

**MEALS ON WHEELS DIABLO REGION
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

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MEALS ON WHEELS DIABLO REGION

REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2022

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REQUIRED COMMUNICATIONS

To the Board of Directors of
Meals on Wheels Diablo Region
Contra Costa County, California

We have audited the financial statements of the Meals on Wheels Diablo Region for the year ended June 30, 2022 and issued our report dated September 7, 2023. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to the Executive Director dated October 19, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies - Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year, except as follows:

Financial Accounting Standards Board Accounting Standards Update (ASU) No 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Gifts in Kind)*

This guidance requires Not-for-Profit (NFP) entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Expenses may be reported in the statement of activities by either natural classification or functional classification or by both.

A NFP shall disclose in the notes to financial statements a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. For each category of contributed nonfinancial assets, an NFP also shall disclose the following:

- a. Qualitative information about whether contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used shall be disclosed.
- b. The NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
- c. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
- d. A description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition.

Unusual Transactions, Controversial or Emerging Areas - We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Organization's financial statements was (were):

Estimated Allocation of Functional Expenses: Management's estimate of the allocations of expenses between programs, management and general, and fundraising, is disclosed in Note 2G to the financial statements. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 2L to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Disclosures - The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The delay in performing our audit was primarily due to the Finance Director going on leave.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated September 7, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee, Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
September 7, 2023

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**MEALS ON WHEELS DIABLO REGION
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2022**

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**MEALS ON WHEELS DIABLO REGION
MEMORANDUM ON INTERNAL CONTROL**

For The Year Ended June 30, 2022

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of
Meals on Wheels Diablo Region
Contra Costa County, California

In planning and performing our audit of the financial statements of Meals on Wheels Diablo Region as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, flowing script.

Pleasant Hill, California
September 7, 2023

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**MEALS ON WHEELS DIABLO REGION
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
JUNE 30, 2022**

2022-01: Review of Bank Reconciliations

Bank reconciliations are an integral part of an organization's internal control structure, is a useful tool for detecting errors and irregularities, and should be prepared and reviewed timely, and documentation of the preparation and review should be included for verification of completeness and timeliness.

During our review of controls surrounding bank activities and reconciliations, we noted that the Finance Director is a check signer and prepares the bank reconciliations. We reviewed the November 2021, March 2022 and June 2022 reconciliations and noted that the Finance Director prepared the reconciliations, however there was no indication that someone else had reviewed the reconciliations.

The Organization has a limited number of accounting staff, and there has been a considerable amount of turnover in the Finance Director position. Due to capacity concerns, no one has been trained to review the bank reconciliations. Without proper review, errors and irregularities may not be found timely, or may go unnoticed.

While we understand from a practical standpoint, the Finance Director did not sign checks or process accounts payable, and the Organization's policy requires all checks exceeding \$5,000 to be signed by two separate parties, in order to improve internal controls, we recommend that bank reconciliations be reviewed, in detail, by someone who is not the preparer. Another way to improve controls would be to determine if it is truly necessary for the Finance Director to have check signing authority. If required for emergency purposes, it would be better to assign the check signing authority to someone that does not have access to the accounting system and does not prepare bank reconciliations.

Management's Response:

Management has addressed this finding. The Finance Director is no longer a check signer, and the reconciliations are now prepared by the Staff Accountant, and reviewed by the Finance Director. The Revenue Accountant prepares the entries in the general ledger.

**MEALS ON WHEELS DIABLO REGION
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
JUNE 30, 2022**

2022-02: Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued several Accounting Standards Updates (ASUs) effective for upcoming fiscal years. The following is effective for fiscal year ending June 30, 2023:

FASB ASU 2016-02, *Leases*

This guidance requires entities to recognize right-to-use assets and lease obligation liabilities on the statement of financial position. This includes leases of all property, plant, and equipment and excludes (1) leases of intangible assets, (2) leases to explore for or use nonregenerative resources, (3) leases of biological assets, (4) leases of inventory, and (5) leases of assets under construction.

The lease obligation will be recorded at the present value of total fixed lease payments, and the right-to-use asset will be recorded at the initial lease obligation amount.

Management can elect to not recognize leases with a term of twelve months or less, and can also elect a threshold below which they do not record leases on the balance sheet – this threshold should be reasonable and not represent a material misstatement to the financial statements.

For presentation on the statement of activities, the lessee will determine whether a lease is a financing lease or an operating lease. Financing leases will recognize both amortization of the right-to-use asset and interest expense related to the lease obligation; amortization of the right-to-use asset is on a straight-line basis and the interest expense will decrease over time. Operating leases will recognize lease expense on a straight-line basis.

Financing leases will have at least one of the following characteristics:

- a. Lease term is for the major part of the remaining economic life of the underlying asset.
- b. Present value of the sum of the lease payments plus residual value guaranteed by the lessee equals or exceeds the fair value of the underlying asset.
- c. Grants the lessee an option to purchase the underlying asset which the lessee is reasonably certain to exercise.
- d. Transfers ownership of the underlying asset by the end of the lease term.
- e. Underlying asset is specialized and will have no alternative use to the lessor at the end of the lease term.

If the lease does not qualify as a financing lease, it is an operating lease. Typically leases of real property will be operating leases and leases of personal property will be financing leases.

Recommendation: Management should establish a threshold for recording leases under this Pronouncement, take an inventory of its leases, and prepare for recording any leases that exceed the threshold.

Management's Response:

Management will review this new accounting pronouncement, establish a threshold for recording leases, and implement for fiscal year ending June 30, 2023.

**MEALS ON WHEELS DIABLO REGION
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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INTRODUCTORY SECTION

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MEALS ON WHEELS DIABLO REGION
Financial Statements
For the Years Ended June 30, 2022 and 2021

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Meals on Wheels Diablo Region
Contra Costa County, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Meals on Wheels Diablo Region (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, respectively, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels Diablo Region as of June 30, 2022 and 2021, respectively, and the changes in its net assets and its cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Meals on Wheels Diablo Region and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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 the 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 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, on our consideration of the Meals on Wheels Diablo Region's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Meals on Wheels Diablo Region's internal control over financial reporting and compliance.

Maze & Associates

**MEALS ON WHEELS DIABLO REGION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	\$374,082	\$170,693
Contracts receivable	399,520	415,134
Prepaid expenses	35,221	47,864
Total Current Assets	808,823	633,691
Property and equipment, net (Note 5)	520,901	495,693
Other Assets:		
Investments (Note 4)	3,563,497	4,270,370
Loan fees		5,134
Total Other Assets	3,563,497	4,275,504
TOTAL ASSETS	\$4,893,221	\$5,404,888
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$46,161	\$110,430
Accrued liabilities	149,809	193,624
Total Current Liabilities	195,970	304,054
Long-Term Liabilities:		
Mortgage payable (Note 7)		367,626
Loan payable (Note 7)		359,197
Total Long-Term Liabilities		726,823
TOTAL LIABILITIES	195,970	1,030,877
Net Assets (Note 2E)		
Without donor restrictions:		
Designated (Note 6)	171,280	171,280
Undesignated	4,525,971	4,202,731
Total Net Assets	4,697,251	4,374,011
TOTAL LIABILITIES AND NET ASSETS	\$4,893,221	\$5,404,888

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
REVENUES AND SUPPORT				
Government contracts and grants	\$2,285,155		\$1,600,290	\$1,600,290
Foundations and corporations	847,520		1,229,079	1,229,079
Contributions and bequests	1,221,582		2,485,483	2,485,483
Special events, net (Note 8)	144,220		19,982	19,982
Net investment income (Note 4)	(31,570)		23,726	23,726
Miscellaneous revenue	144			
Net assets released from restrictions (Note 6)			18,577	(\$18,577)
Total Revenue and Support	4,467,051		5,377,137	(18,577)
EXPENSES				
Program services	3,694,313		3,161,578	3,161,578
Supporting services:				
Management and general	243,737		272,262	272,262
Fundraising	205,761		272,302	272,302
Total Supporting Services	449,498		544,564	544,564
Total Expenses	4,143,811		3,706,142	3,706,142
Changes in net assets	323,240		1,670,995	(18,577)
Net assets at beginning of year	4,374,011		2,703,016	18,577
Net assets at end of year	\$4,697,251		\$4,374,011	\$4,374,011

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	PROGRAM SERVICES					SUPPORTING SERVICES				Totals
	Cafes	Care Management	Fall Prevention	MOW	Other Program Services *	Total Program Services	Management & General	Fundraising	Total Supporting Services	
Salaries and related	\$301,676	\$329,896	\$196,929	\$1,177,575	\$532,100	\$2,538,176	\$142,286	\$142,286	\$284,572	\$2,822,748
Interest	1,247	1,624	1,062	5,779	2,246	11,958	655	654	1,309	13,267
Volunteer and travel	2,239	3,805	781	26,900	17,711	51,436	4,342	862	5,204	56,640
Printing and publication	3,697	3,158	2,065	11,555	5,801	26,276	1,586	1,514	3,100	29,376
Depreciation and amortization	5,068	6,081	4,561	23,819	8,615	48,144	1,520	1,014	2,534	50,678
Repairs and maintenance	3,192	1,928	1,230	10,641	2,506	19,497	758	757	1,515	21,012
Professional/outside services	12,981	15,865	9,752	57,126	20,467	116,191	24,940	11,454	36,394	152,585
Utilities	1,162	1,504	978	5,263	2,067	10,974	607	606	1,213	12,187
Insurance	5,732	7,467	4,883	26,234	10,324	54,640	2,101	2,101	4,202	58,842
Workers' comp. insurance	4,835	6,208	3,941	21,218	8,270	44,472	(8,395)	2,463	(5,932)	38,540
Telephone	4,395	4,930	3,022	16,435	7,487	36,269	1,769	1,769	3,538	39,807
Office	12,241	17,373	10,995	56,320	20,907	117,836	41,353	11,210	52,563	170,399
Postage	1,387	1,791	1,132	7,815	2,394	14,519	1,056	711	1,767	16,286
Property tax	4	5	3	17	7	36	2,754	2	2,756	2,792
Program expenses	28,703	13,207	126,402	387,412	40,856	596,580	218	179	397	596,977
Other expenses	836	979	685	3,554	1,255	7,309	26,187	28,179	54,366	61,675
Total Functional Expenses	\$389,395	\$415,821	\$368,421	\$1,837,663	\$683,013	\$3,694,313	\$243,737	\$205,761	\$449,498	\$4,143,811

* Includes the Friendly Visitors, Callers, Helpers, CalFresh Healthy Living and Outreach programs.

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	PROGRAM SERVICES					SUPPORTING SERVICES			Totals	
	Cafes	Care Management	Fall Prevention	MOW	Other Program Services *	Total Program Services	Management & General	Fundraising		Total Supporting Services
Salaries and related	\$238,150	\$325,333	\$168,624	\$938,688	\$387,331	\$2,058,126	\$80,178	\$132,316	\$212,494	\$2,270,620
Interest	2,220	2,638	1,386	7,560	2,740	16,544	949	954	1,903	18,447
Volunteer and travel	5,654	5,440	2,390	20,124	9,875	43,483	6,765	1,942	8,707	52,190
Printing and publication	1,719	2,059	1,258	9,561	2,892	17,489	18,586	85,338	103,924	121,413
Depreciation and amortization	5,738	6,886	5,165	26,970	9,755	54,514	1,722	1,148	2,870	57,384
Repairs and maintenance	1,680	1,984	1,188	11,669	1,824	18,345	701	702	1,403	19,748
Professional/outside services	24,593	28,959	15,017	83,869	29,454	181,892	129,750	4,936	134,686	316,578
Utilities	1,510	1,789	1,078	5,029	1,648	11,054	638	639	1,277	12,331
Insurance	4,361	5,149	2,659	14,517	5,221	31,907	1,842	1,841	3,683	35,590
Workers' comp. insurance	8,941	10,560	5,452	29,768	10,706	65,427	3,776	3,776	7,552	72,979
Telephone	4,427	5,537	3,417	14,602	5,293	33,276	1,794	1,703	3,497	36,773
Office	13,019	15,717	8,535	8,086	64,281	109,638	7,423	3,845	11,268	120,906
Postage	742	876	452	4,898	911	7,879	240	28,738	28,978	36,857
Property tax	212	251	129	706	5,421	6,719	90	3,669	3,759	10,478
Program expenses	16,420	25,337	151,187	302,738	254	495,936	14,643	244	14,887	510,823
Other expenses	1,218	1,701	744	4,241	1,445	9,349	3,165	511	3,676	13,025
Total Functional Expenses	\$330,604	\$440,216	\$368,681	\$1,483,026	\$539,051	\$3,161,578	\$272,262	\$272,302	\$544,564	\$3,706,142

FUNCTIONAL EXPENSES

* Includes the Friendly Visitors, Callers, Helpers, CallFresh Healthy Living and Outreach programs.

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$323,240	\$1,652,418
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Forgiven loan from SBA	(359,197)	
Changes in operating assets and liabilities:		
Depreciation and amortization	50,678	57,384
Net unrealized loss on investments	55,539	6,303
Decrease (increase) in contracts receivable	15,614	(111,792)
Decrease (increase) in prepaid expenses	12,643	(19,194)
(Decrease) increase in accounts payable	(64,269)	10,121
(Decrease) in accrued liabilities	(43,815)	(15,262)
Total Adjustments	(332,807)	(72,440)
Net Cash (Used) Provided by Operating Activities	(9,567)	1,579,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property	(70,753)	(30,902)
Purchases/redemptions of investments	651,335	(2,102,219)
Net Cash Provided (Used) by Investing Activities	580,582	(2,133,121)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on mortgage payable	(367,626)	(40,907)
Net Cash (Used) by Financing Activities	(367,626)	(40,907)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	203,389	(594,050)
Cash and cash equivalents, beginning of year	170,693	764,743
Cash and cash equivalents, end of year	\$374,082	\$170,693
Supplemental information:		
Cash payments for mortgage interest	\$13,267	\$18,447
Non-cash activity: Value of donated meals	\$2,967,645	\$2,459,533

See accompanying notes to financial statements

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**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 1 – REPORTING ENTITY

Reporting Entity and Nature of Activities

Meals on Wheels Diablo Region, a California nonprofit organization, provides supportive services at no charge to seniors residing in Contra Costa County, California. The Organization's mission is to enhance the quality of life for older adults through an umbrella of vital services. The Organization provides the following programs:

Cafes-

Provides lunch in a social setting at seven Contra Costa County sites.

Care Management-

Works with older adults and their families to assess needs and provide solutions to a myriad of issues including the prevention of elder abuse.

Fall Prevention-

Provides seniors with assistance in reducing preventable injuries, loss of independence, costs and deaths associated with falls through a variety of home inspections and modifications and balance-focused exercise programs.

Meals on Wheels-

Delivers meals to the homebound, frail individuals unable to shop or cook for themselves.

Other Program Services-

Provides companionship to isolated, primarily frail and elderly Contra Costa County residents through the Friendly Visitor and Friendly Caller volunteers and provides health education through the CalFresh Healthy Living to seniors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC), No. 958, *Financial Statements of Not-for-Profit Organizations*.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments which are not managed as part of long-term investment strategies. Separate bank accounts are maintained for the Meals on Wheels and Cafes Programs as specified in the contracts.

C. Concentration of Credit Risk

The Federal Deposit Insurance Corporation (“FDIC”) insures account balances at each insured institution. The Organization maintains deposit accounts with financial institutions and frequently carries balances that exceed FDIC insurance limits. At various times during the year, cash at these institutions could exceed federally insured limits. Cash and cash equivalents at June 30, 2022 and 2021, respectively, consisted of a checking and savings account. The balance at June 30, 2022 and June 30, 2021 were in excess of the Federal Deposit Insurance Corporation amount in total by \$46,114 and \$5,270, respectively. The Organization has not experienced any losses on its FDIC-insured accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Net Asset Classifications

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions: Net assets available for use in general operations that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions: Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with 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.

F. Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private association under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Organization paid no taxes on unrelated business income in the years ended June 30, 2022 and 2021, respectively.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization tax returns remain open for federal income tax examination for three years from the date of filing.

G. *Functional Allocation of Expenses*

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage. For certain such expenses, such as payroll costs, these estimates are based on time incurred in different activities. For other indirect expenses, an allocation has been made based upon salaries paid for each program.

H. *Fair Value Measurements*

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is defined as 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. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

The three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

I. Program Revenues and Donations

The Organization receives grant and contract support primarily from the U.S. Departments of Health and Human Services and Housing and Urban Development which are passed through Contra Costa County. In addition, certain clients provide voluntary contributions for the meals provided to them. The Organization also receives various contributions, including unconditional promises to give, which are recognized when received. All contributions are available for unrestricted use unless specifically restricted by donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In addition, Contra Costa County provides meals for the Organization's Meals on Wheels and Cafés programs. The value of the donated meals provided during the years ended June 30, 2022 and 2021 were approximately \$2,967,645 and \$2,459,533, respectively.

J. Contracts Receivable

Contracts receivable include amounts due from public services grantors. All amounts are considered by management to be collectible within one year.

K. Bad Debts

The Organization uses the direct write-off method to recognize bad debt expense.

L. Property and Equipment

Property and equipment are recorded at cost and contributed assets are carried at fair value at the date of the donation. The Organization capitalizes assets with a cost greater than \$500 and a life expectancy more than one year. Depreciation is provided on the straight-line method over estimated useful lives ranging from 5 to 30 years. Major additions and improve or extend the life of the respective assets are expensed when incurred. When assets are disposed, the related cost and accumulated depreciation are removed from the respective accounts. Any gain or loss on an item disposed is reflected in operating results.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Donated Services

The Organization recognizes the fair value of donated services if the services meet the recognition criteria which include a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. During the years ended June 30, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

The Organization is dependent upon services provided by volunteers. These services do not meet the recognition criteria. For the year ended June 30, 2022, an estimated 480 volunteers donated approximately 42,148 hours of service to sustain program activities. For the year ended June 30, 2021, an estimated 916 volunteers donated approximately 16,237 hours of service.

N. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through September 7, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events occurred since June 30, 2022 that requires recognition or disclosure in the financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of June 30:

	2022	2021
Cash in bank	\$373,880	\$170,631
Petty cash	202	62
Total	\$374,082	\$170,693

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Morgan Stanley:		
Equity securities	\$80,417	\$105,146
Money market fund	373,554	964,671
Certificates of deposit	<u>3,109,526</u>	<u>3,200,553</u>
Total	<u>\$3,563,497</u>	<u>\$4,270,370</u>

All investments of the Organization are valued at quoted market prices in active markets and valued using Level 1 inputs. The valuation methodologies used by the Organization may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Net investment income for the years ended June 30, consist of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$8,264	\$18,830
Realized gains (losses)	15,705	11,199
Unrealized gains (losses)	<u>(55,539)</u>	<u>(6,303)</u>
Total	<u>(\$31,570)</u>	<u>\$23,726</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Land	\$213,624	\$213,624
Building	915,883	915,883
Office furniture and equipment	139,994	137,345
Vehicles	<u>152,556</u>	<u>84,452</u>
Total assets	1,422,057	1,351,304
Less: Accumulated depreciation	<u>(901,156)</u>	<u>(855,611)</u>
Net Property and Equipment	<u>\$520,901</u>	<u>\$495,693</u>

Depreciation expense amounted to \$50,678 and \$57,384 for the years ended June 30, 2022 and 2021, respectively.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

During the year ended June 30, 2017, the Organization received a donation of \$83,600 for the installation of solar panels. The solar panels were capitalized as a fixed asset and therefore the temporary restrictions of the donation were lifted as the solar panels depreciated over its useful life. For the year ended June 30, 2021, the restrictions related to this donation release amounted to \$18,577 leaving the remaining restricted balance of \$0 as of June 30, 2021.

The Organization's Board of Directors had designated previously released endowment funds during the fiscal year ended 2013 in the amount of \$171,280, specifically to be used in the spirit of donors' original intent and they may not be released without board approval. These Board designated funds are reported as net assets without donor restrictions.

NOTE 7 – LONG-TERM DEBT

Mortgage Payable

On August 16, 2012, the Organization refinanced an existing mortgage loan in the amount of \$800,000. During the fiscal year ended June 30, 2019, the Organization received a restricted grant in the amount of \$200,000 with the requirement to repay a portion of this loan. This payment was made in May 2019.

The mortgage was payable in monthly installments of \$4,569 which included principal and interest at 4.7% through August 12, 2022, when the final balance of the note of \$330,031 was due on August 16, 2022. The note was secured by the Organization's headquarters.

On March 28, 2022, the Organization made one final lump sum payment of \$344,297 and fully paid off the mortgage loan.

Paycheck Protection Program Loan

In May 2020, the Organization received a \$359,197 loan from the U.S. Small Business Administration Paycheck Protection Program (PPP), with an interest rate of 1.0% that was to mature in May 2022. The loan was made pursuant to sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Section 1106 of the CARES Act provides that up to the full principal amount plus interest accrued on loans guaranteed under the PPP may qualify for forgiveness if the Organization uses the loan proceeds for forgivable purposes. In November 2021, the total amount of the loan was forgiven, and the amount was recognized as grant revenue.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 8 – SPECIAL EVENTS

The Organization holds various fundraising events during the year. The results of these events are as follows for fiscal years ending June 30:

	2022	2021
Income	\$200,517	\$24,982
Direct Expenses	(56,297)	(5,000)
Total	\$144,220	\$19,982

NOTE 9 – LEASE OBLIGATIONS

The Organization has one operating lease for office equipment which terminates in March 2024. The future minimum lease payments required under the lease as of June 30, 2022 as are follows:

Year Ended June 30	Amount
2023	\$10,900
2024	8,175
Total	\$19,075

NOTE 10 – RETIREMENT PLAN

The Organization has adopted a 401(k) Retirement Plan in which all employees are eligible for salary deferrals. The Organization provides a match contribution of 100% of employee elective deferrals (not to exceed 3% of total compensation) for employees who are at least 18 years of age, have worked for the Organization for more than three months, and who worked a minimum of 1,000 hours per year. Matching contributions begin to vest after two years and are 100% vested at three years. Effective July 1, 2021, the Organization has adopted the policy that matching contributions will vest after three years instead of two years.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following at June 30:

	2022	2021
Total current financial assets:		
Cash and cash equivalents	\$374,082	\$170,693
Contracts receivable	399,520	415,134
Investments	3,563,497	4,270,370
Total current financial assets	4,337,099	4,856,197
Contractual or donor-imposed restrictions:		
Current portion of long term debt	-	(38,383)
Board-designated funds	(171,280)	(171,280)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$4,165,819	\$4,646,534

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Contingent Grant Liabilities

The Organization's federal and State grant programs are subject to be audited by its auditors in accordance with the provisions of the Federal Single Audit Act, as amended, and applicable State requirements. The Organization expects any disallowances that might result to be immaterial.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

NOTE 13 – GOVERNMENT FINANCIAL ASSISTANCE

Grant revenues for the year ended June 30 are as follows:

U.S. Department of Health and Human Services

<u>Passed through CA Department of Aging:</u>	<u>Contract #</u>	<u>2022</u>	<u>2021</u>
Friendly Visitors Program	40-392	\$101,539	\$128,339
Friendly Visitors Program	40-436-01	33,923	40,926
Senior Nutrition	22-033	933,895	480,622
Senior Nutrition	22-137	191,055	140,261
Fall Prevention	40-414	48,049	78,327
Fall Prevention	40-409	51,641	56,766
Fall Prevention	40-432-00	18,834	70,022
Fall Prevention	40-435-00	15,816	23,724
Elder Abuse	40-388	93,841	87,128
CalFresh Healthy Living	40-407	109,236	54,177
Subtotal		<u>1,597,829</u>	<u>1,160,292</u>

U.S. Department of Housing and Urban Development

<u>Passed through:</u>	<u>2022</u>	<u>2021</u>
City of Antioch - CDBG	21,670	38,118
City of Concord - CDBG	20,000	50,000
City of Walnut Creek - CDBG	24,000	53,136
Contra Costa County - CDBG	68,805	235,562
Concord/Pleasant Hill Health Care District	24,000	25,300
Keller Canyon Fund	20,000	10,000
Subtotal	<u>178,475</u>	<u>412,116</u>

U.S. Department of Treasury

<u>Passed through:</u>	<u>2022</u>	<u>2021</u>
City of Antioch - ARPA	25,000	-
City of Brentwood - ARPA	2,500	-
Town of Danville -ARPA	100,000	-
Other - ARPA	5,000	-
Subtotal	<u>132,500</u>	<u>-</u>

City and County Grants

	<u>2022</u>	<u>2021</u>
Friendly Visitors Program	9,957	10,000
Senior Nutrition	6,000	6,000
Senior Nutrition	1,200	-
Fall Prevention	-	2,500
Fall Prevention	-	7,500
Elder Abuse	-	1,882
Subtotal	<u>17,157</u>	<u>27,882</u>
Total	<u>\$1,925,961</u>	<u>\$1,600,290</u>