

**COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS
ORANGE COUNTY**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

WITH INDEPENDENT AUDITORS' REPORT

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
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JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community SeniorServ, Inc. dba Meals on Wheels Orange County
Anaheim, California

We have audited the accompanying financial statements of Community SeniorServ, Inc. dba Meals on Wheels Orange County (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, changes in net assets, cash flows, and functional expenses (including corresponding revenues) for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community SeniorServ, Inc. dba Meals on Wheels Orange County as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, 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, grant agreements, and other matters. The purpose of that report is 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 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Community SeniorServ, Inc. dba Meals on Wheels Orange County adopted new accounting guidance for revenue recognition under Financial Accounting Standards Board Accounting Standards Codification Topic 606. Our opinion is not modified with respect to this matter.

White Nelson Dick Evans LLP

Irvine, California
October 26, 2020

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

| | 2020 | 2019 |
|---|---------------|--------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 4,095,489 | \$ 2,291,119 |
| Accounts, grants, and awards receivable | 1,709,215 | 1,542,455 |
| Inventory | 327,989 | 193,971 |
| Prepaid expenses | 52,345 | 82,640 |
| Board-designated restricted cash and investments | 2,265,287 | 2,174,939 |
| Total Current Assets | 8,450,325 | 6,285,124 |
| Property, Plant, and Equipment: | | |
| Land | 500,000 | 500,000 |
| Building and improvements | 2,521,628 | 2,478,263 |
| Equipment, furniture and fixtures, vehicles and website | 3,953,517 | 3,840,908 |
| Construction in progress | - | 16,038 |
| Total Property, Plant, and Equipment, at Cost | 6,975,145 | 6,835,209 |
| Less: Accumulated depreciation | (4,376,465) | (4,159,598) |
| Property, Plant, and Equipment, at Net Book Value | 2,598,680 | 2,675,611 |
| Other Assets: | | |
| Deposits | 21,043 | 23,334 |
| Debt service restricted cash | 166,725 | 167,248 |
| Total Other Assets | 187,768 | 190,582 |
| Total Assets | \$ 11,236,773 | \$ 9,151,317 |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS

| | 2020 | 2019 |
|--------------------------------------|---------------|--------------|
| Current Liabilities: | | |
| Accounts payable | \$ 1,147,117 | \$ 477,413 |
| Accrued liabilities | 1,093,978 | 1,095,732 |
| Note payable, current portion | 140,833 | 132,917 |
| Total Current Liabilities | 2,381,928 | 1,706,062 |
| Long-Term Liabilities: | | |
| Note payable, net of current portion | 215,417 | 356,250 |
| Total Long-Term Liabilities | 215,417 | 356,250 |
| Total Liabilities | 2,597,345 | 2,062,312 |
| Net Assets: | | |
| Without donor restrictions | 8,500,612 | 6,921,584 |
| With donor restrictions | 138,816 | 167,421 |
| Total Net Assets | 8,639,428 | 7,089,005 |
| Total Liabilities and Net Assets | \$ 11,236,773 | \$ 9,151,317 |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| Support and Revenues Without Donor Restrictions: | | |
| Community Support: | | |
| Grants and awards | \$ 9,830,900 | \$ 6,453,623 |
| Contributions and donations | 443,587 | 518,357 |
| Department of Education meal revenues | 126,146 | 160,178 |
| Direct mail and fundraising revenues | 1,145,982 | 776,596 |
| In-kind services | 863,294 | 1,091,070 |
| Participant fees | 112,993 | 142,160 |
| | 12,522,902 | 9,141,984 |
| Total Community Support | 12,522,902 | 9,141,984 |
| Revenues: | | |
| Sales of food products | 2,309,004 | 2,559,046 |
| Insurance/government reimbursements | 3,075,073 | 2,950,648 |
| Investment income, net | 85,619 | 88,847 |
| Other income | 107,499 | 177,792 |
| | 5,577,195 | 5,776,333 |
| Total Revenues | 5,577,195 | 5,776,333 |
| Net Assets Released from Restriction | 762,025 | 712,376 |
| Total Support and Revenues | 18,862,122 | 15,630,693 |
| Expenses (See Statements of Functional Expenses) | 17,283,094 | 14,859,582 |
| Increase in Net Assets Without Donor Restrictions | 1,579,028 | 771,111 |
| With Donor Restrictions: | | |
| Grants and awards | 695,133 | 368,698 |
| Funds released for expenditures | (723,738) | (712,376) |
| | (28,605) | (343,678) |
| Decrease in Net Assets with Donor Restrictions | (28,605) | (343,678) |
| Increase in Total Net Assets | \$ 1,550,423 | \$ 427,433 |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|------------------------------------|---------------------|
| Net Assets – June 30, 2018 | \$ 6,150,473 | \$ 511,099 | \$ 6,661,572 |
| Increase (Decrease) in Net Assets, Year Ended June 30, 2019 | <u>771,111</u> | <u>(343,678)</u> | <u>427,433</u> |
| Net Assets – June 30, 2019 | 6,921,584 | 167,421 | 7,089,005 |
| Increase (Decrease) in Net Assets, Year Ended June 30, 2020 | <u>1,579,028</u> | <u>(28,605)</u> | <u>1,550,423</u> |
| Net Assets – June 30, 2020 | <u>\$ 8,500,612</u> | <u>\$ 138,816</u> | <u>\$ 8,639,428</u> |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Increase in Total Net Assets | \$ 1,550,423 | \$ 427,433 |
| Noncash Items Included in Increase in Total Net Assets: | | |
| Depreciation | 272,454 | 271,628 |
| Loss on disposal of equipment | 476 | 749 |
| Realized and unrealized gains on investments | (56,039) | (26,708) |
| Changes in: | | |
| Accounts, grants, and awards receivable | (166,760) | (50,056) |
| Inventory | (134,018) | (17,596) |
| Prepaid expenses | 30,295 | (5,831) |
| Deposits | 2,291 | - |
| Accounts payable | 669,704 | (1,157) |
| Accrued liabilities | (1,754) | 166,146 |
| Net Cash, Cash Equivalents, and Restricted Cash Provided by Operating Activities | <u>2,167,072</u> | <u>764,608</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of equipment | (195,999) | (442,259) |
| Purchases of investments | (2,058,595) | (38,373) |
| Sales of investments | 2,062,931 | - |
| Reinvested dividends and interest | (38,645) | (23,488) |
| Net Cash, Cash Equivalents, and Restricted Cash Used in Investing Activities | <u>(230,308)</u> | <u>(504,120)</u> |
| Cash Flows from Financing Activities: | | |
| Payments on note payable | (132,917) | (125,833) |
| Net Cash, Cash Equivalents, and Restricted Cash Used in Financing Activities | <u>(132,917)</u> | <u>(125,833)</u> |
| Net Increase in Cash, Cash Equivalents, and Restricted Cash | 1,803,847 | 134,655 |
| Cash, Cash Equivalents, and Restricted Cash – Beginning of Year | <u>2,458,367</u> | <u>2,323,712</u> |
| Cash, Cash Equivalents, and Restricted Cash – End of Year | <u>\$ 4,262,214</u> | <u>\$ 2,458,367</u> |
| Supplemental Disclosure: | | |
| Interest paid | <u>\$ 32,417</u> | <u>\$ 41,455</u> |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES)
YEAR ENDED JUNE 30, 2020

| | Title III Services | | | | | | | Santa Ana VIP Center |
|--|--------------------------------|--------------------------------|---|-------------------------------|---------------------------|--------------------------------|--------------------------|----------------------------|
| | Congregate Meals Program | Home-Bound Meals Program | Buena Park Adult Day Care Program | Case Management Program | Transportation Program | In-Home Support Services | Temp. Meal Program | |
| Support and Revenues Without Donor Restrictions: | | | | | | | | |
| Community Support: | | | | | | | | |
| Grants and awards | \$ 2,780,599 | \$ 3,414,942 | \$ 154,948 | \$ 270,609 | \$ 314,209 | \$ 248,165 | \$ 2,482,844 | \$ 12,912 |
| Contributions and donations | 250,344 | 159,587 | 17,092 | 11,594 | 3,855 | 1,115 | - | - |
| Department of Education meal revenues | - | - | 15,478 | - | - | - | - | 50,833 |
| Direct mail and fundraising revenues | - | - | - | - | - | - | - | - |
| In-kind services | 418,365 | 265,707 | 16,396 | 22,825 | 84,171 | 28,076 | - | 7,863 |
| Participant fees | - | - | - | - | - | - | - | 24,615 |
| Total Community Support | 3,449,308 | 3,840,236 | 203,914 | 305,028 | 402,235 | 277,356 | 2,482,844 | 96,223 |
| Revenues: | | | | | | | | |
| Sales of food products | - | - | - | - | - | - | - | - |
| Insurance/government reimbursements | - | - | 30,746 | - | - | - | - | 1,489,556 |
| Investment income, net | - | - | - | - | - | - | - | - |
| Other income | 173,753 | 263,127 | 3,073 | 30,124 | - | 8,260 | - | 20,161 |
| Total Revenues | 173,753 | 263,127 | 33,819 | 30,124 | - | 8,260 | - | 1,509,717 |
| Net Assets Released from Restriction | 452,286 | 170,703 | 10,817 | 7,735 | - | 3,348 | - | 41,213 |
| Total Support and Revenues Without Donor Restrictions | 4,075,347 | 4,274,066 | 248,550 | 342,887 | 402,235 | 288,964 | 2,482,844 | 1,647,153 |
| Expenses: | | | | | | | | |
| Program Expenses: | | | | | | | | |
| Contract expenses | 380,200 | 690,974 | 845 | 31,142 | 214,423 | 145,496 | 25,106 | 138,359 |
| Food and supply costs | 1,196,772 | 1,191,031 | 26,036 | - | 19,700 | 9,269 | 1,413,165 | 99,968 |
| In-kind services | 418,365 | 265,707 | 16,396 | 22,825 | 84,171 | 28,076 | - | 7,863 |
| Insurance | 174,042 | 170,552 | 16,726 | 23,665 | 8,410 | 8,301 | 7,565 | 70,359 |
| Other program expenses | 7,941 | 9,729 | 227 | 965 | 781 | 420 | 3,201 | 26,232 |
| Personnel expense | 1,437,868 | 1,392,680 | 137,097 | 195,200 | 66,096 | 67,465 | 64,191 | 590,021 |
| Transportation and travel | 9,166 | 14,204 | 38,654 | 2,358 | 259 | 886 | - | 257,070 |
| Vehicle and fuel | 37,144 | 50,744 | - | - | - | - | - | - |
| Total Program Expenses | 3,661,498 | 3,785,621 | 235,981 | 276,155 | 393,840 | 259,913 | 1,513,228 | 1,189,872 |
| Support Expenses: | | | | | | | | |
| Depreciation | 50,587 | 53,053 | 3,086 | 4,256 | 4,993 | 3,587 | - | 12,708 |
| Employment expense | 17,423 | 17,853 | 1,461 | 1,799 | 1,282 | 924 | 332 | 19,806 |
| Direct mail and fundraising expenses | - | - | - | - | - | - | - | 500 |
| Insurance | 32,266 | 40,000 | 1,732 | 2,141 | 57 | 1,703 | - | 8,459 |
| Miscellaneous | 6,147 | 9,085 | 457 | 301 | 167 | 176 | 158 | 10,811 |
| Office expense | 33,110 | 45,113 | 2,545 | 9,631 | 41 | 3,644 | - | 21,129 |
| Professional fees | 20,332 | 23,079 | 2,198 | 2,198 | 2,747 | 1,648 | - | 550 |
| Rent | - | 21,936 | - | 13,767 | - | 2,893 | - | 62,110 |
| Repairs and maintenance | 82,759 | 98,541 | - | 7,812 | 9 | 4,174 | - | 20,554 |
| Small equipment | 1,265 | 483 | 15 | 29 | - | 29 | - | - |
| Technology | 50,316 | 48,783 | 2,318 | 6,398 | 4 | 3,200 | 525 | 16,247 |
| Telephone and utilities | 68,568 | 92,679 | 1,693 | 18,853 | 314 | 7,507 | 376 | 22,924 |
| Total Support Expenses | 362,773 | 450,605 | 15,505 | 67,185 | 9,614 | 29,485 | 1,391 | 195,798 |
| Other Expenses: | | | | | | | | |
| Interest expense | - | - | - | - | - | - | - | - |
| Total Other Expenses | - | - | - | - | - | - | - | - |
| Total Expenses | 4,024,271 | 4,236,226 | 251,486 | 343,340 | 403,454 | 289,398 | 1,514,619 | 1,385,670 |
| Increase (Decrease) in Net Assets Without Donor Restrictions | 51,076 | 37,840 | (2,936) | (453) | (1,219) | (434) | 968,225 | 261,483 |
| Support with Donor Restrictions: | | | | | | | | |
| Grants and awards | 452,286 | 170,703 | 10,817 | 7,735 | - | 3,348 | - | 41,213 |
| Funds released for expenditures | (452,286) | (170,703) | (10,817) | (7,735) | - | (3,348) | - | (41,213) |
| Increase (Decrease) in Net Assets With Donor Restrictions | - | - | - | - | - | - | - | - |
| Increase (Decrease) in Total Net Assets | \$ 51,076 | \$ 37,840 | \$ (2,936) | \$ (453) | \$ (1,219) | \$ (434) | \$ 968,225 | \$ 261,483 |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES) (CONTINUED)
YEAR ENDED JUNE 30, 2020

| | Anaheim VIP Center | Advancement | Cook/Chill | Care Coordination | Social Meals | Other Grants | General | Total |
|---|--------------------------|-------------------|------------------|----------------------|-------------------|---------------------|---------------------|---------------------|
| Support and Revenues Without Donor Restrictions: | | | | | | | | |
| Community Support: | | | | | | | | |
| Grants and awards | \$ 6,412 | \$ - | \$ - | \$ - | \$ - | \$ 142,726 | \$ 2,534 | \$ 9,830,900 |
| Contributions and donations | - | - | - | - | - | - | - | 443,587 |
| Department of Education meal revenues | 59,835 | - | - | - | - | - | - | 126,146 |
| Direct mail and fundraising revenues | - | 1,138,094 | - | - | - | - | 7,888 | 1,145,982 |
| In-kind services | 19,891 | - | - | - | - | - | - | 863,294 |
| Participant fees | 88,378 | - | - | - | - | - | - | 112,993 |
| Total Community Support | 174,516 | 1,138,094 | - | - | - | 142,726 | 10,422 | 12,522,902 |
| Revenues: | | | | | | | | |
| Sales of food products | - | - | 683,142 | - | 1,625,862 | - | - | 2,309,004 |
| Insurance/government reimbursements | 1,504,191 | - | - | 50,580 | - | - | - | 3,075,073 |
| Investment income, net | - | - | - | - | - | - | 85,619 | 85,619 |
| Other income | 18,768 | - | - | 57,906 | - | (467,673) | - | 107,499 |
| Total Revenues | 1,522,959 | - | 683,142 | 108,486 | 1,625,862 | (467,673) | 85,619 | 5,577,195 |
| Net Assets Released from Restriction | 38,287 | - | - | 8,250 | 5,000 | 309 | 24,077 | 762,025 |
| Total Support and Revenues Without Donor Restrictions | 1,735,762 | 1,138,094 | 683,142 | 116,736 | 1,630,862 | (324,638) | 120,118 | 18,862,122 |
| Expenses: | | | | | | | | |
| Program Expenses: | | | | | | | | |
| Contract expenses | 105,037 | 114,350 | 107,749 | 5,243 | 339,268 | - | 5,550 | 2,303,742 |
| Food and supply costs | 99,685 | - | 450,932 | - | 726,814 | 5,423 | - | 5,238,795 |
| In-kind services | 19,891 | - | - | - | - | - | - | 863,294 |
| Insurance | 72,839 | 21,385 | 4,783 | 9,200 | 27,166 | - | - | 614,993 |
| Other program expenses | 22,171 | 1,514 | 225 | 957 | 523 | - | 10,150 | 85,036 |
| Personnel expense | 607,873 | 176,102 | 39,128 | 76,682 | 220,690 | - | 268,745 | 5,339,838 |
| Transportation and travel | 237,318 | 783 | 18 | 1,062 | 94 | - | - | 561,872 |
| Vehicle and fuel | - | - | 104 | - | 46,576 | - | - | 134,568 |
| Total Program Expenses | 1,164,814 | 314,134 | 602,939 | 93,144 | 1,361,131 | 5,423 | 284,445 | 15,142,138 |
| Support Expenses: | | | | | | | | |
| Depreciation | 17,760 | - | - | - | - | - | 122,424 | 272,454 |
| Employment expense | 3,399 | 1,004 | 740 | 1,202 | 2,370 | 90 | 99 | 69,784 |
| Direct mail and fundraising expenses | 500 | 359,241 | - | - | - | 100 | 1,805 | 362,146 |
| Insurance | 8,458 | - | 8,697 | - | 18,555 | - | 8,144 | 130,212 |
| Miscellaneous | 11,572 | 6,992 | 1,544 | 816 | 4,213 | 6,422 | 59,287 | 118,148 |
| Office expense | 25,518 | 2,511 | 4,557 | 11 | 11,114 | - | 5,067 | 163,991 |
| Professional fees | 550 | - | 588 | - | 723 | - | 39,320 | 93,933 |
| Rent | 56,091 | - | - | - | - | - | - | 156,797 |
| Repairs and maintenance | 18,703 | - | 12,269 | - | 33,658 | - | 677 | 279,156 |
| Small equipment | - | - | 0 | - | 0 | - | - | 1,821 |
| Technology | 21,242 | 11,266 | 9,073 | 19 | 19,021 | - | 1,777 | 190,189 |
| Telephone and utilities | 17,515 | 1,249 | 10,063 | 1,579 | 25,949 | - | 639 | 269,908 |
| Total Support Expenses | 181,308 | 382,263 | 47,531 | 3,627 | 115,603 | 6,612 | 239,239 | 2,108,539 |
| Other Expenses: | | | | | | | | |
| Interest expense | - | - | - | - | - | - | 32,417 | 32,417 |
| Total Other Expenses | - | - | - | - | - | - | 32,417 | 32,417 |
| Total Expenses | 1,346,122 | 696,397 | 650,470 | 96,771 | 1,476,734 | 12,035 | 556,101 | 17,283,094 |
| Increase (Decrease) in Net Assets Without Donor Restrictions | 389,640 | 441,697 | 32,672 | 19,965 | 154,128 | (336,673) | (435,983) | 1,579,028 |
| Support with Donor Restrictions: | | | | | | | | |
| Grants and awards | 38,287 | - | - | 8,250 | 5,000 | (28,296) | 24,077 | 695,133 |
| Funds released for expenditures | (38,287) | - | - | (8,250) | (5,000) | (309) | (24,077) | (723,738) |
| Increase (Decrease) in Net Assets With Donor Restrictions | - | - | - | - | - | (28,605) | - | (28,605) |
| Increase (Decrease) in Total Net Assets | \$ 389,640 | \$ 441,697 | \$ 32,672 | \$ 19,965 | \$ 154,128 | \$ (365,278) | \$ (435,983) | \$ 1,550,423 |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES)
YEAR ENDED JUNE 30, 2019

| | Title III Services | | | | | | Santa Ana VIP Center | Anaheim VIP Center |
|--|--------------------------------|--------------------------------|---|-------------------------------|---------------------------|--------------------------------|----------------------------|--------------------------|
| | Congregate Meals Program | Home-Bound Meals Program | Buena Park Adult Day Care Program | Case Management Program | Transportation Program | In-Home Support Services | | |
| Support and Revenues without Donor Restrictions: | | | | | | | | |
| Community Support: | | | | | | | | |
| Grants and awards | \$ 2,223,734 | \$ 3,096,382 | \$ 166,400 | \$ 284,070 | \$ 329,839 | \$ 260,511 | \$ 8,274 | \$ 5,200 |
| Contributions and donations | 313,204 | 149,223 | 42,935 | 7,964 | 4,986 | 45 | - | - |
| Department of Education meal revenues | - | - | 16,701 | - | - | - | 69,664 | 73,813 |
| Direct mail and fundraising revenues | - | - | - | - | - | - | 650 | 650 |
| In-kind services | 566,528 | 315,408 | 21,987 | 35,342 | 113,617 | 32,360 | 96 | 5,732 |
| Participant fees | - | - | - | - | - | - | 33,680 | 108,480 |
| Total Community Support | 3,103,466 | 3,561,013 | 248,023 | 327,376 | 448,442 | 292,916 | 112,364 | 193,875 |
| Revenues: | | | | | | | | |
| Sales of food products | - | - | - | - | - | - | - | - |
| Insurance/government reimbursements | - | - | 42,840 | - | - | - | 1,462,799 | 1,338,559 |
| Investment income, net | - | - | - | - | - | - | - | - |
| Other income | - | - | 6,936 | - | - | - | 60,710 | 50,867 |
| Total Revenues | - | - | 49,776 | - | - | - | 1,523,509 | 1,389,426 |
| Net Assets Released from Restriction | 83,243 | 264,720 | 6,852 | 43,634 | 1,139 | 16,260 | 65,857 | 52,414 |
| Total Support and Revenues Without Donor Restrictions | 3,186,709 | 3,825,733 | 304,651 | 371,010 | 449,581 | 309,176 | 1,701,730 | 1,635,715 |
| Expenses: | | | | | | | | |
| Program Expenses: | | | | | | | | |
| Contract expenses | 210,865 | 441,047 | 1,715 | 34,556 | 257,890 | 178,549 | 118,399 | 91,350 |
| Food and supply costs | 611,024 | 1,072,656 | 27,170 | - | - | - | 99,310 | 107,708 |
| In-kind services | 566,528 | 315,408 | 21,987 | 35,342 | 113,617 | 32,360 | 96 | 5,732 |
| Insurance | 200,152 | 188,239 | 25,300 | 34,150 | 9,900 | 9,498 | 97,938 | 103,981 |
| Other program expenses | 15,241 | 21,340 | 637 | 3,314 | 1,316 | 734 | 27,421 | 24,953 |
| Personnel expense | 1,216,432 | 1,134,748 | 153,484 | 200,832 | 58,561 | 57,990 | 598,078 | 635,212 |
| Transportation and travel | 11,515 | 17,269 | 55,386 | 4,567 | 598 | 1,052 | 472,814 | 401,679 |
| Vehicle and fuel | 35,331 | 41,608 | - | - | - | - | - | - |
| Total Program Expenses | 2,867,088 | 3,232,315 | 285,679 | 312,761 | 441,882 | 280,183 | 1,414,056 | 1,370,615 |
| Support Expenses: | | | | | | | | |
| Depreciation | 44,674 | 53,633 | 4,271 | 5,201 | 6,303 | 4,334 | 12,956 | 8,858 |
| Employment expense | 14,795 | 15,455 | 369 | 1,366 | 635 | 1,178 | 1,785 | 814 |
| Direct mail and fundraising expenses | 64 | 44 | 29 | 4 | 5 | 3 | 196 | 3,333 |
| Insurance | 31,894 | 38,896 | 1,850 | 1,850 | - | 1,850 | 9,712 | 9,712 |
| Miscellaneous | 5,079 | 6,511 | 136 | 336 | 313 | 137 | 9,757 | 9,551 |
| Office expense | 21,439 | 34,538 | 3,415 | 9,331 | 127 | 3,536 | 14,753 | 19,246 |
| Professional fees | 18,223 | 22,103 | 1,497 | 1,497 | 1,990 | 1,477 | 493 | 493 |
| Rent | - | 20,645 | - | 13,827 | - | 3,403 | 58,867 | 54,847 |
| Repairs and maintenance | 50,672 | 63,474 | - | 5,846 | - | 3,023 | 26,324 | 23,952 |
| Small equipment | 7,908 | 8,938 | 4,990 | 689 | - | 689 | - | - |
| Technology | 41,746 | 39,721 | 2,242 | 4,873 | 24 | 2,879 | 19,827 | 19,008 |
| Telephone and utilities | 63,711 | 78,342 | 3,979 | 14,894 | 289 | 7,086 | 19,175 | 17,889 |
| Total Support Expenses | 300,205 | 382,300 | 22,778 | 59,714 | 9,686 | 29,595 | 173,845 | 167,703 |
| Other Expenses: | | | | | | | | |
| Interest expense | - | - | - | - | - | - | - | - |
| Total Other Expenses | - | - | - | - | - | - | - | - |
| Total Expenses | 3,167,293 | 3,614,615 | 308,457 | 372,475 | 451,568 | 309,778 | 1,587,901 | 1,538,318 |
| Increase (Decrease) in Net Assets Without Donor Restrictions | 19,416 | 211,118 | (3,806) | (1,465) | (1,987) | (602) | 113,829 | 97,397 |
| Support with Donor Restrictions: | | | | | | | | |
| Grants and awards | 83,243 | 264,720 | 6,852 | 43,634 | 1,139 | 16,260 | 65,857 | 52,414 |
| Funds released for expenditures | (83,243) | (264,720) | (6,852) | (43,634) | (1,139) | (16,260) | (65,857) | (52,414) |
| Increase (Decrease) in Net Assets With Donor Restrictions | - | - | - | - | - | - | - | - |
| Increase (Decrease) in Total Net Assets | \$ 19,416 | \$ 211,118 | \$ (3,806) | \$ (1,465) | \$ (1,987) | \$ (602) | \$ 113,829 | \$ 97,397 |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES) (CONTINUED)
YEAR ENDED JUNE 30, 2019

| | Advancement | Cook/Chill | The Village | Care Coordination | Social Meals | Other Grants | General | Total |
|--|-------------------|------------------|-------------|----------------------|-------------------|---------------------|---------------------|-------------------|
| Support and Revenues Without Donor Restrictions: | | | | | | | | |
| Community Support: | | | | | | | | |
| Grants and awards | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 67,220 | \$ 11,993 | \$ 6,453,623 |
| Contributions and donations | - | - | - | - | - | - | - | 518,357 |
| Department of Education meal revenues | - | - | - | - | - | - | - | 160,178 |
| Direct mail and fundraising revenues | 760,321 | - | - | - | - | - | 14,975 | 776,596 |
| In-kind services | - | - | - | - | - | - | - | 1,091,070 |
| Participant fees | - | - | - | - | - | - | - | 142,160 |
| Total Community Support | 760,321 | - | - | - | - | 67,220 | 26,968 | 9,141,984 |
| Revenues: | | | | | | | | |
| Sales of food products | - | 645,934 | - | - | 1,913,112 | - | - | 2,559,046 |
| Insurance/government reimbursements | - | - | - | 106,450 | - | - | - | 2,950,648 |
| Investment income, net | - | - | - | - | - | - | 88,847 | 88,847 |
| Other income | - | - | - | 48,950 | - | 10,329 | - | 177,792 |
| Total Revenues | - | 645,934 | - | 155,400 | 1,913,112 | 10,329 | 88,847 | 5,776,333 |
| Net Assets Released from Restriction | - | - | - | - | - | 153,087 | 25,170 | 712,376 |
| Total Support and Revenues Without Donor Restrictions | 760,321 | 645,934 | - | 155,400 | 1,913,112 | 230,636 | 140,985 | 15,630,693 |
| Expenses: | | | | | | | | |
| Program Expenses: | | | | | | | | |
| Contract expenses | 26,588 | 65,634 | - | 1,983 | 359,296 | - | 81,900 | 1,869,772 |
| Food and supply costs | - | 421,128 | - | - | 886,127 | - | - | 3,225,123 |
| In-kind services | - | - | - | - | - | - | - | 1,091,070 |
| Insurance | 29,843 | 12,041 | - | 11,554 | 40,175 | - | - | 762,771 |
| Other program expenses | 3,242 | 1,302 | - | 3,594 | 1,913 | - | 12,309 | 117,316 |
| Personnel expense | 177,568 | 74,488 | - | 69,831 | 239,396 | - | 135,550 | 4,752,170 |
| Transportation and travel | 4,557 | 144 | - | 1,564 | 371 | - | - | 971,516 |
| Vehicle and fuel | - | 202 | - | - | 52,050 | - | 357 | 129,548 |
| Total Program Expenses | 241,798 | 574,939 | - | 88,526 | 1,579,328 | - | 230,116 | 12,919,286 |
| Support Expenses: | | | | | | | | |
| Depreciation | - | - | - | - | - | - | 131,398 | 271,628 |
| Employment expense | 9,536 | 276 | - | 551 | 161 | 20 | 29 | 46,970 |
| Direct mail and fundraising expenses | 307,418 | - | - | - | - | - | 5,909 | 317,005 |
| Insurance | - | 7,587 | - | - | 23,102 | - | 7,724 | 134,177 |
| Miscellaneous | 4,961 | 1,438 | - | 803 | 3,405 | 19,234 | 74,106 | 135,767 |
| Office expense | 821 | 7,189 | - | 229 | 20,805 | - | 752 | 136,181 |
| Professional fees | - | 493 | - | - | 494 | - | 5,868 | 54,628 |
| Rent | - | - | - | - | - | - | - | 151,589 |
| Repairs and maintenance | - | 9,919 | - | - | 24,994 | - | 4,347 | 212,551 |
| Small equipment | - | - | - | - | - | - | - | 23,214 |
| Technology | 6,659 | 8,771 | - | 111 | 20,286 | - | 1,495 | 167,642 |
| Telephone and utilities | 1,299 | 9,421 | - | 1,731 | 28,852 | - | 821 | 247,489 |
| Total Support Expenses | 330,694 | 45,094 | - | 3,425 | 122,099 | 19,254 | 232,449 | 1,898,841 |
| Other Expenses: | | | | | | | | |
| Interest expense | - | - | - | - | - | - | 41,455 | 41,455 |
| Total Other Expenses | - | - | - | - | - | - | 41,455 | 41,455 |
| Total Expenses | 572,492 | 620,033 | - | 91,951 | 1,701,427 | 19,254 | 504,020 | 14,859,582 |
| Increase (Decrease) in Net Assets Without Donor Restrictions | 187,829 | 25,901 | - | 63,449 | 211,685 | 211,382 | (363,035) | 771,111 |
| Support with Donor Restrictions: | | | | | | | | |
| Grants and awards | - | - | - | - | - | (190,591) | 25,170 | 368,698 |
| Funds released for expenditures | - | - | - | - | - | (153,087) | (25,170) | (712,376) |
| Increase (Decrease) in Net Assets With Donor Restrictions | - | - | - | - | - | (343,678) | - | (343,678) |
| Increase (Decrease) in Total Net Assets | \$ 187,829 | \$ 25,901 | \$ - | \$ 63,449 | \$ 211,685 | \$ (132,296) | \$ (363,035) | \$ 427,433 |

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

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Community SeniorServ, Inc. dba Meals on Wheels Orange County (the “Organization”) prepares and delivers nutritious Meals on Wheels (home delivered meals) to homebound older adults in 20 cities in central and north Orange County. The Organization also provides a Senior Lunch Program (congregate meals) at 24 senior centers. The Organization operates two freestanding adult day health-care centers in Anaheim and Santa Ana and one adult day care center in Buena Park. Additionally, the Organization plans and coordinates case management services for its Meals on Wheels participants and provides in-home supportive services consisting of homemaking, personal care, and chores for these participants as needed. The Organization manufactures bulk food and unitized meals for its social enterprise business. The Organization’s goal is to maintain and enhance the independence, well-being, and dignity of older adults.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative US GAAP.

Basis of Presentation

The Organization’s resources are classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. Accordingly, the net assets of the Organization are classified and reported as follows:

- *Net Assets without Donor Restrictions* – Net assets of the Organization that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).
- *Net Assets with Donor Restrictions* – Net assets of the Organization that are subject to donor-imposed restrictions (donors include other types of contributors, including markers of certain grants).

Cash, Cash Equivalents, and Restricted Cash

For purposes of reporting cash flows, cash, cash equivalents, and restricted cash include petty cash funds, bank checking accounts used for operating purposes, site deposits, and investments with maturities of three months or less from the original purchase dates.

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

| | 2020 | 2019 |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 4,095,489 | \$ 2,291,119 |
| Restricted cash included in other long-term assets | 166,725 | 167,248 |
| Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statements of Cash Flows | \$ 4,262,214 | \$ 2,458,367 |

Restricted cash included in other long-term assets on the statements of financial position represents amounts pledged as collateral for long-term financing agreements as contractually required by a lender. The restriction will lapse when the related long-term debt is paid off.

Investments

The Organization records equity securities with readily determinable fair values and all investments in debt securities in accordance with FASB ASC 958-320, *Not-for-Profit Entities (Topic 958)*. This standard requires these types of investments to be reported at fair value, with gains and losses included in the statements of activities.

The Organization's investments are reported at their fair value in the statements of financial position. At June 30, 2020, cost and estimated fair value of cash and investments are \$2,188,600 and \$2,265,287, respectively. At June 30, 2019, cost and estimated fair value of investments are \$2,201,647 and \$2,174,939, respectively. Net unrealized gains for the years ended June 30, 2020 and 2019, totaled \$76,687 and \$26,708, respectively. Net investment income is reported in the statements of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, less external and direct internal investment expense. During the years ended June 30, 2020 and 2019, the Organization incurred management fees associated with its investments of \$13,400 and \$1,446, respectively.

Accounts, Grants, and Awards Receivable

The Organization's accounts, grants, and awards receivable are primarily reimbursements and fees from governmental agencies based on services performed by the Organization as written under contractual agreements. Management believes that the receivable is collectible and thus did not record an allowance for doubtful amounts for the years ended June 30, 2020 and 2019.

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists of food and supplies and is valued at cost using a weighted average on a first-in, first-out basis.

Property, Plant, and Equipment

All capital assets with a value of \$1,000 or more are capitalized into property, plant, and equipment. Property, plant, and equipment are stated at cost if purchased or estimated fair value if donated. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years for intellectual property; 3 to 15 years for equipment, furniture and fixtures, and vehicles; and over 20 to 50 years for building and improvements. Depreciation expense for the years ended June 30, 2020 and 2019, was approximately \$272,000 for both years.

Long-Lived Assets and Asset Impairment

The Organization accounts for long-lived assets in accordance with the FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. At June 30, 2020 and 2019, no impairment losses have been recorded.

Website Development

In accordance with FASB ASC 350-10, *Accounting for Website Development Costs*, the Organization capitalized \$12,390 for website development costs at both June 30, 2020 and 2019. The capitalized amount is fully amortized and included in property, plant, and equipment in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Labor expenses, including salaries, payroll taxes, workers' compensation, employee benefits, travel, and staff training, are allocated based on the percentage of time that each employee spends working on projects specific to the program or supporting function; nonlabor direct expenses are allocated based on each program's direct expenses. Occupancy, insurance, and depreciation expenses are allocated based on the programs serviced by the related resources.

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition

A majority of the Organization's grants and contracts support are federal pass-through funds from the County of Orange and the State of California. Support received from these grants is recognized on an accrual basis, which is based on funding provided through the term of the individual contracts as specified by the grantor. Other support is derived from client fees, contributions from community individuals, and businesses.

The Organization recognizes contributions when cash or other assets 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 met. There are no conditional promises to give at June 30, 2020 and 2019.

The Organization recognizes revenue from contracts with customers in accordance with FASB ASC 606, which applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records exchange transaction revenue in its statement of activities for the year ended June 30, 2020 and 2019.

Exchange Transactions

Revenue from the sales of food products and participation fees are recognized when (i) there is persuasive evidence that an arrangement exists, (ii) delivery of the products has occurred, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured. The Organization does not have any significant financing components, as payment is received at or shortly after the point of sale.

Contributions

Contributed materials and property are recorded at their fair value when there is an objective basis available to measure their value. In-kind items used in the Organization's program activities are recorded as income or expense at the time they are received, which is normally also the time the items are placed into service or distributed.

Contributed services are recognized as contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such items are capitalized or charged to operations at fair value as appropriate. During the year ended June 30, 2020 and 2019, the Organization did not receive any donated professional services.

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

A substantial number of volunteers have donated significant amounts of time in the operation of the Organization's various programs. These donated services do not meet the criteria of FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, and accordingly have not been reflected in the accompanying financial statements.

The value of such volunteer time was estimated using the minimum wage rates as follows for the year ended June 30, 2020 (unaudited):

| | <u>Number of Volunteers</u> | <u>Number of Hours</u> | <u>Value</u> |
|---------------------------|---------------------------------|----------------------------|-------------------|
| Areas of Service: | | | |
| Congregate Meals | 2,275 | 36,024 | \$ 444,306 |
| Home-Bound Meals | 3,047 | 22,554 | 280,274 |
| Buena Park Adult Day Care | 51 | 1,503 | 18,541 |
| Transportation | 282 | 2,875 | 35,395 |
| Santa Ana VIP Center | 33 | 654 | 8,334 |
| Anaheim VIP Center | 58 | 1,530 | 19,033 |
| Other - Kitchen/Office | <u>787</u> | <u>4,304</u> | <u>53,030</u> |
| Total | <u>6,533</u> | <u>69,444</u> | <u>\$ 858,913</u> |

The value of such volunteer time was estimated using the minimum wage rates as follows for the year ended June 30, 2019 (unaudited):

| | <u>Number of Volunteers</u> | <u>Number of Hours</u> | <u>Value</u> |
|---------------------------|---------------------------------|----------------------------|---------------------|
| Areas of Service: | | | |
| Congregate Meals | 3,027 | 49,188 | \$ 566,528 |
| Home-Bound Meals | 3,582 | 27,397 | 315,408 |
| Buena Park Adult Day Care | 44 | 1,904 | 21,987 |
| Transportation | 309 | 4,184 | 48,195 |
| Santa Ana VIP Center | 1 | 8 | 96 |
| Anaheim VIP Center | 32 | 489 | 5,732 |
| Other - Kitchen/Office | <u>964</u> | <u>5,864</u> | <u>67,702</u> |
| Total | <u>7,959</u> | <u>89,034</u> | <u>\$ 1,025,648</u> |

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Deferred Income

As of June 30, 2020 and 2019, deferred income consists of amounts received from participants in advance for fundraising events occurring subsequent to year-end.

Unpaid Compensated Absences

The Organization accrues a liability for all employee vacation time and related benefits that have been earned but not paid. The amount of this liability at June 30, 2020 and 2019, totaled approximately \$294,000 and \$259,000, respectively (see Note 6).

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and corresponding state code as a charitable organization whereby only unrelated business income, as identified by Section 509(a)(1) of the Code, is subject to income tax. The Organization had no unrelated business income during the years ended June 30, 2020 and 2019. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization adopted the provisions of FASB ASC 740-10-25, *Income Taxes*. In accordance with ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not that the position will be sustained. The implementation of ASC 740-10-25 had no impact on the Organization's financial statements. The Organization does not believe that there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires the use of estimates and assumptions regarding certain types of assets and liabilities, revenues and gains, and expenses and losses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Direct Mail and Fundraising Costs

Direct mail and fundraising costs are charged to operations when incurred.

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements – Adopted

During the year, the Organization adopted the provisions of FASB Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard helps not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions, and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If an organization’s source provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

As of January 1, 2019, the Organization also adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. ASU 2014-09 has been applied retrospectively with no effect on the net assets of the previous year.

Recent Accounting Pronouncements – Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. ASU 2016-13 requires that credit losses on most financial assets measured at amortized cost and certain other instruments, including trade receivables, be measured using an expected credit loss model. The ASU also replaces the current accounting model for purchased credit-impaired loans and debt securities. Further, ASU 2016-13 makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, including not-for-profit entities, the amendments are effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of the provisions of ASU 2016-13 on the presentation of its financial statements.

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2: Liquidity

The Organization's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of June 30, 2020 and 2019:

| | 2020 | 2019 |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 4,095,489 | \$ 2,291,119 |
| Accounts, grants, and awards receivable | 1,709,215 | 1,542,455 |
| Total Financial Assets Available to Meet General Expenditures within One Year | \$ 5,804,704 | \$ 3,833,574 |

As part of the Organization's liquidity management plan, it invests cash in excess of daily requirements in short-term investments and money market funds. The Organization's board-designated fund of \$2,265,287 and \$2,174,939 as of June 30, 2020 and 2019, respectively, is subject to an annual review by the board. Although the Organization does not intend to spend from this board-designated fund (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 3: Concentrations, Risks, and Uncertainties

During the years ended June 30, 2020 and 2019, the Organization obtained a substantial portion of its support from two sources. Support received from these sources aggregated approximately \$7,190,000 and \$5,470,000 for 2020 and 2019, respectively. At June 30, 2020 and 2019, amounts due from these sources, which are included in accounts, grants, and awards receivable, were approximately \$663,000 and \$651,000, respectively.

During the years ended June 30, 2020 and 2019, the Organization purchased approximately 21% and 27% of its raw materials from two suppliers, respectively. At June 30, 2020 and 2019, amounts due to these suppliers, which are reflected in accounts payable, aggregated approximately \$91,000 and \$83,000, respectively.

Credit is extended for some customers and is based on financial condition, and generally, collateral is not required.

COMMUNITY SENIORSERV, INC.
dba MEALS ON WHEELS ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 3: Concentrations, Risks, and Uncertainties (Continued)

The Organization maintains cash and cash equivalent balances at one financial institution. At June 30, 2020 and 2019, the accounts are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At June 30, 2020 and 2019, the Organization's balance in excess of the federally insured limit was approximately \$3,961,000 and \$2,482,000, respectively. The Organization also maintains cash equivalent balances at institutions that are insured by the Securities Investor Protection Corporation ("SIPC") for up to \$500,000. At June 30, 2020 and 2019, the Organization's balance in excess of the SIPC-insured limit was approximately \$1,763,000 and \$1,559,000, respectively.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus ("COVID-19"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase of the virus and its global exposure.

The Organization's operations are heavily dependent on private donations from individuals, foundations, and corporations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. The situation may depress donations during fiscal year 2020. As such, this may hinder the Organization's ability to advance its mission.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the Organization's financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change.

Note 4: Accounts receivable

Accounts receivable related to exchange transactions, and included in accounts, grants, and awards receivable, were as follows at June 30:

| | <u>2020</u> | <u>2019</u> |
|---------------------|-------------------|-------------------|
| Food sales | \$ 99,648 | \$ 232,491 |
| Participant fees | <u>3,340</u> | <u>5,841</u> |
| Accounts receivable | <u>\$ 102,988</u> | <u>\$ 238,332</u> |

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 5: Inventory

Inventory consists of the following at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-----------------|-------------------|-------------------|
| Food | \$ 242,652 | \$ 109,047 |
| Supplies | <u>85,337</u> | <u>84,924</u> |
| Total Inventory | <u>\$ 327,989</u> | <u>\$ 193,971</u> |

Note 6: Accrued Liabilities

Accrued liabilities at June 30, 2020 and 2019, consist of the following:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|---------------------|---------------------|
| Accrued salaries, wages, and bonuses | \$ 485,324 | \$ 433,163 |
| Deferred income | 70,101 | 118,987 |
| Other accrued expenses | <u>538,553</u> | <u>543,582</u> |
| Total Accrued Liabilities | <u>\$ 1,093,978</u> | <u>\$ 1,095,732</u> |

Note 7: Commitments and Contingencies

Grant Contingencies

Periodic audits may be performed by granting agencies, and certain costs may be questioned as not being reimbursable expenditures under the terms of various grant contracts. At June 30, 2020 and 2019, there were no material contingent liabilities associated with these contracts.

Operating Leases

The Organization is obligated under the terms of operating leases for the rental of certain facilities and various office equipment. Total rental expense for the years ended June 30, 2020 and 2019, was approximately \$165,000 and \$163,000, respectively. Future minimum rental payments for each of the next three years ending June 30 are as follows:

| | |
|-------|-------------------|
| 2021 | \$ 134,807 |
| 2022 | 131,227 |
| 2023 | <u>6,697</u> |
| Total | <u>\$ 272,731</u> |

COMMUNITY SENIORSERV, INC.
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JUNE 30, 2020 AND 2019

Note 7: Commitments and Contingencies (Continued)

Litigation

The Organization experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

Note 8: Note Payable

Note payable as of June 30, 2020 and 2019, consists of the following:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Note payable to California Health Facilities Financing Authority, payable in monthly principal and interest payments of approximately \$14,000, bearing interest at a rate of 6.5% annually. The note matures in December 2022 and is secured by real property. | \$ 356,250 | \$ 489,167 |
| Less: Current portion | (140,833) | (132,917) |
| Total Long-Term Debt | \$ 215,417 | \$ 356,250 |

The following are the maturities of long-term debt for each of the next three years ending June 30:

| | |
|-------|------------|
| 2021 | \$ 140,833 |
| 2022 | 150,833 |
| 2023 | 64,584 |
| Total | \$ 356,250 |

Note 9: Employee Benefit Plan

The Organization has established a retirement savings plan under Code Section 403(b), whereby the Organization's employees may elect to defer portions of their compensation. In accordance with the terms of the plan, individuals may contribute compensation earnings pretax to the plan, up to the annual maximum as prescribed by law. The Organization may make discretionary contributions to the plan at the discretion of the Board of Directors. Plan assets are exclusively invested in tax-sheltered annuities in each individual's name with selected insurance companies.

COMMUNITY SENIORSERV, INC.
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JUNE 30, 2020 AND 2019

Note 9: Employee Benefit Plan (Continued)

Distributions are made upon the occurrence of the participants' termination, retirement, death, or total disability and in a manner in accordance with the election made by the participant. Assets of the plan are not reflected in the accompanying financial statements. For the years ended June 30, 2020 and 2019, the Organization made matching contributions of approximately \$62,000 and \$87,000, respectively.

Note 10: Net Assets Released from Restrictions

Net assets released from restrictions consist of the following at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Capital assets - released | \$ 24,077 | \$ 25,170 |
| Satisfaction of time restriction | 634,381 | 585,813 |
| Satisfaction of purpose restriction | <u>103,567</u> | <u>101,393</u> |
| Total Net Assets Released from Restrictions | <u>\$ 762,025</u> | <u>\$ 712,376</u> |

Note 11: Net Assets

Net assets consist of the following at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Net Assets without Donor Restrictions: | | |
| Investment in property and equipment | \$ 2,598,680 | \$ 2,675,611 |
| Available for programs | <u>5,901,932</u> | <u>4,245,973</u> |
| Total net assets without donor restrictions | <u>8,500,612</u> | <u>6,921,584</u> |
| Net Assets with Donor Restrictions: | | |
| Various capital assets, net | 15,278 | 39,355 |
| Restrictions for time | 24,162 | 36,333 |
| Restrictions for purpose | <u>99,376</u> | <u>91,733</u> |
| Total net assets with restrictions | <u>138,816</u> | <u>167,421</u> |
| Total Net Assets | <u>\$ 8,639,428</u> | <u>\$ 7,089,005</u> |

COMMUNITY SENIORSERV, INC.
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Note 12: Allocation of Joint Costs

For the years ended June 30, 2020 and 2019, the Organization conducted activities that included appeals for contributions and incurred joint costs of \$362,146 and \$317,005, respectively. For the years ended June 30, 2020 and 2019, these activities included costs from direct mail and outreach campaigns totaling \$139,859 and \$132,289, respectively, and special event costs totaling \$222,287 and \$184,716, respectively.

Note 13: Fair Value Measurements

FASB ASC 820-10 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that 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 that are 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: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability'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.

COMMUNITY SENIORSERV, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 13: Fair Value Measurements (Continued)

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Common Stocks, Corporate Bonds, and US Government Securities: Valued at the closing price and reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Exchange-Traded Products: An exchange-traded product tracks an index fund and trades like a common stock on a stock exchange, and it is valued throughout the trading day using the intraday indicative value. This value is calculated by the exchange and is published throughout the trading day.

Fixed Income Securities: Valued at the closing market price on the stock exchange where they are traded (primarily the New York Stock Exchange).

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets, measured on a recurring basis, at fair value as of June 30, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------------------|---------------------|----------------|----------------|
| Cash, money market, and bank deposits | \$ 565,695 | \$ - | \$ - |
| Common stocks | 175,136 | - | - |
| Exchange-traded products | 16,200 | - | - |
| Fixed income securities | <u>1,508,256</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,265,287</u> | <u>\$ -</u> | <u>\$ -</u> |

COMMUNITY SENIORSERV, INC.
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NOTES TO FINANCIAL STATEMENTS
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Note 13: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets, measured on a recurring basis, at fair value as of June 30, 2019:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------------------|---------------------|----------------|----------------|
| Cash, money market, and bank deposits | \$ 44,589 | \$ - | \$ - |
| Common stocks | 77,293 | - | - |
| Exchange-traded products | 1,351,907 | - | - |
| Mutual funds | <u>701,150</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,174,939</u> | <u>\$ -</u> | <u>\$ -</u> |

Note 14: Board-Designated Funds

Board-designated funds are as follows as of June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|---------------------|---------------------|
| Cash and investments | <u>\$ 2,265,287</u> | <u>\$ 2,174,939</u> |
| Total Board-Designated Funds | <u>\$ 2,265,287</u> | <u>\$ 2,174,939</u> |

Note 15: Reclassifications

Certain reclassifications have been made to the 2019 financial statements in order to conform with the current-year presentation.

Note 16: Subsequent Events

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of October 26, 2020, which is the date the financial statements were available to be issued.

In September 2020, the Organization entered into an agreement to purchase property for \$1.9 million in Anaheim, California.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the 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, the financial statements of Community SeniorServ, Inc. dba Meals on Wheels Orange County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community SeniorServ, Inc. dba Meals on Wheels Orange County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community SeniorServ, Inc. dba Meals on Wheels Orange County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community SeniorServ, Inc. dba Meals on Wheels Orange County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community SeniorServ, Inc. dba Meals on Wheels Orange County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
October 26, 2020