

Citymeals-on-Wheels

Consolidated Financial Report
June 30, 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
Citymeals-on-Wheels

Opinion

We have audited the consolidated financial statements of Citymeals-on-Wheels (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
December 19, 2022

Citymeals-on-Wheels

Consolidated Statement of Financial Position

June 30, 2022

(With Summarized Comparative Financial Information as of June 30, 2021)

	2022	2021
Assets		
Cash	\$ 24,517,878	\$ 19,048,241
Investments at fair value	32,572,837	36,405,145
Grants and contributions receivable	2,986,601	4,368,193
Advances to providers	601,862	704,418
Prepaid expenses and other assets	2,387,700	1,880,261
Property and equipment, net	<u>11,291,725</u>	<u>11,485,368</u>
Total assets	<u>\$ 74,358,603</u>	<u>\$ 73,891,626</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable to providers	\$ 422,916	\$ 718,770
Accrued expenses and deferred rent	352,477	468,438
Deferred revenue	126,549	119,917
Loans payable	<u>3,441,310</u>	<u>3,579,228</u>
Total liabilities	<u>4,343,252</u>	<u>4,886,353</u>
Commitments		
Net assets:		
Without donor restrictions	<u>68,039,704</u>	<u>66,806,113</u>
With donor restrictions:		
Purpose and time restrictions	1,836,044	2,047,924
Perpetual in nature	<u>139,603</u>	<u>151,236</u>
Total net assets with donor restrictions	<u>1,975,647</u>	<u>2,199,160</u>
Total net assets	<u>70,015,351</u>	<u>69,005,273</u>
Total liabilities and net assets	<u>\$ 74,358,603</u>	<u>\$ 73,891,626</u>

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Activities

Year Ended June 30, 2022

(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)

	2022	2021
Change in net assets without donor restrictions:		
Support and revenue:		
Support:		
Contributions for meals programs	\$ 19,513,904	\$ 22,886,158
Contributions for administrative support	4,152,508	1,530,175
Government grants	5,211,171	7,928,194
Capital Campaign	777,000	748,142
Donated goods and services	642,409	1,587,255
Net investment (loss) return	(4,424,713)	4,565,511
Net assets released from restrictions	941,184	2,098,956
Total support and revenue	26,813,463	41,344,391
Expenses:		
Program services:		
Weekend meals	11,588,024	12,515,475
Holiday meals	310,610	603,238
Holiday meal packages	2,215,664	1,521,469
Emergency meal packages	1,631,522	4,546,141
Fresh produce	29,063	42,187
Mobile food pantry	99,572	116,087
Donated meals	561,805	1,620,316
Friendly visiting program	751,874	804,228
Program coordination	2,470,150	2,275,752
Total program services	19,658,284	24,044,893
Supporting services:		
Fund-raising	2,932,675	2,280,153
Cost of direct benefits to donors	208,850	200,310
General and administrative	2,780,063	2,496,806
Total supporting services	5,921,588	4,977,269
Total expenses	25,579,872	29,022,162
Change in net assets without donor restrictions	1,233,591	12,322,229
Change in net assets with donor restrictions:		
Contributions—time and purpose restricted	725,772	446,500
Net investment (loss) return	(8,101)	10,472
Net assets released from restrictions	(941,184)	(2,098,956)
Change in net assets with donor restrictions	(223,513)	(1,641,984)
Change in net assets	1,010,078	10,680,245
Net assets:		
Beginning	69,005,273	58,325,028
Ending	\$ 70,015,351	\$ 69,005,273

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)

	2022							2021
	Program Services	Supporting Services				Total Supporting Services	Total	Summarized Comparative Total
		Fund-Raising	Costs of Direct Benefit to Donors	General and Administrative				
Weekend meals	\$ 11,588,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,588,024	\$ 12,515,475
Holiday meals	310,610	-	-	-	-	-	310,610	603,238
Holiday meal packages	2,215,664	-	-	-	-	-	2,215,664	1,521,469
Emergency meal packages	1,631,522	-	-	-	-	-	1,631,522	4,546,141
Fresh produce program	29,063	-	-	-	-	-	29,063	42,187
Mobile food pantry	99,572	-	-	-	-	-	99,572	116,087
Donated meals	561,805	-	-	-	-	-	561,805	1,620,316
Friendly visiting program	751,874	-	-	-	-	-	751,874	804,228
Event expenses	-	603,169	-	-	-	603,169	603,169	119,829
List rental	-	120,654	-	-	-	120,654	120,654	116,060
Salaries and fringe benefits	1,553,246	994,215	-	1,140,398	2,134,613	3,687,859	3,447,781	
Professional services and consultants	420,669	185,167	-	924,644	1,109,811	1,530,480	1,109,686	
Temporary employment	-	-	-	15,482	15,482	15,482	27,450	
Data processing	1,264	6,632	-	155,520	162,152	163,416	176,196	
Equipment, maintenance and rental	-	-	-	21,864	21,864	21,864	22,914	
Supplies	2,095	1,101	-	64,635	65,736	67,831	33,706	
Printing	3,185	509,744	-	31,535	541,279	544,464	464,267	
Photography	-	11,592	-	-	11,592	11,592	926	
Local travel	5,036	3,217	-	7,020	10,237	15,273	4,931	
Insurance	29,872	21,390	-	28,263	49,653	79,525	88,718	
Postage	92	304,095	-	19,953	324,048	324,140	292,285	
Messenger	-	5,631	-	329	5,960	5,960	4,806	
Depreciation	170,371	-	-	46,542	46,542	216,913	243,693	
Occupancy	195,637	140,085	-	185,090	325,175	520,812	510,653	
Training/miscellaneous	7,688	8,080	-	38,581	46,661	54,349	50,823	
Telephone	10,599	10,797	-	19,668	30,465	41,064	33,634	
Advertising	-	7,106	-	-	7,106	7,106	7,538	
Bank fees	-	-	-	41,528	41,528	41,528	70,478	
Interest expense	70,396	-	-	-	-	70,396	71,266	
Donated goods and services	-	-	208,850	39,011	247,861	247,861	355,381	
Total functional expenses	\$ 19,658,284	\$ 2,932,675	\$ 208,850	\$ 2,780,063	\$ 5,921,588	\$ 25,579,872	\$ 29,022,162	

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Cash Flows

Year Ended June 30, 2022

(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,010,078	\$ 10,680,245
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	216,913	243,693
Realized and unrealized losses (gains) on investments	4,821,847	(4,378,764)
Donated investment securities	-	(455,127)
Loan forgiveness	-	(410,614)
Capital campaign contribution collections for the distribution center	(777,000)	(748,142)
Changes in operating assets and liabilities:		
Decrease in grants and contributions receivable	1,381,592	974,879
Decrease (increase) in advances to providers	102,556	(20,777)
Increase in prepaid expenses and other assets	(507,439)	(60,135)
Decrease in accounts payable to providers	(295,854)	(29,059)
Decrease in accrued expenses and deferred rent	(115,961)	(272,427)
Increase (decrease) in deferred revenue	6,632	(620,081)
Net cash provided by operating activities	5,843,364	4,903,691
Cash flows from investing activities:		
Purchases of property and equipment	(23,270)	-
Purchases of investments	(4,051,309)	(8,411,643)
Proceeds from sale of investments	3,061,770	2,236,257
Net cash used in investing activities	(1,012,809)	(6,175,386)
Cash flows from financing activities:		
Loan payments	(137,918)	(2,135,142)
Capital campaign contribution collections for the distribution center	777,000	748,142
Net cash provided by (used in) financing activities	639,082	(1,387,000)
Net increase (decrease) in cash	5,469,637	(2,658,695)
Cash:		
Beginning	19,048,241	21,706,936
Ending	\$ 24,517,878	\$ 19,048,241
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 70,396	\$ 71,266

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 are also supported by government grants. 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:

	2022	2021
Meals programs	\$ 30,791,699	\$ 25,951,432
The LLC	12,313,600	12,253,086
General and administrative*	24,934,405	28,601,595
	<u>\$ 68,039,704</u>	<u>\$ 66,806,113</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:

	2022	2021
Administrative fund solicitations	\$ 4,152,508	\$ 1,530,175
Administrative funds from government grants	2,274,854	2,100,532
Investment (loss) gain, net	(4,428,547)	4,548,030
Other	255,583	431,224
	<u>\$ 2,254,398</u>	<u>\$ 8,609,961</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:

	2022	2021
Fund-raising, excluding the LLC expenses of \$0 and \$13,129, respectively	\$ 3,141,525	\$ 2,467,334
General and administrative	2,780,063	2,496,806
	<u>\$ 5,921,588</u>	<u>\$ 4,964,140</u>

The Organization raised \$777,000 and \$748,142 from the capital campaign in the years ended June 30, 2022 and 2021, respectively, for the Distribution Center. The LLC's expenditures in amounts of \$240,769 and \$255,704 for the years ended June 30, 2022 and 2021, 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 seven-pound four-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 to connect 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, 2022 and 2021, 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, 2021, 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 December 19, 2022, 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 fiscal year 2022, the Organization adopted the 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. This ASU does not change existing recognition and measurement requirements for contributed nonfinancial assets. Adoption of this standard did not have a significant impact on the consolidated financial statements with the exception of increased disclosure (See Note 9).

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 standard 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 standard on the 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:

	2022	2021
Financial assets at June 30:		
Cash and cash equivalents	\$ 24,517,878	\$ 19,048,241
Investments	32,572,837	36,405,145
Grants and contributions receivable	2,986,601	4,368,193
Total financial assets at June 30	<u>60,077,316</u>	<u>59,821,579</u>
Less those unavailable for general expenditures within one year:		
Donor restricted assets	86,740	91,306
Donor restricted investments	139,603	151,236
Receivable to be collected between one and five years	630,000	1,291,000
To be used for loan payments	208,315	208,315
Total financial assets unavailable within one year	<u>1,064,658</u>	<u>1,741,857</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 59,012,658</u>	<u>\$ 58,079,722</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 4. Investments

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

	2022	2021
Level 1 (quoted prices in active market):		
Cash equivalents	\$ 4,726,078	\$ 6,947,997
Mutual funds:		
Fixed income	11,349,870	11,342,201
Equities:		
Domestic equities	9,006,409	9,105,176
International equities	3,316,744	4,676,573
Emerging markets	1,746,061	2,238,127
Common stock	42,871	40,012
Exchange-traded and closed fund	52,370	61,303
Preferred stock	7,227	18,773
Corporate fixed income	13,507	11,970
	<u>30,261,137</u>	<u>34,442,132</u>
Alternative investment fund measured at NAV ⁽¹⁾	2,311,700	1,963,013
	<u>\$ 32,572,837</u>	<u>\$ 36,405,145</u>

(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:

	2022	2021
In less than one year	\$ 2,361,892	\$ 3,090,570
In between one year and five years	630,000	1,294,000
	<u>2,991,892</u>	<u>4,384,570</u>
Less discount to present value	(5,291)	(16,377)
Grants and contributions receivable, net	<u>\$ 2,986,601</u>	<u>\$ 4,368,193</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 6. Property and Equipment, Net

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

	2022	2021	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	201,548	178,278	3 years
	<u>13,274,537</u>	<u>13,251,267</u>	
Less accumulated depreciation	<u>(1,982,812)</u>	<u>(1,765,899)</u>	
	<u>\$ 11,291,725</u>	<u>\$ 11,485,368</u>	

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 the \$6,000,000 loan was fully paid off in August 2020. The balance of the \$4,000,000 loan was refinanced in July 2020 with a stated interest rate of 1.95%. This loan matures on August 21, 2027. The balance of this loan as of June 30, 2022 and 2021 was \$3,441,310 and \$3,579,228, respectively.

Interest expense for the years ended June 30, 2022 and 2021 was \$70,396 and \$71,266, 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:	
2023	\$ 142,632
2024	145,438
2025	148,299
2026	151,217
2027	154,192
Thereafter	<u>2,699,532</u>
	<u>\$ 3,441,310</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

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

Note 9. Donated Goods and Services

The Organization receives donated goods and services including food and non-food items and legal services. Donated goods and services are reported as contributions at their estimated value on the date of receipt and reported as expense when utilized. Donated goods and services are not sold. The goods and services are not restricted by donors for specific purpose other than general program and administrative use.

Category	Utilization in Programs/Activities	Valuation Techniques and Inputs	2022	2021
Food and non-food items	Food, drinks and gifts for fundraising events	Retail prices of identical or similar products	\$ 208,850	\$ 200,310
Program foods	Food for program beneficiaries	Wholesale values that would be received for selling similar products	394,548	1,231,605
Legal services	General and administrative	Estimated fair value based on current rates for similar legal services	39,011	155,340
			<u>\$ 642,409</u>	<u>\$ 1,587,255</u>

Note 10. Net Assets With Donor Restrictions

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

	2022	2021
Subject to the passage of time	\$ 1,270,000	\$ 1,670,000
Purpose restricted	566,044	377,924
	<u>1,836,044</u>	<u>2,047,924</u>
Endowment:		
Original gift amount—perpetual in nature	200,000	200,000
Underwater endowment	(60,397)	(48,764)
	<u>139,603</u>	<u>151,236</u>
Total net assets with donor restrictions	<u>\$ 1,975,647</u>	<u>\$ 2,199,160</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 10. Net Assets With Donor Restrictions (Continued)

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.

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, 2022 and 2021, the endowment fund had a deficiency of \$60,397 and \$48,764, respectively. The original value of this endowment was \$200,000. 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 \$941,184 and \$2,098,956 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, 2022 and 2021, respectively.

Note 11. 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, 2022, the future minimum annual rental commitments under the leases are as follows:

Years ending June 30:	
2023	\$ 522,000
2024	522,000
2025	522,000
2026	522,000
2027	435,000
	<u>\$ 2,523,000</u>

Rent expense charged to operations for the years ended June 30, 2022 and 2021, amounted to approximately \$521,000 and \$511,000, respectively.

Deferred rent payable of \$175,831 and \$190,906 is included in accrued expenses and deferred rent in the consolidated statement of financial position as of June 30, 2022 and 2021, 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.

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Notes to Consolidated Financial Statements

Note 12. 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, 2022 and 2021, amounted to approximately \$146,000 and \$144,000, respectively. The officers of the Organization serve as trustees of the Plan.

Note 13. Summarized Financial Data

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

	2022		2021	
	Citymeals	The LLC	Citymeals	The LLC
Total assets	\$ 58,127,922	\$ 16,230,681	\$ 58,059,312	\$ 15,832,314
Total liabilities	901,941	3,441,311	1,307,125	3,579,228
Net assets	<u>\$ 57,225,981</u>	<u>\$ 12,789,370</u>	<u>\$ 56,752,187</u>	<u>\$ 12,253,086</u>
Total revenue and gains	\$ 25,812,897	\$ 777,053	\$ 38,954,198	\$ 748,209
Total expenses	25,339,103	240,769	28,766,458	255,704
Change in net assets	<u>\$ 473,794</u>	<u>\$ 536,284</u>	<u>\$ 10,187,740</u>	<u>\$ 492,505</u>

The LLC net assets of \$12,789,370 includes \$475,770 restricted by donors for the Distribution Center.

Note 14. 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.

Note 15. Risk and Uncertainties

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 Coronavirus Aid, Relief and Economic Security Act (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.