



**FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**with**

**Independent Auditors' Report**

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**MEALS ON WHEELS PEOPLE, INC.**

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## Independent Auditors' Report

The Board of Directors  
Meals on Wheels People, Inc.

### Opinion

We have audited the accompanying financial statements of Meals on Wheels People, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism through the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Huffman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon  
October 5, 2022

**MEALS ON WHEELS PEOPLE, INC.**

**Statement of Financial Position**

| June 30, 2022 <i>(With Comparative Amounts for 2021)</i>                           | 2022                 | 2021                 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Cash and cash equivalents  | \$ 5,426,885         | \$ 4,811,231         |
| Investments <i>(Notes 4, 21, and 22)</i>   | 21,085,560           | 24,694,669           |
| Accounts receivable - net <i>(Notes 5 and 24)</i>                                  | 3,371,333            | 1,080,126            |
| Prepaid expenses and deposits  | 420,275              | 322,712              |
| Inventory  | 235,949              | 323,081              |
| Bequests and contributions receivable<br><i>(due within one year)</i>              | 85,806               | 357,000              |
| Beneficial interest in charitable remainder trusts<br><i>(Notes 6, 21, and 22)</i> | 383,552              | 408,172              |
| Investments held related to charitable gift annuities<br><i>(Notes 7 and 21)</i>   | 12,000               | 12,677               |
| Investments held at community foundations<br><i>(Notes 8, 21, and 22)</i>          | 563,876              | 604,117              |
| Trademarks - net   | 7,188                | 7,589                |
| Property, equipment, and leasehold<br>improvements - net <i>(Note 9)</i>           | 10,424,872           | 7,119,909            |
|  | <b>\$ 42,017,296</b> | <b>\$ 39,741,283</b> |
| <b>LIABILITIES AND NET ASSETS</b>  |                      |                      |
| <b>Liabilities:</b>  |                      |                      |
| Accounts payable   | \$ 709,855           | \$ 558,436           |
| Accrued payroll and compensated absences   | 303,362              | 293,298              |
| Other accrued liabilities  | 70,458               | 53,093               |
| Deferred revenue   | 73,914               | 152,369              |
| Deferred lease incentive   | 15,455               | 30,909               |
| Liability for charitable gift annuities <i>(Note 7)</i>                            | 10,000               | 10,564               |
|  | <b>1,183,044</b>     | <b>1,098,669</b>     |
| <b>Total liabilities</b>   |                      |                      |
| Commitments and Contingencies <i>(Notes 10, 16, and 20)</i>                        |                      |                      |
| <b>Net assets:</b>   |                      |                      |
| Net assets without donor restrictions <i>(Note 13)</i>                             | 38,948,649           | 37,688,818           |
| Net assets with donor restrictions <i>(Note 14)</i>                                | 1,885,603            | 953,796              |
|  | <b>40,834,252</b>    | <b>38,642,614</b>    |
| <b>Total net assets</b>  |                      |                      |
|  | <b>\$ 42,017,296</b> | <b>\$ 39,741,283</b> |

*The accompanying notes are an integral part of the financial statements.*

**MEALS ON WHEELS PEOPLE, INC.**

**Statement of Activities**

**June 30, 2022** (With Comparative Totals for 2021)

|  | Without Donor        | With Donor          | Total                |                      |
|--|----------------------|---------------------|----------------------|----------------------|
|  | Restrictions         | Restrictions        | 2022                 | 2021                 |
| <b>Revenue, gains, and other support - net:</b>  |                      |                     |                      |                      |
| Government grants (Note 18) :                    |                      |                     |                      |                      |
| Older Americans Act                              | \$ 2,656,087         | \$ -                | \$ 2,656,087         | \$ 2,395,207         |
| Nutrition Supplemental Incentive Program         | 317,799              | -                   | 317,799              | 595,416              |
| Local government                                 | 1,378,988            | -                   | 1,378,988            | 1,899,499            |
| Contributions (Note 12) :                        |                      |                     |                      |                      |
| Participants for meals                           | 445,974              | -                   | 445,974              | 599,635              |
| Center and Board fundraising                     | 6,984,364            | 1,507,500           | 8,491,864            | 14,825,679           |
| Special events - net                             | 750,382              | -                   | 750,382              | 857,672              |
| Contributed non-financial assets (Note 11):      |                      |                     |                      |                      |
| Rental in-kind contributions                     | 454,745              | -                   | 454,745              | 453,887              |
| Other in-kind contributions                      | 644,451              | -                   | 644,451              | 273,606              |
| Medicaid (Note 18)                               | 2,028,924            | -                   | 2,028,924            | 1,787,090            |
| Contracts and sales (Notes 12 and 18)            | 1,437,157            | -                   | 1,437,157            | 1,573,163            |
| Vancouver diner - gross sales (Note 12)          | 349,088              | -                   | 349,088              | 130,052              |
| Rental revenue                                   | 58,530               | -                   | 58,530               | 70,601               |
| Net assets released from restrictions (Note 15)  | 551,073              | (551,073)           | -                    | -                    |
| <b>Net revenue, gains, and other support</b>     | <b>18,057,562</b>    | <b>956,427</b>      | <b>19,013,989</b>    | <b>25,461,507</b>    |
| <b>Operating expenses:</b>                       |                      |                     |                      |                      |
| Program services:                                |                      |                     |                      |                      |
| Center operations                                | 6,761,000            | -                   | 6,761,000            | 6,245,770            |
| Kitchen operations                               | 6,033,167            | -                   | 6,033,167            | 5,674,184            |
| Vancouver diner                                  | 849,126              | -                   | 849,126              | 581,796              |
| Other operations                                 | 137,022              | -                   | 137,022              | 150,703              |
| Supporting services:                             |                      |                     |                      |                      |
| General and administrative                       | 932,475              | -                   | 932,475              | 948,604              |
| Fundraising                                      | 1,807,730            | -                   | 1,807,730            | 1,829,380            |
| <b>Total operating expenses</b>                  | <b>16,520,520</b>    | <b>-</b>            | <b>16,520,520</b>    | <b>15,430,437</b>    |
| <b>Increase in net assets from operations</b>    | <b>1,537,042</b>     | <b>956,427</b>      | <b>2,493,469</b>     | <b>10,031,070</b>    |
| PPP loan forgiveness                             | -                    | -                   | -                    | 1,242,147            |
| Net investment income (loss)                     | (2,142,055)          | -                   | (2,142,055)          | 2,685,796            |
| Loss on disposition of property and equipment    | -                    | -                   | -                    | (26,954)             |
| Net employee retention credit income (Note 24)   | 1,864,844            | -                   | 1,864,844            | -                    |
| Change in value of beneficial interest in trusts | -                    | (24,620)            | (24,620)             | 89,832               |
| <b>Increase in net assets</b>                    | <b>1,259,831</b>     | <b>931,807</b>      | <b>2,191,638</b>     | <b>14,021,891</b>    |
| Net assets, beginning of year                    | 37,688,818           | 953,796             | 38,642,614           | 24,620,723           |
| <b>Net assets, end of year</b>                   | <b>\$ 38,948,649</b> | <b>\$ 1,885,603</b> | <b>\$ 40,834,252</b> | <b>\$ 38,642,614</b> |

The accompanying notes are an integral part of the financial statements.

**MEALS ON WHEELS PEOPLE, INC.**

**Statement of Functional Expenses**

**June 30, 2022** *(With Comparative Totals for 2021)*

|                                     | Program Services    |                     |                   |                   | Total                | Supporting Services        |                     |                     | Total                |                      |
|-------------------------------------|---------------------|---------------------|-------------------|-------------------|----------------------|----------------------------|---------------------|---------------------|----------------------|----------------------|
|                                     | Center Operations   | Kitchen Operations  | Vancouver Diner   | Other Operations  |                      | General and Administrative | Fundraising         | Total               | 2022                 | 2021                 |
| <b>Compensation:</b>                |                     |                     |                   |                   |                      |                            |                     |                     |                      |                      |
| Salaries                            | \$ 3,506,468        | \$ 1,430,936        | \$ 392,684        | \$ 61,569         | \$ 5,391,657         | \$ 423,702                 | \$ 440,656          | \$ 864,358          | \$ 6,256,015         | \$ 6,351,295         |
| Employee benefits and payroll taxes | 915,101             | 384,635             | 84,987            | 17,627            | 1,402,350            | 93,379                     | 86,173              | 179,552             | 1,581,902            | 1,605,521            |
| <b>Total compensation</b>           | <b>4,421,569</b>    | <b>1,815,571</b>    | <b>477,671</b>    | <b>79,196</b>     | <b>6,794,007</b>     | <b>517,081</b>             | <b>526,829</b>      | <b>1,043,910</b>    | <b>7,837,917</b>     | <b>7,956,816</b>     |
| <b>Other expenses:</b>              |                     |                     |                   |                   |                      |                            |                     |                     |                      |                      |
| Food and related costs:             |                     |                     |                   |                   |                      |                            |                     |                     |                      |                      |
| Paid                                | 499,961             | 2,828,720           | 141,621           | 19,810            | 3,490,112            | 540                        | 18                  | 558                 | 3,490,670            | 3,501,253            |
| In-kind                             | 53,761              | 336,964             | -                 | -                 | 390,725              | -                          | -                   | -                   | 390,725              | 92,244               |
| Small equipment                     | 98,063              | 26,312              | 502               | 373               | 125,250              | 54,453                     | 3,960               | 58,413              | 183,663              | 110,868              |
| Mileage and travel                  | 20,778              | 324                 | -                 | 1,007             | 22,109               | 838                        | 2,001               | 2,839               | 24,948               | 31,110               |
| Insurance                           | 79,013              | 37,721              | 11,879            | -                 | 128,613              | 17,239                     | 3,832               | 21,071              | 149,684              | 104,800              |
| Vehicle costs                       | 3,033               | 106,267             | -                 | -                 | 109,300              | -                          | -                   | -                   | 109,300              | 141,605              |
| Repairs and maintenance             | 84,408              | 49,506              | 11,281            | -                 | 145,195              | 568                        | -                   | 568                 | 145,763              | 122,095              |
| Janitorial                          | 18,028              | 38,626              | 4,236             | -                 | 60,890               | 595                        | -                   | 595                 | 61,485               | 74,040               |
| Professional fees                   | 164,270             | 120,171             | 3,936             | 7,688             | 296,065              | 156,247                    | 208,808             | 365,055             | 661,120              | 500,061              |
| Rent and utilities:                 |                     |                     |                   |                   |                      |                            |                     |                     |                      |                      |
| Paid                                | 112,502             | 443,924             | 67,748            | 1,283             | 625,457              | 47,725                     | 32,186              | 79,911              | 705,368              | 617,257              |
| In-kind                             | 454,745             | -                   | -                 | -                 | 454,745              | -                          | -                   | -                   | 454,745              | 453,887              |
| Office expenses                     | 60,590              | 4,575               | 1,166             | 8,761             | 75,092               | 24,522                     | 254,429             | 278,951             | 354,043              | 332,046              |
| Advertising:                        |                     |                     |                   |                   |                      |                            |                     |                     |                      |                      |
| Paid                                | 46,412              | 415                 | 421               | 775               | 48,023               | 15,007                     | 363,197             | 378,204             | 426,227              | 486,214              |
| In-kind                             | -                   | -                   | -                 | -                 | -                    | -                          | 188,656             | 188,656             | 188,656              | 96,910               |
| Miscellaneous:                      |                     |                     |                   |                   |                      |                            |                     |                     |                      |                      |
| Paid                                | 345,232             | 124,397             | 31,238            | 16,641            | 517,508              | 90,058                     | 148,748             | 238,806             | 756,314              | 302,616              |
| In-kind                             | 9,162               | -                   | -                 | -                 | 9,162                | -                          | 55,908              | 55,908              | 65,070               | 84,452               |
| <b>Total other expenses</b>         | <b>2,049,958</b>    | <b>4,117,922</b>    | <b>274,028</b>    | <b>56,338</b>     | <b>6,498,246</b>     | <b>407,792</b>             | <b>1,261,743</b>    | <b>1,669,535</b>    | <b>8,167,781</b>     | <b>7,051,458</b>     |
| Depreciation and amortization       | 289,473             | 99,674              | 97,427            | 1,488             | 488,062              | 7,602                      | 19,158              | 26,760              | 514,822              | 422,163              |
| <b>Total expenses</b>               | <b>\$ 6,761,000</b> | <b>\$ 6,033,167</b> | <b>\$ 849,126</b> | <b>\$ 137,022</b> | <b>\$ 13,780,315</b> | <b>\$ 932,475</b>          | <b>\$ 1,807,730</b> | <b>\$ 2,740,205</b> | <b>\$ 16,520,520</b> | <b>\$ 15,430,437</b> |

*The accompanying notes are an integral part of the financial statements.*



**MEALS ON WHEELS PEOPLE, INC.**

**Statement of Cash Flows**

| <b>June 30, 2022</b> <i>(With Comparative Totals for 2021)</i>                                   | <b>2022</b>         | <b>2021</b>         |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                     |                     |
| Increase in net assets   | \$ 2,191,638        | \$ 14,021,891       |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization  | 514,822             | 422,163             |
| Realized and unrealized (gain) loss on investments   | 2,685,125           | (2,370,338)         |
| Loss on disposition of property and equipment  | -                   | 26,954              |
| Reinvestment of interest and dividends held at<br>community foundations                          | (3,290)             | (2,251)             |
| Change in value of beneficial interest in trusts   | 24,620              | (89,832)            |
| Change in liability for charitable gift annuities  | 1,366               | (1,432)             |
| PPP loan forgiveness   | -                   | (1,242,147)         |
| Change in operating assets and liabilities:  |                     |                     |
| Accounts receivable - net  | (2,291,207)         | 472,268             |
| Prepaid expenses and deposits  | (97,563)            | 145,855             |
| Inventory  | 87,132              | (128,024)           |
| Bequests and contributions receivable  | 271,194             | (336,650)           |
| Accounts payable   | 118,762             | 10,695              |
| Accrued payroll and compensated absences   | 10,064              | 25,318              |
| Other accrued liabilities  | 17,365              | (14,137)            |
| Deferred revenue   | (78,455)            | 149,642             |
| Deferred lease incentive   | (15,454)            | (15,454)            |
| <b>Net cash provided by operating activities</b>   | <b>3,436,119</b>    | <b>11,074,521</b>   |
| <b>Cash flows from investing activities:</b>   |                     |                     |
| Distributions and proceeds from sale of investments  | 2,893,431           | 175                 |
| Purchases of investments   | (1,925,239)         | (12,339,711)        |
| Payments for charitable gift annuities   | (1,930)             | (1,930)             |
| Deposits to community foundations  | -                   | (50)                |
| Purchases of trademarks  | (799)               | -                   |
| Purchases of property, equipment, and leasehold<br>improvements                                  | (3,785,928)         | (986,537)           |
| <b>Net cash used by investing activities</b>   | <b>(2,820,465)</b>  | <b>(13,328,053)</b> |
| <b>Increase (decrease) in cash and cash equivalents</b>  | <b>615,654</b>      | <b>(2,253,532)</b>  |
| Cash and cash equivalents, beginning of year   | 4,811,231           | 7,064,763           |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$ 5,426,885</b> | <b>\$ 4,811,231</b> |
| <b>Supplemental disclosure of noncash transactions:</b>  |                     |                     |
| Vehicles acquired through accounts payable   | \$ 32,657           | \$ -                |

*The accompanying notes are an integral part of the financial statements.*

# MEALS ON WHEELS PEOPLE, INC.

## Notes to Financial Statements

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### 1. Nature of Activities

Meals on Wheels People, Inc. (the Organization) is a nonprofit organization, organized under the laws of the state of Oregon, the primary purpose of which is to provide older Americans with nutritionally balanced meals, socialization, and other needed social services. The Organization is funded by private and governmental grants, charges for services, contracts and sales, and contributions from participants and the general public. Food is prepared in a central kitchen and delivered to 15 service centers, including 7 satellite locations, in Multnomah and Washington counties in Oregon and Clark County in Washington. Meals are also delivered to homebound seniors by volunteers.

The mission of the Organization is to enrich the lives of seniors, and assist them in maintaining independence, by providing nutritious food, human connections, and social support. We also use our expertise and capacity to serve other nutritionally at risk populations. This is accomplished through an organization that is community based, emphasizes volunteer involvement, and is financially sound. Included are connecting people to services such as transportation, health and welfare counseling, nutrition education, shopping assistance, information and referral services, outreach, case management, case monitoring, and leisure and recreation opportunities. Some centers conduct fundraising activities and some centers receive grants from cities to help support local operations.

The Board establishes general standards and policies and provides a central office and kitchen to provide support services to the centers. The Board also raises funds on a community-wide basis for operations and administrative support to the centers.

### 2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Presentation** - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. Some net assets with donor restrictions include a stipulation that the resources be maintained in perpetuity, but permit the Organization to use the income. Realized gains, as well as net appreciation of endowment funds, may be expended unless explicit donor restrictions specify other treatment.

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 (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

## MEALS ON WHEELS PEOPLE, INC.

### Notes to Financial Statements - Continued

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#### 2. Summary of Significant Accounting Policies - Continued

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, depreciation and amortization expense (based on the estimated useful lives of the underlying assets), bequests receivable, the Organization's beneficial interest in charitable remainder trusts, liabilities under charitable gift annuities, and certain investments held at community foundations.

**Adoption of New Accounting Standard** - Effective July 1, 2021, the Organization has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU, among other things, requires in-kinds to be separately listed in the statement of activities and enhanced disclosures about monetization of in-kind donations, valuation techniques, and donor restrictions. The adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

**Recent Accounting Pronouncement** - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU, among other things, will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for the Organization on July 1, 2022. The Organization is evaluating the potential impact of this ASU on the Organization's financial statements.

**Cash and Cash Equivalents** - The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. On occasion throughout the year, cash and cash equivalent balances exceeded amounts insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts.

**Investments** - Investments are reported at fair value based on quoted market prices and consist of equity mutual funds, bond funds, treasury securities, money market funds, and exchange traded funds.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**2. Summary of Significant Accounting Policies - Continued**

**Accounts Receivable** - Accounts receivable are recognized as meals and services are provided. Interest is not charged on past due accounts.

The Organization uses the allowance method to account for uncollectible accounts. The allowance for doubtful accounts is estimated by management based on various factors, including past history and current economic conditions. Receivables are written off when they are determined to be uncollectible and management has exhausted all reasonable collection efforts. At June 30, 2022, the allowance for doubtful accounts was \$3,336. Total accounts receivable includes balances outstanding for greater than 90 days of \$1,722 at June 30, 2022.

**Inventory** - Inventory consists of food and related supplies and is valued at the lower of cost (average cost basis) or net realizable value.

**Trademarks** - Trademarks consists of the Organization's logo, PDXPop logo, stupendously tasty gourmet popcorn trademark, and Stride for Seniors trademark, which are valued at cost less amortization based on a ten year useful life. At June 30, 2022, total cost of \$10,466, had been incurred and accumulated amortization was \$3,278. Total amortization expense for the year ended June 30, 2022 was \$1,200.

**Property, Equipment, and Leasehold Improvements, and Depreciation and Amortization** - The Organization follows the policy of capitalizing, at cost, all expenditures for equipment and leasehold improvements in excess of \$3,000.

Equipment and leasehold improvements received through donation are recorded at estimated fair value at date of donation. Depreciation and amortization have been computed using the straight-line method over the following estimated useful lives: Equipment 2 - 20 years; Vehicles 5 years; Leasehold improvements 10 - 20 years; and Building 50 years. Total depreciation expense for the year ended June 30, 2022 was \$513,622. Construction in progress is not depreciated until the construction is completed the assets are put into service.

**Revenue Recognition** - The Organization's major sources of support and revenue and related recognition policies are summarized as follows:

*Government Grants* - A portion of the Organization's revenue is derived from county and local government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has performed qualifying performance requirements or incurred qualifying expenditures in compliance with specific contract or grant provisions. Amounts received prior to performing certain performance requirements and/or incurring qualified expenditures are reported as refundable advances in the statement of financial position.

The Organization had no refundable advances or conditional government grants at June 30, 2022. Government grants with donor restrictions are classified as net assets without donor restrictions when the restriction is satisfied in the same fiscal year the grant is received.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**2. Summary of Significant Accounting Policies - Continued**

**Revenue Recognition - Continued**

*Contributions* - The Organization recognizes contributions, which include unconditional promises to give, when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been substantially met. The Organization had no conditional grants at June 30, 2022.

Contributions with donor restrictions are classified as net assets without donor restrictions when the restriction is satisfied in the same fiscal year the contribution is received.

The Organization reports gifts of cash and other assets as restricted support 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service or the expenditure for those assets has occurred.

*Special Events* - The Organization considers special event revenue to equal the fair value of direct benefits to donors, which approximates the direct cost of those benefits. Excess receipts are considered contributions and are recognized as revenue when the related event takes place. Amounts received in advance of the event taking place are recorded as refundable advances.

*Medicaid* - The Organization recognizes Medicaid revenue as services are provided, in this case meals provided to participant, and the revenues are earned.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

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2. Summary of Significant Accounting Policies - Continued

**Revenue Recognition - Continued**

*Contracts and Sales* - The Organization periodically enters into contracts with various entities for various projects. Revenues are generally recognized over the course of the contract as costs related to the contract are incurred and/or when the services are provided and the revenue is earned. Amounts received, but not yet recognized as revenue are included with deferred revenue and are considered contract liabilities. Contract liabilities is as follows at June 30:

|                   |    | 2022    |    | 2021    |
|-------------------|----|---------|----|---------|
| Beginning of year | \$ | 152,369 | \$ | 2,726   |
| End of year       | \$ | 73,914  | \$ | 152,369 |

*Vancouver Diner - Gross Sales* - The Organization operates a diner in Vancouver, Washington. Revenue is recorded as meals are provided to customers.

*Rental Revenue* - Rental revenue is recorded using the straight-line method over the life of the related lease.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional and natural basis in the statement of functional expenses. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include telephone and internet costs, which are allocated based on the number of phones; rent and utilities, which are allocated on a square foot basis; outreach costs, which are allocated based on the percentage of actual total costs; food and related costs, which are allocated based on the number of meals shipped; and overhead costs, which are allocated based on the percentage of actual total costs or percentage of revenue recognized for contracts.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**2. Summary of Significant Accounting Policies - Continued**

**Advertising** - The Organization expenses all non-direct advertising costs as they are incurred.

**Income Taxes** - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation. Certain activities of the Organization are subject to the federal unrelated business income tax and similar state provisions. An immaterial amount of unrelated business income tax was generated from these activities during the year ended June 30, 2022.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Organization has any uncertain tax positions. The Organization files informational returns. Generally, these returns are subject to examination by income tax authorities for three years from the filing of a return. The Organization has not paid any interest or penalties related to its income tax positions, and there are currently no audits for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with general and administrative expenses.

**Reclassifications** - Certain reclassifications have been made to the 2021 information to conform with the 2022 presentation.

**Summarized Financial Information for 2021** - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

## MEALS ON WHEELS PEOPLE, INC.

### Notes to Financial Statements - Continued

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#### 3. Program and Supporting Services

**Center Operations** - The Organization's meal sites have the responsibility of providing a very healthy meal and programming for socialization for seniors living within their geographic area. Nutrition services include group dining on site and meals delivered to homebound clients (Meals-on-Wheels). Congregate meals provided totaled approximately 5,400 for the year ended June 30, 2022. Centers are located in a variety of settings, including senior centers, multicultural centers, housing authority buildings, parks and recreation buildings, and churches. In addition to providing meals, centers cooperate with other community agencies to provide opportunities for enrichment to the lives of seniors through activities, speakers, field trips, and health-related issues including clinics for foot care and blood pressure monitoring. All new Meals-on-Wheels clients are visited by an outreach worker who works with the client to determine how the Organization can meet their nutritional needs and make referrals to other community resources as needed. Clients are revisited on an annual basis. Home-delivered meals totaled approximately 932,000 for the year ended June 30, 2022.

Additionally, the Organization began offering the following programs to fight social isolation in the year ended June 30, 2022: online bingo, change of condition calls for participants enrolled in the Kaiser Medically Tailored Meals program, "friendly chats", GrandPad services, library program, peer to peer groups, Safe Home for Seniors program, and well-check calls.

**Kitchen Operations** - The central kitchen provides meals for 15 service centers and 7 satellite locations. The meals are prepared in bulk, divided, and shipped to each center. During the fiscal year ended June 30, 2022, the Organization converted meal production to medically tailored meals (MTM). MTMs are designed to improve health outcomes and increase client satisfaction. The menus for MTMs are currently on a three-week cycle. Approximately 6,000 meals are prepared daily. Meals are also provided to non-organization centers at 17 contract sites. Contract meals prepared for other organizations totaled approximately 317,000, for the year ended June 30, 2022.

**Vancouver Diner** - The Vancouver Diner provides meals to seniors who qualify for meals at the Organization's meal sites and live in Vancouver, Washington, but also provides meals to the general public in a diner setting.

**Support Services** - General and administrative activities include business management, recordkeeping, budgeting, financing, information technology, and related administrative activities. These services provide the necessary developmental, organizational, and management support for the effective operation of programs.

Fundraising activities include conducting fundraising campaigns, preparing and distributing fundraising materials, and conducting other activities involving soliciting contributions from individuals, foundations, and others.



**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

**4. Investments**

Investments consist of the following at June 30:

|                                   | <b>2022</b>          | <b>2021</b>          |
|-----------------------------------|----------------------|----------------------|
| Domestic equity mutual funds      | \$ 4,874,846         | \$ 4,234,355         |
| International equity mutual funds | 2,232,090            | 2,716,382            |
| Bond funds                        | 2,608,473            | 2,924,534            |
| Treasury securities               | 5,355,887            | 6,621,656            |
| Money market funds                | 2,252,355            | 5,445,373            |
| Exchange traded funds             | 3,761,909            | 2,752,369            |
|                                   | <u>\$ 21,085,560</u> | <u>\$ 24,694,669</u> |

Investments include endowment funds of \$99,490, at June 30, 2022. Earnings on these funds must be used in support of center operations.

**5. Accounts Receivable - net**

Accounts receivable - net consist of the following at June 30:

|  | <b>2022</b>         | <b>2021</b>         |
|--|---------------------|---------------------|
| Medicaid                                     | \$ 133,529          | \$ 213,695          |
| Older Americans Act                          | 376,554             | 403,961             |
| Nutrition Supplemental Incentive Program     | 61,394              | 69,340              |
| Contract meals ( <i>Note 18</i> )            | 292,061             | 192,887             |
| Employee retention credit ( <i>Note 24</i> ) | 2,193,934           | -                   |
| Other  | 317,197             | 217,560             |
|  | 3,374,669           | 1,097,443           |
| Allowance for doubtful accounts              | <u>(3,336)</u>      | <u>(17,317)</u>     |
|  | <u>\$ 3,371,333</u> | <u>\$ 1,080,126</u> |

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**6. Beneficial Interest in Charitable Remainder Trusts**

The Organization is the beneficiary of three charitable remainder trusts. All or a portion of the remaining principal and income of the trusts is to be distributed to the Organization upon termination. The estimated fair value of the charitable remainder trusts at June 30, using a discount rate of 5 percent, is as follows:

|   | 2022              | 2021              |
|---|-------------------|-------------------|
| Donor restricted for specified purpose or passage of time | \$ 3,140          | \$ 3,140          |
| Endowment funds   | <u>380,412</u>    | <u>405,032</u>    |
|   | <u>\$ 383,552</u> | <u>\$ 408,172</u> |

**7. Investments Held Related to Charitable Gift Annuities**

It is the Organization's policy to separately maintain amounts received upon the issuance of charitable gift annuities until the annuity obligations have been fully satisfied.

Investments held related to charitable gift annuities are carried at fair value and consist of bond funds totaling \$12,000, at June 30, 2022.

The liability for charitable gift annuities represents the present value of total expected payments that will be made to the donors. The Organization estimated the liability based on actuarial assumptions at the time the annuities were issued. The present value of each annuity is calculated based on applicable mortality tables using discount rates ranging from 3 to 5 percent.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

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**8. Investments Held at Community Foundations**

**Oregon Community Foundation:** The Organization has an agreement with Oregon Community Foundation (OCF) in order to achieve improved performance results with respect to investments and enhance long-term planned giving goals. Under the terms of the agreement, OCF will distribute annually 4.5 percent of the fair market value of the fund based on the preceding 12-quarter average balance to the Organization. No income distributions were received from OCF during the year ended June 30, 2022. Additional distributions up to the entire balance of the fund may be made on a resolution of both of the Organizations' Boards of Directors. Investments held at OCF totaled \$497,367, at June 30, 2022. Investments held at OCF are valued at estimated fair value (*Note 20*). The corpus portion, equal to the original donor contribution or \$338,928, at June 30, 2022, of these funds have been restricted by the donors as endowment funds. As such, these amounts have been classified as net assets with donor restrictions in the accompanying statement of financial position. The remainder of the balance, \$158,439, at June 30, 2022, represents the income earned on the corpus, which has been released to net assets without donor restrictions in accordance with the spending policy described in *Note 22*.

A portion of the investments held at OCF consists of investments in limited partnerships and real estate whose fair values have been estimated by OCF management in the absence of readily determinable market values. These estimates are based on information provided by the fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used had a quoted market price existed.

**Community Foundation for Southwest Washington:** The Organization has an agreement with the Community Foundation for Southwest Washington (CFSWW) in order to establish a fund whereby donors can contribute monies to be used to serve the elderly in the state of Washington.

Under the terms of the agreement, CFSWW shall make charitable distributions from the fund for the benefit of the Organization. Investments held at CFSWW totaled \$66,509, at June 30, 2022. Investments held at CFSWW are valued at estimated fair value (*Note 21*). These funds have been classified as Board designated for financial reserve in the accompanying statement of financial position.

A portion of the investments held at CFSWW consists of investments in limited partnerships and real estate whose fair values have been estimated by CFSWW's management in the absence of readily determinable market values. These estimates are based on information provided by the fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used had a quoted market price existed.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

**9. Property, Equipment, and Leasehold Improvements**

Property, equipment, and leasehold improvements consist of the following at June 30:

|  | 2022                        | 2021                       |
|--|-----------------------------|----------------------------|
| Land   | \$ 2,582,535                | \$ 929,566                 |
| Building                                       | 6,570,907                   | 5,728,271                  |
| Kitchen equipment                              | 1,547,299                   | 1,500,404                  |
| Service center equipment                       | 739,263                     | 764,884                    |
| Office equipment                               | 625,845                     | 581,334                    |
| Vehicles                                       | 259,781                     | 252,154                    |
| Leasehold improvements                         | <u>2,949,001</u>            | <u>2,201,224</u>           |
|  | 15,274,631                  | 11,957,837                 |
| Less accumulated depreciation and amortization | <u>(5,368,954)</u>          | <u>(4,953,373)</u>         |
|  | 9,905,677                   | 7,004,464                  |
| Construction in progress                       | <u>519,195</u>              | <u>115,445</u>             |
|  | <u><u>\$ 10,424,872</u></u> | <u><u>\$ 7,119,909</u></u> |

At June 30, 2022, construction in progress is related to costs associated with improvements for the Eastside location. Contracts in the amount of approximately \$3.3 million had been entered into by June 30, 2022 for this project. Management anticipates construction to be completed in the year ended June 30, 2023.

Subsequent to June 30, 2022, the Organization entered into a contract for solar at their main building for approximately \$904,000. Management anticipates receiving incentives of \$150,000, and has applied for a grant to cover the remaining costs.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**10. Commitments**

The Organization leases certain space, vehicles, and equipment under various non-cancelable operating lease agreements expiring through November 2027. Minimum payments remaining under the non-cancelable operating leases are as follows at June 30, 2022:

| Years Ending<br>June 30, | Amount                   |
|--------------------------|--------------------------|
| 2023                     | \$ 393,069               |
| 2024                     | 194,450                  |
| 2025                     | 103,795                  |
| 2026                     | 95,054                   |
| 2027                     | 30,306                   |
| Thereafter               | <u>12,829</u>            |
|                          | <u><u>\$ 829,503</u></u> |

The Organization also leases other facilities and equipment under various month-to-month operating lease agreements. Total expense under all operating lease agreements (including donated space) was \$956,403, for the year ended June 30, 2022.

**11. Contributed Non-Financial Assets**

The Organization recognizes contributed non-financial assets at the time of donation at their estimated fair value, with a corresponding expense as such non-financial assets are utilized in the Organization's program and supporting services. Such contributions did not contain any donor restrictions, and consisted of the following:

*Rental In-kind Contributions* - The Organization receives the use of donated space and utilities for its Center operations. Rental in-kind contributions in the amount of \$454,745 have been reflected in the accompanying statement of activities for the year ended June 30, 2022. The Organization recognizes rental in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the average price per square foot of rental listings for comparable space in the Organization's service area.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**11. Contributed Non-Financial Assets - Continued**

*Other In-kind Contributions* - Numerous volunteers have donated significant amounts of time to the Organization's program services. The value of such services has not been recognized in the statement of activities because the services do not meet the criteria for recognition as donated services.

Donated food in the amount of \$390,725, advertising services in the amount of \$188,656, and other miscellaneous items in the amount of \$65,070, for a total of \$644,451 and have been reflected in the accompanying statement of activities for the year ended June 30, 2022, as other in-kind contributions.

Donated food is valued using a rate of \$1.82 per pound, which is consistent with the rate of such donated items used by the Oregon Food Bank and based on pricing studies conducted by Feeding America, or based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor, depending on the nature of the donated item. Other miscellaneous items are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. These items are recognized as expense as they are used in the Organization's programs as shown in the accompanying statement of functional expenses.

Donated advertising services are valued based on third-party estimates using billing rates for like circumstances and are recognized because the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such services are recognized as expense and are allocated to the programs benefited as they are delivered to the public as shown in the accompanying statement of functional expenses.

**12. Vancouver Diner Revenue**

In the accompanying statement of activities, revenue earned by the Vancouver Diner is reported based on the revenue stream, rather than in the aggregate. Total revenue earned by the Vancouver Diner for the year ended June 30, 2022 and 2021, are as follows:

|                               | 2022              | 2021              |
|-------------------------------|-------------------|-------------------|
| Contributions                 | \$ 90,815         | \$ 33,001         |
| Vancouver Diner - gross sales | 349,088           | 130,052           |
| Contracts and sales           | <u>-</u>          | <u>8,973</u>      |
|                               | <u>\$ 439,903</u> | <u>\$ 172,026</u> |

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**13. Net Assets without Donor Restrictions**

Net assets without donor restrictions consist of the following as of June 30:

|  | <b>2022</b>                 | <b>2021</b>                 |
|--|-----------------------------|-----------------------------|
| Available for operations   | \$10,713,959                | \$ 8,179,712                |
| Board designated for:  |                             |                             |
| Advertising initiative   | 400,000                     | 300,000                     |
| Joan Smith Executive Director Fund                                   | 162,620                     | 200,948                     |
| Financial reserve  | 8,821,963                   | 12,106,480                  |
| Capital reserve and maintenance                                      | 4,915,159                   | 5,647,549                   |
| Emergency fund   | <u>3,510,076</u>            | <u>4,134,220</u>            |
|  | 17,809,818                  | 22,389,197                  |
| Net investment in property, equipment, and<br>leasehold improvements | <u>10,424,872</u>           | <u>7,119,909</u>            |
|  | <u><u>\$ 38,948,649</u></u> | <u><u>\$ 37,688,818</u></u> |

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

**14. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following as of June 30:

|   | <b>2022</b>                | <b>2021</b>              |
|---|----------------------------|--------------------------|
| Subject for expenditure for specified purposes:                   |                            |                          |
| Center projects   | \$ 1,665                   | \$ 7,026                 |
| Beneficial interest in charitable remainder trusts held by others | 3,140                      | 3,140                    |
| Joan Smith Executive Director Fund                                | 50,180                     | 50,180                   |
| Eastside expansion  | 936,788                    | -                        |
| Other purpose restrictions  | <u>75,000</u>              | <u>50,000</u>            |
|   | 1,066,773                  | 110,346                  |
| Endowments:   |                            |                          |
| Center programs   | 438,418                    | 438,418                  |
| Beneficial interest in charitable remainder trusts held by others | <u>380,412</u>             | <u>405,032</u>           |
| Total endowment funds   | <u>818,830</u>             | <u>843,450</u>           |
| Total net assets with donor restrictions                          | <u><u>\$ 1,885,603</u></u> | <u><u>\$ 953,796</u></u> |

**15. Net Assets Released from Restrictions**

During the year ended June 30, 2022, net assets of \$551,073 were released from donor restrictions by incurring expenses satisfying their restricted purpose (program activities).

**16. Retirement Plan**

The Organization maintains a defined contribution retirement plan (the Plan) that covers all eligible employees. The Organization makes a matching contribution of employee salary deferrals equal to 100 percent of the deferrals, not to exceed 2 percent of eligible compensation. In addition, the Organization makes an additional contribution equal to 3 percent of an employee's eligible compensation. Employer contributions to the Plan during the year ended June 30, 2022, totaled \$231,123.

Effective July 1, 2022, the Organization increased their matching contribution of employee salary deferrals equal to 100 percent of the deferrals, not to exceed 5 percent of eligible compensation.



## MEALS ON WHEELS PEOPLE, INC.

### Notes to Financial Statements - Continued

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#### 17. Joint Costs

The Organization conducts certain activities that include requests for contributions, as well as program and management and general components. These activities include the distribution of the Organization's annual report and publication of newsletters. Management feels that the costs of conducting these activities are immaterial, and has accounted for these costs as fundraising expenditures in the statement of functional expenses.

#### 18. Concentrations

The Organization received approximately 34 percent of its operational funding from governmental agencies during the year ended June 30, 2022. If a significant reduction in the level of this funding were to occur, it would affect the Organization's ability to provide programs and services.

Substantially all of the Organization's contracts and sales revenue reported in the accompanying statement of activities was derived from one customer in 2022. Sales to this customer accounted for 46 percent of total contracts and sales revenue for the year ended June 30, 2022. Included in contract meals receivable in *Note 5* were amounts due from this customer totaling \$165,388 at June 30, 2022.

#### 19. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject the Organization to concentrations of risk consist principally of: cash and cash equivalents; investments (*Note 4*); accounts receivable (*Note 5*); bequests and contributions receivable; beneficial interest in charitable remainder trusts (*Note 6*); and investments held at community foundations (*Note 8*).

The Organization's investments, including those held related to charitable gift annuities and those held by community foundations, as well as its beneficial interest in charitable remainder trusts, are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

#### 20. Contingencies

Amounts received from various contracting and granting agencies are subject to audit and potential adjustment by the contracting and granting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief no material amounts received will be required to be returned in the future that have not already been provided for.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**21. Fair Value Measurements**

GAAP provides the framework for measuring fair value. The classification of assets and liabilities within the fair value hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. At June 30, 2022, there were no liabilities measured at fair value.

The three levels of the fair value hierarchy under GAAP and the valuation methodologies used for assets are described below:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Organization has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Fair value is based on significant unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the actual date of the event or change in circumstances that caused the transfer.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

**21. Fair Value Measurements - Continued**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2022 (there were no assets valued using a level 2 type measurement):

|   | Total                | Level 1              | Level 3           |
|---|----------------------|----------------------|-------------------|
| Investments:  |                      |                      |                   |
| Domestic equity mutual funds                          | \$ 4,874,846         | \$ 4,874,846         | \$ -              |
| International equity mutual funds                     | 2,232,090            | 2,232,090            | -                 |
| Bond funds  | 2,608,473            | 2,608,473            | -                 |
| Treasury securities                                   | 5,355,887            | 5,355,887            | -                 |
| Money market funds                                    | 2,252,355            | 2,252,355            | -                 |
| Exchange traded funds                                 | <u>3,761,909</u>     | <u>3,761,909</u>     | <u>-</u>          |
| Total investments                                     | 21,085,560           | 21,085,560           | -                 |
| Beneficial interest in charitable remainder trusts    | 383,552              | -                    | 383,552           |
| Investments held related to charitable gift annuities | 12,000               | 12,000               | -                 |
| Investments held at community foundations             | <u>563,876</u>       | <u>-</u>             | <u>563,876</u>    |
| Total assets at fair value                            | <u>\$ 22,044,988</u> | <u>\$ 21,097,560</u> | <u>\$ 947,428</u> |

Following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds, bond funds, treasury securities, money market funds, exchange traded funds, and investments held related to charitable gift annuities:* Valued based on quoted market prices in active markets of shares held by the Organization at year end, and are classified as Level 1.

*Beneficial interest in charitable remainder trusts:* The expected future inflows from the trusts are based on the fair value of the underlying investments and the life expectancy of the donor, and have been discounted using a discount rate of 5 percent. Since there are unobservable inputs that are significant in determining the fair value, this asset is classified as Level 3.

*Investments held at community foundations:* Assets held at community foundations (the foundations) represent the Organization's share of a pooled investment portfolio managed by the foundations. The Organization's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, as described in *Note 8*, the underlying investments of the foundations are measured by management of the foundations using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. As such, this asset is classified as Level 3.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**22. Endowment Funds**

The Organization's endowment consists of certain investments (*Note 4*), funds held at OCF (*Note 8*), and a beneficial interest in a charitable remainder trust (*Note 6*). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization manages its endowment in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Organization has interpreted UPMIFA as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors.

The Organization classifies as donor restricted endowment funds (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds, which are available for expenditure.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Management has adopted an investment and spending policy for the endowment assets that attempt to provide a predictable stream of funding to programs. The spending policy calls for a 4.5 percent distribution of the fair market value of the endowment based on the preceding 12-quarter average balance to the Organization. This has resulted in amounts earned on the corpus being appropriated in the same year. The Organization elected not to appropriate any funds in the current year.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**22. Endowment Funds - Continued**

OCF follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the investment portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Funds held with OCF are invested in a mixture of equities, fixed-income instruments, alternative investment classes (such as hedge funds, distressed debt, private investments), and cash. The Organization believes the investment and spending policy is consistent with the Organization's objective to maintain purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the year ended June 30, 2022:

|   |                   |
|---|-------------------|
| Endowment net assets, beginning of year                                 | \$ 843,450        |
| Change in value of beneficial interest in<br>charitable remainder trust | <u>(24,620)</u>   |
| Endowment net assets, ending of year                                    | <u>\$ 818,830</u> |

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

**23. Liquidity and Availability of Resources**

The Organization's financial assets available for general expenditures within one year of the statement of financial position date consist of the following at June 30:

|  | <b>2022</b>          | <b>2021</b>         |
|--|----------------------|---------------------|
| Cash and cash equivalents  | \$ 5,426,885         | \$ 4,811,231        |
| Investments  | 21,085,560           | 24,694,669          |
| Accounts receivable - net  | 3,371,333            | 1,080,126           |
| Bequests and contributions receivable  | <u>85,806</u>        | <u>357,000</u>      |
| Total financial assets available within one year                             | 29,969,584           | 30,943,026          |
| Less:  |                      |                     |
| Amounts unavailable for general expenditures<br>within one year, due to:     |                      |                     |
| Restricted by donors as to purpose   | 1,066,773            | 110,346             |
| Restricted by donors to investment in perpetuity                             | <u>99,490</u>        | <u>99,490</u>       |
|  | 1,166,263            | 209,836             |
| Board designated funds unavailable   | <u>17,809,818</u>    | <u>22,389,197</u>   |
| Total amounts unavailable  | <u>(18,976,081)</u>  | <u>(22,599,033)</u> |
| Total financial assets available for general<br>expenditures within one year | <u>\$ 10,993,503</u> | <u>\$ 8,343,993</u> |

The Organization's endowment fund consists of donor-restricted gifts. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use as described in *Note 22*.

The Organization's board designated funds, held as long-term investments, are subject to an annual spending rate of 4.5 percent as described in *Note 22*. Although the Organization does not intend to spend from the board-designated funds other than amounts appropriated for general expenditure as part of the Organization's annual budget approval and appropriation, these amounts could be available if necessary.

As part of the Organization's liquidity management plan, the Organization typically invests cash in excess of daily requirements in short-term investments, bonds, and money market funds.

## MEALS ON WHEELS PEOPLE, INC.

### Notes to Financial Statements - Continued

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#### 24. Employee Retention Credit

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was enacted in response to the COVID-19 pandemic. This act, among other things, provides fully refundable tax credits (known as the employee retention credit, or “ERC”) against the employer share of federal payroll taxes for employers who meet certain criteria. Subsequent legislation has expanded the eligibility criteria and availability of the ERC through September 30, 2021.

The Organization has elected to account for ERC tax credits received as a government grant using accounting guidance provided by Accounting Standards Codification 958-605: Not-for-Profit Entities - Revenue Recognition. Accordingly, net ERC tax credits of \$1,864,844, which includes tax credits of \$2,193,934 less \$329,090 of professional service expense, were recognized based the qualifying expenses and are included as a component of other income in the accompanying statement of activities. At June 30, 2022, the full balance was unpaid and is included as a component of accounts receivable (*Note 5*).

#### 25. Subsequent Events

Management has evaluated subsequent events through October 5, 2022, the date the financial statements were available to be issued.