

Citymeals-on-Wheels

Consolidated Financial Report
June 30, 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-17

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, 2021, 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 Citymeals-on-Wheels and its subsidiary as of June 30, 2021, and the changes in their net assets and their 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 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 29, 2021

Citymeals-on-Wheels

Consolidated Statement of Financial Position

June 30, 2021

(with summarized comparative financial information as of June 30, 2020)

	2021	2020
Assets		
Cash	\$ 19,048,241	\$ 21,706,936
Investments at fair value	36,405,145	25,395,868
Grants and contributions receivable	4,368,193	5,343,072
Advances to providers	704,418	683,641
Prepaid expenses and other assets	1,880,261	1,820,126
Property and equipment, net	11,485,368	11,729,061
	<u>11,485,368</u>	<u>11,729,061</u>
Total assets	\$ 73,891,626	\$ 66,678,704
Liabilities and Net Assets		
Liabilities:		
Accounts payable to providers	\$ 718,770	\$ 747,829
Accrued expenses and deferred rent	468,438	740,865
Deferred revenue	119,917	739,998
Loans payable	3,579,228	6,124,984
	<u>3,579,228</u>	<u>6,124,984</u>
Total liabilities	4,886,353	8,353,676
Commitments		
Net assets:		
Without donor restrictions	66,806,113	54,483,884
With donor restrictions:		
Purpose and time restrictions	2,047,924	3,697,222
Perpetual in nature	151,236	143,922
	<u>2,199,160</u>	<u>3,841,144</u>
Total net assets with donor restrictions	2,199,160	3,841,144
Total net assets	69,005,273	58,325,028
	<u>69,005,273</u>	<u>58,325,028</u>
Total liabilities and net assets	\$ 73,891,626	\$ 66,678,704
	<u>\$ 73,891,626</u>	<u>\$ 66,678,704</u>

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Activities

Year Ended June 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

	2021	2020
Change in net assets without donor restrictions:		
Support and revenue:		
Support:		
Contributions for meals programs	\$ 22,886,158	\$ 27,419,152
Contributions for administrative support	1,530,175	1,508,705
Government grants	7,928,194	6,112,368
Capital Campaign	748,142	5,313,848
Donated goods and services	1,587,255	582,501
Net investment return	4,565,511	615,408
Net assets released from restrictions	2,098,956	343,433
Reclassification of net assets with donor restrictions to without donor restrictions	-	215,688
Total support and revenue	41,344,391	42,111,103
Expenses:		
Program services:		
Weekend meals	12,515,475	9,943,982
Holiday meals	603,238	541,178
Holiday meal packages	1,521,469	1,283,466
Emergency meal packages	4,546,141	4,321,898
Fresh produce	42,187	21,746
Mobile food pantry	116,087	7,745
Donated meals	1,620,316	-
Non-meal assistance program	-	16,054
Friendly visiting program	804,228	804,371
Program coordination	2,275,752	2,259,782
Total program services	24,044,893	19,200,222
Supporting services:		
Fund-raising	2,280,153	2,335,061
Cost of direct benefits to donors	200,310	333,261
General and administrative	2,496,806	2,509,356
Total supporting services	4,977,269	5,177,678
Total expenses	29,022,162	24,377,900
Change in net assets without donor restrictions	12,322,229	17,733,203
Change in net assets with donor restrictions:		
Contributions – time and purpose restricted	446,500	3,594,189
Net investment return (loss)	10,472	(62,461)
Net assets released from restrictions	(2,098,956)	(343,433)
Reclassification of net assets with donor restrictions to without donor restrictions	-	(215,688)
Change in net assets with donor restrictions	(1,641,984)	2,972,607
Change in net assets	10,680,245	20,705,810
Net assets:		
Beginning	58,325,028	37,619,218
Ending	\$ 69,005,273	\$ 58,325,028

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

	2021						2020
	Program Services	Fund-Raising	Costs of Direct Benefit to Donors	General and Administrative	Total Supporting Services	Total	Summarized Comparative Total
Weekend Meals	\$ 12,515,475	\$ -	\$ -	\$ -	\$ -	\$ 12,515,475	\$ 9,943,982
Holiday Meals	603,238	-	-	-	-	603,238	541,178
Holiday Meal Packages	1,521,469	-	-	-	-	1,521,469	1,283,466
Emergency Meal Packages	4,546,141	-	-	-	-	4,546,141	4,321,898
Fresh produce program	42,187	-	-	-	-	42,187	21,746
Mobile Food Pantry	116,087	-	-	-	-	116,087	7,745
Donated meals	1,620,316	-	-	-	-	1,620,316	-
Non-meal assistance program	-	-	-	-	-	-	16,054
Friendly Visiting Program	804,228	-	-	-	-	804,228	804,371
Event expenses	-	119,829	-	-	119,829	119,829	363,707
List rental	-	116,060	-	-	116,060	116,060	118,728
Salaries and fringe benefits	1,485,690	940,409	-	1,021,682	1,962,091	3,447,781	3,260,572
Professional services and consultants	308,117	191,123	-	610,446	801,569	1,109,686	965,087
Temporary employment	-	-	-	27,450	27,450	27,450	23,816
Data processing	1,156	6,165	-	168,875	175,040	176,196	190,827
Equipment maintenance and rental	-	-	-	22,914	22,914	22,914	22,659
Supplies	6,108	9,519	-	18,079	27,598	33,706	40,202
Printing	805	436,713	-	26,749	463,462	464,267	459,203
Photography	-	20	-	906	926	926	11,344
Local travel	1,337	203	-	3,391	3,594	4,931	16,284
Insurance	29,877	25,285	-	33,556	58,841	88,718	59,375
Postage	8,554	261,187	-	22,544	283,731	292,285	231,455
Messenger	695	2,794	-	1,317	4,111	4,806	3,566
Depreciation	171,040	-	-	72,653	72,653	243,693	244,696
Occupancy	171,970	145,536	-	193,147	338,683	510,653	498,578
Training/miscellaneous	9,914	9,333	-	31,576	40,909	50,823	52,895
Telephone	9,223	8,439	-	15,972	24,411	33,634	26,933
Advertising	-	7,538	-	-	7,538	7,538	5,595
Bank fees	-	-	-	70,478	70,478	70,478	43,888
Interest expense	71,266	-	-	-	-	71,266	215,549
Donated goods and services	-	-	200,310	155,071	355,381	355,381	582,501
Total functional expenses	\$ 24,044,893	\$ 2,280,153	\$ 200,310	\$ 2,496,806	\$ 4,977,269	\$ 29,022,162	\$ 24,377,900

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Cash Flows Year Ended June 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 10,680,245	\$ 20,705,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	243,693	244,696
Realized and unrealized gains on investments	(4,378,764)	(170,597)
Donated investment securities	(455,127)	(419,830)
Loan forgiveness	(410,614)	-
Capital campaign contribution collections for the distribution center	(748,142)	(5,313,848)
Changes in operating assets and liabilities:		
Decrease (increase) in grants and contributions receivable	974,879	(3,682,195)
Increase in advances to providers	(20,777)	(92,928)
Increase in prepaid expenses and other assets	(60,135)	(1,160,782)
(Decrease) increase in accounts payable to providers	(29,059)	222,158
(Decrease) increase in accrued expenses and deferred rent	(272,427)	371,972
(Decrease) increase in deferred revenue	(620,081)	674,998
Net cash provided by operating activities	4,903,691	11,379,454
Cash flows from investing activities:		
Purchases of property and equipment	-	(40,100)
Purchases of investments	(8,411,643)	(407,657)
Proceeds from sale of investments	2,236,257	24,581
Net cash used in investing activities	(6,175,386)	(423,176)
Cash flows from financing activities:		
Loan additions	-	410,614
Loan payments	(2,135,142)	(2,104,088)
Capital campaign contribution collections for the distribution center	748,142	5,313,848
Net cash (used in) provided by financing activities	(1,387,000)	3,620,374
Net (decrease) increase in cash	(2,658,695)	14,576,652
Cash:		
Beginning	21,706,936	7,130,284
Ending	\$ 19,048,241	\$ 21,706,936
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 71,266	\$ 213,482

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:

	2021	2020
Meals programs	\$ 25,951,432	\$ 17,767,530
The LLC	12,253,086	11,760,580
General and administrative*	28,601,595	24,955,774
	<u>\$ 66,806,113</u>	<u>\$ 54,483,884</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:

	2021	2020
Administrative fund solicitations	\$ 1,530,175	\$ 1,508,705
Administrative funds from government grants	2,100,532	2,014,064
Investment gain, net	4,548,030	601,322
Other	431,224	602,916
	<u>\$ 8,609,961</u>	<u>\$ 4,727,007</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:

	2021	2020
Fund-raising, excluding the LLC expenses of \$13,397 and \$37,121, respectively	\$ 2,467,066	\$ 2,631,201
General and administrative	2,497,074	2,509,356
	<u>\$ 4,964,140</u>	<u>\$ 5,140,557</u>

The Organization raised \$748,142 and \$5,313,848 from the capital campaign in the years ended June 30, 2021 and 2020, respectively, for the Distribution Center. The LLC's expenditures in amounts of \$255,704 and \$419,679 for the years ended June 30, 2021 and 2020, 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 7-pound 4-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.

Donated meals: The donated meals come from local restaurants and are provided by volunteers to help people who need extra food and those who cannot access meals during the epidemic.

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 nonprofit organizations. All intercompany accounts and transactions between Citymeals and the LLC have been eliminated in consolidation.

The classification of a nonprofit 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 gain 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, 2021 and 2020, Citymeals did not have 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, 2020, 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.

FASB Accounting Standards Update (ASU) 2015-07, Subtopic 820-10, also provides that fair value may be measured at the net asset value (NAV) provided by the issuer for certain entities that calculate fair value using NAV per share as a practical expedient. Such investments recorded at NAV are not classified within the fair value hierarchy.

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 were available for issuance, which was October 29, 2021, for these consolidated financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Recently adopted accounting pronouncement: The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods and services to customers. The adoption of ASU 2014-09 did not have an impact on the Organization's financial position, activities, net assets or cash flows as of the adoption date or for the years ended June 30, 2021 and 2020.

The Organization adopted ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies and adds certain disclosure requirements of ASC Topic 820. The adoption of this ASU had no impact on the Organization's financial position, activities, net assets or cash flows as of the adoption date or for the years ended June 30, 2021 and 2020.

Recently issued accounting pronouncements: In February 2016, 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 balance sheet 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 income statement. Due to the coronavirus pandemic, the FASB recently proposed the effective date of the ASU be deferred to fiscal years beginning after December 15, 2021. The Organization is evaluating the impact of this standard on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other provisions, this ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. This ASU is effective for fiscal years beginning after December 15, 2022. The Organization is evaluating the impact of adoption of this ASU on the consolidated financial statements.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. The Organization is evaluating the impact of adoption of this ASU on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including fixed assets and other items. This ASU does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. The Organization is evaluating the impact of this ASU 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, the following financial assets are available to meet annual operating needs over the next 12 months:

	2021	2020
Financial assets at June 30:		
Cash and cash equivalents	\$ 19,048,241	\$ 21,706,936
Investments	36,405,145	25,395,868
Grants and contributions receivable	4,368,193	5,343,072
Total financial assets at June 30	<u>59,821,579</u>	<u>52,445,876</u>
Less those unavailable for general expenditures within one year:		
Donor restricted assets	91,306	96,112
Donor restricted investments	151,236	144,181
Receivable to be collected between one and five years	1,291,000	1,933,711
To be used for loan payments	208,315	2,108,545
Total financial assets unavailable within one year	<u>1,741,857</u>	<u>4,282,549</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 58,079,722</u>	<u>\$ 48,163,327</u>

Note 4. Investments

The following are major categories of investments at June 30, grouped by the fair value hierarchy:

Description	2021	2020
Level 1 (quoted prices in active market):		
Cash equivalents	\$ 6,947,997	\$ 3,146,671
Mutual funds:		
Fixed income	11,342,201	10,059,234
Equities:		
Domestic equities	9,105,176	6,238,374
International equities	4,676,573	2,813,223
Emerging markets	2,238,127	1,328,632
Common stock	40,012	80,249
Exchange-traded and closed fund	61,303	152,990
Preferred stock	18,773	49,918
Corporate fixed income	11,970	38,297
	<u>34,442,132</u>	<u>23,907,588</u>
Alternative investment fund measured at NAV ⁽¹⁾	1,963,013	1,488,280
	<u>\$ 36,405,145</u>	<u>\$ 25,395,868</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 4. Investments (Continued)

(1) The fair value amount was estimated by using NAV as a practical expedient as of the measurement date. Investment under this method is not categorized in the fair value hierarchy. The fair value amount presented is for the reconciliation purpose.

Alternative investment fund represents an investment in a private investment company. The investment company fund's objective is to generate long term growth in assets by investing primarily in equity and equity related securities. There are no unfunded capital commitments. After one year of investment, the investment is allowed to be redeemed at the end of a quarter with 90 days prior notice.

Note 5. Grants and Contributions Receivable

All unconditional grants and contributions receivable have been recorded at their estimated realizable value. Those receivables that are payable over a year have been discounted to their present value using a discount rate of 0.89%. The discount rate is considered to be a Level 3 input in the fair value hierarchy (Note 2).

Grants and contributions receivable as of June 30 are due as follows:

	2021	2020
In less than one year	\$ 3,090,570	\$ 3,409,361
In between one year and five years	1,294,000	1,984,000
	<u>4,384,570</u>	<u>5,393,361</u>
Less discount to present value	(16,377)	(50,289)
Grants and contributions receivable, net	<u>\$ 4,368,193</u>	<u>\$ 5,343,072</u>

Note 6. Property and Equipment, Net

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

	2021	2020	Estimated Useful Life
Land	\$ 6,412,500	\$ 6,412,500	
The Distribution Center and improvements	5,552,678	5,552,678	39 years
Furniture and equipment	1,107,811	1,107,811	5 years
Computer software	178,278	178,278	3 years
	<u>13,251,267</u>	<u>13,251,267</u>	
Less accumulated depreciation	(1,765,899)	(1,522,206)	
	<u>\$ 11,485,368</u>	<u>\$ 11,729,061</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 London Interbank Offer Rate. On August 23, 2016, the maximum loan limit was increased from \$10,000,000 to \$13,000,000. 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 balance of \$6,000,000 loan was fully paid off in August 2020. The balance of \$4,000,000 loan was refinanced in July 2020 with a state interest rate of 1.95%. This loan matures on August 21, 2027. The balance of this loan as of June 30, 2021 was \$3,579,228.

Interest expense for the years ended June 30, 2021 and 2020 was \$71,266 and \$215,549, respectively.

The outstanding loan 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.

Future aggregate principal payments on these loans are as follows:

Years ending June 30:	
2022	\$ 139,879
2023	142,632
2024	145,438
2025	148,299
2026	151,217
Thereafter	2,851,763
	<u>\$ 3,579,228</u>

In April 2020, the Organization received a loan in an amount of \$409,958 under the U.S. Small Business Administration (SBA)'s Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan's maturity date is April 10, 2022. The interest rate is 0.98% per annum. The PPP loan was spent on qualifying payroll costs. The PPP loan balance plus accrued interest in the total amount of \$410,614 were included in loans payable balance as of June 30, 2020. The entire loan amount was approved for forgiveness in June 2021 by SBA. The Organization recognized the amount as contributions for administrative and program coordination support upon the approval of loan forgiveness.

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:

	2021	2020
Subject to the passage of time	\$ 1,670,000	\$ 2,126,111
Purpose restricted	377,924	1,571,111
	<u>2,047,924</u>	<u>3,697,222</u>
Endowment:		
Original gift amount – perpetual in nature	200,000	500,000
Reclassification of net assets with donor restrictions to without donor restrictions	-	(300,000)
Underwater endowment	(48,764)	(56,078)
	<u>151,236</u>	<u>143,922</u>
Total net assets with donor restrictions	<u>\$ 2,199,160</u>	<u>\$ 3,841,144</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. During the year ended June 30, 2020, the Organization received a clarification from the donor's investment manager that \$300,000 of the original endowment amount of \$500,000 was not restricted by the donor. The investment balance in an amount of \$215,688 related to the original \$300,000 endowment was reclassified from net assets with donor restrictions to net assets without donor restrictions on the consolidated statement of activities. The Organization transferred this amount from the investment account held for the endowment in July 2020.

From time to time, the fair value of investments associated with the endowment fund may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Organization to retain as a fund of perpetual duration. As of June 30, 2021 and 2020, the endowment fund had a deficiency of \$48,764 and \$56,078, respectively. The original value of this endowment was \$200,000 and \$500,000, respectively. The decrease of \$300,000 in the original value is due to the reclassification as explained in the above paragraph. This deficiency resulted from unfavorable market fluctuations and continued appropriation of the interest and dividend income as stipulated by the donor.

Net assets with donor restrictions subject to the passage of time or purpose restricted in the total amount of \$2,098,956 and \$343,433 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, 2021 and 2020, 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.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 10. Commitments (Continued)

At June 30, 2021, the future minimum annual rental commitments under the leases are as follows:

Years ending June 30:	
2022	\$ 484,000
2023	522,000
2024	522,000
2025	522,000
2026	522,000
Thereafter	435,000
	<u>\$ 3,007,000</u>

Rent expense charged to operations for the years ended June 30, 2021 and 2020, amounted to approximately \$511,000 and \$499,000, respectively.

Deferred rent payable of \$190,906 and \$198,485 is included in accrued expenses and deferred rent in the consolidated statement of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, amounted to approximately \$144,000 and \$127,000, 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.

	2021		2020	
	Citymeals	The LLC	Citymeals	The LLC
Total assets	\$ 58,059,312	\$ 15,832,314	\$ 49,192,053	\$ 17,486,651
Total liabilities	1,307,125	3,579,228	2,627,606	5,726,070
Net assets	<u>\$ 56,752,187</u>	<u>\$ 12,253,086</u>	<u>\$ 46,564,447</u>	<u>\$ 11,760,581</u>
Total revenue and gains	\$ 38,954,198	\$ 748,209	\$ 39,768,850	\$ 5,314,860
Total expenses	28,766,458	255,704	23,958,221	419,679
Change in net assets	<u>\$ 10,187,740</u>	<u>\$ 492,505</u>	<u>\$ 15,810,629</u>	<u>\$ 4,895,181</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the CARES Act was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. Accordingly, management cannot presently estimate the overall operational and financial impact to the Organization.