

**ST. VINCENT SENIOR CITIZEN
NUTRITION PROGRAM, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2017

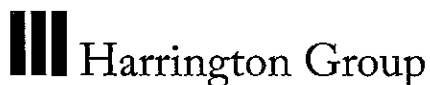
PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
Tel: 626.403.6801
Fax: 626.403.6866

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www.npcpas.com

SAN FRANCISCO
50 Francisco St
Suite 160
San Francisco, CA 94133
Tel: 415.391.3131
Fax: 415.391.3233

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Certified Public Accountants, LLP

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

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, Inc. as of June 30, 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.

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Fax: 415.391.3233

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited St. Vincent Senior Citizen Nutrition Program, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pasadena, California
January 29, 2018

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
ASSETS					
Cash and cash equivalents	\$ 1,304,185	\$ 14,054	\$ -	\$ 1,318,239	\$ 1,196,697
Accounts receivable	206,419			206,419	205,546
Pledges receivable (Note 3)	76,590			76,590	162,632
Subsidy receivable (Note 13)		1,000,000		1,000,000	1,000,000
Prepaid expenses	59,661			59,661	94,528
Investments (Note 4)	10,785,230		1,833,757	12,618,987	11,800,240
Charitable gift annuities (Note 5)	62,135			62,135	31,793
Property and equipment (Note 7)	6,637,392			6,637,392	6,641,897
TOTAL ASSETS	<u>\$ 19,131,612</u>	<u>\$ 1,014,054</u>	<u>\$ 1,833,757</u>	<u>\$ 21,979,423</u>	<u>\$ 21,133,333</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 176,274	\$ -	\$ -	\$ 176,274	\$ 228,068
Accrued liabilities (Note 8)	301,974			301,974	263,676
Note payable (Note 9)	5,375,639	(2,083,024)		3,292,615	3,369,683
TOTAL LIABILITIES	<u>5,853,887</u>	<u>(2,083,024)</u>	<u>-</u>	<u>3,770,863</u>	<u>3,861,427</u>
NET ASSETS					
Unrestricted	13,277,725			13,277,725	12,197,570
Temporary restricted (Note 10)		3,097,078		3,097,078	3,240,579
Permanently restricted (Note 11)			1,833,757	1,833,757	1,833,757
TOTAL NET ASSETS	<u>13,277,725</u>	<u>3,097,078</u>	<u>1,833,757</u>	<u>18,208,560</u>	<u>17,271,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,131,612</u>	<u>\$ 1,014,054</u>	<u>\$ 1,833,757</u>	<u>\$ 21,979,423</u>	<u>\$ 21,133,333</u>

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

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT					
Contributions	\$ 4,937,615	\$ 19,200	\$ -	\$ 4,956,815	\$ 4,467,032
Program fees	1,777,077			1,777,077	1,712,735
Gain (loss) on investments	1,318,848			1,318,848	(129,308)
Operating subsidy - Daughters of Charity Foundation		1,000,000		1,000,000	1,000,000
Contributions - in-kind	11,306	38,207		49,513	10,547
Other income	59,362			59,362	15,525
Gain on disposal of equipment				-	800
Net assets released from purpose restrictions	1,053,990	(1,053,990)		-	-
Net assets released from time restrictions	146,918	(146,918)		-	-
TOTAL REVENUE AND SUPPORT	<u>9,305,116</u>	<u>(143,501)</u>	<u>-</u>	<u>9,161,615</u>	<u>7,077,331</u>
EXPENSES					
Program services	6,336,568			6,336,568	5,887,785
Fundraising	1,387,657			1,387,657	1,401,333
Management and general	500,736			500,736	465,369
TOTAL EXPENSES	<u>8,224,961</u>	<u>-</u>	<u>-</u>	<u>8,224,961</u>	<u>7,754,487</u>
CHANGE IN NET ASSETS	1,080,155	(143,501)	-	936,654	(677,156)
NET ASSETS, BEGINNING OF YEAR	<u>12,197,570</u>	<u>3,240,579</u>	<u>1,833,757</u>	<u>17,271,906</u>	<u>17,949,062</u>
NET ASSETS, END OF YEAR	<u>\$ 13,277,725</u>	<u>\$ 3,097,078</u>	<u>\$ 1,833,757</u>	<u>\$ 18,208,560</u>	<u>\$ 17,271,906</u>

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

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2017
 With comparative totals for the year ended June 30, 2016

	Program Services	Management and General	Fundraising	Total Expenses	
				2017	2016
Salaries	\$ 2,509,164	\$ 223,464	\$ 348,024	\$ 3,080,652	\$ 2,739,720
Employee benefits	881,750	30,814	61,808	974,372	1,068,572
Payroll taxes	174,879	15,476	25,370	215,725	193,092
Total personnel costs	<u>3,565,793</u>	<u>269,754</u>	<u>435,202</u>	<u>4,270,749</u>	<u>4,001,384</u>
Food	1,640,283			1,640,283	1,514,961
Direct mail, events, and fundraising services			802,218	802,218	868,237
Depreciation and amortization	254,664	22,680	35,322	312,666	287,460
Supplies	263,123	2,754	9,345	275,222	176,118
Occupancy	171,471	15,271	23,783	210,525	190,278
Interest	146,918			146,918	150,138
Repair and maintenance	85,310	20,804		106,114	70,047
Auto expenses	98,393			98,393	125,749
Purchased services	52,509	43,528		96,037	53,117
Professional fees	1,836	61,122	5,372	68,330	69,576
Other expenses	328	40,901	18,183	59,412	58,773
In-kind expense		5,351	44,162	49,513	10,547
Insurance	22,762	2,027	3,157	27,946	28,286
Postage	16,921	1,507	2,347	20,775	31,144
Kitchen expenses	13,049			13,049	81,617
Printing	1,134	3,696	6,632	11,462	12,345
Bad debt expense		7,980		7,980	18,761
Education and training	2,054	2,304	1,934	6,292	4,244
Dues and subscriptions	20	1,057		1,077	1,705
TOTAL 2017 FUNCTIONAL EXPENSES	<u>\$ 6,336,568</u>	<u>\$ 500,736</u>	<u>\$ 1,387,657</u>	<u>\$ 8,224,961</u>	
TOTAL 2016 FUNCTIONAL EXPENSES	<u>\$ 5,887,785</u>	<u>\$ 465,369</u>	<u>\$ 1,401,333</u>		<u>\$ 7,754,487</u>

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

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 936,654	\$ (677,156)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	312,666	287,460
(Gain) loss on investments	(1,318,848)	129,308
Interest expense from accretion of note payable	146,917	150,138
(Gain) on sale of equipment	-	(800)
(Increase) decrease in operating assets:		
Accounts receivable	(873)	94,278
Pledges receivable	86,042	(129,108)
Prepaid expense	34,867	(82,572)
Charitable gift annuities	(30,342)	22,941
Increase (decrease) in operating liabilities:		
Accounts payable	(51,794)	82,258
Accrued liabilities	38,298	(88,534)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>153,587</u>	<u>(211,787)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(308,161)	(204,590)
Purchase of investments	-	(1,388,411)
Proceeds from sale of fixed assets	-	800
Proceeds from sale of investments	500,101	2,188,465
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>191,940</u>	<u>596,264</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on note payable	(223,985)	(223,985)
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(223,985)</u>	<u>(223,985)</u>
NET INCREASE IN CASH EQUIVALENTS	121,542	160,492
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,196,697</u>	<u>1,036,205</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,318,239</u>	<u>\$ 1,196,697</u>

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

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

St. Vincent Senior Citizen Nutrition Program, Inc. ("Meals on Wheels") 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, until her death in June 2017 served as the program's Executive Director.

Since then, the program has grown to become the largest privately-funded meals program in the country, 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 300, and a fleet of 27 vehicles, Meals on Wheels now prepares and delivers more than an average of 2,051 meals daily to individuals who are too frail to shop or cook for themselves. In the fiscal year ended June 30, 2017, Meals on Wheels served a total of 662,568 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 a registered dietitian 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, and the Cancer Treatment Center at St. Vincent Medical Center.

As of June 2017, Meals on Wheels has delivered over 26 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 remain in their homes, achieving healthy outcomes with the intervention of our nutritious meals.

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.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

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 nonrecurring 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, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investment – Fund P

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 these financial statement elements are 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 five thousand dollars and the useful life is greater than one year.

Concentration of Credit Risks

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

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

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).

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, INC.

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 Wheel's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through January 29, 2018, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deemed pledges collectible, accordingly no allowance for doubtful accounts has been established for uncollectible pledges. Additionally, all pledges are valued at their estimated fair value at June 30, 2017. Discount on pledges receivables is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount pledges receivable at June 30, 2017 of \$76,590 is expected to be collected within the year.

4. Investments

Investments at June 30, 2017 consist of pooled investments in Fund P in the amount of \$12,618,987 (see Note 2).

5. Charitable Gift Annuities

Meals on Wheels has received thirteen gift annuities, six of which are currently under the trust of Dignity Health, three of which are under the trust of California Community Foundation, three of which are under the trust of the FACT Foundation, and one of which is under the trust of Meals on Wheels. 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 annuity rates ranging from 6.6% to 10.6%. The ages of the donors range from eighty-three to one hundred-one at June 30, 2017.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

5. Charitable Gift Annuities, continued

As of the year ended June 30, 2017, the balance of the annuity placed under the trust of Meals on Wheels is \$45,451. Additionally, the balance of the corresponding liability representing future payments associated with this agreement is \$22,056 (see Note 8).

Total assets under these agreements as of June 30, 2017 was \$62,135.

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2017 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment - Fund P	\$ -	\$ -	\$12,618,987	\$12,618,987
Charitable gift annuity	<u> </u>	<u> </u>	<u>62,135</u>	<u>62,135</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,681,122</u>	<u>\$12,681,122</u>

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 3.1622% to 6.5253% (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2017.

	<u>Fund P</u>	<u>Charitable Gifts</u>	<u>Total</u>
Fair value at July 1, 2016	\$11,800,240	\$31,793	\$11,832,033
Purchases			-
Sales	(500,000)		(500,000)
Investment income - Fund P	1,318,747		1,318,747
Change in value of annuities		<u>30,342</u>	<u>30,342</u>
Fair value at June 30, 2017	<u>\$12,618,987</u>	<u>\$62,135</u>	<u>\$12,681,122</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements, continued

The table below represents revenues measured at fair value on a non-recurring basis during the year ended June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions - new	\$ -	\$ -	\$238,031	\$238,031
Contributed goods		<u>49,513</u>		<u>49,513</u>
	<u>\$ -</u>	<u>\$49,513</u>	<u>\$238,031</u>	<u>\$287,544</u>

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).

7. Property and Equipment

Property and equipment at June 30, 2017 consist of the following:

Building	\$ 9,320,894
Vehicles	720,001
Equipment	331,701
Furniture and fixtures	153,293
Computer licensing	56,474
Garden	<u>25,656</u>
	10,608,019
Less: accumulated depreciation	<u>(3,970,627)</u>
	<u>\$ 6,637,392</u>

Depreciation and amortization expense for the year ended June 30, 2017 was \$312,666.

8. Accrued Liabilities

Accrued liabilities at June 30, 2017 consist of the following:

Accrued vacation	\$227,644
Accrued payroll	52,274
Charitable gift annuity payable (Note 5)	<u>22,056</u>
	<u>\$301,974</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

9. Note Payable

Meals on Wheels has an unsecured, non-interest bearing note payable in the amount of \$5,375,639, 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 \$3,292,615 as of June 30, 2017. To reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 4.36%, which was the Plan's long-term borrowing rate at July 2009.

Meals on Wheels recorded \$146,918 in interest expense for the year ended June 30, 2017 with a corresponding accretion in the value of the note payable as of June 30, 2017. The amount of the accretion was reclassified from temporarily restricted net assets to unrestricted net asset.

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

<u>Year ended June 30,</u>	
2018	\$ 223,980
2019	223,980
2020	223,980
2021	223,980
2022	223,980
Thereafter	<u>4,255,739</u>
	<u>\$5,375,639</u>

10. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 consist of the following:

Contribution restricted – imputed interest	\$2,083,024
Operating subsidy for fiscal year 2017-2018	1,000,000
Pet food	8,250
Home Sweet-Home	<u>5,804</u>
	<u>\$3,097,078</u>

For the year ended June 30, 2017 net assets released from restrictions were \$1,200,908, which consist of \$1,000,000 released for the Operating Subsidy for fiscal year 2016-2017 restrictions, \$146,918 for time restrictions, and \$53,990 for purpose restrictions.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

11. Permanently Restricted Net Assets and Endowment Fund

Permanently restricted net assets represent contributions which the donor has stipulated that the principal is to be kept intact in perpetuity and only the income there from may be expended for unrestricted purposes. At June 30, 2017, Meals on Wheels' permanently restricted net assets consist of endowment funds of \$1,833,757.

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization and also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds).

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 portion 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.

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.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

11. Permanently Restricted Net Assets and Endowment Fund, continued

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-restrictions, 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, 2017 is as follows:

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

Changes in endowment net assets as of June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets, beginning of year	\$ -	\$1,833,757	\$1,833,757
Gain on investments, net of fees	38,413		38,413
Interest and dividends	164,126		164,126
Transfer from unrestricted net assets	<u>(202,539)</u>		<u>(202,539)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$1,833,757</u>	<u>\$1,833,757</u>

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, 2017 was \$74,096.

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ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

13. Related Party Transactions

The Daughters of Charity Foundation ("the Foundation"), a related entity, converted the \$6,719,561 non-interest line of credit extended to Meals on Wheels into a non-interest bearing note payable in the beginning of fiscal year ended June 30, 2010 (see Note 9). At June 30, 2017, the outstanding balance on the loan was \$5,375,639. During the year ended June 30, 2017 a payment of \$223,980 was made on the loan.

The Foundation supports Meals on Wheels by providing the organization with an operating subsidy. For the year ended June 30, 2017, the total operating subsidy committed was \$1,000,000, which was received subsequent to year-end and is for the year ending June 30, 2018. As such, \$1,000,000 is shown as a subsidy receivable at June 30, 2017.