

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

Financial Statements

Years Ended September 30, 2022 and 2021



MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Financial Statements
Years Ended September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Meals-on-Wheels Greater San Diego, Inc. dba. Meals on Wheels San Diego County (a non-profit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Meals-on-Wheels Greater San Diego, Inc. County, Inc. as of September 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Meals-on-Wheels Greater San Diego, Inc. County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Meals-on-Wheels Greater San Diego, Inc. County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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

Aldrich CPAs + Advisors LLP

San Diego, California
February 1, 2023

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Statements of Financial Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 135,415	\$ 55,956
Short-term investments	9,407,517	10,627,885
Accounts receivable, net of allowance for doubtful accounts of \$26,275 (2022) and \$21,481 (2021)	266,100	250,823
Prepaid expenses	68,437	67,506
Inventory	<u>67,709</u>	<u>64,169</u>
Total Current Assets	9,945,178	11,066,339
Long-Term Investments	3,595,280	4,576,204
Deposits	14,436	14,436
Property and Equipment, net of accumulated depreciation	<u>1,535,678</u>	<u>1,315,205</u>
Total Assets	<u>\$ 15,090,572</u>	<u>\$ 16,972,184</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 155,024	\$ 234,274
Accrued expenses	<u>224,321</u>	<u>190,894</u>
Total Current Liabilities	379,345	425,168
Net Assets:		
Without Donor Restrictions	10,915,582	11,773,227
With Donor Restrictions	<u>3,795,645</u>	<u>4,773,789</u>
Total Net Assets	<u>14,711,227</u>	<u>16,547,016</u>
Total Liabilities and Net Assets	<u>\$ 15,090,572</u>	<u>\$ 16,972,184</u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Statements of Activities

Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 2,574,252	\$ 109,585	\$ 2,683,837
Fees for services	2,480,267	-	2,480,267
Bequests	1,358,555	-	1,358,555
Special events	463,315	-	463,315
Less: Special events expenses	(152,628)	-	(152,628)
	<u>310,687</u>	<u>-</u>	<u>310,687</u>
Government grants	163,878	-	163,878
Other income	45,980	-	45,980
Gain on sale of property and equipment	5,500	-	5,500
Investment return, net	(988,360)	-	(988,360)
Net assets released from restrictions, satisfaction of program restrictions	<u>1,087,729</u>	<u>(1,087,729)</u>	<u>-</u>
Total Revenue and Support	7,038,488	(978,144)	6,060,344
Program and Supporting Expenses:			
Program services	6,653,424	-	6,653,424
Supporting services:			
Management and general	526,583	-	526,583
Fundraising	716,126	-	716,126
Total supporting services	<u>1,242,709</u>	<u>-</u>	<u>1,242,709</u>
Total Program and Supporting Expenses	<u>7,896,133</u>	<u>-</u>	<u>7,896,133</u>
Change in Net Assets	(857,645)	(978,144)	(1,835,789)
Net Assets, beginning	<u>11,773,227</u>	<u>4,773,789</u>	<u>16,547,016</u>
Net Assets, ending	<u>\$ 10,915,582</u>	<u>\$ 3,795,645</u>	<u>\$ 14,711,227</u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Statements 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	(44,849)	-	(44,849)
	<u>140,274</u>	<u>-</u>	<u>140,274</u>
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	640,467	-	640,467
Total supporting services	<u>987,521</u>	<u>-</u>	<u>987,521</u>
Total Program and Supporting Expenses	<u>7,003,341</u>	<u>-</u>	<u>7,003,341</u>
Increase 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><u>\$ 11,773,227</u></u>	<u><u>\$ 4,773,789</u></u>	<u><u>\$ 16,547,016</u></u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY
Statements of Functional Expenses
Year Ended September 30, 2022

	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Salaries	\$ 2,862,609	\$ 279,358	\$ 258,079	\$ 537,437	\$ 3,400,046
Meal purchases	1,772,010	-	-	-	1,772,010
Occupancy	294,655	7,227	2,812	10,039	304,694
Fee for services (non-employee)	186,425	73,239	41,651	114,890	301,315
Employee benefits	247,072	30,832	19,254	50,086	297,158
Contracts and leases	118,942	42,146	114,691	156,837	275,779
Payroll taxes	227,898	19,807	18,473	38,280	266,178
Depreciation	170,151	8,439	8,439	16,878	187,029
Repair and maintenance	134,251	10,657	4,646	15,303	149,554
Printing and materials	5,676	999	118,100	119,099	124,775
Contributed nonfinancial asset expenses	91,962	-	25,000	25,000	116,962
Travel	95,698	4,242	2,932	7,174	102,872
Packaging supplies	96,370	-	-	-	96,370
General insurance	57,121	18,099	12,704	30,803	87,924
Workers compensation	85,001	1,141	1,296	2,437	87,438
Bank charges	44,383	6,707	21,906	28,613	72,996
Supplies	49,788	4,304	2,400	6,704	56,492
Postage	5,048	7,071	33,969	41,040	46,088
Telecommunications	35,438	1,962	999	2,961	38,399
Advertising and marketing	5,553	-	26,198	26,198	31,751
Other	28,645	-	-	-	28,645
Staff and board development	14,314	10,353	2,577	12,930	27,244
Bad debt expense	24,414	-	-	-	24,414
Total Program and Supporting Expenses	6,653,424	526,583	716,126	1,242,709	7,896,133
Special Events	-	-	152,628	152,628	152,628
Total Expenses	\$ 6,653,424	\$ 526,583	\$ 868,754	\$ 1,395,337	\$ 8,048,761

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

Statements of Functional Expenses

Year Ended September 30, 2021

	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
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
Contributed nonfinancial asset 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
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
Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,835,789)	\$ 4,743,428
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	187,029	161,385
Gain on sale of property and equipment	(5,500)	(4,000)
Net realized and unrealized (gains) losses on investments	1,124,906	(1,428,244)
Changes in operating assets and liabilities:		
Accounts receivable, net	(15,277)	138,729
Prepaid expenses	(931)	(4,291)
Inventory	(3,540)	(14,695)
Accounts payable	(79,250)	72,851
Accrued expenses	33,427	38,650
	<u>(594,925)</u>	<u>3,703,813</u>
Net Cash Flows Provided (Used) by Operating Activities		
Cash Flows from Investing Activities:		
Proceeds from sale of investments	2,360,743	764,677
Purchases of investments	(1,284,357)	(4,417,837)
Proceeds from the sale of property and equipment	5,500	4,000
Purchases of property and equipment	(407,502)	(153,291)
	<u>674,384</u>	<u>(3,802,451)</u>
Net Cash Flows Provided (Used) by Investing Activities		
Net Change in Cash and Cash Equivalents	79,459	(98,638)
Cash and cash equivalents, beginning	<u>55,956</u>	<u>154,594</u>
Cash and cash equivalents, ending	<u>\$ 135,415</u>	<u>\$ 55,956</u>

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

Notes to Financial Statements

Years Ended September 30, 2022 and 2021

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 Pronouncement

In September 2020, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. During the year ended September 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

Management has analyzed the provisions of the FASB's ASU Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* and has included the necessary presentation and disclosure.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

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

Notes to Financial Statements

Years Ended September 30, 2022 and 2021

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

The accounts receivable arise in the normal course of operations. 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. Grants and other revenues which are considered contracts for services, are not recorded as contributions with donor restrictions.

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

Notes to Financial Statements

Years Ended September 30, 2022 and 2021

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 statements. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

Donated materials and equipment, with significant determinable values, are reflected as contributions in the accompanying combined financial statements at their estimated fair values at date of receipt. Such items are capitalized or charged to operations as appropriate. The Organizations receive donated services from unpaid volunteers who assist in fundraising and program services. No amounts have been recognized in the combined statements of activities for these services because the criteria for recognition as contributions of such volunteer efforts have not been satisfied. The fair market values of contributed professional services are 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.

Income Tax Status

Meals-on-Wheels Greater San Diego, Inc. 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. Meals-on-Wheels Greater San Diego, Inc. has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Meals-on-Wheels Greater San Diego, Inc. may be subject to tax on income which is not related to its exempt purpose. For the years ended September 30, 2022 and 2021, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows the provisions of uncertain tax positions as addressed in the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Meals-on-Wheels Greater San Diego, Inc. recognize accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the years ended September 30, 2022 and 2021.

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 US GAAP. 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.

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

Notes to Financial Statements

Years Ended September 30, 2022 and 2021

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

Fair Value Measurements, continued

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.

The carrying value of cash, receivables, other current assets, and payables approximate fair values as of September 30, 2022 and 2021 due to the relative short maturities of these instruments.

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.

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 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 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 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 February 1, 2023, 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, 2022 and 2021

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 135,415	\$ 55,956
Investments	9,407,517	10,627,885
Accounts receivable	<u>266,100</u>	<u>250,823</u>
 Total Financial Assets Available for General Operations	 9,809,032	 10,934,664
 Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	<u>(200,365)</u>	<u>(197,585)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u>9,608,667</u>	 \$ <u>10,737,079</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 \$3,595,280. 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>2022</u>	<u>2021</u>
Short-term investments	\$ 9,407,517	\$ 10,627,885
Long-term investments	<u>3,595,280</u>	<u>4,576,204</u>
	<u>\$ 13,002,797</u>	<u>\$ 15,204,089</u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**Notes to Financial Statements**

Years Ended September 30, 2022 and 2021

Note 4 – Investments and Fair Value Measurement, continued

The following table presents investments categorized according to the fair value hierarchy as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Money Market Funds	\$ 9,436,267	\$ -	\$ -	\$ -	\$ 9,436,267
Mutual Funds:					
Fixed income taxable	1,185,871	-	-	-	1,185,871
Commodities	36,632	-	-	-	36,632
Domestic large-cap blend	607,912	-	-	-	607,912
Domestic mid-cap growth	504,298	-	-	-	504,298
Real estate	234,898	-	-	-	234,898
Domestic small-cap blend	410,184	-	-	-	410,184
Diversified emerging markets	162,381	-	-	-	162,381
Foreign large-cap blend	424,354	-	-	-	424,354
	<u>\$ 13,002,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,002,797</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
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
Total	<u>\$ 15,204,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,204,089</u>

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

Notes to Financial Statements

Years Ended September 30, 2022 and 2021

Note 5 – Property and Equipment

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Building	\$ 1,297,119	\$ 1,157,771
Kitchen equipment and supplies	564,439	562,296
Vehicles	459,191	381,232
Land	374,571	374,571
Computers	221,665	92,699
Furniture and equipment	168,446	134,191
	<u>3,085,431</u>	<u>2,702,760</u>
Less accumulated depreciation	<u>(1,549,753)</u>	<u>(1,387,555)</u>
	<u>\$ 1,535,678</u>	<u>\$ 1,315,205</u>

Note 6 – Contributed Non-Financial Assets

The Organization recognized contributed nonfinancial assets within revenue, including event tickets, event auction items, food, gift cards, senior client care packages, and other miscellaneous items. Contributed nonfinancial assets are valued and reported at the estimated fair value in the financial statements based on current rates for similar products. Contributed nonfinancial assets solicited for use at special events, such as the auction held in conjunction with the annual gala, are monetized.

In addition to amounts recognized in the statements of activities, management estimates the Organization received approximately 122,738 and 113,075 volunteer hours with an estimated value of \$1,963,808 and \$1,696,125 valued at \$16 per hour and \$15 per hour for the years ended September 30, 2022 and 2021, respectively.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC. dba. MEALS ON WHEELS SAN DIEGO COUNTY**Notes to Financial Statements**

Years Ended September 30, 2022 and 2021

Note 7 – Restrictions on Net Assets

Net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions:		
Board leadership	\$ 90,386	\$ 85,510
Emergency meal packs	47,221	45,826
Volunteer program	40,775	23,658
Delivery van fuel	9,886	2,311
Meal scholarship	6,466	7,278
Admin building renovation	3,699	-
Technology	1,400	3,199
Other	532	4,803
CalFresh expansion	-	25,000
	<u>200,365</u>	<u>197,585</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
General Use	<u>3,595,280</u>	<u>4,576,204</u>
	<u>\$ 3,795,645</u>	<u>\$ 4,773,789</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>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Endowment activity, net	\$ 1,032,663	\$ 191,055
Cal Fresh Expansion	55,000	-
Delivery van fuel	22,425	5,655
Emergency meal packs	18,123	20,940
Volunteer program	7,742	20,500
Other	3,515	-
Meal scholarship	-	2,548
	<u>\$ 1,139,468</u>	<u>\$ 240,698</u>

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Notes to Financial Statements

Years Ended September 30, 2022 and 2021

Note 8 – 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, 2022 and September 30, 2021 was \$218,594 and \$213,079 respectively.

Future minimum lease payments at September 30, 2022 are as follows:

Year Ending September 30,	
2023	\$ 324,938
2024	329,443
2025	334,577
2026	335,613
2027	302,254
Thereafter	<u>1,188,778</u>
Total	<u>\$ 2,815,603</u>

Note 9 – 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. Total pension expense was \$43,098 and \$0 for the years ended September 30, 2022 and 2021, respectively.

Note 10 – 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 Statements**

Years Ended September 30, 2022 and 2021

Note 10 – Endowments, continued

At September 30, 2022, 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	-	551,220	551,220
	<u>\$ -</u>	<u>\$ 3,595,280</u>	<u>\$ 3,595,280</u>

Changes in endowment net assets for the year ended September 30, 2022, consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 4,576,204	\$ 4,576,204
Distributions	-	(204,557)	(204,557)
Investment return, net	-	(776,367)	(776,367)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,595,280</u>	<u>\$ 3,595,280</u>

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
Contributions	-	-	-
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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Notes to Financial Statements

Years Ended September 30, 2022 and 2021

Note 10 – 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 11 – Subsequent Event

In December 2022, the Board of Directors of the Organization approved the purchase of a new building in San Diego that is to be the new Organization headquarters. As of February 1, 2023, the Organization was in escrow on the building.