

Citymeals-on-Wheels

Financial Report

June 30, 2011

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Independent Auditor's Report

To the Board of Directors
Citymeals-on-Wheels
New York, New York

We have audited the accompanying statement of financial position of Citymeals-on-Wheels ("Citymeals") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Citymeals' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from Citymeals' financial statements as of and for the year ended June 30, 2010 and, in our report dated September 21, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citymeals-on-Wheels as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

New York, New York
September 14, 2011

Citymeals-on-Wheels

Statements of Financial Position June 30, 2011 and 2010

| | 2011 | 2010 |
|-----------------------------------------|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash | \$ 6,672,219 | \$ 2,928,119 |
| Investments, at fair value | 20,156,947 | 19,477,993 |
| Grants and Accounts Receivable | 427,431 | 210,406 |
| Property and Equipment, net | 54,241 | 180,579 |
| Advances to Providers | 382,984 | - |
| Prepaid Expenses and Other Assets | <u>921,521</u> | <u>594,167</u> |
| Total assets | <u>\$ 28,615,343</u> | <u>\$ 23,391,264</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable to providers | \$ 479,412 | \$ 120,276 |
| Accrued expenses | <u>293,558</u> | <u>107,853</u> |
| Total liabilities | <u>772,970</u> | <u>228,129</u> |
| Commitments | | |
| Net Assets: | | |
| Unrestricted | 27,205,038 | 22,738,729 |
| Temporarily restricted | 124,406 | 124,406 |
| Permanently restricted | <u>512,929</u> | <u>300,000</u> |
| Total net assets | <u>27,842,373</u> | <u>23,163,135</u> |
| Total liabilities and net assets | <u>\$ 28,615,343</u> | <u>\$ 23,391,264</u> |

See Notes to Financial Statements.

Citymeals-on-Wheels

Statements of Activities

Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|---------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Support and Revenue: | | |
| Support: | | |
| Contributions for meals programs | \$ 14,879,154 | \$ 10,756,310 |
| Contributions for administrative support | 1,782,324 | 2,407,494 |
| Government grants | 1,889,460 | 1,897,800 |
| Donated goods and services | 80,665 | 89,931 |
| Revenue - investment return net of fees of \$117,045 and \$118,000 in 2011 and 2010, respectively | 2,852,537 | 1,761,764 |
| Net assets released from restrictions | - | 750,000 |
| Total support and revenue | 21,484,140 | 17,663,299 |
| Expenses: | | |
| Program services: | | |
| Weekend meals | 6,955,725 | 6,838,587 |
| Holiday meals | 457,969 | 433,029 |
| Holiday meal packages | 2,308,347 | 2,201,297 |
| Emergency meal packages | 1,548,591 | 2,613,532 |
| Mobile Food Pantry | 25,783 | - |
| Nonmeal assistance program | 9,598 | 62,170 |
| Friendly visiting program | 472,787 | 489,315 |
| Case management program | 22,009 | 35,000 |
| Program coordination | 1,338,257 | 1,100,101 |
| Total program services | 13,139,066 | 13,773,031 |
| Supporting services: | | |
| Fund-raising | 2,231,313 | 2,328,122 |
| Cost of direct benefits to donors | 80,665 | 89,931 |
| General and administrative | 1,566,787 | 1,374,558 |
| Total supporting services | 3,878,765 | 3,792,611 |
| Total expenses | 17,017,831 | 17,565,642 |
| Change in unrestricted net assets | 4,466,309 | 97,657 |
| Change in Temporarily Restricted Net Assets: | | |
| Net assets released from restrictions | - | (750,000) |
| Change in Permanently Restricted Net Assets: | | |
| Contributions to endowment funds | 200,000 | - |
| Revenue - investment return net of fees of \$1,850 in 2011 | 12,929 | - |
| Change in net assets | 4,679,238 | (652,343) |
| Net Assets: | | |
| Beginning | 23,163,135 | 23,815,478 |
| Ending | \$ 27,842,373 | \$ 23,163,135 |

See Notes to Financial Statements.

Citymeals-on-Wheels

Statements of Functional Expenses
(with summarized comparative financial information for the year ended June 30, 2010)
Years Ended June 30, 2011 and 2010

| | 2011 | | | | | 2010 | |
|---------------------------------------|----------------------|-----------------------------------|----------------------------|---------------------------|---------------------|------------------------------|----------------------|
| | Supporting Services | | | | | Summarized Comparative Total | |
| Program Services | Fund-Raising | Cost of Direct Benefits to Donors | General and Administrative | Total Supporting Services | Total | | |
| Weekend meals | \$ 6,955,725 | \$ - | \$ - | \$ - | \$ 6,955,725 | \$ 6,838,587 | |
| Holiday meals | 457,969 | - | - | - | 457,969 | 433,029 | |
| Weekday meals | - | - | - | - | - | - | |
| Mobile Food Pantry | 25,783 | - | - | - | 25,783 | - | |
| Holiday meal packages | 2,308,347 | - | - | - | 2,308,347 | 2,201,297 | |
| Emergency meal packages | 1,548,591 | - | - | - | 1,548,591 | 2,613,532 | |
| Nonmeal assistance program | 9,598 | - | - | - | 9,598 | 62,170 | |
| Friendly visiting program | 472,787 | - | - | - | 472,787 | 489,315 | |
| Case management program | 22,009 | - | - | - | 22,009 | 35,000 | |
| Volunteer expenses | - | 62 | - | 9,865 | 9,927 | 8,349 | |
| Event expenses | - | 422,010 | - | - | 422,010 | 391,302 | |
| List rental | - | 94,594 | - | - | 94,594 | 96,664 | |
| Salary/fringe benefits | 1,102,361 | 658,256 | - | 641,619 | 1,299,875 | 2,175,327 | |
| Professional services and consultants | - | 41,278 | - | 270,106 | 311,384 | 204,332 | |
| Temporary employment | 332 | 4,007 | - | - | 4,339 | 18,274 | |
| Data processing | 47,252 | 130,706 | - | 160,598 | 291,304 | 291,229 | |
| Equipment rental/maintenance | 89 | - | - | 67,036 | 67,036 | 66,812 | |
| Supplies | 3,651 | 2,780 | - | 39,230 | 42,010 | 46,029 | |
| Printing | 13,458 | 506,980 | - | 7,548 | 514,528 | 539,051 | |
| Photography | 691 | 8,623 | - | - | 8,623 | 6,858 | |
| Local travel | 6,795 | 8,336 | - | 11,968 | 20,304 | 26,290 | |
| Insurance | 10,787 | 11,182 | - | 9,602 | 20,784 | 40,165 | |
| Postage | - | 160,404 | - | 20,205 | 180,609 | 195,600 | |
| Messenger | 242 | 2,330 | - | 841 | 3,171 | 4,683 | |
| Depreciation and amortization | - | - | - | 126,338 | 126,338 | 139,693 | |
| Occupancy | 124,593 | 129,151 | - | 110,918 | 240,069 | 357,201 | |
| Training/miscellaneous | 13,600 | 4,641 | - | 11,209 | 15,850 | 53,051 | |
| Telephone | 14,346 | 12,964 | - | 9,980 | 22,944 | 33,494 | |
| Advertising | 60 | 33,009 | - | 885 | 33,894 | 65,595 | |
| Professional fees | - | - | - | 25,163 | 25,163 | 11,716 | |
| Bank fee | - | - | - | 43,676 | 43,676 | 31,066 | |
| Donated goods and services | - | - | 80,665 | - | 80,665 | 89,931 | |
| Total functional expenses | \$ 13,139,066 | \$ 2,231,313 | \$ 80,665 | \$ 1,566,787 | \$ 3,878,765 | \$ 17,017,831 | \$ 17,565,642 |

See Notes to Financial Statements.

Citymeals-on-Wheels

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|-------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 4,679,238 | \$ (652,343) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 126,338 | 139,693 |
| Realized and unrealized gains on investments | (2,505,883) | (1,396,397) |
| Changes in operating assets and liabilities: | | |
| Decrease in contributions receivable | - | 250,000 |
| Increase in grants and accounts receivable | (217,025) | (76,102) |
| (Increase) decrease in advances to providers | (382,984) | 357,000 |
| Increase in prepaid expenses and other assets | (327,354) | (46,288) |
| Increase (decrease) in accounts payable to providers | 359,136 | (676,728) |
| Increase in accrued expenses | 185,705 | 49,153 |
| Net cash provided by (used in) operating activities | 1,917,170 | (2,052,012) |
| Cash Flows From Investing Activities: | | |
| Purchases of investments | (30,063,563) | (18,105,767) |
| Redemption of investments | 31,890,493 | 18,580,420 |
| Net cash provided by investing activities | 1,826,930 | 474,653 |
| Net increase (decrease) in cash | 3,744,100 | (1,577,359) |
| Cash: | | |
| Beginning | 2,928,119 | 4,505,478 |
| Ending | <u>\$ 6,672,219</u> | <u>\$ 2,928,119</u> |

See Notes to Financial Statements.

Citymeals-on-Wheels

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Citymeals-on-Wheels' ("Citymeals") mission is to provide weekend and holiday meals, emergency food packages and other food-related services to the homebound elderly and other at-risk elderly populations in New York City, supplementing through private dollars the government's limited weekday-only meal program, which is administered by the New York City Department for the Aging (the "Department"). Citymeals works in cooperation with the Department with local voluntary agencies, the same agencies with which the city contracts for delivery of weekday meals.

Citymeals raises funds from the general public (e.g., corporations, private foundations, public charities and individuals) for the provision of meals for the homebound elderly (program services) by means of direct-mail solicitations, media campaigns and by sponsoring special fund-raising events. All funds raised for the meals programs are considered by management to be unavailable for covering administrative or fund-raising costs. Separate solicitation requests are sent to corporations, private foundations and board members to supplement an annual grant received from the Department for administrative purposes. All interest and investment income, except amounts explicitly restricted by donors, is available to be used for administrative purposes.

Citymeals is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and all of Citymeals' activities were performed in accordance with its tax-exempt purpose.

Advertising costs are recorded as expenses when incurred.

Citymeals maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Citymeals has not experienced any losses in such accounts.

Citymeals reports contributions of cash and other assets, including unconditional promises to give, as restricted support and revenue if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted gifts of cash and other assets whose restrictions are met in the same reporting period are reported as unrestricted support and revenue.

Donated goods and services are recorded at fair value and reflected as both revenue and expense in the accompanying statements of activities.

Investments are stated at fair value, with the resulting change in unrealized gains or losses included in investment income in the statement of activities.

Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is being provided for by the straight-line method over the term of the lease. Citymeals capitalizes all property and equipment purchases that are greater than \$10,000.

Citymeals enters into annual contractual commitments with weekend, weekday and holiday meal providers. Approximately 20% of contracts is advanced when the contracts are signed, usually each year in June. Payments to or refunds from meal providers are made pursuant to contract provisions with a final settlement made shortly after year-end.

Citymeals follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Citymeals-on-Wheels

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The financial statements include certain prior-year summarized comparative information in total but not by functional classification. 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 Citymeals' financial statements for the year ended June 30, 2010, from which the summarized information was derived.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Citymeals applies Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. Financial assets and liabilities carried at fair value are classified and disclosed as Level 1, 2 or 3 depending on the type of inputs used to arrive at fair value. Level 1 inputs, which were the only inputs utilized by Citymeals, reflect unadjusted quoted market prices in active markets at the measurement date for identical assets or liabilities.

Citymeals evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was September 14, 2011 for these financial statements.

Citymeals-on-Wheels

Notes to Financial Statements

Note 2. Investments

The following table presents Citymeals' investments measured at fair value as of June 30.

| Description | Fair Value Measurements | |
|---------------------------------------|----------------------------------------------------------------|----------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | |
| | 2011 | 2010 |
| U.S. Government: | | |
| Money market | \$ 2,498,999 | \$ 1,630,970 |
| Mutual Funds: | | |
| Fixed income | 7,827,864 | 9,455,395 |
| Equities: | | |
| Domestic equities | 4,836,459 | 4,179,748 |
| International equities | 3,846,453 | 3,336,530 |
| Emerging markets | 954,745 | 875,350 |
| Common stock | 77,731 | - |
| Exchange-traded and closed fund | 52,476 | - |
| Perferred stock | 31,946 | - |
| Mortgage- and asset-backed securities | 30,274 | - |
| | <u>\$ 20,156,947</u> | <u>\$ 19,477,993</u> |

Investment return for the years ended June 30, 2011 and 2010 consists of interest and dividends of \$359,583 and \$365,367, respectively, and gains of \$2,505,884 and \$1,396,397, respectively. Investment fees were \$121,073 and \$118,000 in 2011 and 2010, respectively.

Note 3. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following:

| | 2011 | 2010 | Estimated Useful Life |
|------------------------------------------------|------------------|-------------------|-----------------------|
| Furniture and equipment | \$ 528,923 | \$ 528,923 | 5 years |
| Computer software | 288,494 | 288,494 | 3 years |
| Leasehold improvements | 144,944 | 144,944 | Lease term |
| | 962,361 | 962,361 | |
| Less accumulated depreciation and amortization | <u>(908,120)</u> | <u>(781,782)</u> | |
| | <u>\$ 54,241</u> | <u>\$ 180,579</u> | |

Citymeals-on-Wheels

Notes to Financial Statements

Note 4. Restrictions on Net Asset Balances

Temporarily restricted net assets restricted for Tishman Fund for both years ended June 30, 2011 and 2010 were \$124,406.

Permanently restricted net assets are restricted to investment in endowment, the income from which is expendable to support Citymeals' programs. Gains and investments are not spendable and are added to permanently restricted net assets. Citymeals maintains a broadly diversified investment portfolio. The current spending policy is to appropriate for operations in each calendar year amounts that are earned on its endowment.

In fiscal year 2011, Citymeals received a new restricted contribution to be held in endowment in the amount of \$200,000.

Note 5. Commitments

Citymeals leases office and warehouse space under two noncancelable operating leases expiring on June 30, 2016 and May 15, 2011, respectively. A modified lease for the warehouse was signed in January 3, 2011 expiring on May 14, 2017. At June 30, 2011, the future minimum annual rental commitments under the leases are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|---------------------|
| 2012 | \$ 465,320 |
| 2013 | 470,620 |
| 2014 | 470,079 |
| 2015 | 193,041 |
| 2016 | 198,862 |
| Thereafter | <u>756,058</u> |
| | <u>\$ 2,553,980</u> |

Rent expense charged to operations for the years ended June 30, 2011 and 2010 amounted to approximately \$575,000 and \$563,000, respectively, of which approximately \$210,000 and \$206,000, respectively, related to the warehouse, is included in program services in the statements of activities.

Note 6. Program Descriptions

Weekend Meals: Home-delivered Saturday and/or Sunday meals to eligible homebound meal recipients.

Holiday Meals: Festive meals served on culturally appropriate holidays when other meal providers are closed.

Holiday Meal Packages: Three-meal boxes of shelf-stable food delivered in advance of holidays when other meal providers are closed.

Emergency Meal Packages: A 30-pound 12-meal package of shelf-stable food delivered directly to eligible homebound meal recipients.

Nonmeal Assistance Program: A program created to support nonfood necessities, like carrying cases and small equipment for food preparation, and delivery to the providers.

Friendly Visiting Program: A program based in local centers that connects elderly homebound clients with volunteers for companionship.

Citymeals-on-Wheels

Notes to Financial Statements

Note 6. Program Descriptions (Continued)

Case Management Program: Assessment and follow-up of elderly homebound clients.

Program Coordination: Direct expenses incurred by employees involved in program management (mainly salaries and fringe benefits) and allocated share of occupancy expenses.

Note 7. 403(b) Retirement Plan

Citymeals sponsors a 403(b) defined contribution pension plan covering eligible employees, as defined by the plan. Employer contributions are based on a percentage of the employees' salaries, ranging from 4% to a maximum of 8%. 403(b) contributions contributed by Citymeals for the years ended June 30, 2011 and 2010 amounted to \$111,244 and \$113,616, respectively. The officers of Citymeals serve as trustees of the plan.