

Citymeals-on-Wheels

Consolidated Financial Report
June 30, 2019

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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 and its subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. The adoption of the ASU resulted in additional disclosures, and changes to the classification of net assets and disclosures related to net assets. The adoption of the ASU has been applied retrospectively to June 30, 2018, the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

New York, New York
November 12, 2019

Citymeals-on-Wheels

Consolidated Statement of Financial Position

June 30, 2019

(with summarized comparative financial information as of June 30, 2018)

	2019	2018
Assets		
Cash	\$ 7,130,284	\$ 4,657,309
Investments at fair value	24,422,365	25,375,321
Grants and contributions receivable	1,660,877	2,365,162
Advances to providers	590,713	716,720
Prepaid expenses and other assets	659,344	932,970
Property and equipment, net	11,933,657	11,958,750
	<hr/>	<hr/>
Total assets	\$ 46,397,240	\$ 46,006,232
Liabilities and Net Assets		
Liabilities:		
Accounts payable to providers	\$ 525,671	\$ 465,528
Accrued expenses and deferred rent	368,893	570,540
Deferred revenue	65,000	131,400
Loans payable	7,818,458	9,919,020
	<hr/>	<hr/>
Total liabilities	8,778,022	11,086,488
Commitments		
Net assets:		
Without donor restrictions	36,750,681	33,925,037
With donor restrictions:		
Purpose and time restrictions	459,544	595,110
Perpetual in nature	408,993	399,597
	<hr/>	<hr/>
Total net assets with donor restrictions	868,537	994,707
	<hr/>	<hr/>
Total net assets	37,619,218	34,919,744
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Total liabilities and net assets	\$ 46,397,240	\$ 46,006,232

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Activities

Year Ended June 30, 2019

(with summarized comparative financial information for the year ended June 30, 2018)

	2019	2018
Change in net assets without donor restrictions:		
Support and revenue:		
Support:		
Contributions for meals programs	\$ 14,275,796	\$ 13,194,281
Contributions for administrative support	1,629,775	1,599,239
Government grants	4,200,104	3,284,000
Capital Campaign	2,333,250	1,862,000
Donated goods and services	395,155	273,506
Net investment return	1,142,556	1,018,496
Net assets released from restrictions	468,940	594,435
Total support and revenue	24,445,576	21,825,957
Expenses:		
Program services:		
Weekend meals	9,665,805	9,717,701
Holiday meals	593,802	596,414
Holiday meal packages	1,931,638	2,353,726
Emergency meal packages	1,179,844	1,401,634
Fresh produce	37,320	-
Mobile food pantry	6,996	5,181
Non-meal assistance program	219,401	17,188
Friendly visiting program	908,329	805,430
Program coordination	2,262,953	2,136,587
Total program services	16,806,088	17,033,861
Supporting services:		
Fund-raising	2,518,870	2,201,199
Cost of direct benefits to donors	339,316	150,838
General and administrative	1,955,658	2,140,000
Total supporting services	4,813,844	4,492,037
Total expenses	21,619,932	21,525,898
Change in net assets without donor restrictions	2,825,644	300,059
Change in net assets with donor restrictions:		
Contributions – time and purpose restricted	320,000	325,000
Net investment return	22,770	(86,788)
Net assets released from restrictions	(468,940)	(594,435)
Change in net assets with donor restrictions	(126,170)	(356,223)
Change in net assets	2,699,474	(56,164)
Net assets:		
Beginning	34,919,744	34,975,908
Ending	\$ 37,619,218	\$ 34,919,744

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

(with summarized comparative financial information for the year ended June 30, 2018)

	2019					2018	
	Program Services	Supporting Services			Total Supporting Services	Total	Summarized Comparative Total
		Fund-Raising	Costs of Direct Benefit to Donors	General and Administrative			
Weekend Meals	\$ 9,665,805	\$ -	\$ -	\$ -	\$ -	\$ 9,665,805	\$ 9,717,701
Holiday Meals	593,802	-	-	-	-	593,802	596,414
Holiday Meal Packages	1,931,638	-	-	-	-	1,931,638	2,353,726
Emergency Meal Packages	1,179,844	-	-	-	-	1,179,844	1,401,634
Fresh produce program	37,320	-	-	-	-	37,320	-
Mobile Food Pantry	6,996	-	-	-	-	6,996	5,181
Non-meal assistance program	219,401	-	-	-	-	219,401	17,188
Friendly Visiting Program	908,329	-	-	-	-	908,329	805,430
Event expenses	-	460,501	-	-	460,501	460,501	426,770
List rental	-	128,027	-	-	128,027	128,027	107,254
Salaries and fringe benefits	1,262,867	822,098	-	858,123	1,680,221	2,943,088	2,915,092
Professional services and consultants	322,873	232,002	-	460,154	692,156	1,015,029	768,280
Temporary employment	-	-	-	32,022	32,022	32,022	52,348
Data processing	950	6,768	-	139,276	146,044	146,994	150,707
Equipment maintenance and rental	-	-	-	46,943	46,943	46,943	44,131
Supplies	12,005	3,035	-	30,001	33,036	45,041	30,259
Printing	2,779	440,939	-	11,127	452,066	454,845	417,861
Photography	-	8,075	-	-	8,075	8,075	10,770
Local travel	10,614	5,679	-	6,673	12,352	22,966	19,523
Insurance	20,526	19,140	-	18,084	37,224	57,750	56,617
Postage	16	206,228	-	22,712	228,940	228,956	210,822
Messenger	1,066	6,532	-	1,486	8,018	9,084	8,189
Depreciation	162,014	-	-	40,630	40,630	202,644	191,191
Occupancy	173,584	161,863	-	152,933	314,796	488,380	492,546
Training/miscellaneous	13,837	12,587	-	39,516	52,103	65,940	83,202
Telephone	9,190	5,396	-	9,246	14,642	23,832	31,693
Advertising	-	-	-	5,500	5,500	5,500	5,500
Bank fees	-	-	-	25,392	25,392	25,392	45,438
Interest expense	270,632	-	-	-	-	270,632	286,925
Donated goods and services	-	-	339,316	55,840	395,156	395,156	273,506
Total functional expenses	\$ 16,806,088	\$ 2,518,870	\$ 339,316	\$ 1,955,658	\$ 4,813,844	\$ 21,619,932	\$ 21,525,898

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Cash Flows

Year Ended June 30, 2019

(with summarized comparative financial information for the year ended June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,699,474	\$ (56,164)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	202,644	191,191
Realized and unrealized gains on investments	(632,096)	(60,476)
Donated investment securities	(371,216)	-
Capital campaign contribution collections for the distribution center	(2,333,250)	(1,892,000)
Changes in operating assets and liabilities:		
Decrease (increase) in grants and accounts receivable	704,285	(426,732)
Decrease in advances to providers	126,007	1,525,831
Decrease in prepaid expenses and other assets	273,626	408,533
Increase in accounts payable to providers	60,143	44,794
(Decrease) increase in accrued expenses and deferred rent	(201,647)	3,060
Decrease in deferred revenue	(66,400)	(61,510)
Net cash provided by (used in) operating activities	461,570	(323,473)
Cash flows from investing activities:		
Purchases of property and equipment, and warehouse improvements	(177,551)	(460,785)
Purchases of investments	(579,593)	(1,646,066)
Proceeds from sale of investments	2,535,861	1,667,178
Net cash provided by (used in) investing activities	1,778,717	(439,673)
Cash flows from financing activities:		
Loan payments	(2,100,562)	(80,980)
Capital campaign contribution collections for the distribution center	2,333,250	1,892,000
Net cash provided by financing activities	232,688	1,811,020
Net increase in cash	2,472,975	1,047,874
Cash:		
Beginning	4,657,309	3,609,435
Ending	\$ 7,130,284	\$ 4,657,309
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 275,449	\$ 294,395

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 and 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.

Net assets without donor restrictions as of June 30 are for the following purposes:

	2019	2018
Meals programs	\$ 4,515,956	\$ 4,337,529
The LLC	6,865,401	5,046,317
General and administrative*	25,369,324	24,541,191
	<u>\$ 36,750,681</u>	<u>\$ 33,925,037</u>

*These funds are available for general and administrative purposes as well as meals programs.

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

	2019	2018
Administrative fund solicitations	\$ 1,629,775	\$ 1,599,239
Administrative funds from government grants	2,374,032	2,054,000
Investment gain, net	1,137,904	921,583
Other	414,096	186,658
	<u>\$ 5,555,807</u>	<u>\$ 4,761,480</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 1. Organization (Continued)

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

	2019	2018
Fund-raising, excluding the LLC expenses of \$86,170 and \$91,424, respectively	\$ 2,772,016	\$ 2,260,613
General and administrative, excluding the LLC expenses of \$0 and \$92,668, respectively	1,955,658	2,047,332
	<u>\$ 4,727,674</u>	<u>\$ 4,307,945</u>

The Organization raised \$2,333,250 and \$1,862,000 from the capital campaign in the years ended June 30, 2019 and 2018, respectively, for the Distribution Center. The LLC's expenditures in amounts of \$518,819 and \$624,732 for the years ended June 30, 2019 and 2018, 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 food program: 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 connects elderly homebound clients with volunteers for companionship.

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 Consolidated Financial Statements

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 Citymeals and the LLC have been eliminated in consolidation.

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. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets subject to donor-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.

Unconditional contributions received are recorded as support with or without donor restrictions, 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 support and revenue without donor restrictions. 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 without donor restrictions as the program expenditures are incurred.

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

Investments are stated at fair value, with the resulting investment return or loss recognized in the consolidated 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% of contracts are advanced to providers when the contracts are signed, usually each year in June or July. 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 Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

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, and is subject to unrelated business income tax (UBIT), if applicable. For the years ended June 30, 2019 and 2018, Citymeals did not have material UBIT expenses and liabilities. 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 consolidated financial statements.

The consolidated statement of functional expenses includes 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated 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 U.S. GAAP. 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 consolidated financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements are available for issuance, which was November 12, 2019 for these consolidated financial statements.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recently adopted accounting pronouncement: In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adopted this ASU in the year ended June 30, 2019. The adoption of the ASU has been applied retrospectively to all periods presented. The impact to the consolidated financial statements includes a change in the net asset classification from unrestricted, temporarily restricted, and permanently restricted to with donor restrictions and without donor restrictions, additional disclosure on liquidity and availability of resources analysis (see Note 3) and an expanded disclosure on the functional expense allocation (See Note 8). The underwater endowment as of June 30, 2018 in the amount of \$100,403 previously included in unrestricted net assets balance is classified as net assets with donor restrictions under ASU 2016-14. The reclassification of net assets as of June 30, 2018 under ASU 2016-14 is as follows:

Net assets as of June 30, 2018, as previously reported	
Unrestricted	\$ 33,824,634
Temporarily restricted	595,110
Permanently restricted	500,000
Total net assets as of June 30, 2018, as previously reported	<u>\$ 34,919,744</u>
Net assets as of June 30, 2018, as reclassified under ASU 2016-14	
Without donor restrictions	\$ 33,925,037
With donor restrictions:	
Purpose and time restrictions	595,110
Perpetual in nature	399,597
Total net assets as of June 30, 2018, as reclassified under ASU 2016-14	<u>\$ 34,919,744</u>

Recently issued accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for leases with terms longer than 12 months. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In July 2019, the FASB approved proposal to delay effective date by one year for private companies. If finalized, the ASU will be effective for the year beginning after December 15, 2020. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance presented in Topic 958, *Not-for-Profit Entities*, of the FASB ASC for evaluating whether a transaction is reciprocal (i.e. an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The ASU is effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. Management is currently evaluating the impact on the consolidated financial statements.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 3. Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. As of June 30, 2019, the following financial assets are available to meet annual operating needs of the 2020 fiscal year:

Financial assets at June 30, 2019:

Cash and cash equivalents	\$ 7,130,284
Investments	24,422,365
Grants and contributions receivable	1,660,877
Total financial assets at June 30, 2019	<u>33,213,526</u>

Less those unavailable for general expenditures within one year:

Donor restricted assets	101,170
Donor restricted investments	408,993
Receivable to be collected between one and five years	70,000
To be used for loan payments	2,104,087
Total financial assets unavailable within one year	<u>2,684,250</u>

Financial assets available to meet cash needs
for general expenditures within one year

\$ 30,529,276

Note 4. 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		
	2019		
	Total	Level 1	Level 2
Cash equivalents	\$ 2,795,586	\$ 2,795,586	\$ -
Mutual funds:			
Fixed income	10,440,996	10,440,996	-
Equities:			
Domestic equities	5,873,900	5,873,900	-
International equities	3,199,825	3,199,825	-
Emerging markets	1,604,754	1,604,754	-
Common stock	121,461	121,461	-
Exchange-traded and closed fund	169,152	169,152	-
Preferred stock	43,975	43,975	-
Corporate fixed income	65,901	65,901	-
Treasury securities	106,815	-	106,815
	<u>\$ 24,422,365</u>	<u>\$ 24,315,550</u>	<u>\$ 106,815</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 4. Investments (Continued)

Description	Fair Value Measurements		
	Quoted Prices in Active Markets for Identical Assets		
	2018		
	Total	Level 1	Level 2
Cash equivalents	\$ 4,178,982	\$ 4,178,982	\$ -
Mutual funds:			
Fixed income	9,093,157	9,093,157	-
Equities:			
Domestic equities	5,100,528	5,100,528	-
International equities	4,570,934	4,570,934	-
Emerging markets	1,926,001	1,926,001	-
Common stock	120,866	120,866	-
Exchange-traded and closed fund	186,665	186,665	-
Preferred stock	41,801	41,801	-
Corporate fixed income	46,690	46,690	-
Treasury securities	109,697	-	109,697
	<u>\$ 25,375,321</u>	<u>\$ 25,265,624</u>	<u>\$ 109,697</u>

Note 5. Grants and Contributions Receivable

Grants and contribution receivable as of June 30, 2019 and 2018, are due as follows:

	2019	2018
In less than one year	\$ 1,590,877	\$ 2,240,162
In between one year and five years	70,000	125,000
	<u>\$ 1,660,877</u>	<u>\$ 2,365,162</u>

Note 6. Property and Equipment, Net

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

	2019	2018	Estimated Useful Life
Land	\$ 6,412,500	\$ 6,412,500	
The Distribution Center and improvements	5,552,678	5,485,124	39 years
Furniture and equipment	1,067,711	1,067,711	5 years
Computer software	178,278	68,280	3 years
	<u>13,211,167</u>	<u>13,033,615</u>	
Less accumulated depreciation	(1,277,510)	(1,074,865)	
	<u>\$ 11,933,657</u>	<u>\$ 11,958,750</u>	

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 7. Loans Payable

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. During the fiscal year 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 was \$10,000,000. On August 21, 2017, the bridge loan was paid off with 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 August 21, 2027, respectively.

The aggregate outstanding balance on the loans as of June 30, 2019 and 2018 was \$7,818,458 and \$9,919,020, respectively. The subsequent payment of \$2,000,000 toward the \$6,000,000 loan was made in August 2019.

Interest expense for the year ended June 30, 2019 was \$270,632. Out of approximately \$317,000 of interest costs incurred in the year ended June 30, 2018, approximately \$45,000 was capitalized and included in the Distribution Center improvements.

Future aggregate principal payments on these loans are as follows:

Years ending June 30:	
2020	\$ 2,104,087
2021	2,108,544
2022	112,779
2023	117,178
2024	121,399
Thereafter	3,254,471
	<u>\$ 7,818,458</u>

The loan agreement has certain covenants that are required to be maintained. The financial covenant requires the Organization to maintain unrestricted cash and investments to funded debt ratio. The negative covenant states that the Organization shall not grant additional liens on its assets or make loans to affiliates, guaranty the debt of a third party absent the Lender's consent. Lastly, the reporting covenant requires the Organization to provide the annual audited consolidated financial statements within 150 days of the Organization's fiscal year and a covenant compliance certificate signed by an authorized officer of the Organization.

Note 8. Functional Allocation of Expenses

Certain expenses are attributable to more than one program or supporting function. The following expenses are allocated consistently based on employees' time and effort. All other expenses are charged directly to either program or supporting function.

- Salaries and fringe benefits
- Occupancy
- Telephone
- Insurance

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Subject to the passage of time	\$ 338,374	\$ 488,615
Purpose restricted	121,170	106,495
	<u>459,544</u>	<u>595,110</u>
Endowment:		
Original gift amount – perpetual in nature	500,000	500,000
Underwater endowment	(91,007)	(100,403)
	<u>408,993</u>	<u>399,597</u>
Total net assets with donor restrictions	<u>\$ 868,537</u>	<u>\$ 994,707</u>

Net assets with donor restrictions that are perpetual in nature 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 restricted net assets that are perpetual in nature 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, 2019 and 2018, the net assets with donor restrictions that are perpetual in nature for both years amounted to \$500,000.

As of June 30, 2019 and 2018, the endowment balance was less than the original gift by approximately \$91,007 and \$100,403, respectively. The

Net assets in the amounts of \$468,940 and \$594,435 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors in the years ended June 30, 2019 and 2018, respectively.

Note 10. Commitments

On June 16, 2016, the Organization entered into 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.

At June 30, 2019, the future minimum annual rental commitments under the leases are as follows:

Years ending June 30:	
2020	\$ 477,000
2021	477,000
2022	484,000
2023	522,000
2024	522,000
Thereafter	1,478,000
	<u>\$ 3,960,000</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 10. Commitments (Continued)

Rent expense charged to operations for the years ended June 30, 2019 and 2018 amounted to approximately \$488,000 and \$493,000, respectively.

Deferred rent payable of \$206,063 and \$213,642 is included in accrued expenses and deferred rent in the consolidated statement of financial position as of June 30, 2019 and 2018, 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 11. 403(b) Retirement Plan

The Organization sponsors a 403(b) defined contribution pension plan (the 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 the Organization for the years ended June 30, 2019 and 2018 amounted to approximately \$112,000 and \$117,000, respectively. The officers of the Organization serve as trustees of the plan.

Note 12. Summarized Financial Data

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

	2019		2018	
	Citymeals	The LLC	Citymeals	The LLC
Total assets	\$ 31,703,750	\$ 14,693,490	\$ 30,901,357	\$ 15,104,875
Total liabilities	949,932	7,828,090	1,027,930	10,058,558
Net assets	<u>\$ 30,753,818</u>	<u>\$ 6,865,400</u>	<u>\$ 29,873,427</u>	<u>\$ 5,046,317</u>
Total revenue and gains	\$ 21,981,504	\$ 2,337,902	\$ 19,504,940	\$ 1,964,794
Total expenses	21,101,113	518,819	20,901,165	624,733
Change in net assets	<u>\$ 880,391</u>	<u>\$ 1,819,083</u>	<u>\$ (1,396,225)</u>	<u>\$ 1,340,061</u>

Note 13. Contingency

The Organization is subject to ongoing litigation in the ordinary course of their operations. In the opinion of management, none of the actions currently pending will have a material impact on their consolidated financial position due to adequate insurance coverage in the event of adverse outcomes of these matters.