

# Meals-On-Wheels Greater San Diego, Inc. dba. Meals on Wheels San Diego County

Financial Statements

Years Ended September 30, 2020 and 2019



**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Financial Statement**  
Years Ended September 30, 2020 and 2019

---

**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



Aldrich CPAs + Advisors LLP  
7676 Hazard Drive, #1300  
San Diego, California 92108

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
of Meals-on-Wheels Greater San Diego, Inc. dba Meals on Wheels San Diego County

### Report on the Financial Statements

We have audited the accompanying financial statements of Meals-on-Wheels Greater San Diego, Inc. dba. Meals on Wheels San Diego County (the Organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Meals-on-Wheels Greater San Diego, Inc. dba Meals on Wheels San Diego County as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis-of-Matter

As described in Note 1 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 2, 2021

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Statements of Financial Position**  
September 30, 2020 and 2019

---

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 154,594	\$ 62,222
Short-term investments	6,212,497	5,207,568
Accounts receivable, net of allowance for doubtful accounts of \$16,606 (2020) and \$12,061 (2019)	389,552	189,123
Prepaid expenses	63,215	56,690
Inventory	<u>49,474</u>	<u>15,038</u>
Total Current Assets	6,869,332	5,530,641
Long-Term Investments	3,910,188	3,802,034
Deposits	14,436	14,436
Property and Equipment, net of accumulated depreciation	<u>1,323,299</u>	<u>1,112,063</u>
Total Assets	<u>\$ 12,117,255</u>	<u>\$ 10,459,174</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 161,423	\$ 122,964
Accrued expenses	<u>152,244</u>	<u>115,468</u>
Total Current Liabilities	313,667	238,432
Net Assets:		
Without Donor Restrictions	7,763,222	6,321,272
With Donor Restrictions	<u>4,040,366</u>	<u>3,899,470</u>
Total Net Assets	<u>11,803,588</u>	<u>10,220,742</u>
Total Liabilities and Net Assets	<u>\$ 12,117,255</u>	<u>\$ 10,459,174</u>

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**

**Statement of Activities**

Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 3,582,921	\$ 114,916	\$ 3,697,837
Fees for services	2,245,170	-	2,245,170
Bequests	753,739	-	753,739
Special events	313,181	-	313,181
Less: Special events expenses	(106,712)	-	(106,712)
	206,469	-	206,469
Investment return, net	159,535	144,807	304,342
Government grants	256,690	-	256,690
Other income	39,458	-	39,458
Community outreach	20,900	-	20,900
Gain on sale of property and equipment	11,500	-	11,500
Net assets released from restrictions, satisfaction of program restrictions	118,827	(118,827)	-
Total Revenue and Support	7,395,209	140,896	7,536,105
Program and Supporting Expenses:			
Program services	5,005,494	-	5,005,494
Supporting services:			
Management and general	310,961	-	310,961
Fundraising	636,804	-	636,804
Total supporting services	947,765	-	947,765
Total Program and Supporting Expenses	5,953,259	-	5,953,259
Change in Net Assets	1,441,950	140,896	1,582,846
Net Assets, beginning	6,321,272	3,899,470	10,220,742
Net Assets, ending	\$ 7,763,222	\$ 4,040,366	\$ 11,803,588

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**

**Statement of Activities**

Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 1,672,270	\$ 37,602	\$ 1,709,872
Fees for services	1,624,803	-	1,624,803
Bequests	423,568	-	423,568
Special events	610,092	1,899	611,991
Less: Special events expenses	(200,427)	-	(200,427)
	<u>409,665</u>	<u>1,899</u>	<u>411,564</u>
Investment return, net	237,983	134,176	372,159
Community outreach	209,806	-	209,806
Government grants	157,852	-	157,852
Other income	37,631	-	37,631
Gain on sale of property and equipment	2,223	-	2,223
Net assets released from restrictions, satisfaction of program restrictions	<u>235,842</u>	<u>(235,842)</u>	<u>-</u>
Total Revenue and Support	5,011,643	(62,165)	4,949,478
Program and Supporting Expenses:			
Program services	3,961,775	-	3,961,775
Supporting services:			
Management and general	355,101	-	355,101
Fundraising	516,900	-	516,900
Total supporting services	<u>872,001</u>	<u>-</u>	<u>872,001</u>
Total Program and Supporting Expenses	<u>4,833,776</u>	<u>-</u>	<u>4,833,776</u>
Increase in Net Assets	177,867	(62,165)	115,702
Net Assets, beginning	<u>6,143,405</u>	<u>3,961,635</u>	<u>10,105,040</u>
Net Assets, ending	<u>\$ 6,321,272</u>	<u>\$ 3,899,470</u>	<u>\$ 10,220,742</u>

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**

**Statement of Functional Expenses**

Year Ended September 30, 2020

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,003,075	\$ 214,818	\$ 234,534	\$ 449,352	\$ 2,452,427
Meal purchases	1,320,079	-	-	-	1,320,079
Contracts service fees	88,265	6,184	222,554	228,738	317,003
Occupancy	263,493	2,579	3,457	6,036	269,529
Consulting services	180,305	23,400	45,141	68,541	248,846
Employee benefits	165,879	23,950	22,805	46,755	212,634
Payroll taxes	176,695	7,634	18,581	26,215	202,910
Depreciation	109,756	3,330	5,772	9,102	118,858
In-kind expenses	106,546	3,700	-	3,700	110,246
Repairs and maintenance	95,751	3,192	4,914	8,106	103,857
Workers compensation	90,323	1,033	2,552	3,585	93,908
Travel	73,992	454	1,291	1,745	75,737
Supplies	70,962	2,285	2,327	4,612	75,574
General insurance	56,482	6,320	8,156	14,476	70,958
Other	49,811	3,747	14,679	18,426	68,237
Packaging supplies	57,026	-	-	-	57,026
Postage	11,783	4,018	22,122	26,140	37,923
Bad debt expense	36,806	-	-	-	36,806
Printing and materials	8,019	1,231	24,480	25,711	33,730
Telecommunications	30,623	871	1,482	2,353	32,976
Other	9,823	2,215	1,957	4,172	13,995
Total Program and Supporting Expenses	5,005,494	310,961	636,804	947,765	5,953,259
Special Events	-	-	106,712	106,712	106,712
Total Expenses	\$ 5,005,494	\$ 310,961	\$ 743,516	\$ 1,054,477	\$ 6,059,971

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**

**Statement of Functional Expenses**

Year Ended September 30, 2019

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,628,317	\$ 243,967	\$ 216,857	\$ 460,824	\$ 2,089,141
Meal purchases	920,886	-	-	-	920,886
Occupancy	246,129	2,773	4,336	7,109	253,238
Employee benefits	155,017	23,456	20,976	44,432	199,449
Contract service fees	71,766	6,159	120,572	126,731	198,497
Payroll taxes	142,253	16,423	17,178	33,601	175,854
Consulting services	98,308	28,584	14,392	42,976	141,284
Depreciation	93,997	4,437	10,178	14,615	108,612
In-kind expenses	92,562	386	671	1,057	93,619
Repairs and maintenance	78,454	3,425	5,395	8,820	87,274
Travel	81,204	2,156	3,347	5,503	86,707
Workers compensation	76,884	4,101	4,782	8,883	85,767
Other	56,245	4,257	10,715	14,972	71,217
General insurance	48,873	5,752	6,406	12,158	61,031
Printing and materials	18,348	1,948	39,524	41,472	59,820
Postage	16,524	3,995	35,130	39,125	55,649
Packaging supplies	42,569	-	-	-	42,569
Supplies	30,638	2,147	3,065	5,212	35,850
Telecommunications	31,244	1,135	3,376	4,511	35,755
Bad debt expense	31,557	-	-	-	31,557
Total Program and Supporting Expenses	3,961,775	355,101	516,900	872,001	4,833,776
Special Events	-	-	200,427	200,427	200,427
Total Expenses	\$ 3,961,775	\$ 355,101	\$ 717,327	\$ 1,072,428	\$ 5,034,203



**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY****Statements of Cash Flows**

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,582,846	\$ 115,702
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	118,858	108,612
Gain on sale of property and equipment	(11,500)	(2,223)
Net realized and unrealized gains on investments	(105,793)	(131,247)
Changes in operating assets and liabilities:		
Accounts receivable, net	(200,429)	(11,038)
Prepaid expenses	(6,525)	(8,202)
Inventory	(34,436)	920
Accounts payable	38,459	50,421
Accrued expenses	36,776	26,734
Net Cash Flows Provided by Operating Activities	<u>1,418,256</u>	<u>149,679</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	351,937	586,687
Purchases of investments	(1,359,227)	(681,347)
Proceeds from the sale of property and equipment	12,000	2,500
Purchases of property and equipment	(330,594)	(89,826)
Increase in deposits	-	7,533
Net Cash Flows Used by Investing Activities	<u>(1,325,884)</u>	<u>(174,453)</u>
Net Change in Cash and Cash Equivalents	92,372	(24,774)
Cash and cash equivalents, beginning	<u>62,222</u>	<u>86,996</u>
Cash and cash equivalents, ending	<u>\$ 154,594</u>	<u>\$ 62,222</u>

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Notes to Financial Statement**  
Years Ended September 30, 2020 and 2019

---

**Note 1 – Organization and Summary of Significant Accounting Policies**

Nature of Activities

Meals-on-Wheels Greater San Diego, Inc. dba. Meals on Wheels San Diego County (the Organization) is a California nonprofit corporation formed in May of 1970. The Organization's purpose is to provide a variety of services throughout San Diego County to help senior adults remain independent. The Organization's primary program is meal delivery to senior adults throughout San Diego County. The Organization became active in January 1971, as the successor Organization to "Senior Adult Services," an unincorporated association.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (US GAAP). During the year ended September 30, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

Management has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This standard update clarifies and improves the scope and the accounting guidance for contributions received and contributions made under US GAAP. During the year ended September 30, 2020, the Foundation adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

Management has analyzed the provisions of the FASB's ASC Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has concluded that no changes are necessary to conform with the new standard.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with US GAAP, which require the Organization to report information regarding their financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are highly liquid debt instruments with original maturities of three months or less. Temporary cash accounts are included with investment brokerage accounts.

**Note 1 – Organization and Summary of Significant Accounting Policies, continued**

Investments

The Organization carries investments in marketable securities with readily determinable fair values and investments in debt securities at fair values in the statement of financial position. Investments acquired by gift are recorded at their fair market value at the date of the gift. Alternative investments, for which quoted market prices are not readily available, are valued at fair value by the investment manager based on factors deemed relevant by the manager including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer and meaningful third party transactions in the private market. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material. Realized and unrealized gains and losses are included in the changes in net assets in the statement of activities.

Investment return on restricted assets is reported as an increase in net assets without donor restrictions if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Investments with a maturity period one year or less are considered short-term investments with all other investments classified as long-term investments.

Accounts Receivable

Accounts receivable arise during the normal course of business. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

Inventory

Inventory consists primarily of food and packing supplies used in food preparation and is valued at the lower of cost (first-in, first-out method) or net realizable value.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of three to 40 years.

Revenue and Support

The Organization recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Revenues for the Organization primarily consist of fee-for-service contracts and contributions. Meals-on-Wheels delivers their meals based on client's specifications, varying factors such as number of meals delivered, number of days per weeks meals are delivered, etc. Management has determined that these sources of revenue are most appropriately classified as exchange transactions, and therefore, revenue is recognized as performance obligations are met, which is typically when services are performed.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Notes to Financial Statement**  
Years Ended September 30, 2020 and 2019

---

**Note 1 – Organization and Summary of Significant Accounting Policies, continued**

Contributed Materials and Services

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to expense as appropriate.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with various programs. The services do not meet the criteria for recognition as a contribution and are not reflected in the financial statement. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

Advertising

The Organization follows the policy of charging the cost of advertising to expense as incurred.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses (benefits, payroll taxes, etc) and professional fees are allocated on the basis of time and effort. All other expenses are broken out by accounts and are charged to the program or service based on direct usage or using full time equivalents as an allocation method.

Income Tax Status

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Organization has no uncertain tax position at September 30, 2020 and 2019 and therefore no amounts have been accrued.

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The carrying value of cash, receivables, other current assets, and payables approximate fair values as of September 30, 2020 and 2019, due to the relative short maturities of these instruments.

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Notes to Financial Statement**  
Years Ended September 30, 2020 and 2019

---

**Note 1 – Organization and Summary of Significant Accounting Policies, continued**

Future Accounting Standards

The FASB has issued a substantial ASU which will become effective in future years.

In February 2016, the FASB issued ASU 2016-02 *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the consolidated statements of financial position a liability to make lease payments (“lease liability”) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, although there are optional practical expedients that entities may elect to apply. The Organization is evaluating the effect that the provisions of ASU 2016-02 will have on its consolidated financial statements and related disclosures.

Subsequent Events

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of businesses and shelter in place orders. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of the CARES Act and other governmental initiatives. As of the date of this report, this matter has not had a significant, adverse impact on the Organization. However, the future financial impact and duration cannot be reasonably estimated at this time.

The Organization has evaluated subsequent events through February 2, 2021 which is the date the financial statements were available to be issued (see Note 10).

**Note 2 – Liquidity and Availability**

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual obligations within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 154,594	\$ 62,222
Investments	6,212,497	5,207,568
Accounts receivable	<u>389,552</u>	<u>189,123</u>
 Total Financial Assets Available for General Operations	 6,756,643	 5,458,913
 Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	<u>(130,178)</u>	<u>(97,436)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 6,626,465</u>	 <u>\$ 5,361,477</u>

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Notes to Financial Statement**  
 Years Ended September 30, 2020 and 2019

**Note 2 – Liquidity and Availability, continued**

The Organization is substantially supported by donor-restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has an endowment of \$3,910,186. The Organization does not intend to spend from its endowment other than amounts appropriated for general expenditures as part of its annual appropriation process.

**Note 3 – Concentration of Credit Risk**

The Organization maintains its cash at various financial institutions. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. The Organization account balances may, at times, exceed the limits.

**Note 4 – Investments**

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Short-term investments	\$ 6,212,497	\$ 5,207,568
Long-term investments	<u>3,910,188</u>	<u>3,802,034</u>
	<u>\$ 10,122,685</u>	<u>\$ 9,009,602</u>

The following table presents investments categorized according to the fair value hierarchy as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Money Market Funds	\$ 2,038,067	\$ -	\$ -	-	\$ 2,038,067
Mutual Funds:					
Fixed income taxable	3,457,517	-	-	-	3,457,517
Commodities	52,851	-	-	-	52,851
Domestic large-cap blend	1,166,128	-	-	-	1,166,128
Domestic mid-cap growth	730,121	-	-	-	730,121
Real estate	444,923	-	-	-	444,923
Domestic small-cap blend	1,168,111	-	-	-	1,168,111
Diversified emerging markets	342,461	-	-	-	342,461
Foreign large-cap blend	<u>722,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>722,506</u>
	<u>\$ 10,122,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 10,122,685</u>

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Notes to Financial Statement**  
Years Ended September 30, 2020 and 2019

**Note 4 – Investments, continued**

The following table presents investments categorized according to the fair value hierarchy as of September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Money Market Funds	\$ 987,201	\$ -	\$ -	\$ -	\$ 987,201
Mutual Funds:					
Fixed income taxable	3,325,789	-	-	-	3,325,789
Commodities	60,992	-	-	-	60,992
Domestic large-cap blend	1,050,790	-	-	-	1,050,790
Domestic mid-cap growth	780,649	-	-	-	780,649
Real estate	560,178	-	-	-	560,178
Domestic small-cap blend	1,180,337	-	-	-	1,180,337
Diversified emerging markets	318,859	-	-	-	318,859
Foreign large-cap blend	<u>744,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>744,807</u>
Total	<u>\$ 9,009,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,009,602</u>

**Note 5 – Property and Equipment**

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Building	\$ 1,148,427	\$ 1,115,454
Kitchen equipment and supplies	472,155	342,519
Land	374,571	374,571
Vehicles	363,914	281,804
Furniture and equipment	128,918	126,855
Computers	<u>86,316</u>	<u>78,561</u>
	2,574,301	2,319,764
Less accumulated depreciation	<u>(1,251,002)</u>	<u>(1,207,701)</u>
	<u>\$ 1,323,299</u>	<u>\$ 1,112,063</u>

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Notes to Financial Statement**  
Years Ended September 30, 2020 and 2019

---

**Note 6 – Restrictions on Net Assets**

Net assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions:		
Board leadership	\$ 77,310	\$ 68,836
Emergency Meal Packs	25,178	-
Volunteer program	14,725	9,040
Delivery van fuel	7,966	11,299
Technology	3,199	2,849
Admin building renovation	1,800	1,800
Veteran meals	-	3,409
Other	-	203
	<u>130,178</u>	<u>97,436</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
General Use	<u>3,910,188</u>	<u>3,802,034</u>
	<u>\$ 4,040,366</u>	<u>\$ 3,899,470</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Appropriated expenditures, endowments	\$ 91,272	\$ 177,880
Delivery van fuel	12,548	35,350
Senior Meals	9,384	-
Veteran meals	3,409	76
Volunteer program	1,360	3,929
Board Leadership	854	-
Low income seniors	-	14,916
Admin building renovation	-	3,691
	<u>\$ 118,827</u>	<u>\$ 235,842</u>



**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Notes to Financial Statement**  
Years Ended September 30, 2020 and 2019

---

**Note 7 – Operating Leases**

The Organization has operating lease agreements for its offices and certain equipment expiring at various dates through September 2033. Total rent expense for the year ended September 30, 2020 was \$215,720.

Future minimum lease payments at September 30, 2020 are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2021	\$ 202,949
2022	175,874
2023	161,543
2024	166,142
2025	171,127
Thereafter	<u>1,513,173</u>
Total	<u>\$ 2,390,808</u>

**Note 8 – Pension Plan**

The Organization has a 401(k) Profit Sharing Plan covering all full-time employees that are at least 21 years old, have completed one year of service, and worked 1,000 hours during the calendar year. A qualified employee is fully vested after four years. Funding of the plan is made at the discretion of management. There was no pension expense for the years ended September 30, 2020 and 2019.

**Note 9 – Endowments**

The Organization's endowment consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted Uniform Prudent Management of Constitution Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Organization in a manner that is consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

**MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**  
**Notes to Financial Statement**  
Years Ended September 30, 2020 and 2019

**Note 9 – Endowments, continued**

At September 30, 2020, the endowment net assets composition by type of fund consists of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor designated funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 3,044,060	\$ 3,044,060
Accumulated investment gains	-	866,128	866,128
	<u>\$ -</u>	<u>\$ 3,910,188</u>	<u>\$ 3,910,188</u>

Changes in endowment net assets for the year ended September 30, 2020, consist of the following

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,802,034	\$ 3,802,034
Contributions	-	54,619	54,619
Appropriated expenditures	-	(91,272)	(91,272)
Investment return, net	-	144,807	144,807
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,910,188</u>	<u>\$ 3,910,188</u>

At September 30, 2019, the endowment net assets composition by type of fund consists of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor designated funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 2,989,441	\$ 2,989,441
Accumulated investment gains	-	812,593	812,593
	<u>\$ -</u>	<u>\$ 3,802,034</u>	<u>\$ 3,802,034</u>

Changes in endowment net assets for the year ended September 30, 2019, consist of the following

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,843,238	\$ 3,843,238
Contributions	-	2,500	2,500
Appropriated expenditures	-	(177,880)	(177,880)
Investment return, net	-	134,176	134,176
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,802,034</u>	<u>\$ 3,802,034</u>

**Note 9 – Endowments, continued**

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide funding for the operating expenses of programs supported by its endowments and increase the value of the original contributed capital by an amount not less than the annual increase in the Consumer Price Index (CPI). In order to meet this objective, the endowment asset portfolio is structured to achieve a compounded annual return, net of investment management expenses, of 6% plus the annual rate of inflation (Target Return) over ten years. In achieving the Target Return, the Organization seeks to maintain a level of portfolio risk, as measured by the annualized monthly standard deviation, commensurate with the portfolio's market-related index. The market-related index is made up of selected market indices that are representative of the asset classes in which the portfolio is invested and which is weighted in the same percentages as the asset classes in which the portfolio is invested.

Investment Strategy

The investment strategy of the Organization is to develop a diversified portfolio of investments. For equity investments, the selection of such holdings is based on the merits of long-term ownership without the intent of short-term trading. To achieve the Target Return, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

The Organization has a policy of appropriating for distribution each year an amount equal to 5% of the average balance of the assets associated with the endowments for the previous twelve quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at the average annual rate of inflation over ten years. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. The spending rate policy is reviewed annually by the Finance Committee.

**Note 10 – Subsequent Event**

On December 15, 2020 the Organization received a major unrestricted donation of \$4,000,000.