

# McGladrey & Pullen

Certified Public Accountants

## **Citymeals-on-Wheels**

Financial Report

June 30, 2009

# CITYMEALS-ON-WHEELS

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**June 30, 2009**

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# McGladrey & Pullen

Certified Public Accountants

## 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, 2009, 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, 2008 and, in our report dated September 24, 2008, 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, 2009, 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 21, 2009

# CITYMEALS-ON-WHEELS

## STATEMENT OF FINANCIAL POSITION

June 30,	2009	2008
<b>ASSETS</b>		
Cash	\$ 4,505,478	\$ 2,620,239
Investments, at fair value	18,556,249	24,133,095
Contributions Receivable	250,000	
Grants Receivable	134,304	45,094
Accounts Receivable		22,718
Property and Equipment, net	320,272	398,020
Advances to Providers	357,000	
Prepaid Expenses and Other Assets	547,879	833,930
<b>Total Assets</b>	<b>\$24,671,182</b>	<b>\$28,053,096</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable to providers	\$ 797,004	\$ 483,740
Accrued expenses	58,700	50,767
<b>Total liabilities</b>	<b>855,704</b>	<b>534,507</b>
Commitments		
Net Assets:		
Unrestricted	22,641,072	27,094,183
Temporarily restricted	874,406	124,406
Permanently restricted	300,000	300,000
<b>Total net assets</b>	<b>23,815,478</b>	<b>27,518,589</b>
<b>Total Liabilities and Net Assets</b>	<b>\$24,671,182</b>	<b>\$28,053,096</b>

See Notes to Financial Statements

# CITYMEALS-ON-WHEELS

## STATEMENT OF ACTIVITIES

Year ended June 30,	2009	2008
Support and revenue:		
Support:		
Contributions for meals programs	\$13,113,625	\$15,386,765
Contributions for administrative support	1,095,478	1,670,392
Government grants	1,983,258	2,014,500
Donated goods and services	213,690	279,215
Revenue - investment return	(3,757,541)	(2,408,221)
<b>Total support and revenue</b>	<b>12,648,510</b>	<b>16,942,651</b>
Expenses:		
Program services:		
Weekend meals	7,452,880	7,768,419
Holiday meals	392,534	429,419
Weekday meals		41,181
Holiday meal packages	1,614,121	1,778,624
Emergency meal packages	2,272,223	1,486,785
Second meal program	87,381	1,762,335
Non-meal assistance program	9,656	85,824
Friendly visiting program	438,569	424,303
Case management program		209,201
Outreach program		14,247
Nutrition consultant		24,475
Program coordination	1,027,340	1,087,651
<b>Total program services</b>	<b>13,294,704</b>	<b>15,112,464</b>
Supporting services:		
Fund-raising	2,264,237	2,251,564
Cost of direct benefits to donors	213,690	279,215
General and administrative	1,328,990	1,293,147
<b>Total supporting services</b>	<b>3,806,917</b>	<b>3,823,926</b>
<b>Total expenses</b>	<b>17,101,621</b>	<b>18,936,390</b>
Change in unrestricted net assets	(4,453,111)	(1,993,739)
Change in temporarily restricted net assets:		
Contributions for meals programs	750,000	
<b>Change in net assets</b>	<b>(3,703,111)</b>	<b>(1,993,739)</b>
Net assets at beginning of year	27,518,589	29,512,328
<b>Net assets at end of year</b>	<b>\$23,815,478</b>	<b>\$27,518,589</b>

See Notes to Financial Statements

**CITYMEALS-ON-WHEELS**

**STATEMENT OF FUNCTIONAL EXPENSES**

(with summarized comparative financial information for the year ended June 30, 2008)

Year ended June 30,	2009					2008	
	Supporting Services					Summarized Comparative Total	
	Program Services	Fund-raising	Cost of Direct Benefits to Donors	General and Administrative	Total Supporting Services	Total	
Weekend meals	\$ 7,452,880					\$ 7,452,880	\$ 7,768,419
Holiday meals	392,534					392,534	429,419
Weekday meals							41,181
Holiday meal packages	1,614,121					1,614,121	1,778,624
Emergency meal packages	2,272,223					2,272,223	1,486,785
Second meal program	87,381					87,381	1,762,335
Non-meal assistance program	9,656					9,656	85,824
Friendly visiting program	438,569					438,569	424,303
Case management program							209,201
Outreach program							14,247
Nutrition consultant							24,475
Volunteer expenses				\$ 11,897	\$ 11,897	11,897	12,993
Event expenses		\$ 358,663			358,663	358,663	381,085
List rental		97,848			97,848	97,848	142,170
Salary/fringe benefits	845,806	756,937		614,759	1,371,696	2,217,502	2,191,593
Professional services and consultants	18,628	99,309		200,767	300,076	318,704	159,949
Temporary employment		24,126			24,126	24,126	12,596
Data processing		5,655		87,516	93,171	93,171	221,471
Equipment rental/maintenance	3,097			42,727	42,727	45,824	21,728
Supplies		2,920		34,286	37,206	37,206	62,187
Printing	13,075	509,662		4,701	514,363	527,438	546,476
Photography	1,617	6,760		538	7,298	8,915	5,703
Local travel	3,446	7,990		13,800	21,790	25,236	29,822
Insurance	10,597	12,268		8,607	20,875	31,472	36,194
Postage	59	177,513		14,807	192,320	192,379	251,162
Messenger	2,165	4,026		1,290	5,316	7,481	8,200
Depreciation and amortization				144,407	144,407	144,407	55,564
Occupancy	108,873	126,029		101,530	227,559	336,432	328,143
Training/miscellaneous	7,911	6,826		23,788	30,614	38,525	52,412
Telephone	12,066	15,406		11,443	26,849	38,915	35,765
Advertising		52,299			52,299	52,299	77,149
Bank fee				12,127	12,127	12,127	
Donated goods and services			\$213,690		213,690	213,690	279,215
<b>Total functional expenses</b>	<b>\$13,294,704</b>	<b>\$2,264,237</b>	<b>\$213,690</b>	<b>\$1,328,990</b>	<b>\$3,806,917</b>	<b>\$17,101,621</b>	<b>\$18,936,390</b>

See Notes to Financial Statements

# CITYMEALS-ON-WHEELS

## STATEMENT OF CASH FLOWS

Year ended June 30,	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (3,703,111)	\$ (1,993,739)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	144,407	55,564
Realized and unrealized loss on investments	4,160,035	2,899,955
Changes in operating assets and liabilities:		
Increase in contributions receivable	(250,000)	
Increase in grants receivable	(89,210)	(42,525)
Decrease in accounts receivable	22,718	12,602
(Increase) decrease in advances to providers	(357,000)	652,452
Decrease in prepaid expenses and other assets	286,051	774,737
(Decrease) increase in accounts payable to providers	313,264	(547,083)
(Decrease) increase in accrued expenses	7,933	(61,695)
<b>Net cash provided by operating activities</b>	<b>535,087</b>	<b>1,750,268</b>
Cash flows from investing activities:		
Purchases of property and equipment	(66,659)	(221,835)
Purchases of investments	(42,853,770)	(8,793,141)
Redemption of investments	44,270,581	9,493,513
<b>Net cash provided by investing activities</b>	<b>1,350,152</b>	<b>478,537</b>
Net increase in cash	1,885,239	2,228,805
Cash at beginning of year	2,620,239	391,434
Cash at end of year	<b>\$ 4,505,478</b>	<b>\$ 2,620,239</b>

See Notes to Financial Statements

# CITYMEALS-ON-WHEELS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009

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### 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 and with local voluntary agencies, the same agencies with which the city contracts for delivery of weekday meals. Citymeals is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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.

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 statement 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-ON-WHEELS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009

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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.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or 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, 2008, 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.

Effective July 1, 2008, Citymeals adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. Implementation of Statement No. 157 had no effect on assets, net assets or change in net assets as of June 30, 2009 or for the year then ended.

As defined in SFAS No. 157, 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 in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, and not based on market exchange, dealer, or broker traded transactions.

## CITYMEALS-ON-WHEELS

### NOTES TO FINANCIAL STATEMENTS June 30, 2009

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The FASB has issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken on a tax return including positions that an organization is exempt from income taxes or not subject to income taxes on unrelated business income. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Citymeals presently recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*.

Citymeals has elected to defer the application of FIN 48 in accordance with FASB Staff Position ("FSP") FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic enterprises included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. Citymeals will be required to adopt FIN 48 in its 2010 annual financial statements. The provisions of FIN 48 are to be applied to all tax positions upon initial application of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.

The cumulative effect of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of net assets for the fiscal year of adoption. Management has evaluated the effects of FIN 48 and does believe it has a material impact on Citymeals' financial position and results of operations.

Citymeals has adopted FSP FASB 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and Enhanced Disclosures for All Endowment Funds* ("FSP FAS 117-1") for the year ending June 30, 2009. The adoption of FSP FAS 117-1 had no effect on Citymeals' financial position, results of operations or changes in net assets for the year ended June 30, 2009.

FSP FASB 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA. FSP FAS 117-1 also requires additional disclosures about an organization's endowment (both donor-restricted and board-designated funds), whether or not the organization is subject to the UPMIFA.

The State of New York has not adopted the UPMIFA. Citymeals is subject to the New York Not-for-Profit Corporation Law.

# CITYMEALS-ON-WHEELS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009

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 or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was September 21, 2009 for these financial statements.

The statement of cash flows for the year ended June 30, 2008, reported realized gains on investments in a manner that overstated net cash flow from operations and understated net cash flow from investing activities by \$1,354,016. This amount has been reclassified in this report with no effect on cash, net assets, or, changes in net assets as of and for the year ended June 30, 2008.

### 2. INVESTMENTS:

The following table presents Citymeals investments measured at fair value by level, within the fair value hierarchy, as of June 30, 2009.

	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market	\$ 4,747,756			\$ 4,747,756
Equity mutual funds	6,030,157			6,030,157
International mutual funds	2,601,736			2,601,736
Fixed income funds	5,176,600			5,176,600
	\$18,556,249			\$18,556,249

Investment return for the years ended June 30, 2009 and 2008 consists of interest and dividends of \$402,495 and \$491,733 respectively, realized gains (losses) of (\$5,573,880) and \$1,354,016 respectively, as well as unrealized gains (losses) of \$1,413,844 and (\$4,253,970), respectively.

### 3. PROPERTY AND EQUIPMENT, NET:

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

June 30,	2009	2008	Estimated Useful Life
Furniture and equipment	\$ 528,923	\$ 528,923	5 years
Computer software	288,494	221,835	5 years
Leasehold improvements	144,944	144,944	Lease term
	962,361	895,702	
Less accumulated depreciation and amortization	(642,089)	(497,682)	
	\$ 320,272	\$ 398,020	

## CITYMEALS-ON-WHEELS

### NOTES TO FINANCIAL STATEMENTS June 30, 2009

- 4. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES:** Temporarily restricted net assets consist of the following at June 30, 2009 and 2008:  
Gifts restricted for:

	2009	2008
Tishman Fund	\$124,406	\$124,406
Subsequent fiscal year	750,000	
	\$874,406	\$124,406

Permanently restricted net assets are restricted to investment in endowment, the income from which is expendable to support Citymeals' programs. 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.

- 5. COMMITMENTS:** Citymeals leases office and warehouse space under two noncancelable operating leases expiring on June 30, 2016 and March 31, 2011, respectively. At June 30, 2009, the future minimum annual rental commitments under the leases are as follows:

Year ending June 30,		
2010		\$ 472,443
2011		429,576
2012		288,660
2012		288,660
Thereafter		865,980
		\$2,345,319

Rent expense charged to operations for the years ended June 30, 2009 and 2008 amounted to approximately \$516,000 and \$508,000, respectively, of which approximately \$179,000 and \$180,000, respectively, related to the warehouse, is included in program services in the statement of activities.

# CITYMEALS-ON-WHEELS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009

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- 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.
- Weekday Meals  
Home-delivered Monday to Friday meals to clients waiting to get on the New York City Department for the Aging's meals program.
- 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.
- Second Meal Program  
Chilled meals delivered alongside hot weekday meals to homebound clients who are particularly nutritionally at-risk due to age and/or illness.
- Non-meal Assistance Program  
A program created to support nonfood necessities, like food labels and small equipment for food preparation, and furniture and appliances for the elderly.
- Friendly Visiting Program  
A program based in local centers that connects elderly homebound clients with volunteers for companionship.
- Case Management Program  
Assessment and follow-up of homebound elderly clients.
- Outreach Program  
A program that funds a worker within a community to educate and inform people about meals-on-wheels and to refer those who are eligible to meals-on-wheels centers.
- Nutrition Consultant  
A program created to help meal centers develop healthier meals.
- Program Coordination  
Direct expenses incurred by employees involved in program management (mainly salaries and fringe benefits) and allocated share of occupancy expenses.

## CITYMEALS-ON-WHEELS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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**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, 2009 and 2008 amounted to \$116,347 and \$108,775, respectively. The officers of Citymeals serve as trustees of the plan.