

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

Financial Statements

Years Ended September 30, 2021 and 2020



MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Financial Statement
Years Ended September 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Aldrich CPAs + Advisors LLP

San Diego, California
January 27, 2022

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 55,956	\$ 154,594
Short-term investments	10,627,885	6,212,497
Accounts receivable, net of allowance for doubtful accounts of \$21,481 (2021) and \$16,606 (2020)	250,823	389,552
Prepaid expenses	67,506	63,215
Inventory	<u>64,169</u>	<u>49,474</u>
Total Current Assets	11,066,339	6,869,332
Long-Term investments	4,576,204	3,910,188
Deposits	14,436	14,436
Property and Equipment, net of accumulated depreciation	<u>1,315,205</u>	<u>1,323,299</u>
Total Assets	<u>\$ 16,972,184</u>	<u>\$ 12,117,255</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 234,274	\$ 161,423
Accrued expenses	<u>190,894</u>	<u>152,244</u>
Total Current Liabilities	425,168	313,667
Net Assets:		
Without Donor Restrictions	11,773,227	7,763,222
With Donor Restrictions	<u>4,773,789</u>	<u>4,040,366</u>
Total Net Assets	<u>16,547,016</u>	<u>11,803,588</u>
Total Liabilities and Net Assets	<u>\$ 16,972,184</u>	<u>\$ 12,117,255</u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Statement of Activities
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 6,804,116	\$ 117,050	\$ 6,921,166
Fees for services	2,703,780	-	2,703,780
Investment return, net	731,334	857,071	1,588,405
Bequests	201,376	-	201,376
Special events	185,123	-	185,123
Less: Special events expenses	<u>(44,849)</u>	<u>-</u>	<u>(44,849)</u>
	140,274	-	140,274
Government grants	149,097	-	149,097
Other income	38,671	-	38,671
Gain on sale of property and equipment	4,000	-	4,000
Net assets released from restrictions, satisfaction of program restrictions	<u>240,698</u>	<u>(240,698)</u>	<u>-</u>
Total Revenue and Support	11,013,346	733,423	11,746,769
Program and Supporting Expenses:			
Program services	6,015,820	-	6,015,820
Supporting services:			
Management and general	347,054	-	347,054
Fundraising	<u>640,467</u>	<u>-</u>	<u>640,467</u>
Total supporting services	987,521	-	987,521
Total Program and Supporting Expenses	<u>7,003,341</u>	<u>-</u>	<u>7,003,341</u>
Change in Net Assets	4,010,005	733,423	4,743,428
Net Assets, beginning	<u>7,763,222</u>	<u>4,040,366</u>	<u>11,803,588</u>
Net Assets, ending	<u>\$ 11,773,227</u>	<u>\$ 4,773,789</u>	<u>\$ 16,547,016</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	<u>(106,712)</u>	-	<u>(106,712)</u>
	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	<u>118,827</u>	<u>(118,827)</u>	<u>-</u>
Total Revenue and Support	7,395,209	140,896	7,536,105
Program and Supporting Expenses:			
Program services	5,005,493	-	5,005,493
Supporting services:			
Management and general	310,962	-	310,962
Fundraising	636,804	-	636,804
Total supporting services	<u>947,766</u>	-	<u>947,766</u>
Total Program and Supporting Expenses	<u>5,953,259</u>	-	<u>5,953,259</u>
Increase in Net Assets	1,441,950	140,896	1,582,846
Net Assets, beginning	<u>6,321,272</u>	<u>3,899,470</u>	<u>10,220,742</u>
Net Assets, ending	<u>\$ 7,763,222</u>	<u>\$ 4,040,366</u>	<u>\$ 11,803,588</u>

See accompanying notes to financial statements.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,436,413	\$ 251,528	\$ 214,307	\$ 465,835	\$ 2,902,248
Meal purchases	1,660,286	-	-	-	1,660,286
Contracts service fees	110,590	5,859	170,547	176,406	286,996
Occupancy	273,393	2,630	2,011	4,641	278,034
Consulting services	174,490	33,467	25,939	59,406	233,896
Payroll taxes	205,308	1,448	16,665	18,113	223,421
Employee benefits	188,586	19,517	12,082	31,599	220,185
Depreciation	152,738	3,134	5,513	8,647	161,385
Repair and maintenance	113,216	3,788	3,319	7,107	120,323
In-kind expenses	110,887	70	-	70	110,957
Staff and board development	87,810	5,775	4,542	10,317	98,127
Workers compensation	76,125	1,711	1,394	3,105	79,230
General insurance	61,644	6,465	8,708	15,173	76,817
Travel	71,118	161	1,159	1,320	72,438
Packaging supplies	70,812	-	-	-	70,812
Postage	5,284	2,947	62,568	65,515	70,799
Banking fees	49,338	3,381	15,762	19,143	68,481
Supplies	63,168	2,344	1,681	4,025	67,193
Printing and materials	12,296	1,728	44,294	46,022	58,318
Advertising and marketing	1,802	-	48,040	48,040	49,842
Telecommunications	35,303	873	840	1,713	37,016
Bad debt expense	36,884	-	-	-	36,884
Other	18,329	228	1,096	1,324	19,653
Total Program and Supporting Expenses	6,015,820	347,054	640,467	987,521	7,003,341
Special Events	-	-	44,849	44,849	44,849
Total Expenses	\$ 6,015,820	\$ 347,054	\$ 685,316	\$ 1,032,370	\$ 7,048,190

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
Banking fees	44,583	3,747	14,679	18,426	63,009
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
Staff and board development	4,976	1,609	1,330	2,939	7,915
Other	7,108	427	-	427	7,535
Advertising and marketing	2,966	180	627	807	3,773
Total Program and Supporting Expenses	5,005,493	310,962	636,804	947,766	5,953,259
Special Events	-	-	106,712	106,712	106,712
Total Expenses	<u>\$ 5,005,493</u>	<u>\$ 310,962</u>	<u>\$ 743,516</u>	<u>\$ 1,054,478</u>	<u>\$ 6,059,971</u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 4,743,428	\$ 1,582,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	161,385	118,858
Gain on sale of property and equipment	(4,000)	(11,500)
Net realized and unrealized gains on investments	(1,428,244)	(105,793)
Changes in operating assets and liabilities:		
Accounts receivable, net	138,729	(200,429)
Prepaid expenses	(4,291)	(6,525)
Inventory	(14,695)	(34,436)
Accounts payable	72,851	38,459
Accrued expenses	38,650	36,776
	<u>3,703,813</u>	<u>1,418,256</u>
Net Cash Flows Provided by Operating Activities		
Cash Flows from Investing Activities:		
Proceeds from sale of investments	764,677	351,937
Purchases of investments	(4,417,837)	(1,359,227)
Proceeds from the sale of property and equipment	4,000	12,000
Purchases of property and equipment	(153,291)	(330,594)
	<u>(3,802,451)</u>	<u>(1,325,884)</u>
Net Cash Flows Used by Investing Activities		
Net Change in Cash and Cash Equivalents	(98,638)	92,372
Cash and cash equivalents, beginning	<u>154,594</u>	<u>62,222</u>
Cash and cash equivalents, ending	<u>\$ 55,956</u>	<u>\$ 154,594</u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Notes to Financial Statements
Years Ended September 30, 2021 and 2020

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.

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, whereby 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.

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.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Notes to Financial Statements
Years Ended September 30, 2021 and 2020

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

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.

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 statements. 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 based on 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.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Notes to Financial Statements
Years Ended September 30, 2021 and 2020

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

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, 2021 and 2020 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, 2021 and 2020, due to the relative short maturities of these instruments.

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 financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events through January 27, 2022 which is the date the financial statements were available to be issued (see note 11).

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Notes to Financial Statements
 Years Ended September 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 55,956	\$ 154,594
Investments	10,627,885	6,212,497
Accounts receivable	<u>250,823</u>	<u>389,552</u>
 Total Financial Assets Available for General Operations	 10,934,664	 6,756,643
 Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	<u>(197,585)</u>	<u>(130,178)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u><u>10,737,079</u></u>	 \$ <u><u>6,626,465</u></u>

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 \$4,576,204. 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 and Fair Value Measurement

Investments consist of the following:

	<u>2021</u>	<u>2020</u>
Short-term investments	\$ 10,627,885	\$ 6,212,497
Long-term investments	<u>4,576,204</u>	<u>3,910,188</u>
	<u>\$ 15,204,089</u>	<u>\$ 10,122,685</u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Notes to Financial Statements
Years Ended September 30, 2021 and 2020

Note 4 – Investments and Fair Value Measurement, continued

The following table presents investments categorized according to the fair value hierarchy as of September 30, 2021:

	Level 1	Level 2	Level 3	NAV	Total
Money Market Funds	\$ 5,936,185	\$ -	\$ -	\$ -	\$ 5,936,185
Mutual Funds:					
Fixed income taxable	3,496,921	-	-	-	3,496,921
Commodities	30,011	-	-	-	30,011
Domestic large-cap blend	1,298,923	-	-	-	1,298,923
Domestic mid-cap growth	1,131,201	-	-	-	1,131,201
Real estate	651,662	-	-	-	651,662
Domestic small-cap blend	1,324,047	-	-	-	1,324,047
Diversified emerging markets	402,581	-	-	-	402,581
Foreign large-cap blend	932,558	-	-	-	932,558
	<u>\$ 15,204,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,204,089</u>

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

	Level 1	Level 2	Level 3	NAV	Total
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	722,506	-	-	-	722,506
Total	<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 Statements
Years Ended September 30, 2021 and 2020

Note 5 – Property and Equipment

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Building	\$ 1,157,771	\$ 1,148,427
Kitchen equipment and supplies	562,296	472,155
Vehicles	381,232	363,914
Land	374,571	374,571
Furniture and equipment	134,191	128,918
Computers	<u>92,699</u>	<u>86,316</u>
	2,702,760	2,574,301
Less accumulated depreciation	<u>(1,387,555)</u>	<u>(1,251,002)</u>
	<u>\$ 1,315,205</u>	<u>\$ 1,323,299</u>

Note 6 – Restrictions on Net Assets

Net assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions:		
Board leadership	\$ 85,510	\$ 77,310
Emergency meal packs	45,826	25,178
CalFresh expansion	25,000	-
Volunteer program	23,658	14,725
Meal scholarship	7,278	-
Other	4,803	-
Technology	3,199	3,199
Delivery van fuel	2,311	7,966
Admin building renovation	<u>-</u>	<u>1,800</u>
	197,585	130,178
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
General Use	<u>4,576,204</u>	<u>3,910,188</u>
	<u>\$ 4,773,789</u>	<u>\$ 4,040,366</u>

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Note 6 – Restrictions on Net Assets, continued

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>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Appropriated expenditures, endowments	\$ 191,055	\$ 91,272
Emergency meal packs	20,940	-
Volunteer program	20,500	1,360
Delivery van fuel	5,655	12,548
Meal scholarship	2,548	-
Senior meals	-	9,384
Veteran meals	-	3,409
Board leadership	-	854
	<u>\$ 240,698</u>	<u>\$ 118,827</u>

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, 2021 and September 30, 2020 was \$213,079 and \$215,720 respectively.

Future minimum lease payments at September 30, 2021 are as follows:

<u>Year Ending September 30,</u>	
2022	\$ 177,600
2023	167,954
2024	172,711
2025	177,857
2026	181,999
Thereafter	<u>1,375,773</u>
Total	<u>\$ 2,253,894</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, 2021 and 2020.

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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

At September 30, 2021, 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	-	1,532,144	1,532,144
	<u>\$ -</u>	<u>\$ 4,576,204</u>	<u>\$ 4,576,204</u>

Changes in endowment net assets for the year ended September 30, 2021, consist of the following

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,910,188	\$ 3,910,188
Appropriated expenditures	-	(191,055)	(191,055)
Investment return, net	-	857,071	857,071
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 4,576,204</u>	<u>\$ 4,576,204</u>

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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>

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.

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Note 10 – Contingencies

Coronavirus

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, including California, where the Organization is located.

At September 30, 2021 the pandemic continues and management continues to initiate changes and modification to the operations of the programs, events, and administrative functions in order to protect the health of staff and clients and to mitigate the financial effects of the virus and its reluctant economic slowdown. The Organization will continue to evaluate, and if appropriate, adopt other measures in the future as required for the ongoing safety of clients and staff.

Note 11 – Subsequent Event

In December 2021 the Organization received a major unrestricted donation of \$850,000.