

**MEALS ON WHEELS DIABLO REGION
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

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MEALS ON WHEELS DIABLO REGION

REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2021

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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, 2021. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and Uniform Guidance.

Significant Audit Findings

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.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered 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 affecting the Organization's financial statements is its estimate of depreciation and allocation of functional expenses to Management & General and Fundraising.

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 difficulties in dealing with management in performing and completing our audit.

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. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Organization's financial reporting process.

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 February 17, 2022.

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.



Pleasant Hill, California
February 17, 2022

**MEALS ON WHEELS DIABLO REGION
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2021**

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

For The Year Ended June 30, 2021

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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 the Meals on Wheels Diablo Region as of and for the year ended June 30, 2021, 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. 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 and the Board of Directors, 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'.

Pleasant Hill, California
February 17, 2022

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**MEALS ON WHEELS DIABLO REGION
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
JUNE 30, 2021**

2021-01: 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, 2022:

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.

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**MEALS ON WHEELS DIABLO REGION
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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INTRODUCTORY SECTION

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MEALS ON WHEELS DIABLO REGION
Financial Statements
For the Years Ended June 30, 2021 and 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 statements of financial position as of June 30, 2021 and 2020, respectively, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinions.

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, 2021 and 2020, respectively, 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.

Pleasant Hill, California
February 17, 2022

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**MEALS ON WHEELS DIABLO REGION
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	\$170,693	\$764,743
Contracts receivable	415,134	303,342
Prepaid expenses	<u>47,864</u>	<u>28,670</u>
Total Current Assets	<u>633,691</u>	<u>1,096,755</u>
Property and equipment, net (Note 5)	<u>495,693</u>	<u>521,933</u>
Other Assets:		
Investments (Note 4)	4,270,370	2,174,453
Loan fees	<u>5,134</u>	<u>5,377</u>
Total Other Assets	<u>4,275,504</u>	<u>2,179,830</u>
TOTAL ASSETS	<u><u>\$5,404,888</u></u>	<u><u>\$3,798,518</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$110,430	\$100,309
Accrued liabilities	<u>193,624</u>	<u>208,886</u>
Total Current Liabilities	<u>304,054</u>	<u>309,195</u>
Long-Term Liabilities:		
Mortgage payable (Note 7)	367,626	408,533
Loan payable (Note 7)	<u>359,197</u>	<u>359,197</u>
Total Long-Term Liabilities	<u>726,823</u>	<u>767,730</u>
TOTAL LIABILITIES	<u>1,030,877</u>	<u>1,076,925</u>
Net Assets (Note 2E)		
Without donor restrictions:		
Designated (Note 6)	171,280	171,280
Undesignated	4,202,731	2,531,736
With donor restrictions (Note 6)	<u>18,577</u>	<u>18,577</u>
Total Net Assets	<u>4,374,011</u>	<u>2,721,593</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$5,404,888</u></u>	<u><u>\$3,798,518</u></u>

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
REVENUES AND SUPPORT				
Government contracts and grants	\$1,600,290		\$1,244,610	\$1,244,610
Foundations and corporations	1,229,079		904,776	904,776
Contributions and bequests	2,485,483		1,214,666	1,214,666
Special events, net (Note 8)	19,982		5,946	5,946
Net investment income (Note 4)	23,726		32,789	32,789
Net assets released from restrictions (Note 6)	18,577	(\$18,577)	18,578	(\$18,578)
Total Revenue and Support	5,377,137	(18,577)	3,421,365	(18,578)
EXPENSES				
Program services	3,161,578		2,410,567	2,410,567
Supporting services				
Management and general	272,262		227,278	227,278
Fundraising	272,302		218,985	218,985
Total Supporting Services	544,564		446,263	446,263
Total Expenses	3,706,142		2,856,830	2,856,830
Changes in net assets	1,670,995	(18,577)	564,535	(18,578)
Net assets at beginning of year	2,703,016	18,577	2,138,481	37,155
Net assets at end of year	\$4,374,011		\$2,703,016	\$18,577

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		
	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
Interest	2,220	2,638	1,386	7,560	2,740	16,544	949	954	1,903
Volunteer and travel	5,654	5,440	2,390	20,124	9,875	43,483	6,765	1,942	8,707
Printing and publication	1,719	2,059	1,258	9,561	2,892	17,489	18,586	85,338	103,924
Depreciation and amortization	5,738	6,886	5,165	26,970	9,755	54,514	1,722	1,148	2,870
Repairs and maintenance	1,680	1,984	1,188	11,669	1,824	18,345	701	702	1,403
Professional/outside services	24,593	28,959	15,017	83,869	29,454	181,892	129,750	4,936	134,686
Utilities	1,510	1,789	1,078	5,029	1,648	11,054	638	639	1,277
Insurance	4,361	5,149	2,659	14,517	5,221	31,907	1,841	1,841	3,683
Workers' Comp. Insurance	8,941	10,560	5,452	29,768	10,706	65,427	3,776	3,776	7,552
Telephone	4,427	5,537	3,417	14,602	5,293	33,276	1,794	1,703	3,497
Office	13,019	15,717	8,535	8,086	64,281	109,638	7,423	3,845	11,268
Postage	742	876	452	4,898	911	7,879	240	28,738	28,978
Property tax	212	251	129	706	5,421	6,719	90	3,669	3,759
Program expenses	16,420	25,337	151,187	302,738	254	495,936	14,643	244	14,887
Other expenses	1,218	1,701	744	4,241	1,445	9,349	3,165	511	3,676
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 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, 2020**

	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	\$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	\$388,068	\$446,763	\$259,459	\$966,958	\$349,319	\$2,410,567	\$227,278	\$218,985	\$446,263	\$2,856,830

FUNCTIONAL EXPENSES

* Includes the Friendly Visitor & SNAP-Eld programs.

See accompanying notes to financial statements

**MEALS ON WHEELS DIABLO REGION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	<u>\$1,652,418</u>	<u>\$545,957</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Depreciation and amortization	57,384	55,215
Net unrealized (gain) loss investments	6,303	(13,918)
(Increase) decrease in contracts receivable	(111,792)	8,477
(Increase) in prepaid expenses	(19,194)	(9,389)
Increase in accounts payable	10,121	16,845
(Decrease) increase in accrued liabilities	<u>(15,262)</u>	<u>38,180</u>
Total Adjustments	<u>(72,440)</u>	<u>95,410</u>
Net Cash Provided by Operating Activities	<u>1,579,978</u>	<u>641,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property	(30,902)	(30,940)
Purchases of investments	<u>(2,102,219)</u>	<u>(1,547,867)</u>
Net Cash (Used) by Investing Activities	<u>(2,133,121)</u>	<u>(1,578,807)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on mortgage payable	(40,907)	(34,412)
Proceeds from SBA loan		<u>359,197</u>
Net Cash Provided (Used) by Financing Activities	<u>(40,907)</u>	<u>324,785</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(594,050)	(612,655)
Cash and cash equivalents, beginning of year	<u>764,743</u>	<u>1,377,398</u>
Cash and cash equivalents, end of year	<u><u>\$170,693</u></u>	<u><u>\$764,743</u></u>
Supplemental information:		
Cash payments for mortgage interest	\$18,447	\$20,453
Non-cash activity: Value of donated meals	\$2,459,533	\$2,382,267

See accompanying notes to financial statements

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

Cafes-

Provides lunch in a social setting at five 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, 2021 and 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 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, 2021 and 2020, respectively, consisted of a checking and savings account. The balance at June 30, 2021 and June 30, 2020 were in excess of the Federal Deposit Insurance Corporation amount in total by \$5,270 and \$514,681, 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, 2021 and 2020, respectively.

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 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 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, 2021 and 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, 2021 and 2020 were approximately \$2,459,533 and \$2,382,267, respectively, in donated meals.

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, 2021 and 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, 2021 and 2020, 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, 2021, an estimated 916 volunteers donated approximately 16,237 hours of service to sustain program activities. For the year ended June 30, 2020, an estimated 617 volunteers donated approximately 59,035 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 February 17, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events occurred since June 30, 2021 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:

	2021	2020
Cash in bank	\$170,631	\$764,681
Petty cash	62	62
Total	\$170,693	\$764,743

MEALS ON WHEELS DIABLO REGION NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2021 and 2020

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

	2021	2020
Morgan Stanley:		
Equity securities	\$105,146	\$145,984
Money market fund	964,671	265,071
Certificates of deposit	3,200,553	1,763,398
Total	\$4,270,370	\$2,174,453

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:

	2021	2020
Interest and dividends	\$18,830	\$20,342
Realized gains (losses)	11,199	(1,471)
Unrealized gains (losses)	(6,303)	13,918
Total	\$23,726	\$32,789

MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$213,624	\$213,624
Building	915,883	915,884
Office furniture and equipment	137,345	133,634
Vehicles	84,452	57,260
Total assets	<u>1,351,304</u>	<u>1,320,402</u>
Less: Accumulated depreciation	<u>(855,611)</u>	<u>(798,469)</u>
Net Property and Equipment	<u>\$495,693</u>	<u>\$521,933</u>

Depreciation expense amounted to \$57,142 and \$54,974 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, respectively, the restrictions related to this donation released amounted to \$18,578 in each year.

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
Solar Project Funds	\$0	\$18,577

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 Years Ended June 30, 2021 and 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
2022	\$38,383
2023	329,243
Total	\$367,626

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. As of November 2021, the total amount of the loan has been forgiven.

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:

	2021	2020
Income	\$24,982	\$9,197
Direct Expenses	(5,000)	(3,251)
Total	\$19,982	\$5,946

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 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, 2021 as are follows:

Year Ended June 30	Amount
2022	\$10,900
2023	10,900
2024	8,175
Total	\$29,975

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.

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:

	2021	2020
Total current financial assets:		
Cash and cash equivalents	\$170,693	\$764,743
Contracts receivable	415,134	303,342
Investments	4,270,370	2,174,453
Total current financial assets	4,856,197	3,242,538
Contractual or donor-imposed restrictions:		
Current portion of long term debt	(38,383)	(36,293)
Board-designated funds	(171,280)	(171,280)
Donor-imposed restrictions	(18,577)	(18,577)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$4,646,534	\$3,016,388

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

NOTE 12 – 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>2021</u>	<u>2020</u>
Friendly Visitors Program	40-392	\$128,339	\$117,506
Friendly Visitors Program	40-436-01	40,926	-
Senior Nutrition	22-033	480,622	502,209
Senior Nutrition	22-137	140,261	192,576
Fall Prevention	40-414	78,327	57,587
Fall Prevention	40-409	56,766	17,467
Fall Prevention	40-432-00	70,022	-
Fall Prevention	40-435-00	23,724	-
Elder Abuse	40-388	87,128	87,564
CalFresh Healthy Living	40-407	54,177	61,891
Subtotal		<u>1,160,292</u>	<u>1,036,800</u>

U.S. Department of Housing and Urban Development

<u>Passed through:</u>	<u>2021</u>	<u>2020</u>
City of Antioch - CDBG	38,118	20,000
City of Concord - CDBG	50,000	11,426
City of Walnut Creek - CDBG	53,136	40,193
Contra Costa County - CDBG	235,562	29,827
Concord/Pleasant Hill Health Care District	25,300	31,205
Keller Canyon Fund	10,000	10,000
Subtotal	<u>412,116</u>	<u>142,651</u>

City and County Grants

	<u>2021</u>	<u>2020</u>
Friendly Visitors Program	10,000	10,000
Senior Nutrition	6,000	6,000
Senior Nutrition	-	5,000
Fall Prevention	2,500	32,214
Fall Prevention	7,500	8,000
Elder Abuse	1,882	4,250
Subtotal	<u>27,882</u>	<u>65,464</u>
Total	<u>\$1,600,290</u>	<u>\$1,244,915</u>

**MEALS ON WHEELS DIABLO REGION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

NOTE 13 – 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.

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