

ST. VINCENT SENIOR CITIZEN
NUTRITION PROGRAM

FINANCIAL STATEMENTS

JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Vincent Senior Citizen Nutrition Program

We have audited the accompanying financial statements of St. Vincent Senior Citizen Nutrition Program, which comprise the Statement of Financial Position as of June 30, 2014, 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.

Auditors' 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 St. Vincent Senior Citizen Nutrition Program as of June 30, 2014, 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 the St. Vincent Senior Citizen Nutrition Program's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Pasadena, California
December 11, 2014

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ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

STATEMENT OF FINANCIAL POSITION
 June 30, 2014
 With comparative totals at June 30, 2013

	2014	2013
Assets		
Cash and cash equivalents	854,721	1,197,041
Accounts receivable, net of allowance \$150,000	387,055	382,738
Pledges receivable (Note 3)	217,017	248,288
Subsidy receivable (Note 13)	806,094	1,000,000
Repaid expenses	60,331	52,263
Investments (Note 4)	11,240,617	11,526,998
Charitable gift annuities (Note 5)	26,571	21,551
Property and equipment (Note 7)	6,919,989	7,165,983
Total assets	\$ 19,706,301	\$ 21,594,862
Liabilities and net assets		
Liabilities		
Accounts payable	164,609	208,171
Accrued liabilities (Note 8)	287,126	309,211
Note payable (Note 9)	6,047,596	3,582,098
Total liabilities	6,499,331	4,099,480
Net assets		
Unrestricted	13,206,970	11,962,952
Temporarily restricted (Note 10)	3,353,727	3,698,673
Permanently restricted (Note 11)	1,833,757	1,833,757
Total net assets	13,206,970	17,495,382
Total liabilities and net assets	\$ 19,706,301	\$ 21,594,862

The accompanying notes are an integral part of these financial statements.
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ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

With comparative totals for the year ended June 30, 2013

	2014	2013
Contributions	\$ 3,955,489	\$ 4,118,889
Program fees	-	-
Investment income	1,827,551	2,350,113
Operating subsidy - Daughters of Charity Foundation	1,630,149	1,078,826
Contributions - in-kind	806,094	1,000,000
Other income	141,777	13,325
Gain on disposal of equipment	5,372	9,283
Cart for a Cause revenue, net of expenses of \$44,427	750	1,652
Net assets released from program restrictions	(43,877)	(1,638)
Net assets released from time restrictions	156,179	-
Total revenue and support	8,668,251	8,570,450
Expenses		
Program services	5,370,311	5,933,388
Management and general	509,005	497,739
Fundraising	1,544,917	1,404,207
Total expenses	7,424,233	7,835,334
Change in net assets	1,244,018	735,116
Net assets, beginning of year	11,962,952	16,760,266
Net assets, end of year	\$ 13,206,970	\$ 17,495,382

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

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2014

With comparative totals for the year ended June 30, 2013

	2014		2013	
	Total Expenses		Total Expenses	
Salaries	\$ 2,127,273	\$ 371,294	\$ 2,829,003	\$ 731,092
Employee benefits	696,678	55,052	789,261	190,360
Payroll taxes	150,972	26,774	200,407	3,760,502
Total personnel costs	2,974,923	453,120	3,760,502	1,881,617
Food	1,544,582	867,796	1,544,582	801,223
Direct mail, events, and fundraising services			867,796	280,999
Depreciation	162,873	37,943	275,403	170,163
Supplies	161,284	5,473	167,213	145,916
Occupancy	94,443	22,002	159,696	159,012
Interest	156,179		156,179	13,325
In-kind expense		121,744	141,777	121,052
Auto expenses	114,576		114,576	64,121
Kitchen expenses	66,709		66,709	65,045
Professional fees	1,753		59,484	46,513
Purchased services	23,140	230	47,487	41,334
Other expenses	274		46,681	63,784
Insurance	17,558	4,090	29,689	48,419
Repair and maintenance	26,383		28,020	22,236
Equipment rental	22,236		22,236	16,369
Printing	2,955	10,960	15,880	4,195
Education and training	1,965		2,246	1,408
Dues and subscriptions	50	700	3,754	3,085
Postage	393	92	1,824	125,016
Bad debt expense			667	
Total 2014 functional expenses	\$ 5,370,311	\$ 1,544,917	\$ 7,424,233	\$ 7,835,334
Total 2013 functional expenses	\$ 5,933,388	\$ 497,739	\$ 1,404,207	

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

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

With comparative totals for the year ended June 30, 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 899,072	\$ 735,116
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	275,403	280,999
Investment income	(1,630,149)	(1,078,795)
Interest expense from accretion of note payable	156,179	159,012
Gain on sale on disposal of equipment	(750)	(1,652)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(4,317)	72,080
Decrease in pledges receivable	31,271	10,811
Decrease in subsidy receivable	193,906	950,321
(Increase) in prepaid expense	(8,068)	(42,697)
(Increase) decrease in charitable gift annuities	(5,020)	5,303
(Decrease) increase in accounts payable	(43,562)	38,578
(Decrease) in accrued liabilities	(22,085)	(10,959)
Net cash (used) provided by operating activities:	(158,120)	1,118,117
Cash flows from investing activities:		
Purchase of property and equipment	(29,409)	(9,875)
Purchase of investments	(1,217,254)	(1,968,000)
Proceeds from sale of fixed assets	750	1,652
Proceeds from sale of investments	1,300,027	693,932
Net cash provided (used) by investing activities	54,114	(1,282,291)
Cash flows from financing activities:		
Payment on note payable	(223,984)	(223,995)
Net cash (used) by financing activities	(223,984)	(223,995)
Net (decrease) in cash equivalents	(327,990)	(388,169)
Cash and cash equivalents, beginning of year	1,197,041	1,585,210
Cash and cash equivalents, end of year	\$ 869,051	\$ 1,197,041

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

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

1. Organization

St. Vincent Senior Citizen Nutrition Program ("Meals") is a 501(c)(3) nonprofit corporation organized under the laws of the State of California.

Meals on Wheels began in 1977 to meet a need for daily nutrition for homebound seniors living in the area around the St. Vincent Medical Center, which is located west of downtown Los Angeles. The program was founded by Sister Alice Marie Quinn, a Daughter of Charity and Registered Dietitian, who now serves as the program's Executive Director.

Since then, the program has grown to become the largest privately-funded meals program in the county, delivering meals within a 43 square-mile area of Los Angeles, and as far as South Los Angeles. With its staff, a volunteer corps of more than 200, and a fleet of 34 vehicles, Meals on Wheels now prepares and delivers more than an average of 2,500 meals daily to individuals who are too frail to shop or cook for themselves. In the fiscal year ended June 30, 2014, Meals on Wheels served a total of 701,055 meals. Although seniors continue to be the main focus of the program, Meals on Wheels' clients also include persons with disabilities and individuals with chronic and debilitating conditions. Meals on Wheels serves everyone in need, regardless of age, illness, disability, race, religion, or ability to pay. Their mission is to provide healthy, home-delivered meals to help keep seniors independent and out of nursing homes, restore strength to those who are ill or malnourished, and help ease the pain of loneliness and isolation for those who are homebound.

Meals on Wheels provide home delivery of hot meals six days a week, including holidays. All meals are prepared with high-quality ingredients and are tailored to the special likes, dislikes, and dietary requirements of each individual. Meals are planned by Sister Alice Marie on a six-week cycle basis and often feature seasonal and holiday foods. Services also include the delivery of a light snack for later in the day; the delivery of up to a week's worth of frozen, ready-to-heat meals; and a breakfast program for seniors, needing a nutritious meal to start their day. While most meals are delivered directly to the individual clients' homes, Meals on Wheels also delivers meals in quantity to other agencies, including, but not limited to, St. Barnabas Day Care, Salvation Army Meals-on-Wheels, the Cancer Treatment Center at St. Vincent Medical Center, and Alta Med Day Care.

As of June 2014, Meals on Wheels has delivered over 24 million nutritional meals and is continuing to extend its record of service by reaching out to more seniors with the greatest need for home delivered meals. Our goal is to help clients realize their dearest wish: to live safely and comfortably in their own homes for as long as possible.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Meals on Wheels are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. Meals on Wheels reports gifts of cash and other assets as temporarily 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Meals on Wheels to expend all of the income (or other economic benefits) derived from the donated assets.

Cash and Cash Equivalents.

Meals on Wheels has defined cash and cash equivalents as all unrestricted highly liquid investments with an original maturity of three months or less.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, on a nonrecruiting basis, by measuring the present value of their 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 discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investment – Fund F

Meals on Wheels deposits its funds in an investment pool consisting of institutions sponsored by or affiliated with the Daughters of Charity of St. Vincent De Paul (“the Daughters”). Pooled funds are managed by the Daughters and are invested in government obligations, commercial paper, corporate bonds, and equity securities. All investment earnings and market value changes, less expenses, are distributed to participants on a pro rata basis. Pooled investments are carried at market value.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs - quoted prices in active markets for identical assets
- Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets
- Level 3 inputs - estimates using the best information available when there is little or no market

Meals on Wheels is required to measure investments, charitable gift annuities, in-kind revenue, and pledged contributions at fair value. The specific techniques used to measure fair value for each element is described in the notes below that relate to each element.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

Concentration of Credit Risks

Meals on Wheels place its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Meals on Wheels have not incurred losses related to these investments.

Meals on Wheels hold investments in the form of pooled investments. Market values of such investments are routinely reviewed by the Board of Directors.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received (see Note 6 for donations received for the year ended June 30, 2014).

A number of unpaid volunteers have made significant contributions of their time to Meals on Wheels. Meals on Wheels received donated services from volunteers who serve as drivers, cooks, kitchen helpers, and administrative assistants. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Income Taxes

Meals on Wheels is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Meals on Wheels in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Meals on Wheels' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Meals on Wheels' programs and other activities have been presented in the Statement of Functional Expenses. During the year such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Meals on Wheels uses salary dollars to allocate indirect costs.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

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 Meals on Wheels' financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Subsequent Event

Management has evaluated subsequent events through December 11, 2014, the date which the financial statements were available.

3. Pledges Receivable

Pledges receivable are valued at their estimated fair value at June 30, 2014 and are expected to be collected within one year. Accordingly, no allowance for doubtful pledges has been recorded. Pledges receivable at June 30, 2014 are \$217,017.

4. Investments

Investments at June 30, 2014 consist of pooled investments in Fund P in the amount of \$13,074,374 (see Note 2).

5. Charitable Gift Annuities

Meals on Wheels has received thirteen gift annuities, nine of which are currently under the trust of Dignity Health (formerly Catholic Healthcare West), two of which are under the trust of California Community Foundation, one of which is under the trust of the FACT Foundation, and one of which is under the trust of the Daughters of Charity Health System. Under the trust agreements, the trustees will manage the gifts and will make the required payments to donors in accordance with the respective agreements. The payment ranges from \$415 to \$4,750 per annum, calculated at an annuity rate ranging from 3.8917% to 7.7450%. The ages of the donors range from eighty to ninety-eight at June 30, 2014. The fair value of the gifts at June 30, 2014 is \$26,571.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2014 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Investment - Fund P	\$ -	\$ -	\$13,074,374	\$13,074,374
Charitable gifts	\$ -	\$ -	26,571	26,571
	\$ -	\$ -	\$13,100,945	\$13,100,945

Investment - Fund P accounts are not actively traded and significant other observable inputs are not available. Investment funds are valued based on redemption value as determined by the Trustee of the Fund P. If there is no published market price, investments are stated at estimated fair value as determined by quotes obtained by brokerage firms or the underlying investment manager (Level 3 inputs).

The fair value of charitable gift annuities have been measured on a recurring basis by calculating the present value of the present distributions expected to be received using published life expectancy tables and annuity rates ranging from 3.8917% to 7.7450% (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2014.

	Fund P	Gifts	Charitable
Fair value at July 1, 2013	\$11,526,998	\$21,551	\$11,548,549
Purchases	1,217,254		1,217,254
Sales	(1,300,027)		(1,300,027)
Investment income - Fund P	1,630,149		1,630,149
Change in value of annuities	5,020	5,020	5,020
Fair value at June 30, 2014	\$13,074,374	\$26,571	\$13,100,945

The table below represents revenues measured at fair value on a non-recurring basis during the year ended June 30, 2014:

	Level 1	Level 2	Level 3	Total
Pledged contributions - new	\$ -	\$ -	\$819,740	\$819,740
Contributed goods	\$ -	\$141,777	\$819,740	\$961,517

The fair value of pledged contributions (current year new pledges) is measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration given to the pledge worthiness of the donor (Level 3 inputs).

The fair value of contributed goods has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

Meals on Wheels has an unsecured, non-interest bearing note payable in the amount of \$6,047,596, with a foundation (see Note 13), to be repaid over a period of 30 years. The note payable has an effective interest rate of 0% and a balance of \$3,514,293 as of June 30, 2014. The difference in these two amounts represents the difference between the fair value of the note payable based on the market interest rate and the face value of the note payable.

Meals on Wheels recorded \$156,179 in interest expense for the year ended June 30, 2014 with a corresponding accretion in the value of the note payable as of June 30, 2014. The amount of the accretion was reclassified from temporarily restricted net assets to unrestricted net asset.

9.	Note Payable	
	Accrued vacation	\$182,227
	Accrued payroll	104,899
		<u>\$287,126</u>

Accrued liabilities at June 30, 2014 consist of the following:

8.	Accrued Liabilities	
	Building	\$ 9,186,645
	Vehicles	711,867
	Equipment	187,833
	Furniture and fixtures	122,315
	Computer licensing	56,474
	Garden	25,656
		<u>10,290,790</u>
	Less: accumulated depreciation	<u>(3,370,801)</u>
		\$ 6,919,989

Depreciation and amortization expense for the year ended June 30, 2014 was \$275,403.

7.	Property and Equipment	
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Property and equipment at June 30, 2014 consist of the following:

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

9. Note Payable, continued

Future minimum payments, by year, consist of the following:

Year ended June 30,	Thereafter
2015	
2016	
2017	
2018	
2019	
223,980	
223,980	
223,980	
223,980	
223,980	
<u>\$6,047,596</u>	

10. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014 consist of the following:

\$2,533,303	Contribution restricted – imputed interest
806,094	Operating subsidy for fiscal year 2014-2015
11,282	Vehicle replacement
3,048	Donation for new computers
<u>\$3,353,727</u>	

For the year ended June 30, 2014 net assets released from restrictions were \$1,186,040, which consist of \$1,000,000 released for the Operating Subsidy for fiscal 2013-2014 restrictions, \$156,179 for time restrictions, and \$29,861 for purpose restrictions.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

11. Permanently Restricted Net Assets and Endowment Fund

Meals on Wheels' permanently restricted net assets at June 30, 2014 consist of endowment funds of \$1,833,757, which must remain in perpetuity. Income earned thereon is unrestricted.

In accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), Meals on Wheels has classified as permanently restricted the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, permanently restricted net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets have been classified as temporarily restricted until they are appropriated by the Board for use in current operations. The Organization considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses first in temporarily restricted net assets, if any are available, then in unrestricted net assets. As values recover, the increases are reported first as unrestricted gains, then as temporarily restricted gains, until the previous declines have been recovered.

Meals on Wheels' Endowment Fund is held in Fund P, which is comprised of pooled investment funds and managed by Wilshire Company, and consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors for Meals on Wheels has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Meals on Wheels classifies as permanently restricted net assets (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portions of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Meals on Wheels in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Meals on Wheels considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

11. Permanently Restricted Net Assets and Endowment Fund, continued

Investment Return Objectives, Risk Parameters and Strategies

Meals on Wheels has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make a reasonable annual distribution, while growing the funds if possible. Therefore, Meals on Wheels expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

Meals on Wheels has a policy of transferring any gain or loss on investments to either temporary or unrestricted net assets. In establishing this policy, Meals on Wheels considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-reservations, and the possible effects of inflation. Meals on Wheels expects its Endowment Fund to be consistent over the next years with any changes being appropriately reflected either as unrestricted or temporarily restricted. This is consistent with the Meals on Wheels' objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment Net Assets Composition by type of fund as of June 30, 2014 is as follows:

	Total	Permanently	Restricted	Donor-restricted endowment funds	Total funds
	Endowment	Assets	Assets		
	<u>\$1,833,757</u>	<u>\$1,833,757</u>	<u>\$1,833,757</u>		
	<u>\$1,833,757</u>	<u>\$1,833,757</u>	<u>\$1,833,757</u>		

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM

NOTES TO FINANCIAL STATEMENTS

11. Permanently Restricted Net Assets and Endowment Fund, continued

Changes in endowment net assets as of June 30, 2014 are as follows:

Temporarily Restricted	Permanently Restricted	Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 1,833,757
Gain on investments, net of fees	428,611	428,611
Interest and dividends	1,116,306	1,116,306
Appropriation for expenditure	(1,544,917)	(1,544,917)
Endowment net assets, end of year	\$ =	\$ 1,833,757

12. Retirement Plan

Meals on Wheels maintains a 403(b) tax shelter annuity retirement plan, which covers eligible regular full-time and part-time employees who have at least two years of service with the organization. Employee participants must contribute 3.5% of their annual salary, subject to limitations set by the Internal Revenue Service. Meals on Wheels matches up to 3.5% of participant contributions. Retirement expense for the year ended June 30, 2014 was \$73,642.

13. Related Party Transactions

The DOC Foundation, a related entity, converted the \$6,719,561 interest free line of credit extended to Meals on Wheels into an interest free term loan in the beginning of fiscal year ended June 30, 2010 (see Note 9). At June 30, 2014, the outstanding balance on the loan was \$6,074,596. During the year ended June 30, 2014 a payment of \$223,984 was made on the loan.

The DOC Foundation supports Meals on Wheels by providing the organization with an operating subsidy. For the year ended June 30, 2014, the total operating subsidy committed was \$806,094, which was received subsequent to year-end and is for the year ending June 30, 2015.

Meals on Wheels purchased fundraising and security services from St. Vincent Medical Center, a related entity. For the year ended June 30, 2014, the total amount paid to St. Vincent Medical Center was \$225,426.