Citymeals-on-Wheels

Consolidated Financial Report
June 30, 2018

Contents

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
November 9, 2018

Citymeals-on-Wheels

Consolidated Statement of Financial Position
June 30, 2018
(with summarized comparative financial information as of June 30, 2017)

	2018	2017
Assets		
Cash	**$ 4,657,309**	$ 3,609,435
Investments at fair value	**25,375,321**	25,335,957
Grants and contributions receivable	**2,365,162**	1,938,430
Advances to providers	**716,720**	2,242,551
Prepaid expenses and other assets	**932,970**	1,341,503
Property and equipment, net	**11,958,750**	11,689,156
Total assets	**$ 46,006,232**	$ 46,157,032
Liabilities and Net Assets		
Liabilities:		
Accounts payable to providers	**$ 465,528**	$ 420,734
Accrued expenses and deferred rent	**570,540**	567,480
Deferred revenue	**131,400**	192,910
Loans payable	**9,919,020**	10,000,000
Total liabilities	**11,086,488**	11,181,124
Commitments		
Net assets:		
Unrestricted	**33,824,634**	33,624,978
Temporarily restricted	**595,110**	850,930
Permanently restricted	**500,000**	500,000
Total net assets	**34,919,744**	34,975,908
Total liabilities and net assets	**$ 46,006,232**	$ 46,157,032

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Activities
Year Ended June 30, 2018
(with summarized comparative financial information for the year ended June 30, 2017)

	2018	2017
Change in unrestricted net assets:		
Support and revenue:		
Support:		
Contributions for meals programs	**$ 13,194,281**	$ 15,772,074
Contributions for administrative support	**1,599,239**	1,218,731
Government grants	**3,284,000**	3,319,996
Capital Campaign	**1,862,000**	3,077,679
Donated goods and services	**273,506**	358,607
Revenue - investment return net of fees of $139,487 and $143,764 in 2018 and 2017, respectively	**918,093**	2,084,525
Net assets released from restrictions	**594,435**	2,018,840
Total support and revenue	**21,725,554**	27,850,452
Expenses:		
Program services:		
Weekend meals	**9,717,701**	9,348,458
Holiday meals	**596,414**	622,175
Holiday meal packages	**2,353,726**	2,315,278
Emergency meal packages	**1,401,634**	1,326,474
Mobile food pantry	**5,181**	160,290
Non-meal assistance program	**17,188**	-
Friendly visiting program	**805,430**	845,813
Program coordination	**2,136,587**	1,917,775
Total program services	**17,033,861**	16,536,263
Supporting services:		
Fund-raising	**2,201,199**	2,330,228
Cost of direct benefits to donors	**150,838**	135,878
General and administrative	**2,140,000**	2,224,158
Total supporting services	**4,492,037**	4,690,264
Total expenses	**21,525,898**	21,226,527
Change in unrestricted net assets	**199,656**	6,623,925
Change in temporarily restricted net assets:		
Contributions - time restricted	**325,000**	525,000
Revenue - investment return net of fees of $5,250 and $5,247 in 2018 and 2017, respectively	**13,615**	13,830
Net assets released from restrictions	**(594,435)**	(2,018,840)
Change in temporarily restricted net assets	**(255,820)**	(1,480,010)
Change in net assets	**(56,164)**	5,143,915
Net assets:		
Beginning	**34,975,908**	29,831,993
Ending	**$ 34,919,744**	$ 34,975,908

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized comparative financial information for the year ended June 30, 2017

	2018						2017
		Supporting Services					Summarized
	Program Services	Fund-Raising	Costs of Direct Benefit to Donors	General and Administrative	Total Supporting Services	Total	Comparative Total
Weekend Meals	$ 9,717,701	$ -	$ -	$ -	$ -	$ 9,717,701	$ 9,348,458
Holiday Meals	596,414	-	-	-	-	596,414	622,175
Holiday Meal Packages	2,353,726	-	-	-	-	2,353,726	2,315,278
Emergency Meal Packages	1,401,634	-	-	-	-	1,401,634	1,326,474
Mobile Food Pantry	5,181	-	-	-	-	5,181	160,290
Non-meal assistance program	17,188	-	-	-	-	17,188	-
Friendly Visiting Program	805,430	-	-	-	-	805,430	845,813
Event expenses	-	426,770	-	-	426,770	426,770	479,953
List rental	-	107,254	-	-	107,254	107,254	108,662
Salary/fringe benefits	1,244,752	723,642	-	946,698	1,670,340	2,915,092	2,888,210
Professional services and consultants	196,342	175,181	-	396,757	571,938	768,280	988,156
Temporary employment	-	-	-	52,348	52,348	52,348	-
Data processing	900	6,890	-	142,917	149,807	150,707	169,677
Equipment maintenance and rental	-	-	-	44,131	44,131	44,131	42,478
Supplies	3,273	1,683	-	25,303	26,986	30,259	54,024
Printing	1,281	400,579	-	16,001	416,580	417,861	412,855
Photography	-	10,770	-	-	10,770	10,770	5,993
Local travel	10,751	2,591	-	6,181	8,772	19,523	40,011
Insurance	20,778	14,319	-	21,520	35,839	56,617	63,234
Postage	68	191,916	-	18,838	210,754	210,822	202,338
Messenger	557	6,712	-	920	7,632	8,189	4,164
Depreciation	153,716	-	-	37,475	37,475	191,191	47,089
Occupancy	175,805	121,154	-	195,587	316,741	492,546	506,621
Training/miscellaneous	26,096	5,876	-	51,230	57,106	83,202	137,364
Telephone	15,343	5,862	-	10,488	16,350	31,693	33,549
Advertising	-	-	-	5,500	5,500	5,500	6,297
Bank fees	-	-	-	45,438	45,438	45,438	58,757
Interest expense	286,925	-	-	-	-	286,925	-
Donated goods and services	-	-	150,838	122,668	273,506	273,506	358,607
Total functional expenses	$ 17,033,861	$ 2,201,199	$ 150,838	$ 2,140,000	$ 4,492,037	$ 21,525,898	$ 21,226,527

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Cash Flows
Year Ended June 30, 2018
(with summarized comparative financial information for the year ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (56,164)**	$ 5,143,915
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**191,191**	47,089
Realized and unrealized gain on investments	**(60,476)**	(1,413,799)
Capital campaign contribution collections for the warehouse	**(1,892,000)**	(2,709,255)
Changes in operating assets and liabilities:		
Increase in grants and accounts receivable	**(426,732)**	(1,159,455)
Decrease (increase) in advances to providers	**1,525,831**	(1,687,183)
Decrease in prepaid expenses and other assets	**408,533**	438,615
Increase in accounts payable to providers	**44,794**	75,289
Increase in accrued expenses and deferred rent	**3,060**	534,512
Decrease in deferred revenue	**(61,510)**	(114,672)
Net cash used in operating activities	**(323,473)**	(844,944)
Cash flows from investing activities:		
Purchases of property and equipment, and warehouse improvements	**(460,785)**	(3,032,791)
Purchases of investments	**(1,646,066)**	(2,019,053)
Proceeds from sale of investments	**1,667,178**	1,297,988
Net cash used in investing activities	**(439,673)**	(3,753,856)
Cash flows from financing activities:		
Proceeds from loans	**-**	3,500,000
Loan payments	**(80,980)**	(2,000,000)
Capital campaign contribution collections for the warehouse	**1,892,000**	2,709,255
Net cash provided by financing activities	**1,811,020**	4,209,255
Net increase (decrease) in cash	**1,047,874**	(389,545)
Cash:		
Beginning	**3,609,435**	3,998,980
Ending	**$ 4,657,309**	$ 3,609,435
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 294,395**	$ 199,063

See notes to consolidated financial statements.

Note 1. Organization

Citymeals-on-Wheels' (Citymeals) mission is to provide weekend and holiday meals, emergency food packages and other food-related services to the homebound elderly and other at-risk elderly populations in New York City, supplementing, through private dollars, the government's limited weekday-only meal program, which is administered by the New York City Department for the Aging (DFTA). Citymeals works in cooperation with DFTA with local voluntary agencies, the same agencies with which the city contracts for delivery of weekday meals.

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

Citymeals raises funds from the general public (e.g., corporations, private foundations, public charities and individuals) for the provision of meals for the homebound elderly (program services) by means of direct-mail solicitations, media campaigns and by sponsoring special fund-raising events. All funds raised for the meals programs are considered by management to be unavailable for covering administrative or fund-raising costs. Separate solicitation requests are sent to corporations, private foundations and board members to supplement an annual grant received from DFTA for administrative purposes. Citymeals also raises contributions for the LLC to fund the financing, renovation, and programs running out of the Citymeals Emergency Food Distribution Center (the Distribution Center). Interest and investment income, unless explicitly restricted by donors, is available to be used for administrative purposes.

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

	2018	2017
Meals programs	$ 4,337,529	$ 5,931,469
The LLC	5,046,317	4,360,988
General and administrative	24,440,788	23,332,521
	$ 33,824,634	$ 33,624,978

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

	2018	2017
Administrative fund solicitations	$ 1,599,239	$ 1,218,731
Administrative funds from government grants	2,054,000	2,054,000
Investment gain, net	921,583	2,084,525
Other	186,658	48,453
	$ 4,761,480	$ 5,405,709

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

	2018	2017
Fund-raising	$ 2,201,199	$ 2,330,228
General and administrative, excluding LLC expenses of $92,668 and $96,525, respectively	2,047,332	2,127,633
	$ 4,248,531	$ 4,457,861

Note 1. Organization (Continued)

The Organization raised $1,862,000 and $3,077,679 from the capital campaign in the years ended June 30, 2018 and 2017, respectively, for the financing and renovation of the Distribution Center. The LLC's expenditures in amounts of $624,732 and $113,278 for the years ended June 30, 2018 and 2017, 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.

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

Non-meal assistance program: A program created to support nonfood necessities, like carrying cases and small equipment for food preparation, and delivery to the providers.

Friendly visiting program: A program based in local centers that connects elderly homebound clients with volunteers for companionship.

Program coordination: Direct expenses incurred by employees involved in program management (mainly salaries and fringe benefits) and allocated share of occupancy expenses.

Note 2. Summary of Significant Accounting Policies

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Grants awarded by governmental agencies are recognized as revenue in the unrestricted net asset class as the program expenditures 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 change in unrealized gains or losses included in investment return 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 percent 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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Citymeals is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and all of Citymeals' activities were performed in accordance with its tax-exempt purpose. Citymeals is not classified as a private foundation. The LLC is treated as a disregarded entity for tax purposes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to these consolidated financial statements.

The consolidated statement of functional expenses include certain prior-year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 generally accepted accounting principles. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. Financial assets and liabilities carried at fair value are classified and disclosed as Level 1, 2 or 3 depending on the type of inputs used to arrive at fair value.

The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was November 9,, 2018 for these consolidated financial statements.

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

Note 2. Summary of Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in consolidated financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management is in the process of 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 may be adopted using either: (a) the modified prospective basis, with no restatement of opening net assets or (b) the full retrospective method. Under the modified prospective basis, the ASU is applied to agreements that are not completed as of the effective date, with the ASU's guidance applied onto the portion of revenue or expenses not yet recognized, or entered into after the effective date. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. Management has not evaluated the impact of this ASU on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements (Concepts Statement),* including the consideration of costs and benefits. The Concepts Statement was finalized by the FASB on August 28, 2018. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Management has not evaluated the impact of this ASU on the financial statements.

Note 3. Investments

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

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets			
Description	2018			2017
	Total	Level 1	Level 2	Level 1
Cash equivalents	$ 4,178,982	$ 4,178,982	$ -	$ 4,748,047
Mutual funds:				
Fixed income	9,093,157	9,093,157	-	8,382,180
Equities:				
Domestic equities	5,100,528	5,100,528	-	4,783,249
International equities	4,570,934	4,570,934	-	4,966,802
Emerging markets	1,926,001	1,926,001	-	2,061,238
Common stock	120,866	120,866	-	112,878
Exchange-traded and closed fund	186,665	186,665	-	215,200
Preferred stock	41,801	41,801	-	23,997
Corporate fixed income	46,690	46,690	-	42,366
Treasury securities	109,697	-	109,697	-
	$ 25,375,321	$ 25,265,624	$ 109,697	$ 25,335,957

Note 3. Investments (Continued)

Investment return for the years ended June 30, 2018 and 2017 consists of interest and dividends of $574,420 and $500,988, respectively, and realized and unrealized gain of $60,476 and $1,414,106, respectively. Investment fees were $139,487 and $143,764 in the years ended June 30, 2018 and 2017, respectively. Capital gain distributions amounted to $436,299 and $327,025 in the years ended June 30, 2018 and 2017, respectively.

Note 4. Contributions and Estates Receivable

Contributions and estates receivable as of June 30, 2018 and 2017, included in grants and contributions receivable in the consolidated statement of financial position, consist of unconditional promises to give that are due as follows:

	2018	2017
In less than one year	$ 516,310	$ 905,478
In between one year and five years	125,000	300,000
	$ 641,310	$ 1,205,478

Note 5. Property and Equipment, Net

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

	2018	2017	Estimated Useful Life
Land	$ 6,412,500	$ 6,412,500	
Warehouse (the Distribution Center) and improvements	5,485,124	5,125,410	39 years
Furniture and equipment	1,067,711	653,798	5 years
Computer software	68,280	381,122	3 years
	13,033,615	12,572,830	
Less accumulated depreciation	(1,074,865)	(883,674)	
	$ 11,958,750	$ 11,689,156	

Note 6. 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, 2018 was $9,919,020.

Out of approximately $317,000 of interest cost incurred in the year ended June 30, 2018, approximately $45,000 was capitalized and included in warehouse improvements. Interest cost of approximately $199,000 was capitalized and included in warehouse improvements in the year ended June 30, 2017.

Note 6. Loans Payable (Continued)

Future aggregate principal payments on these loans are as follows:

Years ending June 30:		
2019	$	2,100,562
2020		2,104,087
2021		2,108,544
2022		112,779
2023		117,178
Thereafter		3,375,870
	$	9,919,020

The loan agreement has certain covenants that are required to be maintained. The financial covenant requires the Organization to maintain an 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 7. Restrictions on Net Asset Balances

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

		2018		2017
Time-restricted	$	475,000	$	725,000
Endowment income restricted for program support		13,615		13,830
Tishman Fund		106,495		112,100
	$	595,110	$	850,930

Permanently restricted net assets are restricted to investments in endowments, whereas the interest and dividend income can be appropriated to support the Organization's programs. The related realized and unrealized gains on investments are required to be added to the permanently restricted net assets for growth purposes. The Organization maintains a broadly diversified investment portfolio. The current spending policy is to appropriate for operations in each calendar year amounts that are earned on its endowment. As of June 30, 2018 and 2017, the permanently restricted net assets for both years amounted to $500,000.

As of June 30, 2018 and 2017, the endowment balance was less than the original gift by approximately $87,000 and $74,000, respectively.

Note 8. 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.

Note 8. Commitments (Continued)

At June 30, 2018, the future minimum annual rental commitments under the leases are as follows:

Years ending June 30:	
2019	$ 477,000
2020	477,000
2021	477,000
2022	484,000
2023	522,000
Thereafter	2,000,000
	$ 4,437,000

Rent expense charged to operations for the years ended June 30, 2018 and 2017 amounted to approximately $493,000 and $507,000, respectively. Rent expense of $170,000 for the year ended June 30, 2017 is related to the former warehouse, and is included in program services in the consolidated statement of activities.

Deferred rent payable of $213,642 and $221,220 is included in accrued expenses and deferred rent in the consolidated statement of financial position as of June 30, 2018 and 2017, respectively. This amount represents the difference between the cumulative amounts recorded for rent expense recognized on a straight-line basis over the term of the office lease as compared to the cumulative required amounts paid under the lease.

Note 9. 403(b) Retirement Plan

The Organization sponsors a 403(b) defined contribution pension plan covering eligible employees, as defined by the plan. Employer contributions are based on a percentage of the employees' salaries, ranging from 4 percent to a maximum of 8 percent. 403(b) contributions contributed by the Organization for the years ended June 30, 2018 and 2017 amounted to $116,904 and $125,010, respectively. The officers of the Organization serve as trustees of the plan.

Note 10. Summarized Financial Data

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

	2018		2017	
	Citymeals	The LLC	Citymeals	The LLC
Total assets	$ 30,901,357	$ 15,104,875	$ 32,450,776	$ 13,706,256
Total liabilities	1,027,930	10,058,558	1,181,124	10,000,000
Net assets	$ 29,873,427	$ 5,046,317	$ 31,269,652	$ 3,706,256
Total revenue and gains	$ 19,504,940	$ 1,964,794	$ 23,196,238	$ 3,174,204
Total expenses	20,901,165	624,733	20,736,017	490,510
Change in net assets	$ (1,396,225)	$ 1,340,061	$ 2,460,221	$ 2,683,694

Note 11. 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 financial position due to adequate insurance coverage in the event of adverse outcomes of these matters.