

**MEALS ON WHEELS DIABLO REGION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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INTRODUCTORY SECTION

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MEALS ON WHEELS DIABLO REGION
Financial Statements
For the Year Ended June 30, 2020

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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

We have audited the accompanying financial statements of the Meals on Wheels Diablo Region (the Organization) which comprises the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 Organization'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 Organization'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, 2020, 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

The Organization's 2019 financial statements were audited by other auditors who expressed an unmodified audit opinion on those audited financial statements in their report dated March 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazze & Associates

Pleasant Hill, California
January 5, 2021

MEALS ON WHEELS DIABLO REGION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

| | 2020 | 2019 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents (Note 3) | \$764,743 | \$1,377,398 |
| Contracts receivable | 303,342 | 311,819 |
| Prepaid expenses | 28,670 | 19,281 |
| Total Current Assets | 1,096,755 | 1,708,498 |
| Property and equipment, net (Note 5) | 521,933 | 545,967 |
| Other Assets: | | |
| Investments (Note 4) | 2,174,453 | 612,667 |
| Loan fees | 5,377 | 5,619 |
| Total Other Assets | 2,179,830 | 618,286 |
| TOTAL ASSETS | \$3,798,518 | \$2,872,751 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$100,309 | \$83,464 |
| Accrued liabilities | 208,886 | 170,706 |
| Total Current Liabilities | 309,195 | 254,170 |
| Long-Term Liabilities: | | |
| Mortgage payable (Note 7) | 408,533 | 442,945 |
| Loan payable (Note 7) | 359,197 | |
| Total Long-Term Liabilities | 767,730 | 442,945 |
| TOTAL LIABILITIES | 1,076,925 | 697,115 |
| Net Assets (Note 2E) | | |
| Without donor restrictions: | | 2,138,481 |
| Designated (Note 6) | 171,280 | |
| Undesignated | 2,531,736 | |
| With donor restrictions (Note 6) | 18,577 | 37,155 |
| Total Net Assets | 2,721,593 | 2,175,636 |
| TOTAL LIABILITIES AND NET ASSETS | \$3,798,518 | \$2,872,751 |

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

| | 2020 | | | 2019 | | |
|--|-------------------------------|----------------------------|---------------------------|-------------------------------|----------------------------|---------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES AND SUPPORT | | | | | | |
| Government contracts and grants | \$1,244,610 | | \$1,244,610 | \$1,022,155 | \$200,000 | \$1,222,155 |
| Foundations and corporations | 904,776 | | 904,776 | 283,456 | | 283,456 |
| Contributions and bequests | 1,214,666 | | 1,214,666 | 1,192,451 | | 1,192,451 |
| Special events (Note 8) | 5,946 | | 5,946 | 13,002 | | 13,002 |
| Net investment income (Note 4) | 32,789 | | 32,789 | 22,542 | | 22,542 |
| Net assets released from restrictions (Note 6) | 18,578 | (\$18,578) | | 218,578 | (218,578) | |
| Total Revenue and Support | <u>3,421,365</u> | <u>(18,578)</u> | <u>3,402,787</u> | <u>2,752,184</u> | <u>(18,578)</u> | <u>2,733,606</u> |
| EXPENSES | | | | | | |
| Program services | 2,410,567 | | 2,410,567 | 2,050,811 | | 2,050,811 |
| Supporting services | | | | | | |
| Management and general | 227,278 | | 227,278 | 159,551 | | 159,551 |
| Fundraising | 218,985 | | 218,985 | 278,707 | | 278,707 |
| Total Supporting Services | <u>446,263</u> | | <u>446,263</u> | <u>438,258</u> | | <u>438,258</u> |
| Total Expenses | <u>2,856,830</u> | | <u>2,856,830</u> | <u>2,489,069</u> | | <u>2,489,069</u> |
| Changes in net assets | <u>564,535</u> | <u>(18,578)</u> | <u>545,957</u> | <u>263,115</u> | <u>(18,578)</u> | <u>244,537</u> |
| Net assets at beginning of year | <u>2,138,481</u> | <u>37,155</u> | <u>2,175,636</u> | <u>1,875,366</u> | <u>55,733</u> | <u>1,931,099</u> |
| Net assets at end of year | <u><u>\$2,703,016</u></u> | <u><u>\$18,577</u></u> | <u><u>\$2,721,593</u></u> | <u><u>\$2,138,481</u></u> | <u><u>\$37,155</u></u> | <u><u>\$2,175,636</u></u> |

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | | | Totals |
|-------------------------------|-----------------------------|--------------------|--------------------|------------------|--------------------------------|------------------------------|----------------------------|------------------|---------------------------------|--------------------|
| | Contra Costa Co. Café | Care Management | Fall Prevention | MOW | Other Program Services * | Total Program Services | Management & General | Fundraising | Total Supporting Services | |
| FUNCTIONAL EXPENSES | | | | | | | | | | |
| Salaries and related | \$266,852 | \$324,545 | \$158,128 | \$703,906 | \$256,920 | \$1,710,351 | \$204,277 | \$160,399 | \$364,676 | \$2,075,027 |
| Interest | 3,888 | 3,888 | 1,801 | 7,346 | 2,517 | 19,440 | 608 | 405 | 1,013 | 20,453 |
| Volunteer and travel | 2,790 | 5,356 | 3,718 | 22,542 | 9,155 | 43,561 | 178 | 119 | 297 | 43,858 |
| Printing and publication | 3,632 | 3,344 | 2,173 | 7,077 | 2,165 | 18,391 | | 43,253 | 43,253 | 61,644 |
| Depreciation and amortization | 10,491 | 10,491 | 4,969 | 19,878 | 6,626 | 52,455 | 1,656 | 1,104 | 2,760 | 55,215 |
| Repairs and maintenance | 4,302 | 2,958 | 1,345 | 8,174 | 2,870 | 19,649 | 470 | 314 | 784 | 20,433 |
| Professional/outside services | 33,427 | 34,108 | 15,476 | 65,820 | 21,952 | 170,783 | 9,358 | 6,238 | 15,596 | 186,379 |
| Utilities | 2,178 | 2,178 | 1,009 | 4,115 | 1,410 | 10,890 | 344 | 229 | 573 | 11,463 |
| Insurance | 7,941 | 7,980 | 3,678 | 12,106 | 5,140 | 36,845 | 1,254 | 836 | 2,090 | 38,935 |
| Workers' Comp. Insurance | 7,953 | 6,997 | 3,150 | 15,142 | 4,497 | 37,739 | 1,109 | 739 | 1,848 | 39,587 |
| Telephone | 5,625 | 6,465 | 2,494 | 11,945 | 5,090 | 31,619 | 934 | 623 | 1,557 | 33,176 |
| Office | 6,861 | 5,364 | 4,396 | 13,115 | 7,253 | 36,989 | 1,501 | 1,001 | 2,502 | 39,491 |
| Postage | 2,083 | 1,907 | 883 | 10,263 | 1,357 | 16,493 | 1,310 | 873 | 2,183 | 18,676 |
| Property tax | 422 | 391 | 181 | 740 | 253 | 1,987 | 62 | 41 | 103 | 2,090 |
| Program expenses | 10,948 | 12,264 | 47,378 | 29,985 | 12,304 | 112,879 | 369 | 246 | 615 | 113,494 |
| Other expenses | 18,675 | 18,527 | 8,680 | 34,804 | 9,810 | 90,496 | 3,848 | 2,565 | 6,413 | 96,909 |
| Total Functional Expenses | <u>\$388,068</u> | <u>\$446,763</u> | <u>\$259,459</u> | <u>\$966,958</u> | <u>\$349,319</u> | <u>\$2,410,567</u> | <u>\$227,278</u> | <u>\$218,985</u> | <u>\$446,263</u> | <u>\$2,856,830</u> |

* Includes the Friendly Visitor & SNAP-Ed programs.

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | | | |
|-------------------------------|-----------------------------|--------------------|--------------------|------------------|--------------------------------|------------------------------|----------------------------|------------------|---------------------------------|--------------------|
| | Contra Costa Co. Café | Care Management | Fall Prevention | MOW | Other Program Services * | Total Program Services | Management & General | Fundraising | Total Supporting Services | Totals |
| FUNCTIONAL EXPENSES | | | | | | | | | | |
| Salaries and related | \$266,098 | \$302,640 | \$150,698 | \$489,841 | \$131,681 | \$1,340,958 | \$141,065 | \$178,836 | \$319,901 | \$1,660,859 |
| Interest | 5,775 | 6,079 | 3,039 | 11,246 | 2,736 | 28,875 | 912 | 608 | 1,520 | 30,395 |
| Volunteer and travel | 9,134 | 9,615 | 4,807 | 17,787 | 4,327 | 45,670 | 1,442 | 961 | 2,403 | 48,073 |
| Printing and publication | 10,976 | 11,554 | 5,777 | 21,374 | 5,199 | 54,880 | 1,733 | 1,155 | 2,888 | 57,768 |
| Depreciation and amortization | 11,410 | 12,010 | 6,005 | 22,219 | 5,405 | 57,049 | 1,802 | 1,201 | 3,003 | 60,052 |
| Repairs and maintenance | 2,518 | 2,651 | 1,326 | 4,904 | 1,193 | 12,592 | 398 | 265 | 663 | 13,255 |
| Professional/outside services | 25,442 | 25,886 | 12,943 | 47,889 | 11,649 | 123,809 | 3,883 | 90,139 | 94,022 | 217,831 |
| Utilities | 2,248 | 2,367 | 1,183 | 4,378 | 1,065 | 11,241 | 355 | 237 | 592 | 11,833 |
| Insurance | 4,658 | 4,904 | 2,452 | 9,072 | 2,207 | 23,293 | 736 | 490 | 1,226 | 24,519 |
| Workers' Comp. Insurance | 6,583 | 5,581 | 2,790 | 20,330 | 2,511 | 37,795 | 837 | 558 | 1,395 | 39,190 |
| Telephone | 4,712 | 4,960 | 2,480 | 9,175 | 2,232 | 23,559 | 744 | 496 | 1,240 | 24,799 |
| Information technology | 5,631 | 5,927 | 2,964 | 10,965 | 2,667 | 28,154 | 889 | 593 | 1,482 | 29,636 |
| Office | 4,969 | 5,230 | 2,615 | 9,676 | 2,354 | 24,844 | 785 | 523 | 1,308 | 26,152 |
| Postage | 1,075 | 1,131 | 566 | 2,093 | 509 | 5,374 | 170 | 113 | 283 | 5,657 |
| Property tax | 209 | 220 | 110 | 407 | 99 | 1,045 | 33 | 22 | 55 | 1,100 |
| Program expenses-other | 25,112 | 40,377 | 102,379 | 46,461 | 17,344 | 231,673 | 3,767 | 2,510 | 6,277 | 237,950 |
| Total Functional Expenses | <u>\$386,550</u> | <u>\$441,132</u> | <u>\$302,134</u> | <u>\$727,817</u> | <u>\$193,178</u> | <u>\$2,050,811</u> | <u>\$159,551</u> | <u>\$278,707</u> | <u>\$438,258</u> | <u>\$2,489,069</u> |

* Includes the Friendly Visitor & SNAP-Ed programs.

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

| | 2020 | 2019 |
|--|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$545,957 | \$244,537 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Depreciation and amortization | 55,215 | 60,053 |
| Net unrealized (gain) loss investments | (13,918) | |
| Decrease (increase) in contracts receivable | 8,477 | (11,344) |
| (Increase) decrease in prepaid expenses | (9,389) | 3,064 |
| Increase in accounts payable | 16,845 | 69,628 |
| Increase in accrued liabilities | 38,180 | 43,832 |
| Total Adjustments | 95,410 | 165,233 |
| Net Cash Provided by Operating Activities | 641,367 | 409,770 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash payments for the purchase of property | (30,940) | (17,541) |
| Cash payments for the purchase of investments | (1,547,867) | (2,812) |
| Net Cash (Used) by Investing Activities | (1,578,807) | (20,353) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payment on long-term debt | (34,412) | (224,437) |
| Proceeds from SBA loan | 359,197 | |
| Net cash provided (used) by financing activities | 324,785 | (224,437) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (612,655) | 164,980 |
| Cash and cash equivalents, beginning of year | 1,377,398 | 1,212,418 |
| Cash and cash equivalents, end of year | \$764,743 | \$1,377,398 |
| Supplemental information: | | |
| Cash payments for mortgage interest | \$20,453 | \$30,395 |

See accompanying notes to financial statements

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**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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:

Meals on Wheels-

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

Contra Costa County Cafes-

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

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.

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.

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 Supplemental Nutrition Assistance Program Education 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 Year Ended June 30, 2020**

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 Contra Costa County Cafe 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, 2020 and 2019, consisted of a checking and savings account. The balance at June 30, 2020 and June 30, 2019 was in excess of the Federal Deposit Insurance Corporation amount in total by \$514,681 and \$1,127,336, 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, 2020 and 2019, respectively.

**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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 statement 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 Foundations develops inputs using the best information available in the circumstances.

**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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 CC Café programs. The value of the meals provided during the years ended June 30, 2020 and 2019 were approximately \$2,382,267 and \$1,608,351, respectively, in donated meals.

J. Contracts Receivable

Contract receivables include amounts due from public services grantors. All amounts are considered by management to be collected 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 Year Ended June 30, 2020**

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, 2020 and 2019, 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, 2020, an estimated 617 volunteers donated approximately 59,035 hours of service to sustain program activities. For the year ended June 30, 2019, an estimated 1,193 volunteers donated approximately 47,504 hours of service.

N. Reclassifications

Certain reclassifications have been made to the prior year's comparative information to conform to the presentation of the current financial statements. The reclassifications have no effect on the classes of net assets or the change in net assets for the prior year.

O. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through January 5, 2020, the date which these financial statements were available to be issued. Management concluded that no material subsequent events occurred since June 30, 2020 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:

| | 2020 | 2019 |
|---------------------------|-----------|-------------|
| Cash and cash equivalents | \$764,681 | \$1,377,336 |
| Petty cash | 62 | 62 |
| Total | \$764,743 | \$1,377,398 |

**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|-------------------------|------------------------|----------------------|
| Morgan Stanley: | | |
| Mutual funds | | \$99,025 |
| Equity securities | \$145,984 | 49,429 |
| Money market fund | 265,071 | 464,213 |
| Certificates of deposit | <u>1,763,398</u> | |
| Total | <u>\$2,174,453</u> | <u>\$612,667</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.

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

| | <u>2020</u> | <u>2019</u> |
|---------------------------|---------------------|---------------------|
| Interest and dividends | \$20,342 | \$31,579 |
| Realized gains (losses) | (1,471) | 7,751 |
| Unrealized gains (losses) | 13,918 | (15,479) |
| Investment expense | | <u>(1,309)</u> |
| Total | <u>\$32,789</u> | <u>\$22,542</u> |

**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 5 – PROPERTY AND EQUIPMENT

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

| | 2020 | 2019 |
|--------------------------------|-----------|-----------|
| Land | \$213,624 | \$213,624 |
| Building | 915,884 | 915,884 |
| Office furniture and equipment | 133,634 | 102,694 |
| Vehicles | 57,260 | 57,260 |
| Total assets | 1,320,402 | 1,289,462 |
| Less: Accumulated depreciation | (798,469) | (743,495) |
| Net Property and Equipment | \$521,933 | \$545,967 |

Depreciation expense amounted to \$54,974 and \$59,810 for the year ended June 30, 2020 and 2019, respectively.

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 will be lifted as the solar panels depreciate over its useful life. For the years ended June 30, 2020 and 2019, respectively, the restrictions related to this donation released amounted to \$18,578 in each year. For fiscal year ended June 30, 2019, an additional \$200,000 of government grants were released from restriction for time or purpose.

Net assets with donor restrictions outstanding for the years ended June 30, 2020 and 2019 are as follows:

| Description | 2020 | 2019 |
|---------------------|----------|----------|
| Solar Project Funds | \$18,577 | \$37,155 |

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.

**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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

Future annual mortgage payments due as of June 30:

| June 30 | Amount |
|---------|-----------|
| 2021 | \$36,293 |
| 2022 | 38,035 |
| 2023 | 334,205 |
| Total | \$408,533 |

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 matures 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.

The Organization intends to spend the funds in accordance with the guidelines that will make the loan forgivable.

NOTE 8 – SPECIAL EVENTS

The Organization holds various fundraising events during the year. The results of these events held in 2020 and 2019 are as follows:

| | June 30, 2020 | June 30, 2019 |
|-----------------|------------------|------------------|
| Income | \$9,197 | \$17,251 |
| Direct Expenses | (3,251) | (4,249) |
| Total | \$5,946 | \$13,002 |

**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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, 2020 as are follows:

| Year Ended June 30 | Amount |
|--------------------|----------|
| 2021 | \$10,900 |
| 2022 | 10,900 |
| 2023 | 10,900 |
| 2024 | 8,175 |
| Total | \$40,875 |

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 (note 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 six years.

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:

| | 2020 | 2019 |
|---|-------------|-------------|
| Total current financial assets: | | |
| Cash and cash equivalents | \$764,743 | \$1,377,398 |
| Contracts receivable | 303,342 | 311,819 |
| Investments | 2,174,453 | 612,667 |
| Total current financial assets | 3,242,538 | 2,301,884 |
| Contractual or donor-imposed restrictions: | | |
| Current portion of long term debt | (36,293) | (34,629) |
| Donor-imposed restrictions | (18,577) | (37,155) |
| Financial Assets Available to Meet Cash Needs for Expenditures Within One Year | \$3,187,668 | \$2,230,100 |

**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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.

COVID-19 Global Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, equity markets have significantly declined from their historically high levels. The ultimate financial impact and duration cannot be reasonable estimated at this time, therefore, no contingencies have currently been recorded in these financial statements.

**MEALS ON WHEELS
DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 13 – GOVERNMENT FINANCIAL ASSISTANCE

Grant revenues for the year ended June 30, 2020 are as follows:

U.S. Department of Health and Human Services

| <u>Passed through CA Department of Aging:</u> | <u>Contract #</u> | <u>Amount</u> |
|---|-------------------|------------------|
| Friendly Visitors Program | 40-392 | \$117,506 |
| Senior Nutrition | 22-033 | 502,209 |
| Senior Nutrition | 22-137 | 192,576 |
| Fall Prevention | 40-414 | 57,587 |
| Fall Prevention | 40-409 | 17,467 |
| Elder Abuse | 40-388 | 87,564 |
| Supplementary Nutrition Assistance Program Education | 40-407 | 61,891 |
| Subtotal | | <u>1,036,800</u> |

U.S. Department of Housing and Urban Development

| <u>Passed through:</u> | <u>Amount</u> |
|--|----------------|
| City of Antioch - CDBG | 20,000 |
| City of Concord - CDBG | 11,426 |
| City of Walnut Creek - CDBG | 40,193 |
| Contra Costa County - CDBG | 29,827 |
| Concord/Pleasant Hill Health Care District | 31,205 |
| Keller Canyon Fund | 10,000 |
| Subtotal | <u>142,651</u> |

City and County Grants

| | <u>Amount</u> |
|---------------------------|---------------------------|
| Friendly Visitors Program | 10,000 |
| Senior Nutrition | 6,000 |
| Senior Nutrition | 5,000 |
| Fall Prevention | 32,214 |
| Fall Prevention | 8,000 |
| Elder Abuse | 4,250 |
| Subtotal | <u>65,464</u> |
| Total | <u><u>\$1,244,915</u></u> |

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