

Citymeals-on-Wheels

Consolidated Financial Report
June 30, 2017

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RSM US LLP

Independent Auditor's Report

Board of Directors
Citymeals-on-Wheels

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Citymeals-on-Wheels (the Organization), which comprise the consolidated statement of financial position as of June 30, 2017, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
October 27, 2017

Citymeals-on-Wheels

Consolidated Statement of Financial Position

June 30, 2017

(with summarized comparative financial information as of June 30, 2016)

	2017	2016
Assets		
Cash	\$ 3,609,435	\$ 3,998,980
Investments at fair value	25,335,957	23,201,093
Grants and contributions receivable	1,938,430	778,975
Advances to providers	2,242,551	555,368
Prepaid expenses and other assets	1,341,503	1,780,118
Property and equipment, net	11,689,156	8,703,454
Total assets	\$ 46,157,032	\$ 39,017,988
Liabilities and Net Assets		
Liabilities:		
Accounts payable to providers	\$ 420,734	\$ 345,445
Accrued expenses and deferred rent	567,480	32,968
Deferred revenue	192,910	307,582
Bridge loan payable	10,000,000	8,500,000
Total liabilities	11,181,124	9,185,995
Commitments		
Net assets:		
Unrestricted	33,624,978	27,001,053
Temporarily restricted	850,930	2,330,940
Permanently restricted	500,000	500,000
Total net assets	34,975,908	29,831,993
Total liabilities and net assets	\$ 46,157,032	\$ 39,017,988

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Activities

Year Ended June 30, 2017

(with summarized comparative financial information for the year ended June 30, 2016)

	2017	2016
Change in unrestricted net assets:		
Support and revenue:		
Support:		
Contributions for meals programs	\$ 15,772,074	\$ 14,128,707
Contributions for administrative support	1,218,731	1,254,916
Government grants	3,319,996	2,605,705
Capital Campaign	3,077,679	-
Donated goods and services	358,607	610,601
Revenue - investment gain (loss) including fees of \$138,517 and \$129,778 in 2017 and 2016, respectively	2,084,525	(318,740)
Net assets released from restrictions	2,018,840	464,016
Total support and revenue	27,850,452	18,745,205
Expenses:		
Program services:		
Weekend meals	9,348,458	9,278,166
Holiday meals	622,175	259,498
Holiday meal packages	2,315,278	3,183,912
Emergency meal packages	1,326,474	2,121,032
Fresh produce program	-	55,534
Mobile food pantry	160,290	463,589
Nonmeal assistance program	-	774
Friendly visiting program	845,813	476,639
Case management program	-	94,000
Program coordination	1,917,775	1,521,299
Total program services	16,536,263	17,454,443
Supporting services:		
Fund-raising	2,330,228	2,399,500
Cost of direct benefits to donors	135,878	253,392
General and administrative	2,224,158	1,887,655
Total supporting services	4,690,264	4,540,547
Total expenses	21,226,527	21,994,990
Change in unrestricted net assets	6,623,925	(3,249,785)
Change in temporarily restricted net assets:		
Contributions - time restricted	525,000	900,000
Contributions raised from a capital campaign	-	1,300,062
Revenue - investment return net of fees of \$5,247 and \$5,318 in 2017 and 2016, respectively	13,830	12,878
Net assets released from restrictions	(2,018,840)	(464,016)
Change in temporarily restricted net assets	(1,480,010)	1,748,924
Change in permanently restricted net assets:		
Investment return or adjustment	-	55,638
Change in permanently restricted net assets	-	55,638
Change in net assets	5,143,915	(1,445,223)
Net assets:		
Beginning	29,831,993	31,277,216
Ending	\$ 34,975,908	\$ 29,831,993

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

(with summarized comparative financial information for the year ended June 30, 2016)

	2017					2016	
Program Services	Supporting Services				Total Supporting Services	Total	Summarized Comparative Total
	Fund-Raising	Costs of Direct Benefit to Donors	General and Administrative				
Weekend Meals	\$ 9,348,458	\$ -	\$ -	\$ -	\$ -	\$ 9,348,458	\$ 9,278,166
Holiday Meals	622,175	-	-	-	-	622,175	259,498
Holiday Meal Packages	2,315,278	-	-	-	-	2,315,278	3,183,912
Emergency Meal Packages	1,326,474	-	-	-	-	1,326,474	2,121,032
Fresh produce program	-	-	-	-	-	-	55,534
Mobile Food Pantry	160,290	-	-	-	-	160,290	463,589
Non-meal assistance programs	-	-	-	-	-	-	774
Friendly Visiting Program	845,813	-	-	-	-	845,813	476,639
Case management program	-	-	-	-	-	-	94,000
Event expenses	-	479,953	-	-	479,953	479,953	401,621
List rental	-	108,662	-	-	108,662	108,662	117,702
Salary/fringe benefits	1,383,371	502,605	-	1,002,234	1,504,839	2,888,210	2,645,839
Professional services and consultants	177,888	466,275	-	343,993	810,268	988,156	870,849
Temporary employment	-	-	-	-	-	-	20,576
Data processing	411	9,906	-	159,360	169,266	169,677	149,711
Equipment maintenance and rental	-	-	-	42,478	42,478	42,478	50,895
Supplies	10,024	7,700	-	36,300	44,000	54,024	65,168
Printing	1,162	395,294	-	16,399	411,693	412,855	514,307
Photography	252	5,741	-	-	5,741	5,993	6,860
Local travel	10,448	2,453	-	27,110	29,563	40,011	30,374
Insurance	20,886	17,629	-	24,719	42,348	63,234	50,348
Postage	61	179,268	-	23,009	202,277	202,338	225,436
Messenger	867	2,482	-	815	3,297	4,164	10,004
Depreciation and amortization	16,753	-	-	30,336	30,336	47,089	14,574
Occupancy	167,338	141,240	-	198,043	339,283	506,621	407,546
Training/miscellaneous	16,942	5,334	-	115,088	120,422	137,364	42,771
Telephone	14,847	5,686	-	13,016	18,702	33,549	36,911
Advertising	-	-	-	6,297	6,297	6,297	13,083
Bank Fees	-	-	-	58,757	58,757	58,757	50,716
Donated goods and services	96,525	-	135,878	126,204	262,082	358,607	336,555
Total functional expenses	\$ 16,536,263	\$ 2,330,228	\$ 135,878	\$ 2,224,158	\$ 4,690,264	\$ 21,226,527	\$ 21,994,990

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Cash Flows

Year Ended June 30, 2017

(with summarized comparative financial information for the year ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 5,143,915	\$ (1,445,223)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	47,089	14,574
Realized and unrealized (gain)/loss on investments	(1,413,799)	1,518,623
Donated services included in purchases, deposits, and improvements for warehouse	-	(274,046)
Capital campaign contribution for the warehouse	(2,709,255)	(1,300,062)
Changes in operating assets and liabilities:		
(Increase) decrease in grants and accounts receivable	(1,159,455)	653,335
Increase in advances to providers	(1,687,183)	(183,107)
Decrease (increase) in prepaid expenses and other assets	438,615	(534,350)
Increase (decrease) in accounts payable to providers	75,289	(133,327)
Increase (decrease) in accrued expenses and deferred rent	534,512	(204,404)
(Decrease) increase in deferred revenue	(114,672)	282,582
Net cash used in operating activities	(844,944)	(1,605,405)
Cash flows from investing activities:		
Purchases of property and equipment	(154,128)	(37,716)
Purchases and improvements for warehouse	(2,878,663)	(6,978,141)
Purchases of investments	(2,019,053)	(4,897,102)
Proceeds from sale of investments	1,297,988	3,012,689
Net cash used in investing activities	(3,753,856)	(8,900,270)
Cash flows from financing activities:		
Proceeds from bridge loan	3,500,000	8,500,000
Loan payment	(2,000,000)	-
Capital campaign contribution for the warehouse	2,709,255	1,300,062
Net cash provided by financing activities	4,209,255	9,800,062
Net decrease in cash	(389,545)	(705,613)
Cash:		
Beginning	3,998,980	4,704,593
Ending	\$ 3,609,435	\$ 3,998,980
Noncash investing activities:		
Pro bono legal services related to the purchase of warehouse	\$ -	\$ 274,046
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 199,063	\$ 111,543

See notes to consolidated financial statements.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 1. Organization

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 (DFTA). Citymeals works in cooperation with DFTA with local voluntary agencies, the same agencies with which the city contracts for delivery of weekday meals.

The consolidated financial statements include the accounts of Citymeals and Citymeals-on-Wheels Property, LLC (the LLC) (collectively referred to as the Organization). The LLC is a single-member limited liability company of which Citymeals is the sole member.

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 DFTA for administrative purposes. Citymeals also raises contributions for the LLC to fund the financing, renovation, and programs running out of the Citymeals Emergency Food Distribution Center (the Distribution Center). Interest and investment income, unless explicitly restricted by donors, is available to be used for administrative purposes.

Unrestricted net assets as of June 30 are for the following purposes:

	2017	2016
Meals programs	\$ 5,931,469	\$ 4,616,380
The LLC	4,360,988	-
General and administrative	23,332,521	22,384,673
	<u>\$ 33,624,978</u>	<u>\$ 27,001,053</u>

The Organization raised the following administrative funds in the year ended June 30:

	2017	2016
Administrative fund solicitations	\$ 1,218,731	\$ 1,254,916
Administrative funds from government grants	2,054,000	1,880,000
Investment gain/(loss), net	2,084,525	(318,740)
Other	48,453	-
	<u>\$ 5,405,709</u>	<u>\$ 2,816,176</u>

The Organization incurred the following administrative expenses for the year ended June 30:

	2017	2016
Fund-raising	\$ 2,330,228	\$ 2,399,500
General and administrative excluding LLC expenses of \$96,525	2,127,633	1,887,655
	<u>\$ 4,457,861</u>	<u>\$ 4,287,155</u>

Citymeals-on-Wheels

Notes to Financial Statements

Note 1. Organization (Continued)

The Organization raised \$3,077,679 and \$1,300,062 from the capital campaign in the years ended June 30, 2017 and 2016, respectively, for the financing and renovation of the Distribution Center. The LLC's expenditures in amounts of \$113,278 and \$0 for the years ended June 30, 2017 and 2016, respectively, are included in the consolidated statement of functional expenses.

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 14-pound 8-meal package of shelf-stable food delivered directly to eligible homebound meal recipients.

Fresh produce program: This program did not take place in the fiscal year ended 30, 2017. However, this program gives fresh fruit or vegetables daily to meal recipients living in neighborhoods lacking good access to fresh produce.

Mobile food pantry: This program delivers supplemental shelf stable food to meal recipients who are most at risk for hunger and malnutrition.

Non-meal 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.

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 2. Summary of Significant Accounting Policies

The Organization follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit organizations. All intercompany accounts and transactions between these entities have been eliminated.

The classification of a not-for-profit organization's net assets and its support and revenue is based on the existence or absence of donor-imposed restrictions. The amounts for each of three classes of net assets - unrestricted, temporarily restricted and permanently restricted - are required to be shown in a statement of financial position and the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Citymeals-on-Wheels

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted: Net assets resulting from contributions and other inflows of assets whose use by the Organization is not subject to donor restrictions. Unrestricted amounts may be designated by the board of directors to cover any purposes determined by the Organization.

Temporarily restricted: Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted: Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Unconditional contributions received are recorded as temporarily restricted, permanently restricted, or unrestricted support, depending on the existence or nature of any donor restrictions. Donor-restricted gifts of cash and other assets whose restrictions are met in the same reporting period are reported as unrestricted support and revenue. The restriction on contributions for building and equipment is released when such building and equipment are placed in service. Contributions receivable due within one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using risk-adjusted interest rates at the time the promise is received.

Grants awarded by governmental agencies are recognized as revenue in the unrestricted net asset class as the program expenditures incur.

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 (loss) in the statement of activities.

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

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. The Organization capitalizes the cost of 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 percent of contracts are 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.

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Citymeals-on-Wheels

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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. Citymeals is not classified as a private foundation. The LLC is treated as a disregarded entity for tax purposes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to these financial statements.

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 the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

For comparison, certain 2016 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2017. Such reclassifications had no effect on the reported 2016 total assets, liabilities, net assets and change in net assets.

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.

The Organization applies the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement, 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.

The Organization 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 October 27, 2017 for these financial statements.

Recently issued accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Citymeals-on-Wheels

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU updates certain aspects of recognition, measurement, presentation and disclosure of financial statements. The Update no longer requires disclosure of the fair value of financial instruments that are not measured at fair value. This guidance is generally effective for annual periods beginning on or after December 15, 2018. Early adoption is permitted. Management has not evaluated the impact of this ASU on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Earlier adoption is permitted. Management has not evaluated the impact of this ASU on the financial statements

In August, 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14 — *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

Note 3. Investments

The following table presents the Organization's investments measured at fair value as of June 30.

Description	Fair Value Measurements	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	2017	2016
Cash equivalents	\$ 4,748,047	\$ 3,082,024
Mutual funds:		
Fixed income	8,382,180	8,604,798
Equities:		
Domestic equities	4,783,249	4,822,644
International equities	4,966,802	4,431,721
Emerging markets	2,061,238	1,856,968
Common stock	112,878	105,659
Exchange-traded and closed fund	215,200	211,066
Preferred stock	23,997	42,457
Corporate fixed income	42,366	43,756
	<u>\$ 25,335,957</u>	<u>\$ 23,201,093</u>

Citymeals-on-Wheels

Notes to Financial Statements

Note 4. Contributions and Estates Receivable

Investment return for the years ended June 30, 2017 and 2016 consists of interest and dividends of \$500,988 and \$482,391, respectively, and realized and unrealized gain (loss) of \$1,414,106 and (\$1,518,623), respectively. Investment fees were \$143,764 and \$135,096 in the years ended June 30, 2017 and 2016, respectively. Capital gain distributions amounted to \$327,005 and \$921,105 in the years ended June 30, 2017 and 2016, respectively.

Contributions and estates receivable as of June 30, 2017 and 2016, included in grants and contributions receivable in the statement of financial position, consist of unconditional promises to give that are due as follows:

	2017	2016
In less than one year	\$ 905,478	\$ 436,950
In between one year and five years	300,000	200,000
	<u>\$ 1,205,478</u>	<u>\$ 636,950</u>

Estates receivable of \$275,080 and \$121,500 as of June 30, 2017 and 2016, respectively, are included in amounts due in less than one year since the receipt date is unknown.

Note 5. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following as of June 30:

	2017	2016	Estimated Useful Life
Land	\$ 6,412,500	\$ 6,412,500	
Warehouse (the Distribution Center) and improvements	5,125,410	2,246,747	39 years
Furniture and equipment	653,798	554,582	5 years
Computer software	381,122	326,210	3 years
Leasehold improvements	-	144,944	Lease term
	<u>12,572,830</u>	<u>9,684,983</u>	
Less accumulated depreciation and amortization	<u>(883,674)</u>	<u>(981,529)</u>	
	<u>\$ 11,689,156</u>	<u>\$ 8,703,454</u>	

As of June 30, 2017, the estimated cost to be incurred in fiscal year 2018 to complete the renovation of the Distribution Center is approximately \$446,000.

Citymeals-on-Wheels

Notes to Financial Statements

Note 6. Bridge Loan

In connection with the purchase of the Distribution Center, the Organization took out a bridge loan with interest at a rate per annum equal to the Adjusted Libor Rate. On August 23, 2016, the maximum loan limit was increased from \$10,000,000 to \$13,000,000. The interest rate as of June 30, 2017 and 2016 was 2.74% and 1.57%, respectively. During the fiscal 2017, the Organization drew down \$3,500,000 and repaid \$2,000,000. The outstanding balance on the bridge loan as of June 30, 2017 and 2016 was \$10,000,000 and \$8,500,000, respectively. Interest cost of approximately \$199,000 and \$116,000 incurred in fiscal years 2017 and 2016, respectively, was capitalized and included in warehouse and improvements.

On August 21, 2017, the loan was renewed into two separate loans of \$6,000,000 and \$4,000,000 with stated interest rate of 2.89% and 3.78% per annum, respectively. The \$6,000,000 and \$4,000,000 loans mature on August 21, 2020 and 2027, respectively.

Future aggregate principal payments on these loans are as follows:

Years ending June 30:	
2017	\$ 80,830
2018	2,100,463
2019	2,104,384
2020	2,108,458
2021	112,691
Thereafter	3,493,174
	<u>\$ 10,000,000</u>

Note 7. Restrictions on Net Asset Balances

Temporarily restricted net assets consist of the following at June 30:

	2017	2016
Time-restricted	\$ 725,000	\$ 900,000
Endowment income restricted for program support	13,830	12,878
Tishman Fund	112,100	118,000
The Distribution Center renovation	-	1,300,062
	<u>\$ 850,930</u>	<u>\$ 2,330,940</u>

Permanently restricted net assets are restricted to investments in endowments, whereas the interest and dividend income can be appropriated to support the Organization's programs. The related realized and unrealized gains on investments are required to be added to the permanently restricted net assets for growth purposes. The Organization 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. As of June 30, 2017 and 2016, the permanently restricted net assets amounted to \$500,000.

As of June 30, 2017 and 2016, the endowment balance was less than the original gift by approximately \$74,000 and \$63,000, respectively.

Citymeals-on-Wheels

Notes to Financial Statements

Note 8. Commitments

On June 16, 2016, the Organization entered in to a substitution, lease modification and extension agreement (lease extension agreement) with the landlord of office space. In connection with the lease extension agreement, the Organization relocated to a different portion of the same floor in the same building. The renewal lease agreement expires in September 2027.

The lease for the former warehouse space was terminated in May 2017. The Organization then moved warehouse operations to the Distribution Center in June 2017.

At June 30, 2017, the future minimum annual rental commitments under the leases are as follows:

Years ending June 30:	
2018	\$ 477,000
2019	477,000
2020	477,000
2021	477,000
2022	484,000
Thereafter	2,522,000
	<u>\$ 4,914,000</u>

Rent expense charged to operations for the years ended June 30, 2017 and 2016 amounted to approximately \$507,000 and \$597,000, respectively. \$170,000 and \$190,000 of rent expense for the years ended June 30, 2017 and 2016, respectively, is related to the former warehouse, and is included in program services in the statement of activities.

Deferred rent payable of \$221,220 and \$12,506 is included in accrued expenses and deferred rent in the statement of financial position as of June 30, 2017 and 2016, respectively. This amount represents the difference between the cumulative amounts recorded for rent expense recognized on a straight-line basis over the term of the office lease as compared to the cumulative required amounts paid under the lease.

Note 9. 403(b) Retirement Plan

The Organization 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 percent to a maximum of 8 percent. 403(b) contributions contributed by the Organization for the years ended June 30, 2017 and 2016 amounted to \$125,010 and \$125,139, respectively. The officers of the Organization serve as trustees of the plan.

Citymeals-on-Wheels

Notes to Financial Statements

Note 10. Summarized financial data

Below is summarized financial data of Citymeals and the LLC included in these financial statements prior to intercompany eliminations.

	2017		2016	
	Citymeals	The LLC	Citymeals	The LLC
Total assets	\$ 32,450,776	\$ 13,706,256	\$ 29,495,426	\$ 9,681,809
Total liabilities	1,181,124	10,000,000	685,995	8,659,247
Net assets	<u>\$ 31,269,652</u>	<u>\$ 3,706,256</u>	<u>\$ 28,809,431</u>	<u>\$ 1,022,562</u>
Total revenue and gains/(losses)	\$ 23,196,238	\$ 3,174,204	\$ 19,249,705	\$ 1,300,062
Total expenses	20,736,017	490,510	21,717,490	277,500
Change in net assets	<u>\$ 2,460,221</u>	<u>\$ 2,683,694</u>	<u>\$ (2,467,785)</u>	<u>\$ 1,022,562</u>