

Audited Financial Statements

Meals On Wheels West

June 30, 2010

Quigley & Miron

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Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 317
528 Arizona Avenue
Santa Monica, California 90401

Telephone: (310) 394-6687
Facsimile: (310) 394-6027

REPORT OF INDEPENDENT AUDITORS

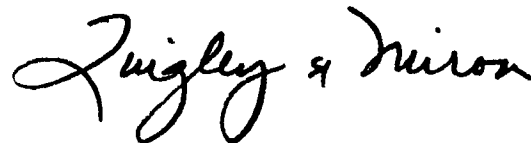
Board of Directors
Meals on Wheels West
Santa Monica, California

We have audited the accompanying statement of financial position of Meals on Wheels West (Organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels West as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Santa Monica, California
February 28, 2011



MEALS ON WHEELS WEST
STATEMENT OF FINANCIAL POSITION
June 30, 2010
(with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 126,861	\$ 135,907
Certificates of deposit	205,914	204,000
Grants receivable	17,781	10,000
Prepaid expenses	<u>4,495</u>	<u>4,495</u>
TOTAL CURRENT ASSETS	355,051	354,402
PROPERTY AND EQUIPMENT, NET		
Furniture and equipment	33,448	45,053
Leasehold improvements	<u>29,911</u>	<u>29,911</u>
	63,359	74,964
Less accumulated depreciation	<u>(41,040)</u>	<u>(43,554)</u>
NET PROPERTY AND EQUIPMENT	<u>22,319</u>	<u>31,410</u>
TOTAL ASSETS	<u>\$ 377,370</u>	<u>\$ 385,812</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 15,888	\$ 13,415
Accrued payroll expense	7,716	5,130
Accrued vacation pay expense	16,609	15,339
Capital lease obligation		3,852
Deferred lease incentive	<u>19,110</u>	<u>18,086</u>
TOTAL CURRENT LIABILITIES	59,323	55,822
COMMITMENTS--Note 2		
NET ASSETS		
Unrestricted	318,047	319,990
Temporarily restricted		<u>10,000</u>
TOTAL NET ASSETS	<u>318,047</u>	<u>329,990</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 377,370</u>	<u>\$ 385,812</u>

See notes to financial statements.

MEALS ON WHEELS WEST
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010
(with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Public Support and Revenue		
Contributions	\$ 365,094	\$ 298,003
Government grants	148,318	139,839
Meal fees	131,606	149,084
In-kind contributed meals	18,813	19,520
Fundraising events, net--Note 3	9,928	14,067
Dividend and interest income	<u>2,786</u>	<u>8,953</u>
TOTAL PUBLIC SUPPORT AND REVENUE	676,545	629,466
Net assets released from restrictions	<u>10,000</u>	<u> </u>
TOTAL PUBLIC SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	686,545	629,466
Expenses		
Program services	503,777	501,025
Management and general	69,739	74,827
Fund development	<u>114,972</u>	<u>72,431</u>
TOTAL EXPENSES	<u>688,488</u>	<u>648,283</u>
DECREASE IN UNRESTRICTED NET ASSETS	(1,943)	(18,817)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions		10,000
Net assets released from restrictions	<u>(10,000)</u>	<u> </u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(10,000)</u>	<u>10,000</u>
DECREASE IN NET ASSETS	(11,943)	(8,817)
NET ASSETS AT BEGINNING OF YEAR	<u>329,990</u>	<u>338,807</u>
NET ASSETS AT END OF YEAR	<u>\$ 318,047</u>	<u>\$ 329,990</u>

See notes to financial statements.

MEALS ON WHEELS WEST
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010
(with comparative totals for 2009)

EXPENSES	<u>Supporting Services</u>			<u>Totals</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>2010</u>	<u>2009</u>
Personnel					
Salaries	\$ 192,498	\$ 30,000	\$ 27,500	\$ 249,998	\$ 198,686
Payroll taxes	15,010	2,339	2,144	19,493	16,189
Employee benefits	15,247	2,376	2,178	19,801	18,103
TOTAL PERSONNEL	222,755	34,715	31,822	289,292	232,978
Non-personnel					
Cost of meals	192,028			192,028	190,658
Depreciation	8,642	1,347	1,235	11,224	11,352
Insurance	3,325	518	475	4,318	4,642
Membership dues		3,204		3,204	1,665
Occupancy	34,163	5,324	4,881	44,368	44,062
Professional fees	13,519	19,020	29,820	62,359	52,716
Supplies	26,112	5,107	46,277	77,496	104,868
Telephone	2,553	398	365	3,316	3,151
Travel	680	106	97	883	2,191
TOTAL NON-PERSONNEL	281,022	35,024	83,150	399,196	415,305
TOTALS	\$ 503,777	\$ 69,739	\$ 114,972	\$ 688,488	\$ 648,283

See notes to financial statements.

MEALS ON WHEELS WEST
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010
(with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (11,943)	\$ (8,817)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	11,224	11,352
Changes in operating assets and liabilities:		
Increase in:		
Grants receivable	(7,781)	(10,000)
Increase in:		
Accounts payable	2,473	1,211
Accrued payroll expense	2,586	744
Accrued vacation pay expense	1,270	3,956
Deferred lease incentive	<u>1,024</u>	<u>2,323</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,147)	769
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(1,914)	(204,000)
Purchases of property and equipment	<u>(2,133)</u>	<u>(13,292)</u>
NET CASH USED IN INVESTING ACTIVITIES	(4,047)	(217,292)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital lease obligation		4,623
Repayments on capital lease obligation	<u>(3,852)</u>	<u>(771)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(3,852)</u>	<u>3,852</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(9,046)	(212,671)
BEGINNING CASH AND CASH EQUIVALENTS	<u>135,907</u>	<u>348,578</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 126,861</u>	<u>\$ 135,907</u>
SUPPLEMENTARY DISCLOSURES		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

MEALS ON WHEELS WEST
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities--Meals on Wheels West (Organization), formerly known as Santa Monica/Malibu Meals on Wheels, was operated as a program of the Westside Interfaith Council prior to July 1, 1996. The program started on April 22, 1974 for the purpose of providing nutritious meals at a nominal cost to the disabled, elderly and the homebound in need of service in the Santa Monica, Malibu, Pacific Palisades and Topanga Canyon geographic area. On March 6, 1996, Meals on Wheels West incorporated as a not for profit corporation for the purpose of operating as a separate entity effective July 1, 1996. The major sources of public support and revenue are fees collected for meals (20% in 2010 and 24% in 2009), private contributions (55% in 2010 and 49% in 2009) and government grants (20% in 2010 and 22% in 2009).

Contributions--Non-reciprocal contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. It is the policy of the Organization to record restricted support as unrestricted support where the donor-restrictions have been satisfied within the reporting period.

Income Taxes--The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Under Accounting Standards Codification (ASC) 740, *Income Taxes*, an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. Management has evaluated its tax positions using the guidance of ASC Topic 450, *Contingencies*, and has concluded that a provision for a tax liability is not necessary at June 30, 2010 and 2009.

Cash and Cash Equivalents--The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk--The Organization maintains cash balances at a high quality financial institution, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances of the Organization exceeded the FDIC limit by approximately \$100,000 at June 30, 2010.

MEALS ON WHEELS WEST
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
--Continued

Property and Equipment--Property and equipment is stated at cost when purchased, or at estimated fair market value at the date of bequest or gift. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, principally 5 years. Amortization of equipment purchased under capital lease obligations is included in depreciation expense. It is the Organization's policy to expense items purchased or donated with values less than \$500.

Donated Materials and Services--The Organization records the value of donated food at the time of donation. No amounts have been reflected in the statements for the value of donated services as no objective basis is available to measure the value of such services and they do not create or enhance a non-financial asset. Nevertheless, a substantial number of volunteers donated significant amounts of time to the Organization. The estimated total hours for program services for the years ended June 30, 2010 and 2009 is 25,000. Using an average hourly wage of \$8.00, the total estimated annual value of such donated services is approximately \$200,000.

Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications--Certain amounts in 2009 have been reclassified to conform with the 2010 financial statement presentation.

Comparative Totals for 2009--The accompanying financial statements include certain prior-year summarized comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2009, from which the summarized information was derived.

MEALS ON WHEELS WEST
 NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 2--COMMITMENTS

The Organization rents office space in Santa Monica, California under a noncancellable operating lease agreement (Agreement) which commenced on November 1, 2005 and expires on October 31, 2015. The Organization retains the option to extend the term of the Agreement for two additional sixty month periods with advance written notice of no less than six months. The conditional rental rate would initially be based on a market rental value adjustment on November 1, 2006 with annual minimum 5% increases or cost of living adjustments, whichever is higher, on the anniversary through November 1, 2014. The cost of living adjustments are based on the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor. Additionally, the Organization rented equipment under a noncancellable operating lease that commenced in January 2006 and expired in December 2010. Future minimum annual rental payments under these lease agreements are as follows:

<u>Year Ending June 30,</u>		
2011	\$	29,659
2012		30,070
2013		31,573
2014		33,152
2015		34,809
Thereafter		<u>11,790</u>
	TOTAL \$	<u><u>171,053</u></u>

Rent expense for the new Santa Monica location is recognized on a straight-line basis over the lease terms based on the total payments required under the lease. The deferred lease incentive amounts of \$19,110 and \$18,086 at June 30, 2010 and 2009, respectively, represent the cumulative difference between the amounts paid and amounts expensed under the lease.

Rental expense related to the above leases for the years ended June 30, 2010 and 2009 was \$27,003 and \$29,250, respectively.

NOTE 3--FUNDRAISING EVENTS, NET

Net income for the various fundraising events held during the years ended June 30, 2010 and 2009, respectively, consists of the following:

	<u>2010</u>	<u>2009</u>
Fundraising events income	\$ 12,328	\$ 16,804
Less related fundraising events expenses	<u>(2,400)</u>	<u>(2,737)</u>
NET	<u>\$ 9,928</u>	<u>\$ 14,067</u>

MEALS ON WHEELS WEST
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 4--OFFICER FRINGE BENEFIT

The Organization contributes to a salary reduction account for its executive director, which is maintained pursuant to Internal Revenue Code Section 403(b). This account is held through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Contribution expense for the years ended June 30, 2010 and 2009 amounted to \$5,200 and \$4,750, respectively.

NOTE 5--FAIR VALUE MEASUREMENTS

The Organization adopted Accounting Standards Codification (ASC) 840, *Fair Value Measurements and Disclosures*, on July 1, 2008, with no material impact to the financial statements. ASC 840 requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosure about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value. ASC 840 applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

Level 1--Quoted market prices in active markets for identical assets or liabilities.

Level 2--Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3--Unobservable inputs that are not corroborated by market data.

The estimated fair values of the Organization's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Assets measured at fair value on a recurring basis consist of certificates of deposit with a fair value of \$205,914 and \$204,000 at June 30, 2010 and 2009, respectively; the certificates of deposit are considered Level 2.

MEALS ON WHEELS WEST
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 6--CAPITAL LEASE OBLIGATION

In May 2009, the Organization negotiated a capital lease agreement with an equipment leasing company for a computer network server. This agreement, totaling \$4,623, required monthly payments of \$385, at no interest, through April 2010. The capital lease was paid in full as of April 2010. As of June 30, 2010, this equipment had an accumulated depreciation of \$3,082, resulting in a net book value of \$1,541.

NOTE 7--CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although, that is a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

NOTE 8--SUBSEQUENT EVENTS

Subsequent events were evaluated through February 28, 2011, which is the date the financial statements were available to be issued.