

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

FINANCIAL STATEMENTS

JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Vincent Senior Citizen Nutrition Program, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Vincent Senior Citizen Nutrition Program, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 St. Vincent Senior Citizen Nutrition Program, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Vincent Senior Citizen Nutrition Program, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited St. Vincent Senior Citizen Nutrition Program, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

February 14, 2023

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

With comparative totals at June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | 2022 | 2021 |
|---|---------------------------------------|------------------------------------|----------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents (Note 2) | \$ 805,499 | \$ 575,507 | \$ 1,381,006 | \$ 1,302,211 |
| Accounts receivable | 135,683 | | 135,683 | 313,327 |
| Pledges receivable (Note 4) | 457,489 | | 457,489 | 84,183 |
| Inventory | 69,827 | | 69,827 | 80,076 |
| Prepaid expenses | 157,531 | | 157,531 | 55,526 |
| Investments (Note 5) | 26,627,014 | 1,833,757 | 28,460,771 | 32,665,054 |
| Charitable gift annuities (Note 6) | 53,063 | | 53,063 | 59,349 |
| Property and equipment (Note 8) | 5,674,843 | | 5,674,843 | 5,855,305 |
| TOTAL ASSETS | \$ 33,980,949 | \$ 2,409,264 | \$ 36,390,213 | \$ 40,415,031 |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 239,102 | \$ - | \$ 239,102 | \$ 166,331 |
| Accrued liabilities (Note 9) | 464,899 | | 464,899 | 430,473 |
| Capital lease obligations (Note 10) | 38,825 | | 38,825 | 68,985 |
| Note payable (Note 11) | 4,255,713 | (1,401,862) | 2,853,851 | 2,949,249 |
| TOTAL LIABILITIES | 4,998,539 | (1,401,862) | 3,596,677 | 3,615,038 |
| NET ASSETS | | | | |
| Without donor restrictions | 28,982,410 | | 28,982,410 | 33,312,642 |
| With donor restrictions | | | | |
| Purpose restrictions (Note 13) | | 1,977,369 | 1,977,369 | 1,653,594 |
| Perpetual in nature (Note 14) | | 1,833,757 | 1,833,757 | 1,833,757 |
| TOTAL NET ASSETS | 28,982,410 | 3,811,126 | 32,793,536 | 36,799,993 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 33,980,949 | \$ 2,409,264 | \$ 36,390,213 | \$ 40,415,031 |

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, 2022

With comparative totals for the year ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | 2022 | 2021 |
|---|---------------------------------------|------------------------------------|----------------------|----------------------|
| REVENUE AND SUPPORT | | | | |
| Contributions | \$ 6,946,863 | \$ 586,892 | \$ 7,533,755 | \$ 7,448,648 |
| Program fees | 1,058,748 | | 1,058,748 | 1,379,266 |
| Contributions - in-kind (Note 15) | 156,790 | | 156,790 | 69,022 |
| Gain on disposal of equipment | 21,271 | | 21,271 | - |
| Other income | 667 | | 667 | 550 |
| (Loss) gain on investments | (4,303,261) | | (4,303,261) | 4,870,041 |
| Net assets released from purpose restrictions (Note 13) | 134,530 | (134,530) | - | - |
| Net assets released from time restrictions (Note 13) | 128,587 | (128,587) | - | - |
| TOTAL REVENUE AND SUPPORT | 4,144,195 | 323,775 | 4,467,970 | 13,767,527 |
| EXPENSES | | | | |
| Program services | 6,321,989 | | 6,321,989 | 6,272,819 |
| Management and general | 781,563 | | 781,563 | 760,733 |
| Fundraising | 1,370,875 | | 1,370,875 | 1,411,764 |
| TOTAL EXPENSES | 8,474,427 | - | 8,474,427 | 8,445,316 |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | (4,330,232) | 323,775 | (4,006,457) | 5,322,211 |
| OTHER CHANGES | | | | |
| Paycheck protection program loan forgiveness | | | - | 553,298 |
| CHANGE IN NET ASSETS | (4,330,232) | 323,775 | (4,006,457) | 5,875,509 |
| NET ASSETS, BEGINNING OF YEAR | 33,312,642 | 3,487,351 | 36,799,993 | 30,924,484 |
| NET ASSETS, END OF YEAR | \$ 28,982,410 | \$ 3,811,126 | \$ 32,793,536 | \$ 36,799,993 |

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, 2022
With comparative totals for the year ended June 30, 2021

| | <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>2022</u> | <u>2021</u> |
| Salaries | \$ 1,884,527 | \$ 910,280 | \$ 2,794,807 | \$ 357,350 | \$ 392,042 | \$ 3,544,199 | \$ 3,405,239 |
| Employee benefits | 343,453 | 165,898 | 509,351 | 21,009 | 54,498 | 584,858 | 618,054 |
| Payroll taxes | 139,811 | 67,533 | 207,344 | 17,523 | 28,207 | 253,074 | 240,314 |
| Total personnel costs | <u>2,367,791</u> | <u>1,143,711</u> | <u>3,511,502</u> | <u>395,882</u> | <u>474,747</u> | <u>4,382,131</u> | <u>4,263,607</u> |
| Food | 1,016,234 | 490,870 | 1,507,104 | | | 1,507,104 | 1,744,325 |
| Direct mail, events, and fundraising services | | | | | 770,586 | 770,586 | 762,663 |
| Depreciation and amortization | 201,315 | 97,241 | 298,556 | 38,174 | 41,880 | 378,610 | 370,004 |
| Occupancy | 128,507 | 62,072 | 190,579 | 24,368 | 26,733 | 241,680 | 219,220 |
| Supplies | 152,792 | 73,803 | 226,595 | 1,127 | 2,308 | 230,030 | 223,978 |
| Purchased services | 36,585 | 17,671 | 54,256 | 121,756 | 760 | 176,772 | 192,876 |
| In-kind expense | 156,790 | | 156,790 | | | 156,790 | 69,022 |
| Interest | 70,947 | 34,270 | 105,217 | 12,965 | 14,224 | 132,406 | 138,609 |
| Other expenses | 11,206 | 5,413 | 16,619 | 69,273 | 26,170 | 112,062 | 82,938 |
| Auto expenses | 71,827 | 34,694 | 106,521 | | | 106,521 | 88,869 |
| Repair and maintenance | 43,523 | 21,023 | 64,546 | 24,621 | | 89,167 | 85,705 |
| Professional fees | 2,828 | 1,366 | 4,194 | 77,370 | 1,760 | 83,324 | 95,365 |
| Insurance | 25,960 | 12,539 | 38,499 | 200 | | 38,699 | 44,980 |
| Kitchen expenses | 16,293 | 7,870 | 24,163 | | | 24,163 | 23,160 |
| Postage | 10,138 | 4,897 | 15,035 | 1,922 | 2,109 | 19,066 | 17,093 |
| Printing | 886 | 428 | 1,314 | 6,743 | 8,258 | 16,315 | 12,859 |
| Dues and subscriptions | | | - | 6,289 | 1,165 | 7,454 | 3,719 |
| Education and training | 336 | 163 | 499 | 873 | 175 | 1,547 | 953 |
| Bad debt expense | | | - | | | - | 5,371 |
| TOTAL 2022 FUNCTIONAL EXPENSES | <u>\$ 4,313,958</u> | <u>\$ 2,008,031</u> | <u>\$ 6,321,989</u> | <u>\$ 781,563</u> | <u>\$ 1,370,875</u> | <u>\$ 8,474,427</u> | |
| 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> |

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, 2022
With comparative totals for the year ended June 30, 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (4,006,457) | \$ 5,875,509 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Paycheck protection program loan forgiveness | - | (553,298) |
| Depreciation | 378,610 | 370,004 |
| Loss (gain) on investments | 4,303,261 | (4,870,041) |
| Interest expense from accretion of note payable | 128,587 | 132,572 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 177,644 | (49,043) |
| Pledges receivable | (373,306) | (48,783) |
| Inventory | 10,249 | 18,043 |
| Prepaid expense | (102,005) | (1,800) |
| Charitable gift annuities | 6,286 | (20,296) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 72,771 | (7,815) |
| Accrued liabilities | 34,426 | 36,102 |
| | <u>630,066</u> | <u>881,154</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (198,148) | (122,155) |
| Purchase of investments | (1,774,000) | (1,669,979) |
| Proceeds from sale of investments | 1,675,022 | - |
| | <u>(297,126)</u> | <u>(1,792,134)</u> |
| NET CASH (USED) BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on capital lease | (30,160) | (27,841) |
| Payments on note payable | (223,980) | (223,985) |
| | <u>(254,140)</u> | <u>(251,826)</u> |
| NET CASH (USED) BY FINANCING ACTIVITIES | | |
| NET INCREASE (DECREASE) IN CASH EQUIVALENTS | 78,800 | (1,162,806) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,302,211</u> | <u>2,465,017</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,381,011</u> | <u>\$ 1,302,211</u> |
| SUPPLEMENTAL DISCLOSURES: | | |
| Acquisition of property and equipment with capital lease: | <u>\$ -</u> | <u>\$ 24,077</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 195, and a fleet of 23 vehicles, Meals on Wheels now prepares and delivers more than an average of 3,228 meals daily to individuals who are too frail to shop or cook for themselves. In the fiscal year ended June 30, 2022, Meals on Wheels served a total of 835,233 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 2022, Meals on Wheels has delivered over 28 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.

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 15).

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.

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items, to increase transparency and comparability surrounding contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU requires to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, include in disclosures a disaggregation of the amount of contributed nonfinancial assets by category, for each category, additional qualitative disclosures. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. Meals on Wheels financial statements for the year ended June 30, 2022, are presented in accordance with ASU 2020-07.

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.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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, 2021, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through February 14, 2023, 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, 2022, 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 | \$ 805,499 |
| Accounts receivable | 135,683 |
| Pledges receivable | 457,489 |
| Investments | <u>26,627,014</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$28,025,685</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, 2022. Discount on pledges receivables is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount pledges receivable at June 30, 2022 of \$457,489 is expected to be collected within the subsequent fiscal year.

5. Investments

Investments at June 30, 2022 consist of pooled investments in Fund P in the amount of \$28,460,771 (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 8.2%. The ages of the donors range from eighty-eight to ninety-six at June 30, 2022.

As of the year ended June 30, 2022, the balance of the annuities placed under the trust of Meals on Wheels are \$53,063. Additionally, the balance of the corresponding liabilities representing future payments associated with these agreements is \$20,949 (see Note 9).

Total assets under these agreements as of June 30, 2022 was \$53,063.

7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2022 on a recurring basis:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------|----------------|----------------|---------------------|---------------------|
| Investment – Fund P | \$ - | \$ - | \$28,460,771 | \$28,460,771 |
| Charitable gift annuity | | | 53,063 | 53,063 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$28,513,834</u> | <u>\$28,513,834</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 2.6834% to 4.395% (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2022.

| | Fund P | Charitable Gifts | Total |
|------------------------------|---------------------|-------------------------|----------------------------|
| Fair value at July 1, 2021 | \$32,665,054 | \$59,349 | \$32,724,403 |
| Withdrawal | (1,675,022) | (4,990) | (1,680,012) |
| Purchases | 1,774,000 | | 1,774,000 |
| Investment (loss) income | (4,303,261) | 1,688 | (4,301,573) |
| Fees | | (25) | (25) |
| Change in value of annuities | | (2,959) | (2,959) |
| Fair value at June 30, 2022 | <u>\$28,460,771</u> | <u>\$53,063</u> | <u>\$28,513,834</u> |

The table below represents revenues measured at fair value on a non-recurring basis during the year ended June 30, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|----------------|------------------|------------------|-------------------------|
| Pledged contributions - new | \$ - | \$ - | \$457,489 | \$457,489 |
| Contributed goods | | <u>156,790</u> | | <u>156,790</u> |
| | <u>\$ -</u> | <u>\$156,790</u> | <u>\$457,489</u> | <u>\$614,279</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 services and assets in inactive markets (Levels 2 inputs).

8. Property and Equipment

Property and equipment at June 30, 2022 consist of the following:

| | |
|--------------------------------|----------------------------|
| Building | \$ 9,461,058 |
| Vehicles | 706,941 |
| Equipment | 571,722 |
| Furniture and fixtures | 143,952 |
| Computer licensing | 71,474 |
| Garden | <u>25,656</u> |
| | 10,980,803 |
| Less: accumulated depreciation | <u>(5,305,960)</u> |
| | <u>\$ 5,674,843</u> |

Depreciation and amortization expense for the year ended June 30, 2022 was \$378,610.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

9. Accrued Liabilities

Accrued liabilities at June 30, 2022 consist of the following:

| | |
|--|------------------|
| Accrued vacation | \$315,974 |
| Accrued payroll | 127,976 |
| Charitable gift annuity payable (see Note 6) | <u>20,949</u> |
| | <u>\$464,899</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> | |
| 2023 | \$21,011 |
| 2024 | 12,504 |
| 2025 | <u>8,491</u> |
| | 42,006 |
| Less: interest | <u>(3,181)</u> |
| Total minimum lease payments | <u>\$38,825</u> |

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

| | |
|--------------------------------|------------------|
| Vehicles | \$ 96,495 |
| Less: accumulated depreciation | <u>(59,744)</u> |
| | <u>\$ 36,751</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 17), to be repaid over a period of 30 years. The note payable has an effective interest rate of 0% and a balance of \$2,853,851 as of June 30, 2022. 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 \$128,587 in interest expense for the year ended June 30, 2022, with a corresponding accretion in the value of the note payable as of June 30, 2022. The amount of the accretion was reclassified from net assets with donor restrictions to net assets without donor restrictions.

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> | |
|-----------------------------|--------------------|
| 2023 | \$ 223,980 |
| 2024 | 223,980 |
| 2025 | 223,980 |
| 2026 | 223,980 |
| 2027 | 223,980 |
| Thereafter | <u>1,733,951</u> |
| | <u>\$2,853,851</u> |

12. Contingencies

Meals on Wheels' investments are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as pandemic or international conflict. Due to the level of risk associated with certain investments, it is at least reasonable possible that changes in the value of investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

13. Net Assets With Donor Restrictions – Purpose Restrictions

Net assets with purpose restrictions as of June 30, 2022 consist of the following:

| | |
|--|--------------------|
| Contribution restricted – imputed interest | \$1,401,862 |
| United Way of Greater LA – EFSP | 454,899 |
| Pet food | 72,215 |
| MOW client emergency fund | 14,986 |
| Tablets | 10,700 |
| MOW delivery vans | 7,500 |
| Birthday cakes for clients | 6,667 |
| Internet software and tech program | 4,723 |
| Covid-19 response | 3,440 |
| Kitchen mobile shelving units | 209 |
| Emergency kits for seniors | 100 |
| Hydration program | <u>68</u> |
| | <u>\$1,977,369</u> |

For the year ended June 30, 2022, net assets released from restrictions were \$263,117, which consist of \$128,587 for time restrictions and \$134,530 for purpose restrictions.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2022, 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 7% 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.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

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

Endowment net assets composition by type of fund as of June 30, 2022 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, 2022 are as follows:

| | <u>With Donor Restrictions</u> |
|--|---|
| Endowment net assets, beginning of year | \$1,833,757 |
| Loss on investments, net of fees | (639,783) |
| Interest and dividends | 282,888 |
| Transfer from net assets without donor restriction | <u>356,895</u> |
| Endowment net assets, end of year | <u>\$1,833,757</u> |

15. Contributions – In-kind

Meals on Wheels receives donation of food, hand sanitizer, disinfectants wipes, and personal protective equipment in the amount of \$156,790. The value of the in-kind food donation is recorded based at the fair market value of those items. All in-kind contributions were used for program services.

16. 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, 2022 was \$89,898.

17. 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, 2022, the outstanding balance on the loan was \$2,853,851. During the year ended June 30, 2022, a payment of \$223,980 was made on the loan.