ago.

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**GOD'S LOVE WE DELIVER, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****NOTE 9 - EXPANSION CAMPAIGN (continued)**

God's Love also adopted a delivery model that not only expands the Organization's capacity to serve more meals but benefits clients by:

- increasing meal variety,
- improving the delivery experience and
- allowing flexibility in managing medical treatments and appointments.

The size and configuration of the Organization's original SoHo facility were inadequate to accommodate actual and projected growth and remain true to the Organization's core principles which are:

As hunger and illness is a crisis that demands an urgent response,

- God's Love delivers a client's first meal on the next delivery day;
- God's Love will never have a waiting list for their services; and
- Meals will always be provided free of charge.

**NOTE 10 - CONSTRUCTION COMMITMENT**

The Organization entered into construction contract for work that has been completed and totaled \$27,563,988 as of June 30, 2016. The construction covered renovation and expansion of the building, construction management, commercial kitchen and miscellaneous equipment. God's Love paid \$25,058,357 to the contractor as of June 30, 2016, leaving a balance of \$2,505,631.

**NOTE 11 - CONSTRUCTION BRIDGE LOAN PAYABLE**

God's Love is financing its expansion with both private and public funds. Private funds include pledges to a capital campaign that will be paid over several years. In addition, God's Love will receive funds from the public commitment on a reimbursement basis after paying its vendors.

To bridge the conversion of the private and public commitments to cash, God's Love has borrowed \$4,078,713 from M&T Bank. The loan matures in October 2018 and bears a floating interest rate based on one month LIBOR plus 325 basis points on the loan (3.4375% at June 30, 2016). Repayment is interest-only on a monthly basis with principal payments due upon receipt of private and public funds. God's Love began to repay the loan in July 2016.

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**GOD'S LOVE WE DELIVER, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****NOTE 12 - JOINT COSTS**

The Organization has allocated joint costs (for informational materials and activities that include fundraising appeals) among program and supporting services as follows:

Program	\$ 45,579
Fundraising	<u>45,579</u>
	<u>\$ 91,158</u>

The portion of cost allocated to program activities consists of that component of mailings that contain information about the Organization and the types of actions an individual may take with regard to a specific issue. Development is that component of joint costs associated with asking for contributions. Additional fund raising activities that included program information were not eligible for allocation under generally accepted accounting principles and were treated exclusively as development expense.

**NOTE 13 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts in financial institutions which, from time to time, exceed federal insurance limits.

**NOTE 14 - RELATED-PARTY TRANSACTIONS**

During fiscal year 2016, the Organization paid legal fees of \$77,026 to a law firm for counsel regarding items related to the expansion campaign. One of the partners of the firm is a member of the Board of Directors of the organization.