

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

FINANCIAL STATEMENTS

JUNE 30, 2021

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

February 8, 2022

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

With comparative totals at June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
ASSETS				
Cash and cash equivalents (Note 2)	\$ 1,179,066	\$ 123,145	\$ 1,302,211	\$ 2,465,017
Accounts receivable	313,327		313,327	264,284
Pledges receivable (Note 4)	84,183		84,183	35,400
Inventory	80,076		80,076	98,119
Prepaid expenses	55,526		55,526	53,726
Investments (Note 5)	30,831,297	1,833,757	32,665,054	26,125,034
Charitable gift annuities (Note 6)	59,349		59,349	39,053
Property and equipment (Note 8)	5,855,305		5,855,305	6,079,077
TOTAL ASSETS	\$ 38,458,129	\$ 1,956,902	\$ 40,415,031	\$ 35,159,710
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 166,331	\$ -	\$ 166,331	\$ 174,146
Accrued liabilities (Note 9)	430,473		430,473	394,371
Capital lease obligations (Note 10)	68,985		68,985	72,749
Paycheck protection program (Note 11)			-	553,298
Note payable (Note 12)	4,479,698	(1,530,449)	2,949,249	3,040,662
TOTAL LIABILITIES	5,145,487	(1,530,449)	3,615,038	4,235,226
NET ASSETS				
Without Donor Restrictions	33,312,642		33,312,642	26,673,783
With Donor Restrictions				
Purpose restrictions (Note 13)		1,653,594	1,653,594	2,416,944
Perpetual in nature (Note 14)		1,833,757	1,833,757	1,833,757
TOTAL NET ASSETS	33,312,642	3,487,351	36,799,993	30,924,484
TOTAL LIABILITIES AND NET ASSETS	\$ 38,458,129	\$ 1,956,902	\$ 40,415,031	\$ 35,159,710

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, 2021

With comparative totals for the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
REVENUE AND SUPPORT				
Contributions	\$ 5,722,946	\$ 1,725,702	\$ 7,448,648	\$ 8,098,551
Gain on investments	4,870,041		4,870,041	961,087
Program fees	1,379,266		1,379,266	1,806,994
Contributions - in-kind	69,022		69,022	74,683
Other income	550		550	13,889
Gain on disposal of equipment	-		-	3,586
Net assets released from purpose restrictions (Note 13)	2,356,479	(2,356,479)	-	-
Net assets released from time restrictions (Note 13)	132,573	(132,573)	-	-
TOTAL REVENUE AND SUPPORT	14,530,877	(763,350)	13,767,527	10,958,790
EXPENSES				
Program services	6,272,819		6,272,819	6,197,578
Management and general	760,733		760,733	535,629
Fundraising	1,411,764		1,411,764	1,511,444
TOTAL EXPENSES	8,445,316	-	8,445,316	8,244,651
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	6,085,561	(763,350)	5,322,211	2,714,139
OTHER CHANGES				
Paycheck protection program loan forgiveness (Note 11)	553,298		553,298	-
CHANGE IN NET ASSETS	6,638,859	(763,350)	5,875,509	2,714,139
NET ASSETS, BEGINNING OF YEAR	26,673,783	4,250,701	30,924,484	28,210,345
NET ASSETS, END OF YEAR	\$ 33,312,642	\$ 3,487,351	\$ 36,799,993	\$ 30,924,484

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, 2021
With comparative totals for the year ended June 30, 2020

	<u>Program Services</u>		<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
	<u>Meals on Wheels</u>	<u>Centers</u>				<u>2021</u>	<u>2020</u>
Salaries	\$ 1,940,046	\$ 682,104	\$ 2,622,150	\$ 364,133	\$ 418,956	\$ 3,405,239	\$ 3,029,722
Employee benefits	400,480	140,805	541,285	20,118	56,651	618,054	613,254
Payroll taxes	146,853	51,632	198,485	14,260	27,569	240,314	218,084
Total personnel costs	<u>2,487,379</u>	<u>874,541</u>	<u>3,361,920</u>	<u>398,511</u>	<u>503,176</u>	<u>4,263,607</u>	<u>3,861,060</u>
Food	1,290,571	453,754	1,744,325			1,744,325	1,736,985
Direct mail, events, and fundraising services					762,663	762,663	814,161
Depreciation and amortization	210,800	74,116	284,916	39,566	45,522	370,004	349,489
Supplies	155,907	54,815	210,722	3,387	9,869	223,978	405,388
Occupancy	124,895	43,912	168,807	23,442	26,971	219,220	232,250
Purchased services	48,420	17,024	65,444	127,432		192,876	138,164
Interest	79,996	28,126	108,122	14,176	16,311	138,609	142,207
Professional fees	7,521	2,644	10,165	85,200		95,365	90,926
Auto expenses	65,751	23,118	88,869			88,869	112,515
Repair and maintenance	53,116	18,675	71,791	13,914		85,705	75,594
Other expenses	4,962	1,745	6,707	49,119	27,112	82,938	79,786
In-kind expense	69,022		69,022			69,022	74,683
Insurance	33,131	11,649	44,780	200		44,980	43,116
Kitchen expenses	17,135	6,025	23,160			23,160	26,509
Postage	9,738	3,424	13,162	1,828	2,103	17,093	30,758
Printing	243	85	328	1,044	11,487	12,859	11,441
Bad debt expense	21		21		5,350	5,371	6,080
Dues and subscriptions				2,716	1,003	3,719	5,192
Education and training	413	145	558	198	197	953	8,347
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 4,659,021</u>	<u>\$ 1,613,798</u>	<u>\$ 6,272,819</u>	<u>\$ 760,733</u>	<u>\$ 1,411,764</u>	<u>\$ 8,445,316</u>	
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 3,594,824</u>	<u>\$ 2,602,754</u>	<u>\$ 6,197,578</u>	<u>\$ 535,629</u>	<u>\$ 1,511,444</u>		<u>\$ 8,244,651</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, 2021

With comparative totals for the year ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,875,509	\$ 2,714,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck protection program loan forgiveness	(553,298)	-
Depreciation	370,004	349,489
(Gain) on investments	(4,870,041)	(961,087)
Interest expense from accretion of note payable	132,572	136,389
(Increase) decrease in operating assets:		
Accounts receivable	(49,043)	42,493
Pledges receivable	(48,783)	2,965,540
Inventory	18,043	(98,119)
Prepaid expense	(1,800)	(8,285)
Charitable gift annuities	(20,296)	5,979
Increase (decrease) in operating liabilities:		
Accounts payable	(7,815)	57,311
Accrued liabilities	36,102	34,510
NET CASH PROVIDED BY OPERATING ACTIVITIES:	881,154	5,238,359
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(122,155)	(81,315)
Purchase of investments	(1,669,979)	(5,599,917)
Proceeds from sale of property and equipment	-	-
Proceeds from sale of investments	-	1,475,000
NET CASH (USED) BY INVESTING ACTIVITIES	(1,792,134)	(4,206,232)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program	-	553,298
Payments on capital lease	(27,841)	(40,617)
Payments on note payable	(223,985)	(223,982)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(251,826)	288,699
NET (DECREASE) INCREASE IN CASH EQUIVALENTS	(1,162,806)	1,320,826
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,465,017	1,144,191
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,302,211	\$ 2,465,017
SUPPLEMENTAL DISCLOSURES:		
Acquisition of property and equipment with capital lease:	\$ 24,077	\$ 41,866

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 350, and a fleet of 31 vehicles, Meals on Wheels now prepares and delivers more than an average of 2,820 meals daily to individuals who are too frail to shop or cook for themselves. In the fiscal year ended June 30, 2021, Meals on Wheels served a total of 803,616 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 five 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 2021, 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 (see Note 5).

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

Revenue and Revenue Recognition

Meals on Wheels recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of Meals on Wheels revenue is derived from donors' contributions - existence or absence of donor or grantor-imposed restrictions. Amount received are recognized as revenue when the condition or conditions on which they depend have been met.

Meals on Wheels has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Meals on Wheels' financial reporting.

In accordance with the ASU, Meals on Wheels as of June 30, 2021, has no unrecognized revenues.

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.

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 Wheels' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through February 8, 2022, 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, 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet its operational cash flow needs:

Cash and cash equivalents	\$ 1,179,066
Accounts receivable	313,327
Pledges receivable	84,183
Investments	<u>30,831,297</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$32,407,873</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, 2021. Discount on pledges receivables is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount pledges receivable at June 30, 2021 of \$84,183 is expected to be collected within the subsequent fiscal year.

5. Investments

Investments at June 30, 2021 consist of pooled investments in Fund P in the amount of \$32,665,054 (see Note 2).

6. Charitable Gift Annuities

Meals on Wheels has received five gift annuities, two of which are currently under the trust of Dignity Health, one of which are under the trust of the FACT Foundation, and two of which are 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 \$1,330 to \$3,350 per annum, calculated at annuity rates ranging from 6.6% to 10.6%. The ages of the donors range from eighty-seven to ninety-five at June 30, 2021.

As of the year ended June 30, 2021, the balance of the annuities placed under the trust of Meals on Wheels are \$59,349. Additionally, the balance of the corresponding liabilities representing future payments associated with these agreements is \$24,348 (see Note 9).

Total assets under these agreements as of June 30, 2021 was \$59,349.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment - Fund P	\$ -	\$ -	\$32,665,054	\$32,665,054
Charitable gift annuity			59,349	59,349
	<u>\$ -</u>	<u>\$ -</u>	<u>\$32,724,403</u>	<u>\$32,724,403</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 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 3.0735% to 5.1719% (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2021.

	<u>Fund P</u>	<u>Charitable Gifts</u>	<u>Total</u>
Fair value at July 1, 2020	\$26,125,034	\$39,053	\$26,164,087
Purchases	1,669,979	19,874	1,689,853
Investment income - Fund P	4,870,041		4,870,041
Change in value of annuities		422	422
Fair value at June 30, 2021	<u>\$32,665,054</u>	<u>\$59,349</u>	<u>\$32,724,403</u>

The table below represents revenues measured at fair value on a non-recurring basis during the year ended June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions - new	\$ -	\$ -	\$84,183	\$ 84,183
Contributed goods		69,022		69,022
	<u>\$ -</u>	<u>\$69,022</u>	<u>\$84,183</u>	<u>\$153,205</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).

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

8. Property and Equipment

Property and equipment at June 30, 2021 consist of the following:

Building	\$ 9,453,372
Vehicles	734,707
Equipment	440,302
Furniture and fixtures	130,723
Computer licensing	71,474
Garden	<u>25,656</u>
	10,856,234
Less: accumulated depreciation	<u>(5,000,929)</u>
	<u>\$ 5,855,305</u>

Depreciation and amortization expense for the year ended June 30, 2021 was \$370,004.

9. Accrued Liabilities

Accrued liabilities at June 30, 2021 consist of the following:

Accrued vacation	\$302,050
Accrued payroll	104,075
Charitable gift annuity payable (see Note 6)	<u>24,348</u>
	<u>\$430,473</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>	
2022	\$30,160
2023	17,408
2024	9,711
2025	8,487
2026	<u>3,219</u>
Total minimum lease payments	<u>\$68,985</u>

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

Vehicles	\$ 96,495
Less: accumulated depreciation	<u>(31,566)</u>
	<u>\$ 64,929</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

11. Paycheck Protection Program (PPP)

In May 2020, Meals on Wheels received loan proceeds in the amount of \$553,298 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are potentially forgivable after a period of up to twenty-four weeks ("the covered period") after the date of funding as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral period for loan payments of either (1) the date that Small Business Association ("SBA") remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. Meals on Wheels intends to use the proceeds for purposes consistent with the PPP. Meals on Wheels is uncertain as to the extent, if any, that the loan proceeds will meet all the conditions for forgiveness of the loan.

Meals on Wheels' use of its PPP loan proceeds met the conditions for forgiveness. As a result, on March 1, 2021, Meals on Wheels' loan forgiveness application was approved by the SBA for \$553,298, which is presented in the Statement of Activities.

12. 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 16), to be repaid over a period of 30 years. The note payable has an effective interest rate of 0% and a balance of \$2,949,249 as of June 30, 2021. 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 long-term borrowing rate at July 2009.

Meals on Wheels recorded \$132,573 in interest expense for the year ended June 30, 2021, with a corresponding accretion in the value of the note payable as of June 30, 2021. The amount of the accretion was reclassified from net assets with donor restrictions to net assets without donor restrictions.

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

<u>Year ending June 30,</u>	
2022	\$ 223,980
2023	223,980
2024	223,980
2025	223,980
2026	223,980
Thereafter	<u>1,829,349</u>
	<u>\$2,949,249</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restrictions – Purpose Restrictions

Net assets with purpose restrictions as of June 30, 2021 consist of the following:

Contribution restricted – imputed interest	\$1,530,449
Pet food	55,323
Boeing Crystal Vision Award	41,000
MOW client emergency fund	12,022
Tablets	10,700
Equipment	4,000
Emergency kits for seniors	100
	<u>\$1,653,594</u>

For the year ended June 30, 2021, net assets released from restrictions were \$2,489,052, which consist of \$132,573 for time restrictions and \$2,356,479 for purpose restrictions.

14. 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, 2021, 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.

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 5% annually.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

14. Net Assets With Donor Restrictions – Perpetual in Nature - Endowment Fund, continued

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, 2021 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, 2021 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$1,833,757
Gain on investments, net of fees	258,505
Interest and dividends	132,634
Transfer (to) net assets without donor restriction	<u>(391,139)</u>
Endowment net assets, end of year	<u>\$1,833,757</u>

15. 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, 2021 was \$81,879.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

16. 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 12). At June 30, 2021, the outstanding balance on the loan was \$2,949,249. During the year ended June 30, 2021, a payment of \$223,985 was made on the loan.