

Citymeals-on-Wheels

Consolidated Financial Report
June 30, 2024

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Independent Auditor's Report

Board of Directors
Citymeals-on-Wheels

Opinion

We have audited the consolidated financial statements of Citymeals-on-Wheels and its subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2024, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 (GAAS). 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 audits. 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 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 issued or available to be issued.

Auditor's 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
January 8, 2025

Citymeals-on-Wheels

Consolidated Statement of Financial Position

June 30, 2024

(With Summarized Comparative Financial Information as of June 30, 2023)

	2024	2023
Assets		
Cash	\$ 14,194,083	\$ 18,614,452
Investments at fair value	54,717,240	45,958,085
Grants and contributions receivable	221,136	1,337,044
Advances to providers	325,926	846,458
Prepaid expenses and other assets	2,927,092	2,630,139
Property and equipment, net	12,403,848	11,477,284
Operating lease right-of-use assets	4,561,869	4,639,179
Total assets	\$ 89,351,194	\$ 85,502,641
Liabilities and Net Assets		
Liabilities:		
Accounts payable to providers	\$ 788,460	\$ 421,522
Accrued expenses	243,950	188,280
Deferred revenue	52,820	20,645
Loans payable	-	3,298,726
Operating lease liabilities	4,768,145	4,833,950
Total liabilities	5,853,375	8,763,123
Commitments		
Net assets:		
Without donor restrictions	81,277,803	72,823,176
With donor restrictions:	2,220,016	3,916,342
Total net assets	83,497,819	76,739,518
Total liabilities and net assets	\$ 89,351,194	\$ 85,502,641

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Activities

Year Ended June 30, 2024

(With Summarized Comparative Financial Information for the Year Ended June 30, 2023)

	2024	2023
Change in net assets without donor restrictions:		
Support and revenue:		
Support:		
Contributions for meals programs	\$ 16,741,729	\$ 16,546,158
Contributions for administrative support	8,568,301	4,959,253
Contributions for the Distribution center	2,396,358	1,480,000
Government grants	3,436,493	4,855,697
Donated goods and services	934,135	749,527
Wholesale Ready-to-Eat packages	560,835	185,053
Net investment gain	5,010,143	2,948,068
Net assets released from restrictions	2,120,513	1,253,641
Total support and revenue	39,768,507	32,977,397
Program services	22,773,949	21,402,793
Weekend meals	8,819,674	12,423,592
Weekend meals packages	5,606,213	603,495
Holiday contracted meals	553,766	423,537
Holiday meal packages	1,213,554	1,766,870
Emergency meal packages	2,452,240	1,989,895
Other meals program	874,988	1,380,084
Program coordination	3,253,514	2,815,320
Total program services	22,773,949	21,402,793
Supporting services:		
Fund-raising	4,464,848	3,610,223
Cost of direct benefits to donors	204,030	76,603
General and administrative	3,871,053	3,104,306
Total supporting services	8,539,931	6,791,132
Total expenses	31,313,880	28,193,925
Change in net assets without donor restrictions	8,454,627	4,783,472
Change in net assets with donor restrictions:		
Contributions—time and purpose restricted	425,591	3,188,393
Net investment (loss) gain	(1,404)	5,943
Net assets released from restrictions	(2,120,513)	(1,253,641)
Change in net assets with donor restrictions	(1,696,326)	1,940,695
Change in net assets	6,758,301	6,724,167
Net assets:		
Beginning	76,739,518	70,015,351
Ending	\$ 83,497,819	\$ 76,739,518

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

(With Summarized Comparative Financial Information for the Year Ended June 30, 2023)

	2024					2023	
	Program Services	Fund-Raising	Costs of Direct Benefit to Donors	General and Administrative	Total Supporting Services	Total	Summarized Comparative Total
Weekend meals	\$ 8,819,674	\$ -	\$ -	\$ -	\$ -	\$ 8,819,674	\$ 12,423,592
Weekend meals packages	5,606,213	-	-	-	-	5,606,213	603,495
Holiday contracted meals	553,766	-	-	-	-	553,766	423,537
Holiday meal packages	1,213,554	-	-	-	-	1,213,554	1,766,870
Emergency meal packages	2,452,240	-	-	-	-	2,452,240	1,989,895
Fresh produce program	103,638	-	-	-	-	103,638	39,779
Mobile food pantry	225,443	-	-	-	-	225,443	258,577
Non-meal assistance program	16,943	-	-	-	-	16,943	27,395
Donated meals	24,454	-	-	-	-	24,454	-
Wholesale Ready-to-Eat packages	492,040	-	-	-	-	492,040	291,966
Friendly visiting program	-	-	-	-	-	-	762,367
Social connections	12,470	-	-	-	-	12,470	-
Event expenses	-	730,835	-	-	730,835	730,835	687,431
List rental	-	250,601	-	-	250,601	250,601	130,193
Salaries and fringe benefits	2,147,532	1,465,756	-	1,743,969	3,209,725	5,357,257	4,497,016
Professional services and consultants	479,916	418,586	-	967,872	1,386,458	1,866,374	1,538,456
Temporary employment	-	-	-	17,743	17,743	17,743	1,722
Data processing	12,391	28,750	-	126,945	155,695	168,086	161,554
Equipment, maintenance and rental	-	-	-	28,046	28,046	28,046	28,462
Supplies	38,263	1,039	-	60,555	61,594	99,857	83,397
Printing	6,725	688,462	-	34,686	723,148	729,873	600,449
Photography	-	12,313	-	19,167	31,480	31,480	13,025
Local travel	11,203	13,616	-	9,306	22,922	34,125	19,989
Insurance	31,790	28,928	-	31,279	60,207	91,997	75,268
Postage	59	495,355	-	16,095	511,450	511,509	331,447
Messenger	97	1,640	-	1,094	2,734	2,831	3,769
Depreciation	201,195	-	-	6,614	6,614	207,809	160,216
Occupancy	212,413	253,858	-	273,073	526,931	739,344	592,015
Training/miscellaneous	53,837	50,734	-	112,491	163,225	217,062	121,924
Telephone	13,654	17,633	-	25,716	43,349	57,003	42,410
Advertising	347	6,742	-	30,000	36,742	37,089	6,742
Bank fees	-	-	-	-	-	-	4,212
Interest expense	44,092	-	-	-	-	44,092	65,731
Donated goods and services	-	-	204,030	366,402	570,432	570,432	441,024
Total functional expenses	\$ 22,773,949	\$ 4,464,848	\$ 204,030	\$ 3,871,053	\$ 8,539,931	\$ 31,313,880	\$ 28,193,925

See notes to consolidated financial statements.

Citymeals-on-Wheels

Consolidated Statement of Cash Flows

Year Ended June 30, 2024

(With Summarized Comparative Financial Information for the Year Ended June 30, 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 6,758,301	\$ 6,724,167
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	207,809	160,216
Contributions for the distribution center	-	(1,480,000)
Realized and unrealized gains on investments	(3,942,423)	(2,087,857)
Changes in operating assets and liabilities:		
Decrease in grants and contributions receivable	1,115,908	1,649,557
Decrease (increase) in advances to providers	520,532	(244,596)
Increase in prepaid expenses and other assets	(296,953)	(242,439)
Decrease (Increase) in operating lease right-of-use assets	77,310	(4,815,010)
Increase (decrease) in accounts payable to providers	366,938	(1,394)
Increase (decrease) in accrued expenses	55,670	11,634
Increase (decrease) in deferred revenue	32,175	(105,904)
(Decrease) increase in operating lease liabilities	(65,805)	4,833,950
Net cash provided by operating activities	4,829,462	4,402,324
Cash flows from investing activities:		
Purchases of property and equipment	(1,134,373)	(345,775)
Purchases of investments	(28,847,240)	(14,972,391)
Proceeds from sale of investments	24,030,508	3,675,000
Net cash used in investing activities	(5,951,105)	(11,643,166)
Cash flows from financing activities:		
Loan payments	(3,298,726)	(142,584)
Contributions for the distribution center	-	1,480,000
Net cash (used in) provided by financing activities	(3,298,726)	1,337,416
Net decrease in cash	(4,420,369)	(5,903,426)
Cash:		
Beginning	18,614,452	24,517,878
Ending	\$ 14,194,083	\$ 18,614,452
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 44,092	\$ 65,731
Supplemental cash flow information related to leases is as follows:		
Operating cash outflows—payments on operating leases	\$ 738,507	\$ 579,302
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 511,057	\$ 50,898

See notes to consolidated financial statements.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 1. Organization

Citymeals-on-Wheels' (Citymeals) mission is to provide weekend and holiday meals, emergency food packages and other food-related services to the homebound elderly and other at-risk elderly populations in New York City, supplementing, through private dollars, the government's limited weekday-only meal program, which is administered by the New York City Department for the Aging (NYC Aging). Citymeals works in cooperation with NYC Aging and with local voluntary agencies, the same agencies with which the city contracts for delivery of weekday meals.

The consolidated financial statements include the accounts of Citymeals and Citymeals-on-Wheels Property, LLC (the LLC) (collectively referred to as the Organization). The LLC is a single-member limited liability company of which Citymeals is the sole member.

Citymeals raises funds from the general public (e.g., corporations, private foundations, public charities and individuals) for the provision of meals for the homebound elderly (program services) by means of direct-mail solicitations, media campaigns and by sponsoring special fund-raising events. All funds raised for the meals programs are considered by management to be unavailable for covering administrative or fund-raising costs. Separate solicitation requests are sent to corporations, private foundations and board members to supplement an annual grant received from NYC Aging for administrative purposes. Citymeals are also supported by government grants. Citymeals also raises contributions for the LLC to fund the financing, renovation and programs running out of the Citymeals Emergency Food Distribution Center (the Distribution Center). Interest and investment income, unless explicitly restricted by donors, is available to be used for administrative purposes.

Net assets without donor restrictions as of June 30, are for the following purposes:

	2024	2023
Meals programs	\$ 28,085,176	\$ 31,002,111
The LLC	16,171,372	12,679,425
General and administrative*	37,021,255	29,141,640
	<u>\$ 81,277,803</u>	<u>\$ 72,823,176</u>

* These funds are available for general and administrative purposes as well as meals programs.

The Organization raised the following administrative funds in the years ended June 30:

	2024	2023
Administrative fund solicitations	\$ 8,568,301	\$ 4,936,753
Administrative funds from government grants	2,107,749	2,424,473
Investment gain, net	4,938,756	2,933,958
Other	804,740	703,183
	<u>\$ 16,419,546</u>	<u>\$ 10,998,367</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 1. Organization (Continued)

The Organization incurred the following administrative expenses for the years ended June 30:

	2024	2023
Fund-raising	\$ 4,668,878	\$ 3,686,826
General and administrative	3,871,053	3,104,306
	<u>\$ 8,539,931</u>	<u>\$ 6,791,132</u>

The LLC's expenditures in the total amount of \$245,285 and \$370,832 for the years ended June 30, 2024 and 2023, respectively, are included in the consolidated statement of functional expenses.

Program descriptions:

Weekend meals: Home-delivered meals to eligible homebound meal recipients from partner providers throughout NYC.

Weekend meals packages: Home-delivered meals to eligible homebound meal recipients from the Distribution Center.

Holiday meals: Festive meals served on culturally appropriate holidays when other meal providers are closed.

Holiday contracted meals: one to three meal boxes of shelf-stable food delivered in advance of holidays when other meal providers are closed.

Emergency meal packages: A four-meal package of shelf-stable food delivered directly to eligible homebound meal recipients.

Fresh food program: This program gives fresh fruit or vegetables weekly or monthly to meal recipients living in neighborhoods lacking good access to fresh produce.

Mobile food pantry: This program delivers supplemental shelf-stable food to meal recipients who are most at risk for hunger and malnutrition.

Donated meals: The donated meals come from local restaurants and are provided by volunteers to help people who need extra food.

Wholesale Ready-to-Eat Packages: The sale of ready-to-eat meals from the Distribution Center with proceeds to go to continue the mission of Citymeals of meeting growing needs as the older adult population increases beyond all other age groups.

Non-meal assistance program: A program created to support nonfood necessities, like carrying cases and small equipment for food preparation and delivery to the meal providers.

Friendly visiting program: A program to connect elderly homebound clients with volunteers for companionship.

Social connection: This program supports older adults at congregate sites (older adult centers) and home-delivered meal recipients with additional food and music to help with nutrition and socialization.

Program coordination: Direct expenses incurred by employees involved in program management (mainly salaries and fringe benefits) and allocated share of occupancy expenses.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The Organization follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for nonprofit organizations. All intercompany accounts and transactions between Citymeals and the LLC have been eliminated in consolidation.

Financial statement presentation: The classification of a nonprofit organization's net assets and its support and revenue is based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Unconditional contributions received are recorded as support with or without donor restrictions, depending on the existence or nature of any donor restrictions. Donor-restricted gifts of cash and other assets whose restrictions are met in the same reporting period are reported as support and revenue without donor restrictions. The restriction on contributions for building and equipment is released when such building and equipment are placed in service. Contributions receivable due within one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using risk-adjusted interest rates at the time the promise is received.

Grants awarded by governmental agencies are recognized as revenue without donor restrictions as the program expenditures are incurred.

Donated goods and services are recorded at fair value and reflected as both revenue and expense in the accompanying consolidated statement of activities.

Exchange transactions: The Organization has revenue from sales of Wholesale Ready-to-Eat packages that is accounted for as an exchange transaction. The Organization recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Revenue is recognized at the time of sale. A portion of invoice balance was due upon the delivery. There was no deferred revenue and receivable from the sale transactions as of June 30, 2024 and 2023.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Investments are stated at fair value, with the resulting investment gain or loss recognized in the consolidated statement of activities.

Concentration of credit and market risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization also invests funds in a professionally managed portfolio that contains various types of marketable securities, as detailed in Note 4. Such investments are exposed to market and credit risks. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Property and equipment: Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is being provided for by the straight-line method over the term of the lease. The Organization capitalizes the cost of all property and equipment purchases that are greater than \$10,000.

The Organization reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of long-lived assets. There was no impairment at June 30, 2024 and 2023.

Contractual commitments: Citymeals enters into annual contractual commitments with weekend, weekday and holiday meal providers. Approximately 20% of contracts are advanced to providers when the contracts are signed, usually each year in June or July. Payments to or refunds from meal providers are made pursuant to contract provisions with a final settlement made shortly after year-end.

Functional classification of expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax: Citymeals is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and all of Citymeals' activities were performed in accordance with its tax-exempt purpose. Citymeals is not classified as a private foundation and is subject to unrelated business income tax (UBIT), if applicable. For the years ended June 30, 2024 and 2023, Citymeals did not have UBIT expenses and liabilities. The LLC is treated as a disregarded entity for tax purposes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to these consolidated financial statements.

Summarized comparative information: The consolidated statement of functional expenses includes certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value measurements: The Financial Accounting Standards Board (FASB)'s authoritative guidance on fair value measurements establishes a framework for measuring fair value and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities.

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

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

FASB Accounting Standards Update (ASU) 2015-07, Subtopic 820-10, also provides that fair value may be measured at the net asset value (NAV) provided by the issuer for certain entities that calculate fair value using NAV per share as a practical expedient. Such investments recorded at NAV are not classified within the fair value hierarchy.

Subsequent events: The Organization evaluates events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements were available for issuance, which was January 8, 2025, for these consolidated financial statements.

Leases: The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. The Organization elected not to record a right-of-use (ROU) assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes in an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization's leases may include a non-lease component representing additional services transferred to the Organization, such as common area maintenance for real estate. The Organization made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recently adopted accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. This update represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred, which the FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This ASU provides narrow-scope improvements to Topic 326. The Organization adopted ASU 2016-13 and ASU 2019-11 effective July 1, 2023. There was no impact to the consolidated financial statements from the adoption of this standard.

Note 3. Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. As of June 30, the following financial assets are available to meet annual operating needs over the next 12 months:

	2024	2023
Financial assets at June 30:		
Cash and cash equivalents	\$ 14,194,083	\$ 18,614,452
Investments	54,717,240	45,958,085
Grants and contributions receivable	221,136	1,337,044
Total financial assets at June 30	<u>69,132,459</u>	<u>65,909,581</u>
Less those unavailable for general expenditures within one year:		
Donor restricted assets	1,458,874	1,432,403
Donor restricted investments	144,142	145,546
Receivable to be collected between one and five years	15,000	55,000
To be used for loan payments	-	208,315
Total financial assets unavailable within one year	<u>1,618,016</u>	<u>1,841,264</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 67,514,443</u>	<u>\$ 64,068,317</u>

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 4. Investments

The following are major categories of investments at June 30, grouped by the fair value hierarchy:

Description	Total	2024		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 6,037,560	\$ 6,037,560	\$ -	\$ -
Mutual funds:				
Fixed income	13,332,277	13,332,277	-	-
Equities:				
Domestic equities	11,462,082	11,462,082	-	-
International equities	4,456,249	4,456,249	-	-
Emerging markets	2,073,371	2,073,371	-	-
Common stocks	37,599	37,599	-	-
Exchange-traded and closed-end funds	52,594	52,594	-	-
Preferred stocks	7,177	7,177	-	-
Corporate fixed income	98,121	-	98,121	-
Treasury bill	14,002,985	-	14,002,985	-
Subtotal of investments in the fair value hierarchy	51,560,015	37,458,909	14,101,106	-
Alternative investment fund measured at NAV ⁽¹⁾	3,157,225	-	-	-
	<u>\$ 54,717,240</u>	<u>\$ 37,458,909</u>	<u>\$ 14,101,106</u>	<u>\$ -</u>

Description	Total	2023		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 5,472,261	\$ 5,472,261	\$ -	\$ -
Mutual funds:				
Fixed income	11,243,696	11,243,696	-	-
Equities:				
Domestic equities	10,989,242	10,989,242	-	-
International equities	3,849,134	3,849,134	-	-
Emerging markets	1,848,142	1,848,142	-	-
Common stocks	33,440	33,440	-	-
Exchange-traded and closed-end funds	50,077	50,077	-	-
Preferred stocks	7,089	7,089	-	-
Corporate fixed income	27,412	-	27,412	-
Treasury bill	9,741,467	-	9,741,467	-
Subtotal of investments in the fair value hierarchy	43,261,960	33,493,081	9,768,879	-
Alternative investment fund measured at NAV ⁽¹⁾	2,696,125	-	-	-
	<u>\$ 45,958,085</u>	<u>\$ 33,493,081</u>	<u>\$ 9,768,879</u>	<u>\$ -</u>

(1) The fair value amount was estimated by using NAV as a practical expedient as of the measurement date. Investment under this method is not categorized in the fair value hierarchy. The fair value amount presented is for the reconciliation purpose.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 4. Investments (Continued)

Cash equivalents such as money market funds are valued at quoted market prices that represent the NAV of shares held by the Organization at year-end.

Mutual funds and exchange traded close-end funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily NAV and to transact at that price. The mutual funds and exchange traded and close-end funds held by the Organization are deemed to be actively traded.

Common stocks and preferred stocks are valued at the closing price reported on the active market on which the individual securities are traded.

Corporate fixed income is valued by independent pricing sources or broker dealers using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Treasury bill is valued using valuation inputs utilized by the independent pricing service include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications.

The alternative investment fund represents an investment in a private investment company. The investment company fund's objective is to generate long term growth in assets by investing primarily in equity and equity related securities. There are no unfunded capital commitments. The investment is allowed to be redeemed at the end of a quarter with 90 days prior notice.

Note 5. Grants and Contributions Receivable

All unconditional grants and contributions receivable have been recorded at their estimated realizable value. Those receivables that are payable over a year have been discounted to their present value using a discount rate of 0.89%.

Grants and contributions receivable as of June 30, are due as follows:

	2024	2023
In less than one year	\$ 206,136	\$ 1,282,220
In between one year and five years	15,000	55,000
	221,136	1,337,220
Less discount to present value	-	(176)
Grants and contributions receivable, net	<u>\$ 221,136</u>	<u>\$ 1,337,044</u>

As of June 30, 2024 and 2023, approximately 23% and 84% of the outstanding balances were due from one and three donors/funders, respectively.

For the year ended June 30, 2024, a contribution from one donor estate accounted for 21% of total contributions. There was no donor concentration in the year ended June 30, 2023.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 6. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following as of June 30:

	2024	2023	Estimated Useful Life (Years)
Land	\$ 6,412,500	\$ 6,412,500	
The Distribution Center and improvements	6,074,418	5,552,678	39
Furniture and equipment	1,137,869	1,140,825	5
Computer software	247,184	201,548	3
Construction in progress	882,714	312,761	
	<u>14,754,685</u>	<u>13,620,312</u>	
Less accumulated depreciation	<u>(2,350,837)</u>	<u>(2,143,028)</u>	
	<u>\$ 12,403,848</u>	<u>\$ 11,477,284</u>	

Note 7. Loans Payable

In connection with the financing of the Distribution Center, the Organization had a loan amount of \$4,000,000 with a stated interest rate of 1.95%. This loan is scheduled to mature on August 21, 2027. On March 11, 2024, the Organization fully paid off the loan balance. The loan balance as of June 30, 2024 and 2023, was \$0 and \$3,298,726, respectively. Interest expense for the years ended June 30, 2024 and 2023, was \$44,092 and \$65,731, respectively.

Note 8. Functional Allocation of Expenses

Certain expenses are attributable to more than one program or supporting function. The following expenses are allocated consistently based on employees' time and effort.

- Salaries and fringe benefits
- Occupancy
- Telephone
- Insurance

All other expenses are charged directly to either program or supporting function.

Note 9. Donated Goods and Services

The Organization receives donated goods and services including food and nonfood items and legal services. Donated food and nonfood items and legal services are reported as contributions at their estimated value on the date of receipt and reported as expense when utilized. The Organization receives items to be sold at its fundraising events. Contributed auction items are valued at the gross selling price received.

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Notes to Consolidated Financial Statements

Note 9. Donated Goods and Services (Continued)

The donated goods and services are not restricted by donors for specific purpose other than general program and administrative use.

Category	Utilization in Programs/Activities	Valuation Techniques and Inputs	2024	2023
Food and nonfood items	Food, drinks and gifts for fundraising events	Estimated fair value based on current retail value of identical or similar products	\$ 178,575	\$ 75,807
Auction items	Auction at fundraising events	Gross selling price received	210,190	235,087
Program foods	Food for program beneficiaries	Estimated fair value based on wholesale values that would be received for selling similar products	153,513	74,212
Donated equipment	Fundraising/administration	Estimated fair value based on current retail value of identical or similar products	28,394	-
Legal and consulting services	General and administrative	Estimated fair value based on current rates for similar services	363,463	364,421
			<u>\$ 934,135</u>	<u>\$ 749,527</u>

Note 10. Net Assets With Donor Restrictions

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

	2024	2023
Subject to the passage of time	\$ 1,925,591	\$ 2,535,000
Purpose restricted	150,283	1,235,796
	<u>2,075,874</u>	<u>3,770,796</u>
Endowment:		
Original gift amount—perpetual in nature	200,000	200,000
Underwater endowment	(55,858)	(54,454)
	<u>144,142</u>	<u>145,546</u>
Total net assets with donor restrictions	<u>\$ 2,220,016</u>	<u>\$ 3,916,342</u>

Net assets with donor restrictions that are perpetual in nature are restricted to investments in endowments, whereas the interest and dividend income can be appropriated to support the Organization's programs. The related realized and unrealized gains on investments are required to be added to the restricted net assets that are perpetual in nature for growth purposes. The Organization maintains a broadly diversified investment portfolio. The current spending policy is to appropriate for operations in each calendar year amounts that are earned on its endowment.

From time to time, the fair value of investments associated with the endowment fund may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Organization to retain as a fund of perpetual duration. As of June 30, 2024 and 2023, the endowment fund had a deficiency of \$55,858 and \$54,454, respectively. The original value of this endowment was \$200,000. This deficiency resulted from unfavorable market fluctuations and continued appropriation of the interest and dividend income as stipulated by the donor.

Net assets with donor restrictions subject to the passage of time or purpose restricted in the total amount of \$2,120,513 and \$1,253,641 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors in the years ended June 30, 2024 and 2023, respectively.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 11. Leases

The Organization leases premises for general office uses and equipment under operating lease agreements that have initial terms ranging from 3.75 to 9.83 years. Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term up to 5 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Total operating lease cost was \$739,343 and \$598,259 for the years ended June 30, 2024 and 2023, respectively. The operating lease cost is included in the occupancy line item in the consolidated statement of functional expense.

Supplemental information related to leases is as follows as of June 30:

	2024	2023
Weighted-average remaining lease term for operating leases	7.4 years	8.8 years
Weighted-average discount rate for operating leases	3.00%	2.89%

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the operating lease liabilities recognized on the consolidated statement of financial position as of June 30, 2024, is as follows:

Years ending June 30:		
2025		\$ 752,333
2026		766,434
2027		742,809
2028		632,065
2029		624,953
Thereafter		1,770,701
Total lease payments		5,289,295
Less imputed interest		(521,150)
Total present value of lease liabilities		<u>\$ 4,768,145</u>

Note 12. 403(b) Retirement Plan

The Organization sponsors a 403(b) defined contribution pension plan (the Plan) covering eligible employees, as defined by the Plan. Employer contributions are based on a percentage of the employees' salaries, ranging from 4% to a maximum of 8%. 403(b) contributions contributed by the Organization for the years ended June 30, 2024 and 2023, amounted to approximately \$188,000 and \$157,000, respectively. The officers of the Organization serve as trustees of the Plan.

Citymeals-on-Wheels

Notes to Consolidated Financial Statements

Note 13. Summarized Financial Data

Below is summarized financial data of Citymeals and the LLC included in these consolidated financial statements prior to intercompany eliminations.

	2024		2023	
	Citymeals	The LLC	Citymeals	The LLC
Total assets	\$ 73,002,239	\$ 16,348,955	\$ 68,133,599	\$ 17,369,042
Total liabilities	5,795,792	57,583	5,464,397	3,298,726
Net assets	<u>\$ 67,206,447</u>	<u>\$ 16,291,372</u>	<u>\$ 62,669,202</u>	<u>\$ 14,070,316</u>
Total revenue and gains	\$ 35,605,840	\$ 2,466,341	\$ 33,266,314	\$ 1,651,778
Total expenses	31,068,595	245,285	27,823,093	370,832
Change in net assets	<u>\$ 4,537,245</u>	<u>\$ 2,221,056</u>	<u>\$ 5,443,221</u>	<u>\$ 1,280,946</u>

The LLC net assets of \$16,291,372 and \$14,070,316 includes \$120,000 and \$1,390,893 restricted by donors for the Distribution Center as of June 30, 2024 and 2023, respectively.

Note 14. Contingency

The Organization is subject to ongoing litigation in the ordinary course of their operations. In the opinion of management, none of the actions currently pending will have a material impact on their consolidated financial position due to adequate insurance coverage in the event of adverse outcomes of these matters.