

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

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of St. Vincent Senior Citizen Nutrition Program, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Vincent Senior Citizen Nutrition Program, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT

continued

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Vincent Senior Citizen Nutrition Program, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Vincent Senior Citizen Nutrition Program, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited St. Vincent Senior Citizen Nutrition Program, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California
February 13, 2024

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

With comparative totals at June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
ASSETS				
Cash and cash equivalents (Note 2)	\$ 842,911	\$ 308,944	\$ 1,151,855	\$ 1,381,006
Accounts receivable	183,433		183,433	135,683
Pledges receivable (Note 4)	551,675		551,675	457,489
Inventory	80,426		80,426	69,827
Prepaid expenses	61,278		61,278	157,531
Investments (Note 5)	25,476,437	1,833,757	27,310,194	28,460,771
Charitable gift annuities (Note 6)	49,225		49,225	53,063
Right-of-use assets - operating leases (Note 10)	41,295		41,295	-
Right-of-use assets - financing leases (Note 10)	24,935		24,935	
Property and equipment (Note 8)	5,700,114		5,700,114	5,674,843
TOTAL ASSETS	<u>\$ 33,011,729</u>	<u>\$ 2,142,701</u>	<u>\$ 35,154,430</u>	<u>\$ 36,390,213</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 169,397	\$ -	\$ 169,397	\$ 239,102
Accrued liabilities (Note 9)	486,366		486,366	464,899
Leases liabilities - operating leases (Note 10)	32,795		32,795	-
Leases liabilities - financing leases (Note 10)	29,842		29,842	38,825
Note payable (Note 11)	4,031,727	(1,277,434)	2,754,293	2,853,851
TOTAL LIABILITIES	<u>4,750,127</u>	<u>(1,277,434)</u>	<u>3,472,693</u>	<u>3,596,677</u>
NET ASSETS				
Without donor restrictions	28,261,602		28,261,602	28,982,410
With donor restrictions				
Purpose restrictions (Note 13)		1,586,378	1,586,378	1,977,369
Perpetual in nature (Note 14)		1,833,757	1,833,757	1,833,757
TOTAL NET ASSETS	<u>28,261,602</u>	<u>3,420,135</u>	<u>31,681,737</u>	<u>32,793,536</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,011,729</u>	<u>\$ 2,142,701</u>	<u>\$ 35,154,430</u>	<u>\$ 36,390,213</u>

The accompanying notes are an integral part of these financial statements.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF ACTIVITIES
 For the year ended June 30, 2023
 With comparative totals for the year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT				
Contributions	\$ 4,758,107	\$ 307,003	\$ 5,065,110	\$ 7,533,755
Gain (loss) on investments	1,499,446		1,499,446	(4,303,261)
Program fees	1,362,510		1,362,510	1,058,748
Contributions - in-kind (Note 15)	295,998		295,998	156,790
Other income	100,424		100,424	667
Gain on disposal of equipment	1,500		1,500	21,271
Net assets released from purpose restrictions (Note 13)	573,566	(573,566)	-	-
Net assets released from time restrictions (Note 13)	124,428	(124,428)	-	-
TOTAL REVENUE AND SUPPORT	<u>8,715,979</u>	<u>(390,991)</u>	<u>8,324,988</u>	<u>4,467,970</u>
EXPENSES				
Program services	7,122,081		7,122,081	6,321,989
Management and general	829,365		829,365	781,563
Fundraising	1,485,341		1,485,341	1,370,875
TOTAL EXPENSES	<u>9,436,787</u>	<u>-</u>	<u>9,436,787</u>	<u>8,474,427</u>
CHANGE IN NET ASSETS	(720,808)	(390,991)	(1,111,799)	(4,006,457)
NET ASSETS, BEGINNING OF YEAR	<u>28,982,410</u>	<u>3,811,126</u>	<u>32,793,536</u>	<u>36,799,993</u>
NET ASSETS, END OF YEAR	<u>\$ 28,261,602</u>	<u>\$ 3,420,135</u>	<u>\$ 31,681,737</u>	<u>\$ 32,793,536</u>

The accompanying notes are an integral part of these financial statements.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

	<u>Program Services</u>		<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
	<u>Meals on Wheels</u>	<u>Centers</u>				<u>2023</u>	<u>2022</u>
Salaries	\$ 1,836,320	\$ 1,160,410	\$ 2,996,730	\$ 455,584	\$ 517,584	\$ 3,969,898	\$ 3,544,199
Employee benefits	311,081	196,579	507,660	33,267	59,731	600,658	584,858
Payroll taxes	133,411	84,306	217,717	28,534	37,050	283,301	253,074
Total personnel costs	<u>2,280,812</u>	<u>1,441,295</u>	<u>3,722,107</u>	<u>517,385</u>	<u>614,365</u>	<u>4,853,857</u>	<u>4,382,131</u>
Food	1,071,985	677,411	1,749,396			1,749,396	1,507,104
Direct mail, events, and fundraising services			-		703,873	703,873	770,586
Depreciation and amortization	184,243	116,427	300,670	45,710	51,931	398,311	378,610
Occupancy	141,717	89,554	231,271	35,159	39,944	306,374	241,680
In-kind expense	295,998		295,998			295,998	156,790
Supplies	153,164	96,788	249,952	4,548	7,490	261,990	230,030
Other expenses	66,928	42,293	109,221	38,437	23,626	171,284	112,062
Auto expenses	81,075	51,233	132,308			132,308	106,521
Interest	60,719	38,370	99,089	14,279	16,223	129,591	132,406
Purchased services	41,125	25,988	67,113	36,318		103,431	176,772
Professional fees	4,579	2,893	7,472	83,740	8,415	99,627	83,324
Repair and maintenance	21,437	13,546	34,983	37,356		72,339	89,167
Postage	32,022	20,236	52,258	7,945	9,026	69,229	19,066
Insurance	22,637	14,305	36,942	200		37,142	38,699
Kitchen expenses	18,366	11,606	29,972			29,972	24,163
Printing	1,869	1,181	3,050	2,714	7,900	13,664	16,315
Dues and subscriptions	171	108	279	4,924	1,408	6,611	7,454
Education and training			-	650	1,140	1,790	1,547
TOTAL 2023 FUNCTIONAL EXPENSES	<u>\$ 4,478,847</u>	<u>\$ 2,643,234</u>	<u>\$ 7,122,081</u>	<u>\$ 829,365</u>	<u>\$ 1,485,341</u>	<u>\$ 9,436,787</u>	
TOTAL 2022 FUNCTIONAL EXPENSES	<u>\$ 4,313,958</u>	<u>\$ 2,008,031</u>	<u>\$ 6,321,989</u>	<u>\$ 781,563</u>	<u>\$ 1,370,875</u>		<u>\$ 8,474,427</u>

The accompanying notes are an integral part of these financial statements.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,111,799)	\$ (4,006,457)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	393,673	378,610
Amortization of right-of-use assets - operating leases	10,324	
Amortization of right-of-use assets - finance leases	11,262	-
(Gain) loss on investments	(1,499,423)	4,303,261
Interest expense from accretion of note payable	124,428	128,587
(Increase) decrease in operating assets:		
Accounts receivable	(47,750)	177,644
Pledges receivable	(94,186)	(373,306)
Inventory	(10,599)	10,249
Prepaid expense	96,253	(102,005)
Charitable gift annuities	3,838	6,286
Increase (decrease) in operating liabilities:		
Accounts payable	(69,705)	72,771
Accrued liabilities	21,467	34,426
	<u>(2,172,217)</u>	<u>630,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(427,175)	(198,148)
Purchase of investments	-	(1,774,000)
Proceeds from sale of investments	2,650,000	1,675,022
	<u>2,222,825</u>	<u>(297,126)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reduction of right-of-use liabilities - operating leases	(9,916)	(30,160)
Principal payments on finance leases	(45,857)	-
Payments on note payable	(223,986)	(223,980)
	<u>(279,759)</u>	<u>(254,140)</u>
NET (DECREASE) INCREASE IN CASH EQUIVALENTS	<u>(229,151)</u>	<u>78,800</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,381,006</u>	<u>1,302,206</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,151,855</u>	<u>\$ 1,381,006</u>
NON-CASH FINANCING AND OPERATING ACTIVITIES:		
Right-of-use assets/liability from adoption of ASC 842	<u>\$ 52,557</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

St. Vincent Senior Citizen Nutrition Program, Inc. (“Meals on Wheels”) is a 501(c)(3) nonprofit corporation organized under the laws of the State of California.

Meals on Wheels began in 1977 to meet a need for daily nutrition for homebound seniors living in the area around the St. Vincent Medical Center, which is located west of downtown Los Angeles. The program was founded by Sister Alice Marie Quinn, a Daughter of Charity and Registered Dietitian, who, until her death in June 2017, served as the program’s Executive Director.

Since then, the program has grown to become the largest privately funded meals program in the country, delivering meals within a 44 square-mile area of Los Angeles, and as far as South Los Angeles. With its staff, a volunteer corps of 138, and a fleet of 24 vehicles, Meals on Wheels now prepares and delivers more than an average of 3,230 meals daily to individuals who are too frail to shop or cook for themselves. In the fiscal year ended June 30, 2023, Meals on Wheels served a total of 878,965 meals. Although seniors continue to be the main focus of the program, Meals on Wheels’ clients also include persons with disabilities and individuals with chronic and debilitating conditions. Meals on Wheels serves everyone in need, regardless of age, illness, disability, race, religion, or ability to pay. Their mission is to provide healthy, home-delivered meals to help keep seniors independent and out of nursing homes, restore strength to those who are ill or malnourished, and help ease the pain of loneliness and isolation for those who are homebound.

Meals on Wheels provide home delivery of hot meals four to five days a week for certain areas. All meals are prepared with high-quality ingredients and are tailored to the special likes, dislikes, and dietary requirements of each individual. Meals are planned by a registered dietitian on a six-week cycle basis and often feature seasonal and holiday foods. Services also include the delivery of a light snack for later in the day; the delivery of up to a week’s worth of frozen, ready-to-heat meals; and a breakfast program for seniors needing a nutritious meal to start their day. While most meals are delivered directly to the individual clients’ homes, Meals on Wheels also delivers meals in quantity to other agencies including, but not limited to, St. Barnabas Day Care, Salvation Army Meals on Wheels, Santa Monica Meals on Wheels, and West LA Meals on Wheels.

As of June 2023, Meals on Wheels has delivered over 29 million nutritional meals and is continuing to extend its record of service by reaching out to more seniors with the greatest need for home delivered meals. Our goal is to help clients remain in their homes, achieving healthy outcomes with the intervention of our nutritious meals.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Meals on Wheels has defined cash and cash equivalents as all unrestricted highly liquid investments with an original maturity of three months or less.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, on a nonrecurring basis, by measuring the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investment – Fund P

Meals on Wheels deposits its funds in an investment pool consisting of institutions sponsored by or affiliated with the Daughters of Charity of St. Vincent De Paul (“the Daughters”). Pooled funds are managed by the Daughters and are invested in government obligations, commercial paper, corporate bonds, and equity securities. All investment earnings and market value changes, less expenses, are distributed to participants on a pro rata basis. Pooled investments are carried at market value (see Note 5).

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Meals on Wheels is required to measure investments, charitable gift annuities, in-kind revenue, and pledged contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relates to each element.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Concentration of Credit Risks

Meals on Wheels places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Meals on Wheels have not incurred losses related to these investments.

Meals on Wheels holds investments in the form of pooled investments. Market values of such investments are routinely reviewed by the Board of Directors.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received (see Note 15).

A number of unpaid volunteers have made significant contributions of their time to Meals on Wheels. Meals on Wheels received donated services from volunteers who serve as drivers, kitchen helpers. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

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

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

Recently Adopted Accounting Pronouncement

Meals on Wheels adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. Meals on Wheels elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date. As a result of implementing ASU No. 2016-02, Meals on Wheels recognized Right-of-Use ("ROU") assets and lease liabilities totaling \$52,557, respectively, in its Statement of Financial Position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended June 30, 2023.

Income Taxes

Meals on Wheels is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Meals on Wheels in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Meals on Wheels' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Meals on Wheels' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Meals on Wheels uses salary dollars to allocate indirect costs.

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Meals on Wheels' financial statements for the year ended June 30, 2022, from which the summarized information was derived.

3. Liquidity and Availability of Resources

Meals on Wheels regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of liquidity management, Meals on Wheels has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Meals on Wheels has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, pledges receivable, and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Meals on Wheels considers all expenditures related to its ongoing activities and the pattern of income from clients, contracts, fundraising, and investments. The Board of Directors meets regularly to review all financial aspects of Meals on Wheels.

As of June 30, 2023, the following financial assets could readily be made available within one year of the Statement of Financial Position date to meet its operational cash flow needs:

Cash and cash equivalents	\$ 842,911
Accounts receivable	183,433
Pledges receivable	551,675
Investments	<u>25,476,437</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$27,054,456</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deemed pledges collectible, accordingly no allowance for doubtful accounts has been established for uncollectible pledges. Additionally, all pledges are valued at their estimated fair value at June 30, 2023. Discount on pledges receivables is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount pledges receivable at June 30, 2023 of \$551,675 is expected to be collected within the subsequent fiscal year.

5. Investments

Investments at June 30, 2023 consist of pooled investments in Fund P in the amount of \$27,310,194 (see Note 2).

6. Charitable Gift Annuities

Meals on Wheels has received five gift annuities, two of which are currently under the trust of Dignity Health, one of which are under the trust of the FACT Foundation, and two of which are under the trust of Meals on Wheels. Under the trust agreements, the Trustees will manage the gifts and will make the required payments to donors in accordance with the respective agreements. The payment ranges from \$1,330 to \$3,350 per annum, calculated at annuity rates ranging from 6.6% to 8.2%. The ages of the donors range from eighty-eight to ninety-six at June 30, 2023.

As of the year ended June 30, 2023, the balance of the annuities placed under the trust of Meals on Wheels are \$49,225. Additionally, the balance of the corresponding liabilities representing future payments associated with these agreements is \$19,602 (see Note 9).

Total assets under these agreements as of June 30, 2023 was \$49,225.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2023 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment – Fund P	\$ -	\$ -	\$27,310,194	\$27,310,194
Charitable gift annuity	-	-	49,225	49,225
	<u>\$ -</u>	<u>\$ -</u>	<u>\$27,359,419</u>	<u>\$27,359,419</u>

Investment – Fund P accounts are not actively traded, and significant other observable inputs are not available. Investment funds are valued based on redemption value as determined by the Trustee of the Fund P. If there is no published market price, investments are stated at estimated fair value as determined by quotes obtained by brokerage firms or the underlying investment manager (Level 3 inputs).

The fair value of charitable gift annuities has been measured on a recurring basis by calculating the present value of the present distributions expected to be received using published life expectancy tables and annuity rates ranging from 2.6834% to 4.395% (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2023.

	<u>Fund P</u>	<u>Charitable Gifts</u>	<u>Total</u>
Fair value at July 1, 2022	\$28,460,771	\$53,063	\$28,513,834
Withdrawal	(2,650,000)	(5,290)	(2,655,290)
Investment income	1,499,423	1,866	1,501,289
Fees	-	(25)	(25)
Change in value of annuities	-	(389)	(389)
Fair value at June 30, 2023	<u>\$27,310,194</u>	<u>\$49,225</u>	<u>\$27,359,419</u>

The table below represents revenues measured at fair value on a non-recurring basis during the year ended June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions - new	\$ -	\$ -	\$551,675	\$551,675
Contributed goods	-	295,998	-	295,998
	<u>\$ -</u>	<u>\$295,998</u>	<u>\$551,675</u>	<u>\$847,673</u>

The fair value of pledged contributions - new (current year new pledges) is measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration given to the pledge worthiness of the donor (Level 3 inputs).

The fair value of contributed goods has been measured on a non-recurring basis using quoted prices for similar services and assets in inactive markets (Levels 2 inputs).

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

8. Property and Equipment

Property and equipment at June 30, 2023 consist of the following:

Building	\$ 9,461,058
Equipment	956,946
Vehicles	661,955
Furniture and fixtures	162,365
Computer licensing	71,474
Garden	<u>25,656</u>
	11,339,454
Less: accumulated depreciation	<u>(5,639,340)</u>
	<u>\$ 5,700,114</u>

Depreciation expense for the year ended June 30, 2023 was \$390,081.

9. Accrued Liabilities

Accrued liabilities at June 30, 2023 consist of the following:

Accrued vacation	\$308,466
Accrued payroll	158,298
Charitable gift annuity payable (see Note 6)	<u>19,602</u>
	<u>\$486,366</u>

10. Leases

Operating

Meals on Wheels evaluated current contracts to determine which met the criteria of a lease. ROU assets represent Meals on Wheels' right to use underlying assets for the lease term, and the lease liabilities represent Meals on Wheels' obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Meals on Wheels used a published U.S. Treasury risk free rate of return. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

Meals on Wheels' operating leases consist of copy machines. The discount rate associated with the operating lease as of June 30, 2023 was 2.88% and remaining term is 3.67 years.

The ROU assets and lease liabilities for these leases were determined based on the current terms in force as of June 30, 2023. No additional options have been included.

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ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

10. Leases, continued

Cash paid for operating leases and financing leases for the year ended June 30, 2023 was \$11,100. There were no non-cash financing transactions related to leasing during the year ended June 30, 2023.

Future maturities under operating leases are as follows:

<u>Year ending June 30,</u>	
2024	\$11,100
2025	11,100
2026	11,100
2027	<u>11,100</u>
	44,400
Less: Present value discount	<u>(760)</u>
	<u>\$43,640</u>

Assets related to the finance leases at June 30, 2023 consist of the following:

ROU asset	\$ 52,557
Less: accumulated amortization	<u>(8,917)</u>
	<u>\$ 43,640</u>

Financing

Meals on Wheels leases vehicles under a finance lease. The weighted average of remaining lease terms and weighted average of discount rate for financing leases as of June 30, 2025 were 24 months and 0%, respectively.

Cash paid for the finance lease for the year ended June 30, 2023 was \$9,624.

Future minimum payments, by year and in the aggregate, under this lease with an initial or remaining term of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2024	\$21,345
2025	<u>8,497</u>
	<u>\$29,842</u>

The cost of equipment under a financing lease at June 30, 2023 consists of the following and is included in property and equipment at June 30, 2023:

Vehicles	\$ 58,220
Less: accumulated depreciation	<u>(28,378)</u>
	<u>\$ 29,842</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

11. Note Payable

Meals on Wheels has an unsecured, non-interest-bearing note payable in the amount of \$4,031,727 with a foundation (see Note 17), to be repaid over a period of 30 years. The note payable has an effective interest rate of 0% and a balance of \$2,754,293 as of June 30, 2023. To reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 4.36%, which was the long-term borrowing rate at July 2009.

Meals on Wheels recorded \$124,428 in interest expense for the year ended June 30, 2023, with a corresponding accretion in the value of the note payable as of June 30, 2023. The amount of the accretion was reclassified from net assets with donor restrictions to net assets without donor restrictions.

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

<u>Year ending June 30,</u>	
2024	\$ 223,980
2025	223,980
2026	223,980
2027	223,980
2028	223,980
Thereafter	<u>1,634,393</u>
	<u>\$2,754,293</u>

12. Contingencies

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

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restrictions – Purpose Restrictions

Net assets with purpose restrictions as of June 30, 2023 consist of the following:

Contribution restricted – imputed interest	\$1,277,434
Pet food	108,991
Talking tech	100,000
Medically tailored meals	37,500
MOW client emergency fund	19,138
Blessing meals	14,961
Tablets	10,700
Birthday cakes for clients	6,667
Breakfast club	5,747
Kitchen equipment	4,000
Covid-19 response	<u>1,240</u>
	<u>\$1,586,378</u>

For the year ended June 30, 2023, net assets released from restrictions were \$697,994, which consist of \$124,428 for time restrictions and \$573,566 for purpose restrictions.

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

Net assets with donor restrictions represent contributions which the donor has stipulated that the principal is to be kept intact in perpetuity and only the income there from may be expended for unrestricted purposes. At June 30, 2023, Meals on Wheels' net assets with donor restrictions consist of endowment funds of \$1,833,757.

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization and also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds).

Meals on Wheels classifies as net assets with donor restrictions, (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund by Meals on Wheels.

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

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

Investment Return Objectives, Risk Parameters, and Strategies

Meals on Wheels has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make a reasonable annual distribution, while growing the funds if possible. Therefore, Meals on Wheels expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually.

Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

Meals on Wheels has a policy of transferring any gain or loss on investments to either temporary or unrestricted net assets. In establishing this policy, Meals on Wheels considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. Meals on Wheels expects its Endowment Fund to be consistent over the next years with any changes being appropriately reflected either as unrestricted or temporarily restricted. This is consistent with the Meals on Wheels' objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net assets composition by type of fund as of June 30, 2023 is as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	<u>\$1,833,757</u>

Changes in endowment net assets as of June 30, 2023 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$1,833,757
Gain on investments, net of fees	40,258
Interest and dividends	70,247
Transfer from net assets without donor restrictions	<u>(110,505)</u>
Endowment net assets, end of year	<u>\$1,833,757</u>

continued

ST. VINCENT SENIOR CITIZEN NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

15. Contributions – In-kind

Meals on Wheels received donation of food in the amount of \$295,998. The value of the in-kind food donation is recorded based at the fair market value of those items. All in-kind contributions were used for program services.

16. Retirement Plan

Meals on Wheels maintains a 403(b) tax shelter annuity retirement plan, which covers eligible regular full-time and part-time employees who have at least two years of service with the organization. Employee participants must contribute 3.5% of their annual salary, subject to limitations set by the Internal Revenue Service. Meals on Wheels matches up to 3.5% of participant contributions. Retirement expense for the year ended June 30, 2023 was \$100,967.

17. Related Party Transactions

The Daughters of Charity Foundation (“the Foundation”), a related entity, converted the \$6,719,561 non-interest line of credit extended to Meals on Wheels into a non-interest-bearing note payable in the beginning of fiscal year ended June 30, 2010 (see Note 11). At June 30, 2023, the outstanding balance on the loan was \$2,754,293. During the year ended June 30, 2023, a payment of \$223,986 was made on the loan.

18. Subsequent Events

Effective July 1, 2023, Meals on Wheels acquired Hotel Dieu, Inc; a nonprofit public benefit corporation. No consideration was given as part of the acquisition process.

No adjustments were recorded in the financial statements as of June 30, 2023, as a result of this transaction.

Management has evaluated subsequent events through February 13, 2024, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.