



FINANCIAL STATEMENTS

Year Ended June 30, 2023

with

Independent Auditors' Report

MEALS ON WHEELS PEOPLE, INC.

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Independent Auditors' Report

The Board of Directors
Meals on Wheels People, Inc.

Report on the Audit of the Financial Statements

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, 2023, 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, 2023, 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 Auditors' 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.

Change in Accounting Principle

As discussed in *Note 2* to the financial statements, the Organization has adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

Report on the Audit of the Financial Statements - Continued
Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 auditors' 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.

Report on the Audit of the Financial Statements - Continued
Auditors' Responsibilities for the Audit of the Financial Statements

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 4, 2023, 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 solely to 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 4, 2023

MEALS ON WHEELS PEOPLE, INC.

Statement of Financial Position

June 30, 2023 <i>(With Comparative Amounts for 2022)</i>	2023	2022
ASSETS		
Cash and cash equivalents	\$ 2,635,299	\$ 5,426,885
Investments <i>(Notes 4, 21, and 22)</i>	24,457,378	21,085,560
Accounts receivable - net <i>(Notes 5 and 18)</i>	1,990,416	3,371,333
Prepaid expenses and deposits	382,376	420,275
Inventory	222,001	235,949
Bequests and contributions receivable <i>(due within one year)</i>	283,582	85,806
Beneficial interest in charitable remainder trust <i>(Notes 6, 21, and 22)</i>	386,197	383,552
Investments held related to charitable gift annuity <i>(Notes 7 and 21)</i>	7,038	12,000
Investments held at community foundations <i>(Notes 8, 21, and 22)</i>	596,662	563,876
Trademarks - net	6,141	7,188
Operating right of use assets <i>(Note 9)</i>	1,526,405	-
Property, equipment, and leasehold improvements - net <i>(Note 10)</i>	12,395,288	10,424,872
	\$ 44,888,783	\$ 42,017,296
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 505,672	\$ 709,855
Accrued payroll and compensated absences	396,683	324,602
Other accrued liabilities	24,887	49,218
Deferred revenue	7,906	73,914
Deferred lease incentive	-	15,455
Operating lease liabilities <i>(Note 9)</i>	1,515,980	-
Liability for charitable gift annuity <i>(Note 7)</i>	5,865	10,000
Total liabilities	2,456,993	1,183,044
Commitments and Contingencies <i>(Notes 9, 10, 16, and 20)</i>		
Net assets:		
Net assets without donor restrictions <i>(Note 13)</i>	41,071,317	38,948,649
Net assets with donor restrictions <i>(Note 14)</i>	1,360,473	1,885,603
Total net assets	42,431,790	40,834,252
	\$ 44,888,783	\$ 42,017,296

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

MEALS ON WHEELS PEOPLE, INC.

Statement of Activities

June 30, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Revenue, gains, and other support - net:				
Government grants (Note 18) :				
Older Americans Act	\$ 2,197,401	\$ -	\$ 2,197,401	\$ 2,656,087
Nutrition Supplemental Incentive Program	280,086	-	280,086	317,799
Local government	1,919,748	-	1,919,748	1,378,988
Contributions (Note 12) :				
Participants for meals	451,640	-	451,640	445,974
Center and Board fundraising	6,228,638	457,538	6,686,176	8,491,864
Special events - net	719,325	-	719,325	750,382
Contributed non-financial assets (Note 11):				
Lease in-kind contributions	466,212	-	466,212	454,745
Other in-kind contributions	610,412	-	610,412	644,451
Medicaid (Note 18)	2,160,826	-	2,160,826	2,028,924
Contracts and sales (Note 18)	1,333,317	-	1,333,317	1,437,157
Vancouver diner - gross sales (Note 12)	576,457	-	576,457	349,088
Rental and other revenue	129,192	-	129,192	58,530
Net assets released from restrictions (Note 15)	988,453	(988,453)	-	-
Net revenue, gains, and other support	18,061,707	(530,915)	17,530,792	19,013,989
Operating expenses:				
Program services:				
Center operations	7,224,323	-	7,224,323	6,761,000
Kitchen operations	5,744,937	-	5,744,937	6,033,167
Vancouver diner	1,108,308	-	1,108,308	849,126
Other operations	128,986	-	128,986	137,022
Supporting services:				
General and administrative	1,301,967	-	1,301,967	932,475
Fundraising	2,156,393	-	2,156,393	1,807,730
Total operating expenses	17,664,914	-	17,664,914	16,520,520
Increase (decrease) in net assets from operations	396,793	(530,915)	(134,122)	2,493,469
Investment income (loss) - net	1,353,262	-	1,353,262	(2,142,055)
Loss on disposition of property and equipment	(16,016)	-	(16,016)	-
Employee retention credit income - net (Note 24)	388,629	-	388,629	1,864,844
Change in value of beneficial interest in trust	-	5,785	5,785	(24,620)
Increase (decrease) in net assets	2,122,668	(525,130)	1,597,538	2,191,638
Net assets, beginning of year	38,948,649	1,885,603	40,834,252	38,642,614
Net assets, end of year	\$ 41,071,317	\$ 1,360,473	\$ 42,431,790	\$ 40,834,252

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

MEALS ON WHEELS PEOPLE, INC.

Statement of Functional Expenses

June 30, 2023 (With Comparative Totals for 2022)

	Program Services					Supporting Services			Total	
	Center Operations	Kitchen Operations	Vancouver Diner	Other Operations	Total	General and Administrative	Fundraising	Total	2023	2022
Compensation:										
Salaries	\$ 3,914,076	\$ 1,254,527	\$ 518,448	\$ 67,245	\$ 5,754,296	\$ 558,261	\$ 546,343	\$ 1,104,604	\$ 6,858,900	\$ 6,256,015
Employee benefits and payroll taxes	1,049,406	386,785	106,069	18,901	1,561,161	133,423	118,747	252,170	1,813,331	1,581,902
Total compensation	4,963,482	1,641,312	624,517	86,146	7,315,457	691,684	665,090	1,356,774	8,672,231	7,837,917
Other expenses:										
Food and related costs:										
Paid	654,128	2,932,252	216,439	11,043	3,813,862	525	310	835	3,814,697	3,490,670
In-kind (Note 11)	16,089	315,575	-	-	331,664	-	-	-	331,664	390,725
Small equipment	64,033	11,296	7,922	-	83,251	20,797	2,291	23,088	106,339	183,663
Mileage and travel	35,993	158	81	820	37,052	2,342	4,077	6,419	43,471	24,948
Insurance	76,634	24,065	24,749	-	125,448	13,277	9,061	22,338	147,786	149,684
Vehicle costs	9,740	82,499	-	-	92,239	-	-	-	92,239	109,300
Repairs and maintenance	94,909	43,118	15,240	-	153,267	133	-	133	153,400	145,763
Janitorial	21,887	17,714	6,365	-	45,966	1,444	-	1,444	47,410	61,485
Professional fees	215,466	104,326	3,748	4,570	328,110	296,288	158,515	454,803	782,913	661,120
Lease and utilities:										
Paid	110,645	461,382	72,039	979	645,045	71,899	50,152	122,051	767,096	705,368
In-kind (Note 11)	466,212	-	-	-	466,212	-	-	-	466,212	454,745
Office expenses	74,906	4,789	2,812	8,413	90,920	47,766	347,044	394,810	485,730	354,043
Advertising:										
Paid	31,518	372	8,995	9,240	50,125	44,877	535,579	580,456	630,581	426,227
In-kind (Note 11)	-	-	-	-	-	-	183,720	183,720	183,720	188,656
Miscellaneous:										
Paid	107,003	6,566	27,797	6,708	148,074	104,721	103,562	208,283	356,357	756,314
In-kind (Note 11)	13,522	-	-	-	13,522	-	81,506	81,506	95,028	65,070
Total other expenses	1,992,685	4,004,112	386,187	41,773	6,424,757	604,069	1,475,817	2,079,886	8,504,643	8,167,781
Depreciation and amortization	268,156	99,513	97,604	1,067	466,340	6,214	15,486	21,700	488,040	514,822
Total expenses	\$ 7,224,323	\$ 5,744,937	\$ 1,108,308	\$ 128,986	\$ 14,206,554	\$ 1,301,967	\$ 2,156,393	\$ 3,458,360	\$ 17,664,914	\$ 16,520,520

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

MEALS ON WHEELS PEOPLE, INC.

Statement of Cash Flows

June 30, 2023 <i>(With Comparative Totals for 2022)</i>	2023	2022
Cash flows from operating activities:		
Increase in net assets	\$ 1,597,538	\$ 2,191,638
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net change in operating right-of-use assets and lease liabilities	(10,425)	-
Depreciation and amortization	488,040	514,822
Loss on disposition of property and equipment	16,016	-
Realized and unrealized (gain) loss on investments	(953,503)	2,641,594
Realized and unrealized (gain) loss on investments held at community foundations	(29,510)	43,531
Reinvestment of interest and dividends of investments held at community foundations	(3,276)	(3,290)
Change in value of beneficial interest in trust	(5,785)	24,620
Release of beneficial interest in trusts	3,140	-
Change in liability for charitable gift annuity	929	1,366
Change in operating assets and liabilities:		
Accounts receivable - net	1,380,917	(2,291,207)
Prepaid expenses and deposits	37,899	(97,563)
Inventory	13,948	87,132
Bequests and contributions receivable	(197,776)	271,194
Accounts payable	(412,477)	118,762
Accrued payroll and compensated absences	72,081	10,064
Other accrued liabilities	(24,331)	17,365
Deferred revenue	(66,008)	(78,455)
Deferred lease incentive	(15,455)	(15,454)
Net cash provided by operating activities	1,891,962	3,436,119
Cash flows from investing activities:		
Distributions and proceeds from sale of investments	-	2,893,431
Purchases of investments	(2,413,353)	(1,925,239)
Payments for charitable gift annuity	(5,064)	(1,930)
Purchases of trademarks	-	(799)
Purchases of property, equipment, and leasehold improvements	(2,265,131)	(3,785,928)
Net cash used by investing activities	(4,683,548)	(2,820,465)
Increase (decrease) in cash and cash equivalents	(2,791,586)	615,654
Cash and cash equivalents, beginning of year	5,426,885	4,811,231
Cash and cash equivalents, end of year	\$ 2,635,299	\$ 5,426,885
Supplemental disclosure of noncash transactions:		
Property, equipment, and leasehold improvements in accounts payable	\$ 240,951	\$ 32,657

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

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements

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

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, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires a lessee to record a right-of-use (ROU) asset and a lease liability for all leases with an initial term greater than 12 months. Leases are classified as either financing or operating, with classification affecting the recognition, measurement, and presentation of expenses and cash flows.

Upon adoption of the new guidance, the Organization elected to apply several practical expedients, including: (1) not reassessing existing contracts to determine whether they are or contain a lease; (2) not reassessing existing leases to determine whether they are an operating or financing lease; and (3) not reassessing any initial direct costs for existing leases.

The Organization adopted ASU 2016-02 using the modified retrospective approach, which resulted in the recognition of operating ROU assets of \$1,916,661 (net of the previously recognized accumulated deferred lease incentive of \$15,455) and associated operating lease liabilities of \$1,932,116 as of July 1, 2022.

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

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 historical 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, 2023, the allowance for doubtful accounts was \$5,029. Total accounts receivable includes balances outstanding for greater than 90 days of \$154,346 at June 30, 2023.

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, 2023, total cost of \$10,466, had been incurred and accumulated amortization was \$4,325. Total amortization expense for the year ended June 30, 2023 was \$1,047.

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, 2023 was \$486,993. 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, 2023. 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

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 received a \$809,000 conditional grant, of which \$244,773 has not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred.

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

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 are as follows at June 30:

	2023	2022
Beginning of year	\$ 73,914	\$ 152,369
End of year	\$ 7,906	\$ 73,914

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; lease 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.

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

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

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, 2023.

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 2022 information to conform with the 2023 presentation.

Summarized Financial Information for 2022 - 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, 2022, from which the summarized information was derived.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

3. Program and Supporting Services

Center Operations - The Organization's meal sites have the responsibility of providing a healthy meal and socialization programming 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 37,900 for the year ended June 30, 2023. 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 coordinate 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 896,300 for the year ended June 30, 2023.

Additionally, the Organization began offering the following programs to fight social isolation during 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 5,100 meals are prepared daily. Meals are also provided to non-organization centers at 16 contract sites. Contract meals prepared for other organizations totaled approximately 364,200 for the year ended June 30, 2023.

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:

	2023	2022
Domestic equity mutual funds	\$ 5,836,357	\$ 4,874,846
International equity mutual funds	2,739,705	2,232,090
Bond funds	3,016,734	2,608,473
Treasury securities	7,796,059	5,355,887
Money market funds	2,310,916	2,252,355
Exchange traded funds	<u>2,757,607</u>	<u>3,761,909</u>
	<u>\$ 24,457,378</u>	<u>\$ 21,085,560</u>

Investments include endowment funds of \$99,490, at June 30, 2023. 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:

	2023	2022
Medicaid	\$ 361,447	\$ 133,529
Older Americans Act	848,157	376,554
Nutrition Supplemental Incentive Program	53,927	61,394
Contract meals (<i>Note 18</i>)	383,314	292,061
Employee retention credit	-	2,193,934
Other	<u>348,600</u>	<u>317,197</u>
	1,995,445	3,374,669
Allowance for doubtful accounts	<u>(5,029)</u>	<u>(3,336)</u>
	<u>\$ 1,990,416</u>	<u>\$ 3,371,333</u>

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

6. Beneficial Interest in Charitable Remainder Trust

During the year ended June 30, 2023, two of the charitable remainder trusts were terminated and the donor restricted funds were released from net assets with donor restrictions.

At June 30, 2023, the Organization is the beneficiary of one charitable remainder trust. All or a portion of the remaining principal and income of the trust is to be distributed to the Organization upon termination. The estimated fair value of the charitable remainder trust at June 30, using a discount rate of 5 percent, is as follows:

	2023	2022
Donor restricted for specified purpose or passage of time	\$ -	\$ 3,140
Endowment funds	<u>386,197</u>	<u>380,412</u>
	<u>\$ 386,197</u>	<u>\$ 383,552</u>

7. Investments Held Related to Charitable Gift Annuity

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 annuity is carried at fair value and consist of bond funds totaling \$7,038, at June 30, 2023.

The liability for the charitable gift annuity represents the present value of total expected payments that will be made to the donor. The Organization estimated the liability based on actuarial assumptions at the time the annuity was issued. The present value of the annuity is calculated based on the applicable mortality table using a discount rate of 3.8 percent.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

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 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, 2023. 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 \$526,359, at June 30, 2023. 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, 2023, 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, \$187,431, at June 30, 2023, 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 21*.

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 \$70,303, at June 30, 2023. 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. Leases

The Organization determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, the Organization determines whether it is an operating or finance lease.

Leases result in recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. The Organization has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. The Organization considers any options to extend or terminate a lease when determining the lease term, and only options that the Organization believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

The Organization leases its meal service centers under operating leases with 2 - 5 year initial terms. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are generally at the discretion of the Organization, and only lease options that the Organization believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. The Organization has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the Organization's incremental borrowing rate are readily available.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of June 30, 2023:

Right-of-use assets	<u>\$ 1,526,405</u>
Total operating lease liabilities	<u>\$ 1,515,980</u>

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

9. Leases - Continued

Lease expense was composed of the following as of June 30, 2023:

Operating lease expense	\$ 439,975
Short-term lease expense	<u>70,760</u>
	<u>\$ 510,735</u>

The following summarizes the cash flow information related to operating leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows	\$ 465,855
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,932,116

Weighted average lease term and discount rate were as follows at June 30, 2023:

Weighted-average remaining lease term (in years) for operating leases	6.35
Weighted-average discount rate for operating leases	2.86%

The maturities of operating lease liabilities were as follows as of June 30, 2023:

Years Ending June 30,	Amount
2024	\$ 363,438
2025	279,508
2026	276,550
2027	179,765
2028	168,899
Thereafter	<u>395,407</u>
	1,663,567
Less present value discount	<u>(147,587)</u>
Operating lease liabilities	<u>\$ 1,515,980</u>

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

10. Property, Equipment, and Leasehold Improvements

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

	2023	2022
Land	\$ 2,889,501	\$ 2,582,535
Building	4,981,976	6,570,907
Kitchen equipment	1,580,583	1,547,299
Service center equipment	760,952	739,263
Office equipment	625,845	625,845
Vehicles	340,131	259,781
Leasehold improvements	<u>4,924,939</u>	<u>2,949,001</u>
	16,103,927	15,274,631
Less accumulated depreciation and amortization	<u>(5,816,775)</u>	<u>(5,368,954)</u>
	10,287,152	9,905,677
Construction in progress	<u>2,108,136</u>	<u>519,195</u>
	<u><u>\$ 12,395,288</u></u>	<u><u>\$ 10,424,872</u></u>

At June 30, 2023, construction in progress is related to costs associated with improvements at the Eastside location and Central Kitchen and installing solar at the Central Kitchen. Contracts in the amount of approximately \$5.5 million had been entered into for these projects at June 30, 2023. Management anticipates construction to be completed in the year ending June 30, 2026.

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:

Lease In-kind Contributions - The Organization receives the use of donated space and utilities for its Center operations. Lease in-kind contributions in the amount of \$466,212 have been reflected in the accompanying statement of activities for the year ended June 30, 2023. The Organization recognizes lease 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 lease listings for comparable space in the Organization's service area.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

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 \$331,664, advertising services in the amount of \$183,720, and other miscellaneous items in the amount of \$95,028, for a total of \$610,412, and is included as other in-kind contributions in the accompanying statement of activities.

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, 2023 and 2022, are as follows:

	2023	2022
Contributions	\$ 148,206	\$ 90,815
Congregate meals	2,650	-
Vancouver Diner - gross sales	<u>576,457</u>	<u>349,088</u>
	<u>\$ 727,313</u>	<u>\$ 439,903</u>

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

13. Net Assets without Donor Restrictions

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

	2023	2022
Available for operations	\$ 10,369,913	\$ 10,713,959
Board designated for:		
Advertising initiative	400,000	400,000
Joan Smith Executive Director Fund	177,849	162,620
Financial reserve	9,523,317	8,821,963
Capital reserve and maintenance	5,319,018	4,915,159
Emergency fund	<u>2,885,932</u>	<u>3,510,076</u>
	18,306,116	17,809,818
Net investment in property, equipment, and leasehold improvements	<u>12,395,288</u>	<u>10,424,872</u>
	<u><u>\$ 41,071,317</u></u>	<u><u>\$ 38,948,649</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:

	2023	2022
Subject for expenditure for specified purposes:		
Center projects	\$ -	\$ 1,665
Beneficial interest in charitable remainder trusts held by others	-	3,140
Joan Smith Executive Director Fund	50,180	50,180
Eastside expansion	62,646	936,788
Solar project at Central Kitchen	283,582	-
Other purpose restrictions	139,450	75,000
	<u>535,858</u>	<u>1,066,773</u>
Endowments:		
Center programs	438,418	438,418
Beneficial interest in charitable remainder trust held by others	386,197	380,412
	<u>824,615</u>	<u>818,830</u>
Total endowment funds	<u>824,615</u>	<u>818,830</u>
Total net assets with donor restrictions	<u>\$ 1,360,473</u>	<u>\$ 1,885,603</u>

15. Net Assets Released from Restrictions

During the year ended June 30, 2023, net assets of \$988,453 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 5 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, 2023, totaled \$377,556.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

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 37 percent of its operational funding from governmental agencies during the year ended June 30, 2023. 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 the Organization's contracts and sales revenue reported in the accompanying statement of activities was derived from one customer in 2023. Sales to this customer accounted for 57 percent of total contracts and sales revenue for the year ended June 30, 2023. Included in contract meals receivable in *Note 5* were amounts due from this customer totaling \$219,555 at June 30, 2023.

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 trust (*Note 6*); and investments held at community foundations (*Note 8*).

The Organization's investments, including those held related to the charitable gift annuity and those held by community foundations, as well as its beneficial interest in charitable remainder trust, 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

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, 2023, 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, 2023 (there were no assets valued using a level 2 type measurement):

	Total	Level 1	Level 3
Investments:			
Domestic equity mutual funds	\$ 5,836,357	\$ 5,836,357	\$ -
International equity mutual funds	2,739,705	2,739,705	-
Bond funds	3,016,734	3,016,734	-
Treasury securities	7,796,059	7,796,059	-
Money market funds	2,310,916	2,310,916	-
Exchange traded funds	2,757,607	2,757,607	-
Total investments	24,457,378	24,457,378	-
Beneficial interest in charitable remainder trust	386,197	-	386,197
Investments held related to charitable gift annuity	7,038	7,038	-
Investments held at community foundations	596,662	-	596,662
Total assets at fair value	\$ 25,447,275	\$ 24,464,416	\$ 982,859

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 annuity: 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 trust: The expected future inflows from the trust is 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

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 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

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, 2023:

Endowment net assets, beginning of year	\$ 818,830
Change in value of beneficial interest in charitable remainder trust	<u>5,785</u>
Endowment net assets, ending of year	<u><u>\$ 824,615</u></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, 2023:

	2023
Cash and cash equivalents	\$ 2,635,299
Investments	24,457,378
Accounts receivable - net	1,990,416
Bequests and contributions receivable	<u>283,582</u>
Total financial assets available within one year	29,366,675
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors as to purpose	535,858
Restricted by donors to investment in perpetuity	<u>99,490</u>
	635,348
Board designated funds unavailable	<u>18,306,116</u>
Total amounts unavailable	<u>(18,941,464)</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 10,425,211</u></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

24. Employee Retention Credit - Net

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 the ERC as a government grant using accounting guidance provided by Accounting Standards Codification 958-605: Not-for-Profit Entities - Revenue Recognition. Accordingly, the Organization recognized \$388,629, which includes tax credits of \$440,053 less \$51,424 of professional service expense, and is included as a component of other income in the accompanying statement of activities.

25. Subsequent Events

Management has evaluated subsequent events through October 4, 2023, the date the financial statements were available to be issued.