

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

FINANCIAL STATEMENTS

JUNE 30, 2019

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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. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2019, 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, 2019, 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited St. Vincent Senior Citizen Nutrition Program, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

February 11, 2020

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With comparative totals at June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
ASSETS				
Cash and cash equivalents	\$ 1,066,719	\$ 77,472	\$ 1,144,191	\$ 1,913,734
Accounts receivable	306,777		306,777	274,584
Pledges receivable (Note 4)	3,000,940		3,000,940	455
Prepaid expenses	45,441		45,441	72,723
Investments (Note 5)	19,205,271	1,833,757	21,039,028	18,913,129
Charitable gift annuities (Note 6)	45,032		45,032	56,292
Property and equipment (Note 8)	6,305,386		6,305,386	7,494,478
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 29,975,566	\$ 1,911,229	\$ 31,886,795	\$ 28,725,395
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 116,835	\$ -	\$ 116,835	\$ 359,977
Accrued liabilities (Note 9)	359,861		359,861	334,532
Capital lease obligations (Note 10)	71,499		71,499	68,616
Note payable (Note 11)	4,927,669	(1,799,414)	3,128,255	3,212,188
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	5,475,864	(1,799,414)	3,676,450	3,975,313
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS				
Without Donor Restrictions	24,499,702		24,499,702	20,925,353
With Donor Restrictions				
Purpose restrictions (Note 12)		1,876,886	1,876,886	1,990,972
Perpetual in nature (Note 13)		1,833,757	1,833,757	1,833,757
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	24,499,702	3,710,643	28,210,345	24,750,082
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 29,975,566	\$ 1,911,229	\$ 31,886,795	\$ 28,725,395
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2019

With comparative totals for the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUE AND SUPPORT				
Contributions	\$ 8,100,016	\$ 175,547	\$ 8,275,563	\$ 9,991,101
Program fees	1,920,939		1,920,939	1,921,102
Gain on investments	1,125,946		1,125,946	1,044,170
Other income	85,198		85,198	122,426
Contributions - in-kind	62,610		62,610	1,114,309
Gain on disposal of equipment	17,748		17,748	-
Net assets released from purpose restrictions (Note 12)	149,581	(149,581)	-	-
Net assets released from time restrictions (Note 12)	140,052	(140,052)	-	-
TOTAL REVENUE AND SUPPORT	11,602,090	(114,086)	11,488,004	14,193,108
EXPENSES				
Program services	5,642,457		5,642,457	5,930,502
Management and general	627,535		627,535	437,924
Fundraising	1,757,749		1,757,749	1,283,160
TOTAL EXPENSES	8,027,741	-	8,027,741	7,651,586
CHANGE IN NET ASSETS	3,574,349	(114,086)	3,460,263	6,541,522
NET ASSETS, BEGINNING OF YEAR	20,925,353	3,824,729	24,750,082	18,208,560
NET ASSETS, END OF YEAR	\$ 24,499,702	\$ 3,710,643	\$ 28,210,345	\$ 24,750,082

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, 2019
 With comparative totals for the year ended June 30, 2018

	Program Services		Total Program Services	Management and General	Fundraising	Total Expenses	
	Meals on Wheels	Centers				2019	2018
Salaries	\$ 1,049,566	\$ 1,183,553	\$ 2,233,119	\$ 246,618	\$ 436,809	\$ 2,916,546	\$ 2,832,777
Employee benefits	252,781	285,051	537,832	18,595	53,932	610,359	713,304
Payroll taxes	75,233	84,838	160,071	18,275	32,359	210,705	205,930
Total personnel costs	<u>1,377,580</u>	<u>1,553,442</u>	<u>2,931,022</u>	<u>283,488</u>	<u>523,100</u>	<u>3,737,610</u>	<u>3,752,011</u>
Food	734,430	828,187	1,562,617			1,562,617	1,573,886
Direct mail, events, and fundraising services					1,056,763	1,056,763	816,882
Depreciation and amortization	125,582	141,614	267,196	29,509	52,265	348,970	335,300
Supplies	126,611	142,774	269,385	215	2,981	272,581	258,599
Occupancy	85,145	96,015	181,160	20,007	35,436	236,603	215,578
Purchased services	34,868	39,319	74,187	100,243		174,430	136,752
Interest	53,502	60,333	113,835	11,843	20,975	146,653	147,424
Professional fees	10,377	11,701	22,078	78,137	550	100,765	75,156
Auto expenses	45,112	50,872	95,984			95,984	93,717
Other expenses	1,208	1,362	2,570	43,881	17,810	64,261	55,785
In-kind expense				43,552	19,058	62,610	14,309
Repair and maintenance	23,828	26,870	50,698	4,869		55,567	52,992
Insurance	13,729	15,482	29,211	3,226	5,714	38,151	29,200
Postage	9,104	10,266	19,370	2,139	3,789	25,298	28,432
Kitchen expenses	10,272	11,584	21,856			21,856	20,851
Printing	261	295	556	1,158	9,720	11,434	9,642
Dues and subscriptions				3,097	7,439	10,536	22,147
Education and training	344	388	732	2,116	2,149	4,997	11,363
Bad debt expense				55		55	1,560
TOTAL 2019 FUNCTIONAL EXPENSES	<u>\$ 2,651,953</u>	<u>\$ 2,990,504</u>	<u>\$ 5,642,457</u>	<u>\$ 627,535</u>	<u>\$ 1,757,749</u>	<u>\$ 8,027,741</u>	
TOTAL 2018 FUNCTIONAL EXPENSES	<u>\$ 2,787,336</u>	<u>\$ 3,143,166</u>	<u>\$ 5,930,502</u>	<u>\$ 437,924</u>	<u>\$ 1,283,160</u>		<u>\$ 7,651,586</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, 2019
With comparative totals for the year ended June 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,460,263	\$ 6,541,522
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	348,970	335,300
Donated property	-	(1,100,000)
(Gain) on investments	(1,125,946)	(1,044,170)
Loss on disposal of assets	17,746	-
Interest expense from accretion of note payable	140,052	143,553
(Increase) decrease in operating assets:		
Accounts receivable	(32,193)	(68,165)
Pledges receivable	(3,000,485)	76,135
Subsidy receivable	-	1,000,000
Prepaid expense	27,282	(13,062)
Charitable gift annuities	11,260	5,843
Increase (decrease) in operating liabilities:		
Accounts payable	(243,142)	183,703
Accrued liabilities	25,329	32,558
	<u>(370,864)</u>	<u>6,093,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(236,501)	(16,188)
Purchase of investments	(2,000,000)	(6,000,000)
Proceeds from sale of property and equipment	1,100,000	-
Proceeds from sale of investments	1,000,000	750,028
	<u>(136,501)</u>	<u>(5,266,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease	(38,193)	(7,582)
Payments on note payable	(223,985)	(223,980)
	<u>(262,178)</u>	<u>(231,562)</u>
NET (DECREASE) INCREASE IN CASH EQUIVALENTS	<u>(769,543)</u>	595,495
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,913,734</u>	<u>1,318,239</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,144,191</u>	<u>\$ 1,913,734</u>
SUPPLEMENTAL DISCLOSURES:		
Acquisition of property and equipment with capital lease:	<u>\$ 41,076</u>	<u>\$ 76,198</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 28 vehicles, Meals on Wheels now prepares and delivers more than an average of 2,280 meals daily to individuals who are too frail to shop or cook for themselves. In the fiscal year ended June 30, 2019, Meals on Wheels served a total of 713,693 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, Santa Monica Meals on Wheels, and West LA Meals on Wheels.

As of June 2019, Meals on Wheels has delivered over 27 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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 relates 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.

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 7).

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.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Meals on Wheels' financial statements for the year ended June 30, 2019 are presented in accordance with ASU 2016-14.

continued

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, 2018, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through February 11, 2020, 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. Liquidity and Availability of Resources

Meals on Wheels regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of liquidity management, Meals on Wheels has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Meals on Wheels has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, pledges receivable and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Meals on Wheels considers all expenditures related to its ongoing activities and the pattern of income from clients, contracts, fundraising, and investments. The Board of Directors meets regularly to review all financial aspects of Meals on Wheels.

As of June 30, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet its operational cash flow needs:

Cash and cash equivalents	\$ 1,066,719
Accounts receivable	306,777
Pledge receivable	3,000,940
Investments	<u>19,205,271</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$23,579,707</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

4. 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, 2019. Discount on pledges receivables is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount pledges receivable at June 30, 2019 of \$3,000,940 is expected to be collected within the year.

5. Investments

Investments at June 30, 2019 consist of pooled investments in Fund P in the amount of \$21,039,028 (see Note 2).

6. Charitable Gift Annuities

Meals on Wheels has received seven gift annuities, three of which are currently under the trust of Dignity Health, 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 \$900 to \$3,350 per annum, calculated at annuity rates ranging from 6.6% to 10.6%. The ages of the donors range from eighty-four to one hundred-three at June 30, 2019.

As of the year ended June 30, 2019, the balance of the annuity placed under the trust of Meals on Wheels is \$40,064. Additionally, the balance of the corresponding liability representing future payments associated with this agreement is \$21,079 (see Note 9).

Total assets under these agreements as of June 30, 2019 was \$45,032.

7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment - Fund P	\$ -	\$ -	\$21,039,028	\$21,039,028
Charitable gift annuity			45,032	45,032
	<u>\$ -</u>	<u>\$ -</u>	<u>\$21,084,060</u>	<u>\$21,084,060</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).

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements, continued

The fair value of charitable gift annuities has 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 2.7991% to 6.2413% (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2019.

	<u>Fund P</u>	<u>Charitable Gifts</u>	<u>Total</u>
Fair value at July 1, 2018	\$18,913,129	\$ 56,292	\$18,969,421
Purchases	1,000,000		1,000,000
Investment income - Fund P	1,125,899		1,125,899
Change in value of annuities		<u>(11,260)</u>	<u>(11,260)</u>
Fair value at June 30, 2019	<u>\$21,039,028</u>	<u>\$ 45,032</u>	<u>\$21,084,060</u>

The table below represents revenues measured at fair value on a non-recurring basis during the year ended June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions - new	\$ -	\$ -	\$3,000,940	\$3,000,940
Contributed goods		<u>62,610</u>		<u>62,610</u>
	<u>\$ -</u>	<u>\$62,610</u>	<u>\$3,000,940</u>	<u>\$3,063,550</u>

The fair value of pledged contributions - new (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).

8. Property and Equipment

Property and equipment at June 30, 2019 consist of the following:

Building	\$ 9,447,514
Vehicles	744,262
Equipment	418,868
Furniture and fixtures	153,293
Computer licensing	56,474
Garden	<u>25,656</u>
	10,846,067
Less: accumulated depreciation	<u>(4,540,681)</u>
	<u>\$ 6,305,386</u>

Depreciation and amortization expense for the year ended June 30, 2019 was \$348,970.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

9. Accrued Liabilities

Accrued liabilities at June 30, 2019 consist of the following:

Accrued vacation	\$262,229
Accrued payroll	70,541
Charitable gift annuity payable (Note 6)	21,079
Other accruals	<u>6,012</u>
	<u>\$359,861</u>

10. Capital Lease Obligations

Meals on Wheels leases vehicles under a capital lease. Future minimum payments, by year, and in the aggregate under these leases consist of the following:

<u>Year ending June 30,</u>	
2020	\$17,408
2021	17,408
2022	<u>36,683</u>
Total minimum lease payments	<u>\$71,499</u>

The net book value of vehicles under the capital lease is as follows:

Vehicles	\$114,027
Less: accumulated depreciation	<u>(27,854)</u>
	<u>\$ 86,173</u>

11. Note Payable

Meals on Wheels has an unsecured, non-interest-bearing note payable in the amount of \$4,927,669, with a foundation (see Note 15), to be repaid over a period of 30 years. The note payable has an effective interest rate of 0% and a balance of \$3,128,255 as of June 30, 2019. 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 \$140,052 in interest expense for the year ended June 30, 2019 with a corresponding accretion in the value of the note payable as of June 30, 2019. The amount of the accretion was reclassified from temporarily restricted net assets to unrestricted net asset.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

11. Note Payable, continued

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

<u>Year ending June 30,</u>	
2020	\$ 223,980
2021	223,980
2022	223,980
2023	223,980
2024	223,980
Thereafter	<u>3,807,769</u>
	<u>\$4,927,669</u>

12. Net assets With Donor Restrictions – Purpose Restrictions

Net assets with purpose restrictions as of June 30, 2019 consist of the following:

Contribution restricted – imputed interest	\$1,799,414
Ahmanson foundation - delivery van	51,877
Pet food	<u>25,595</u>
	<u>\$1,876,886</u>

For the year ended June 30, 2019 net assets released from restrictions were \$289,633, which consist of \$140,052 for time restrictions, and \$149,581 for purpose restrictions.

13. Net Assets With Donor Restrictions – Perpetual in Nature - Endowment Fund

Net assets with donor restrictions 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, 2019, Meals on Wheels' net assets with donor restrictions 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 net assets with donor restrictions, (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 by Meals on Wheels.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restrictions – Perpetual in Nature - 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-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, 2019 is as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	<u>\$1,833,757</u>

Changes in endowment net assets as of June 30, 2019 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$1,833,757
Loss on investments, net of fees	(6,734)
Interest and dividends	110,171
Transfer from unrestricted net assets	<u>(103,437)</u>
Endowment net assets, end of year	<u>\$1,833,757</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

14. 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, 2019 was \$71,420.

15. 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 11). At June 30, 2019, the outstanding balance on the loan was \$4,927,669. During the year ended June 30, 2019, a payment of \$223,985 was made on the loan.