

**MEALS ON WHEELS WEST**  
(A Nonprofit California Corporation)

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**FINANCIAL STATEMENTS**

June 30, 2020



**MEALS ON WHEELS WEST**  
**(A Nonprofit California Corporation)**

**T A B L E O F C O N T E N T S**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Meals On Wheels West  
Santa Monica, California

We have audited the accompanying financial statements of Meals On Wheels West (a nonprofit California corporation), which comprise 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.

### Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals On Wheels West 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.



Long Beach, California  
April 1, 2021

**MEALS ON WHEELS WEST**  
**(A Nonprofit California Corporation)**  
**STATEMENT OF FINANCIAL POSITION**  
As of June 30, 2020

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**ASSETS**

Current assets:

Cash and cash equivalents	\$ 585,057
Investments, at fair value	571,288
Contributions receivable	68,099
Meal fees receivable	12,330
Prepaid expenses and other current assets	<u>18,373</u>
 Total current assets	 1,255,147
 Property and equipment, net	 <u>8,784</u>
 Total assets	 <u>\$ 1,263,931</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable and accrued expenses	\$ 38,946
Note payable, PPP loan	<u>72,590</u>
 Total current liabilities	 <u>111,536</u>
 Total liabilities	 <u>111,536</u>
 Commitments and contingencies	
 Net assets:	
Without donor restrictions	1,088,764
With donor restrictions	<u>63,631</u>
 Total net assets	 <u>1,152,395</u>
 Total liabilities and net assets	 <u>\$ 1,263,931</u>

**MEALS ON WHEELS WEST**  
**(A Nonprofit California Corporation)**

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Contributions	\$ 1,236,667	\$ 40,000	\$ 1,276,667
Government grants	184,807	-	184,807
In-kind contributed meals	50,188	-	50,188
Fundraising events	36,816	-	36,816
Net assets released from program restrictions	36,756	(36,756)	-
Total public support	<u>1,545,234</u>	<u>3,244</u>	<u>1,548,478</u>
Revenue:			
Meal fees	64,463	-	64,463
Investment income, net	24,681	-	24,681
Total revenue	<u>89,144</u>	<u>-</u>	<u>89,144</u>
Total public support and revenue	<u>1,634,378</u>	<u>3,244</u>	<u>1,637,622</u>
Expenses:			
Program services	1,008,646	-	1,008,646
Management and general	78,865	-	78,865
Fundraising	195,654	-	195,654
Total expenses	<u>1,283,165</u>	<u>-</u>	<u>1,283,165</u>
Change in net assets	351,213	3,244	354,457
Net assets, beginning of year	<u>737,551</u>	<u>60,387</u>	<u>797,938</u>
Net assets, end of year	<u>\$ 1,088,764</u>	<u>\$ 63,631</u>	<u>\$ 1,152,395</u>

**MEALS ON WHEELS WEST**  
**(A Nonprofit California Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2020

	Program Services	Management and General	Fund Development	Total
Personnel expenses:				
Salaries	\$ 303,538	\$ 24,960	\$ 52,366	\$ 380,864
Payroll taxes	24,750	2,035	4,270	31,055
Employee benefits	13,801	1,135	2,381	17,317
Total personnel expenses	342,089	28,130	59,017	429,236
Non-personnel expenses:				
Meal costs	540,566	-	-	540,566
Depreciation and amortization	3,057	251	528	3,836
Insurance	13,587	5,823	-	19,410
Telephone	4,301	538	538	5,377
Occupancy	21,824	21,824	-	43,648
Professional fees	-	19,452	-	19,452
Consulting fees	-	-	38,400	38,400
Travel	1,265	104	218	1,587
Direct mail	-	-	59,074	59,074
Office expense	32,461	2,669	5,601	40,731
Advertising and promotion	27,845	-	-	27,845
Special events other costs	-	-	32,124	32,124
Covid-19 expenses	20,474	-	-	20,474
Other	1,177	74	154	1,405
Total non-personnel expenses	666,557	50,735	136,637	853,929
Total expenses	\$ 1,008,646	\$ 78,865	\$ 195,654	\$ 1,283,165

**MEALS ON WHEELS WEST**  
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**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2020

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Operating activities:	
Change in net assets	\$ 354,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,836
Realized and unrealized gains in fair value of investments	(24,028)
(Increase) decrease in assets:	
Contributions receivable	(11,210)
Meal fees receivable	6,781
Prepaid expenses	1,055
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	<u>(12,459)</u>
Net cash provided by operating activities	<u>318,432</u>
Investing activities:	
Acquisition of property and equipment	<u>(2,800)</u>
Net cash used in investing activities	<u>(2,800)</u>
Financing activities:	
Funds received on the PPP loan	<u>72,590</u>
Net cash provided by financing activities	<u>72,590</u>
Net change in cash and cash equivalents	388,222
Cash and cash equivalents, beginning of the year	<u>196,835</u>
Cash and cash equivalents, end of the year	<u>\$ 585,057</u>

**MEALS ON WHEELS WEST**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**1. Purpose and Activities**

Meals On Wheels West (the “Organization”) is a California nonprofit public benefit corporation formed in April 1974. The Organization’s purpose is to nourish and enrich the lives of the home-bound by delivering healthy meals and services in the Santa Monica, Venice, Malibu, Pacific Palisades, and Topanga areas of Southern California.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Financial Accounting Standards Board (“FASB”) has established the FASB Accounting Standards Codification (“ASC”) as the sole source of authoritative accounting to be applied by nongovernmental entities in preparation of financial statements in conformity with GAAP. In preparing these financial statements, the Organization evaluated the period July 1, 2020 through April 1, 2021, the date the financial statements were available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements.

***Net Assets***

The Organization has adopted Accounting Standards Update (“ASU”) 2016-14 which requires that net assets be either classified as with donor restrictions or without donor restrictions. Accordingly, in accordance with ASC 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*, The Organization’s net assets, revenues, gains, expenses, and losses are classified as with donor restrictions or without donor restrictions as follows:

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. At June 30, 2020, the Organization had \$63,631 net assets with donor restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 these estimates and assumptions, and such differences may be material to the financial statements.

**MEALS ON WHEELS WEST**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**2. Summary of Significant Accounting Policies, continued**

***Fair Value of Financial Instruments***

The carrying amounts of financial instruments including cash and cash equivalents, contributions and meal fees receivables, accounts payable and accrued expenses approximate fair values because of the relatively short maturity of these instruments.

***Revenue Recognition***

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed 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.

***Contributions***

In accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, unconditional promises to give are recorded as contributions based on their fair value when the underlying promises are received, based on management's estimate of the present value of future cash flows expected to be received by the Organization. Subsequent changes in these estimates are recorded as an adjustment to the allowance for uncollectible promises to give, or recognized as contribution revenue.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Effective for the year ended June 30, 2020, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. After a contribution has been deemed unconditional, an entity would then consider whether the contribution is restricted on the basis of the current definition of the term *donor-imposed restriction*, which includes a consideration of how broad or narrow the purpose of the agreement is, and whether the resources are available for use only after a specified date. The adoption of ASU 2018-08 did not have a significant effect on the financial statements of the Organization.

***Donated Meals and Services***

The Organization records the value of donated food at its estimated fair value at the time of donation as support and revenue. Donated services can only be recognized as support and revenue if they require specialized skills and would typically need to be purchased if not provided by donation. Accordingly, pursuant to GAAP, no amounts have been reported in the financial statements for the value of donated services to the Organization as they do not meet the criteria for recognition. Nevertheless, a substantial number of volunteers donated significant amounts of time performing meal deliveries for the Organization.

**MEALS ON WHEELS WEST**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**2. Summary of Significant Accounting Policies, continued**

***Cash and Cash Equivalents***

For purposes of the statement of financial position and the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less at the date of purchase to be cash equivalents.

***Investments and Fair Value***

The Organization has an undivided interest in a pool of marketable debt and equity securities that is managed by an outside custodian. This pool of marketable debt and equity securities is stated at fair value based on quoted market prices within active markets.

Purchases and sales of investments are recorded on a trade-date basis. Interest and dividend income are recorded when earned. Realized gains and losses are recorded as the difference between historical cost and fair value when an investment is sold. Unrealized gains and losses are recorded for the change in the fair value of investments. All gains and investment income are without donor restrictions.

The Organization applies FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

The standard describes three levels of inputs that may be used to measure fair value:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ending June 30, 2020.

***Contributions Receivable***

Contributions receivable are stated at net realizable value. Management believes that all outstanding contributions and other receivables are fully collectible based on their existing terms and due within one year. Accordingly, an allowance for doubtful accounts has not been recorded. At June 30, 2020, approximately 80% of the contributions receivable balance was due from one donor.

**MEALS ON WHEELS WEST**  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**2. Summary of Significant Accounting Policies, continued**

***Property and Equipment***

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are stated at cost if purchased, and at fair value if donated to the Organization. Property and equipment is depreciated using the straight-line method over the estimated useful lives of assets, ranging from three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the respective asset or the life of the lease.

***Income Taxes***

Meals on Wheels West is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from California state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code. Unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. However, the Organization does not believe that during the year ended June 30, 2020, it had any net unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization follows the guidance of FASB ASC 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Management has evaluated its tax positions, and has concluded that a provision for a tax liability is not necessary at June 30, 2020.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, investments and receivables. The Organization's investment policy is intended to limit its exposure to credit risk. The Organization maintains its cash balances in the form of bank demand deposits and money market accounts with major financial institutions, including securities brokerage firms, which management has determined to be credit worthy. At times, the Organization maintains bank balances in excess of federally insured limits. The Organization has no significant financial instruments with off-balance sheet risk of accounting loss.

***Functional Expense Allocations***

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated. Natural expenses attributable to more than one functional expense category are allocated using a time and effort cost allocation technique.

**MEALS ON WHEELS WEST**  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**2. Summary of Significant Accounting Policies**, continued

***New Accounting Standards Not Yet Adopted***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard in U.S. GAAP. ASU 2014-09 is effective for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect the adoption of ASU 2014-09 will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to improve financial reporting of leasing transactions. The ASU will affect all entities that lease assets such as real estate, transportation vehicles, and equipment. Under the new guidance, a lessee will be required to report an intangible asset and corresponding liability for any lease obligations with lease terms of more than 12 months. ASU 2016-02 requires a lessee to recognize, measure, and present the expenses and cashflows arising from a lease transaction based on its classification as a finance or operating lease. Furthermore, ASU 2016-02 requires both operating and finance leases to be reported on the balance sheet as a lease obligation. ASU 2016-02 will take effect for fiscal years beginning after December 15, 2021 with early adoption permitted. Management is currently evaluating the impact of the pending adoption of ASU 2016-02 on these financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU No. 2020-07 is required to be applied retrospectively for annual periods beginning after June 15, 2021 and interim periods within fiscal years beginning after June 15, 2022 with early adoption permitted. Management is currently evaluating the impact of the pending adoption of ASU 2020-07 on these financial statements.

**3. Liquidity and Availability of Financial Assets**

The following reports the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed purpose restrictions within one year of the balance sheet date. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet dates, are comprised of the following for the year ended June 30, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 585,057
Grants and meal fees receivable	80,429
Investments, at fair value	<u>571,288</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,236,774</u>

At June 30, 2020, the Organization had \$1,236,774, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures.

**MEALS ON WHEELS WEST**  
**(A Nonprofit California Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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**3. Liquidity and Availability of Financial Assets, continued**

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization reviews its funding levels on an on-going basis to ensure they are adequate to meet its obligations.

**4. Investments**

Investments in an undivided pool of marketable debt and equity securities at fair value consisted of the following at June 30, 2020:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Fixed income	\$ 216,717	\$ -	\$ -	\$ 216,717
Equities	354,571	-	-	354,571
Total	\$ 571,288	\$ -	\$ -	\$ 571,288

Investment and other income, net of investment management fees consist of the following at June 30, 2020:

Unrealized gain	\$ 2,357
Interest and dividends	13,476
Realized gain	15,281
Investment fees	(6,433)
Investment income, net	\$ 24,681

**5. Property and Equipment**

As of June 30, 2020, property and equipment consisted of the following:

Office furniture and equipment	\$ 35,274
Leasehold improvements	4,808
Subtotal	40,082
Less: accumulated depreciation	(31,298)
Property and equipment, net	\$ 8,784

Depreciation and amortization expense totaled \$3,836 for the year ended June 30, 2020.

**MEALS ON WHEELS WEST**  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**6. Paycheck Protection Program Loan**

In April 2020, the Organization borrowed approximately \$72,590 under the Paycheck Protection Program (PPP) loan program administered by the Small Business Administration (SBA). This loan is unsecured and bears interest at a rate 1% per annum. Subject to any potential eligible forgiveness amount determined by the SBA, any remaining principal including interest, will be amortized from November 2020 until paid in full in April 2022. The Organization anticipates that all of this loan will qualify for loan forgiveness.

**7. Net Assets with Donor Restrictions**

Net assets with donor restrictions were available for the following purposes at June 30, 2020:

Pet program	\$ 48,214
Veterans program	<u>15,417</u>
Total net assets with donor restrictions	<u><u>\$ 63,631</u></u>

**8. Commitments and Contingencies**

***Commitments***

The Organization leases office space in Santa Monica, California, under a non-cancellable operating lease. On May 8, 2020, the Organization extended the terms of the lease for an additional five years running through October 31, 2025.

Future minimum lease payments at June 30, 2020 are as follows:

	<u>Amount</u>
For the year ending June 30:	
2021	\$ 30,432
2022	30,432
2023	30,432
2024	30,432
2025	30,432
Thereafter	<u>12,680</u>
	<u><u>\$ 164,840</u></u>

Total rent expense for the year ended June 30, 2020 amounted to approximately \$43,648.

**MEALS ON WHEELS WEST**  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**8. Commitments and Contingencies, continued**

*Contingencies*

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The Organization implemented a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees and volunteers. The Organization will continue to follow the federal, state and local government policies and advice. There is significant uncertainty around the breath and duration of business disruptions related to COVID-19, as well as its impact on the US and international economies and, as such, the Organization is unable to estimate the impact the pandemic may have on the accompanying financial statements.