



Financial Statements

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)



**and
Report Thereon**



MEALS ON WHEELS AMERICA

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For the Year Ended December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Meals on Wheels America

Opinion

We have audited the financial statements of Meals on Wheels America (the Organization), which comprise the statement of financial position as of December 31, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 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 (GAAS). 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.

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 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
May 6, 2024

MEALS ON WHEELS AMERICA

STATEMENT OF FINANCIAL POSITION

December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 4,552,179	\$ 2,704,384
Investments	32,648,582	28,917,140
Grants and contributions receivable	3,091,204	2,896,582
Accounts and other receivables	196,825	440,136
Inventory	13,164	24,409
Prepaid expenses	393,616	200,519
Property and equipment, net	733,162	387,632
Right of use asset – operating	3,044,661	1,213,662
Security deposit	<u>5,071</u>	<u>5,071</u>
TOTAL ASSETS	<u><u>\$ 44,678,464</u></u>	<u><u>\$ 36,789,535</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,518,572	\$ 1,885,696
Contract liabilities	666,818	609,949
Lease liability – operating	<u>4,020,565</u>	<u>1,936,284</u>
TOTAL LIABILITIES	<u>7,205,955</u>	<u>4,431,929</u>
Net Assets		
Without donor restrictions	35,862,482	29,752,342
With donor restrictions	<u>1,610,027</u>	<u>2,605,264</u>
TOTAL NET ASSETS	<u>37,472,509</u>	<u>32,357,606</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 44,678,464</u></u>	<u><u>\$ 36,789,535</u></u>

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

MEALS ON WHEELS AMERICA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
OPERATING REVENUE AND SUPPORT				
Grants and contributions	\$ 17,916,710	\$ 6,934,946	24,851,656	\$ 18,190,507
In-kind contributions	4,963,189	-	4,963,189	11,963,005
Government grants	91,188	-	91,188	683,292
Program service fees:				
Contracts and royalties	1,342,049	-	1,342,049	1,249,560
Conference	758,088	-	758,088	657,956
Membership dues	524,123	-	524,123	498,042
Other income	36,422	-	36,422	189,251
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>7,930,183</u>	<u>(7,930,183)</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>33,561,952</u>	<u>(995,237)</u>	<u>32,566,715</u>	<u>33,431,613</u>
OPERATING EXPENSES				
Program Services	<u>21,751,086</u>	<u>-</u>	<u>21,751,086</u>	<u>26,011,993</u>
Supporting Services:				
Management and general	2,483,876	-	2,483,876	2,131,788
Development	<u>5,993,109</u>	<u>-</u>	<u>5,993,109</u>	<u>4,147,046</u>
Total Supporting Services	<u>8,476,985</u>	<u>-</u>	<u>8,476,985</u>	<u>6,278,834</u>
TOTAL OPERATING EXPENSES	<u>30,228,071</u>	<u>-</u>	<u>30,228,071</u>	<u>32,290,827</u>
Change in net assets from operations	3,333,881	(995,237)	2,338,644	1,140,786
NONOPERATING ACTIVITIES				
Investment income (loss), net	<u>2,776,259</u>	<u>-</u>	<u>2,776,259</u>	<u>(2,560,719)</u>
CHANGE IN NET ASSETS	6,110,140	(995,237)	5,114,903	(1,419,933)
NET ASSETS, BEGINNING OF YEAR	<u>29,752,342</u>	<u>2,605,264</u>	<u>32,357,606</u>	<u>33,777,539</u>
NET ASSETS, END OF YEAR	<u>\$ 35,862,482</u>	<u>\$ 1,610,027</u>	<u>\$ 37,472,509</u>	<u>\$ 32,357,606</u>

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

MEALS ON WHEELS AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Supporting Services			Total Supporting Services	2023 Total	2022 Total
	Program Services	Management and General	Development			
Personnel	\$ 4,899,517	\$ 1,582,974	\$ 1,130,275	\$ 2,713,249	\$ 7,612,766	\$ 6,332,771
Grants, scholarships and awards	7,514,453	-	-	-	7,514,453	6,727,816
Consulting and contracted services	1,911,503	376,750	4,501,513	4,878,263	6,789,766	4,789,306
Member services	1,012,127	-	-	-	1,012,127	772,835
Conference and events	665,624	-	-	-	665,624	612,054
Office expenses and bank fees	270,385	105,889	215,384	321,273	591,658	635,453
Occupancy	233,193	96,828	61,244	158,072	391,265	299,400
Miscellaneous	71,510	110,589	32,075	142,664	214,174	181,751
Accounting, audit and legal fees	25,625	162,693	-	162,693	188,318	189,244
Travel and meetings	119,224	21,273	35,616	56,889	176,113	77,091
Depreciation and amortization	48,653	20,202	12,778	32,980	81,633	84,559
Insurance	16,083	6,678	4,224	10,902	26,985	27,867
	16,787,897	2,483,876	5,993,109	8,476,985	25,264,882	20,730,147
TOTAL EXPENSES BEFORE IN-KIND						
In-kind public service announcements	4,963,189	-	-	-	4,963,189	11,560,680
TOTAL OPERATING EXPENSES	\$ 21,751,086	\$ 2,483,876	\$ 5,993,109	\$ 8,476,985	\$ 30,228,071	\$ 32,290,827

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

MEALS ON WHEELS AMERICA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,114,903	\$ (1,419,933)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	81,633	84,559
Unrealized (gain) loss on investments	(2,224,632)	1,888,182
Realized loss on investments	597,954	1,530,576
Amortization of right of use asset	268,215	246,847
Changes in assets and liabilities:		
Grants and contributions receivable	(194,622)	43,168
Accounts and other receivables	243,311	(252,132)
Inventory	11,245	19,966
Prepaid expenses	(193,097)	46,045
Accounts payable and accrued expenses	632,876	(654,383)
Refundable advance	-	(290,925)
Contract liabilities	56,869	(42,028)
Lease liability – operating	<u>(287,692)</u>	<u>(348,421)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,106,963</u>	<u>851,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(10,688,659)	(25,095,058)
Proceeds from sale of investments	9,505,719	22,226,643
Purchases of property and equipment	<u>(154,404)</u>	<u>(23,167)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,337,344)</u>	<u>(2,891,582)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,769,619	(2,040,061)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,280,273</u>	<u>7,320,334</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,049,892</u>	<u>\$ 5,280,273</u>
CASH REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	4,552,179	2,704,384
Cash and cash equivalents held for investment purposes	<u>3,497,713</u>	<u>2,575,889</u>
	<u>\$ 8,049,892</u>	<u>\$ 5,280,273</u>
NON-CASH INVESTING ACTIVITIES		
Non-cash leasehold incentive	<u>\$ 272,759</u>	<u>\$ -</u>

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

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. Organization and Summary of Significant Accounting Policies

Organization

Meals on Wheels America (the Organization) is a nonprofit organization chartered in Washington, D.C., on April 30, 1976. The Organization's vision is an America in which all seniors live nourished lives with independence and dignity. The Organization's mission is to empower local community programs to improve the health and quality of life of the seniors they serve so that no one is left hungry or isolated.

Meals on Wheels America is the leadership organization supporting the more than 5,000 community-based programs across the country that are dedicated to addressing senior hunger and isolation. Powered by a dedicated volunteer workforce, this network delivers a comprehensive solution that begins with a meal and is proven to enable independence and well-being through the additional benefits of tailored nutrition, social connection, safety and much more. By providing funding, programming, education, research and advocacy, Meals on Wheels America empowers its local member programs to strengthen their communities, one senior at a time.

The Organization's activities are primarily funded from corporate, foundation and individual contributions and/or grants, government grants, and service contracts.

Basis of Presentation

The financial statements are presented using the accrual method of accounting. Revenue is recognized when earned and expense is recognized when incurred. Unconditional promises to give (pledges) are recorded as contributions when the promise is made.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market accounts and all highly liquid investments with initial maturities of three months or less.

Accounts Receivables

Accounts receivables are primarily from membership dues and contracts with customers. The Organization provides for an allowance for credit losses for amounts deemed uncollectible. The allowance is based on management's analysis of historical collectability as well as expected future losses. All amounts are considered fully collectible by management and no allowance for credit losses was recognized as of December 31, 2023. All receivable amounts are due within one year.

Grants and Contribution Receivables

Grants and contributions receivable consist of grants and contributions from foundations, government agencies and corporate donors to be used for particular programs and/or general support and expected to be fully collected within the next year. Grants and contributions receivable are valued at net realizable value.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments consist of cash and cash equivalents, mutual funds and exchange-traded funds (see note 3). These investments are recorded in the accompanying statement of financial position at fair value based on quoted market prices (see Note 4). Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by comparison of fair value at the beginning and end of the reporting period.

Fair Value Measurement

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, the Organization has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the fair value hierarchy, the categorization is based upon the lowest-level input that is significant to the fair value measurement of the instrument. Only the Organization's investments were measured at fair value on a recurring basis (see Note 4).

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. All additions in excess of \$1,000 and an economic life of more than one year are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Computer and office equipment is depreciated on a straight-line basis over the estimated useful life of the assets, which ranges from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in the accompanying statement of activities.

Right of Use Asset and Lease Liability

At the inception of an agreement, the Organization evaluates whether the agreement meets the criteria for a lease. The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using a risk free rate of return that coincides with the date and term of the lease and is adjusted for lease incentives. The asset is amortized over the lease term and is reflected as rent expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the lease term.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Organization's net assets are reported as follows:

- Net assets without donor restrictions consist of assets that are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.
- Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Revenue Recognition

Grants and Contributions

The Organization recognizes all unconditional promises to give in the period in which the commitment to give is made. Contributions are considered revenue and support without donor restriction and available for general operations unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized on unconditional contributions that has been committed to the Organization, but has not been received, is reflected as grants and contributions receivable in the accompanying statement of financial position.

Government grants are recorded as revenue upon the incurrence of various conditions and are recognized as conditions are met. Revenue recognized on government grants for which billings have not been presented to or collected from the donor or awarding agency is included in grants and contributions receivable in the accompanying statement of financial position. Any amounts received in advance that were not spent as of year-end are included in refundable advance in the accompanying statement of financial position.

Program Service Fees

Contracts and royalties include fixed price contracts that contain performance obligations. Revenue is recognized at the point in time that the performance obligations are satisfied. Revenue recognized on these contracts for which billings have not been collected from the customer is included in accounts receivable. Payments received in advance of satisfying the performance obligations are recorded in contract liabilities.

Conference revenue, which consists of registrations, sponsorships and exhibitor fees for the annual conference, is recognized at the point in time the conference is held. Payments received in advance of the related event are recorded as contract liabilities.

Membership dues are recognized as revenue ratably over the membership term (e.g., calendar year) as membership benefits are provided to members over the entire membership period. Accordingly, dues paid by members in advance of the membership period are reported as contract liabilities.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to specific functional areas of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on direct labor costs. These include personnel, office expenses and bank fees, occupancy, depreciation and amortization, and insurance.

Definition of Operations

Operating revenue and expenses generally reflect those revenues and expenses that are an integral part of the programs and supporting activities of the Organization and exclude investment income (loss).

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses – (Topic 326)*. This ASU significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB Accounting Standard Codification 326 were accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

2. Investments

Investments consisted of the following as of December 31, 2023:

Mutual funds	\$ 18,610,552
Exchange-traded funds	10,540,317
Cash and cash equivalents	<u>3,497,713</u>
Total Investments	<u>\$ 32,648,582</u>

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

2. Investments (continued)

Investment income is summarized as follows for the year ended December 31, 2023:

Interest and dividends, net of expenses	\$ 1,149,581
Realized loss	(597,954)
Unrealized gain	<u>2,224,632</u>
Total Investment Income	<u>\$ 2,776,259</u>

3. Fair Value Measurement

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of December 31, 2023:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments measured in the fair value hierarchy:				
Mutual funds:				
Fixed income	\$ 6,151,751	\$ 6,151,751	\$ -	\$ -
Equity	7,185,650	7,185,650	-	-
Multi-alternative	5,273,151	5,273,151	-	-
Exchange-traded funds:				
Fixed income	7,981,234	7,981,234	-	-
Equity	2,103,866	2,103,866	-	-
Multi-alternative	<u>455,217</u>	<u>455,217</u>	-	-
Total Investments Measured in the Fair Value Hierarchy	29,150,869	<u>\$ 29,150,869</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>3,497,713</u>			
Total Investments	<u>\$ 32,648,582</u>			

The Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Mutual and exchange-traded funds – Valued at net asset value at the closing price reported in the active market in which the mutual and exchange-traded funds are traded.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

4. Property and Equipment and Accumulated Depreciation and Amortization

The Organization's property and equipment consisted of the following as of December 31, 2023:

Leasehold improvements	\$ 1,088,100
Computer equipment	192,553
Office equipment	<u>29,850</u>
Total Property and Equipment	1,310,503
Less: Accumulated Depreciation and Amortization	<u>(577,341)</u>
Property and Equipment, Net	<u>\$ 733,162</u>

Depreciation and amortization expense totaled \$81,633 for the year ended December 31, 2023.

5. Right of Use Asset and Lease Liability

On November 16, 2015, the Organization entered into a noncancelable operating lease for office space located in Arlington, Virginia. The lease agreement commenced in July 2015 and was scheduled to terminate on November 15, 2027. The agreement allowed for rent abatement at the beginning of the lease and requires monthly rental payments of \$27,655, subject to 2.5% annual fixed escalations. The Organization is obligated to pay its pro rata share of the building's real estate and operating expenses after the abatement period ends. The terms of the lease required an initial security deposit, in the form of a Letter of Credit, in the amount of \$165,927, which according to the terms of the lease, was subsequently reduced to \$62,577 in 2021. In addition, the terms of the lease included a tenant improvement allowance.

On April 27, 2023, the Organization entered into a lease amendment for its existing office space to extend the lease through November 30, 2034. The lease amendment included an incentive to waive fifty percent (50%) of the monthly rent installments for the first twelve calendar months following the commencement of the amendment period for a total rent abatement of \$231,424. Thereafter the Organization is required to make monthly rental payments of \$39,535, subject to 2.5% annual fixed escalations. The Organization is obligated to pay its pro rata share of the building's real estate and operating expenses. The terms of the amended lease required an initial security deposit, in the form of a Letter of Credit, in an amount no less than \$38,571; however, the existing letter of credit in the amount of \$62,577 has yet to be reduced to reflect this new, lower letter of credit requirement. In addition, the terms of the lease included a provision for certain physical improvements to the leased space, at the cost of the landlord, which totaled \$272,759. The right of use asset obtained in exchange for lease obligations related to the lease amendment was \$2,371,973.

The components of operating lease expenses for the year ended December 31, 2023 are as follows:

Operating lease expense	\$ 376,226
Variable lease expense	<u>12,059</u>
Total Lease Expenses	<u>\$ 388,285</u>

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

5. Right of Use Asset and Lease Liability (continued)

Cash paid for the operating lease was \$395,703 for the year ended December 31, 2023.

Other information related to the operating lease as of December 31, 2023:

Remaining lease term	10.9 years
Discount rate	3.53%

Future minimum lease payments required under the office space lease are as follows:

<u>For the Year Ending December 31,</u>	
2024	\$ 405,595
2025	415,735
2026	426,129
2027	419,564
2028	251,674
Thereafter	<u>2,990,967</u>
Total Lease Payments	4,909,664
Less: Present Value Discount	<u>(889,099)</u>
Lease Liability – Operating Lease	<u>\$ 4,020,565</u>

6. Net Assets With Donor Restrictions

As of December 31, 2023, net assets with donor restrictions were restricted for the following purposes or time specifications:

Subject to expenditure for specified purpose:	
Community impact	\$ 1,177,026
Research	<u>83,107</u>
Total	1,260,133
Subject to occurrence of passage of time:	
General operations	<u>349,894</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,610,027</u>

7. In-kind Contribution

The Organization recognized contributed nonfinancial assets, in the amount of \$4,963,189 for the year ended December 31, 2023 which is reported as in-kind contributions in the accompanying statement of activities and unless otherwise noted, did not have donor-imposed restrictions. The in-kind contributions consisted of media airtime which are donated for public service announcements (PSA) airtime (primarily television and radio) for ads highlighting the

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

7. In-kind Contribution (continued)

Organization's mission and programs. Such in-kind contributions are recorded at the estimated fair value as provided by TV Access (<https://tvaccess.com>), the nation's largest PSA distributor, and based on a combination of SQAD valuation data and Nielsen Sigma airing data. SQAD (<https://sqad.com>) is the largest real cost benchmarking research database available for comprehensive valuation of similar forms of advertising cost, on a per-airing basis (which accounts for audience, market area, time of day, and other factors). Nielsen Sigma airing data (<https://nielsen.com>) provides a record of when and where ads were run.

8. Commitments and Risks

Letter of Credit

In lieu of a cash security deposit to its landlord, the Organization elected to deliver an irrevocable unconditional letter of credit in the amount of \$165,927, issued by a financial institution, naming the landlord as the beneficiary thereof. The letter of credit expires and renews each year automatically on the last day of December, unless written notice is provided by the lender 45 days prior to expiration. The letter of credit, however, will not be extended beyond December 31, 2027, the final maturity date. On March 30, 2021, in accordance with the terms of the lease and via an amendment of the existing letter of credit, the amount of the letter of credit was reduced to \$62,577. All other terms and conditions contained in the letter of credit remained unchanged.

Hotel Agreements

The Organization has entered agreements with hotels which will provide room accommodations for its 2024 and 2025 Annual Conferences and Expos. These agreements contain clauses whereby the Organization is liable for liquidated damages in the event of cancellation. The potential liquidated damages increase, as the actual date of the annual conference approaches. The maximum possible amount of liquidated damages as of December 31, 2023, was approximately \$389,000.

Employment Agreement

During 2013, the Organization entered into an employment contract with the Executive Director that documents the terms and conditions of employment. Under the terms of the contract, should the Organization terminate the Executive Director's employment without cause, the Organization would be obligated to make a separation payment equal to the Executive Director's annual base salary, and would be obligated to pay certain benefits for a period of six months from the Executive Director's termination date.

Concentration of Credit Risk

The Organization maintains its cash with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2023, the Organization had approximately \$8,050,000 composed of demand deposits, which exceeded

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

8. Commitments and Risks (continued)

Concentration of Credit Risk (continued)

the maximum limit insured by the FDIC by approximately \$6,905,000. The Organization monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Financial Risk

The Organization invests in a professionally managed investment portfolio that is exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

9. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Organization's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2023, were as follows:

Financial Assets:	
Cash and cash equivalents	\$ 4,552,179
Receivables	3,288,029
Investments	<u>32,648,582</u>
Total Financial Assets Available	40,488,790
Less:	
Net Assets With Donor Purpose Restrictions	<u>(1,260,133)</u>
Liquid and Available Financial Assets Available for General Expenditure Within One Year	<u>\$ 39,228,657</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of monthly requirements in interest bearing demand deposit accounts, money market accounts, publicly traded investment vehicles including mutual funds, and exchange-traded funds.

10. Retirement Plan

The Organization maintains a 403(b) retirement plan (the Plan) covering substantially all full-time employees who have attained 21 years of age. Employees may elect to defer and contribute to the Plan a portion of their compensation in amounts up to the maximum permitted

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

10. Retirement Plan (continued)

by law. The Organization matches employee contributions, up to 3% of the employee's salary, after the employee has completed one year of service. Retirement plan expense totaled \$160,086 for the year ended December 31, 2023.

11. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2023, as the Organization had no significant net unrelated business income.

The Organization performed an evaluation of uncertainty in income taxes for the year ended December 31, 2023, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status.

As of December 31, 2023, there are no tax examinations pending or in progress. It is the Organization's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2023, the Organization had no accruals for interest and/or penalties.

12. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. 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 December 31, 2022, from which the summarized information was derived.

13. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions, for potential recognition or disclosure, through May 6, 2024, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these financial statements.