



Financial Statements

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)



**and
Report Thereon**



MEALS ON WHEELS AMERICA

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For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Meals on Wheels America

Report on Financial Statements

We have audited the accompanying financial statements of Meals on Wheels America (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor considers internal control relevant to the entity'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 entity'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.

Continued

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Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels America as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements and in our report dated April 17, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
April 30, 2020

MEALS ON WHEELS AMERICA
STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Summarized Financial Information as of December 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,383,216	\$ 1,042,067
Grants and contributions receivable	3,161,574	4,664,749
Other receivables	143,983	69,700
Inventory	20,125	23,755
Prepaid expenses	73,560	89,808
Investments	7,582,892	4,810,722
Property and equipment, net	555,311	624,559
Security deposit	5,212	5,212
	<u>\$ 12,925,873</u>	<u>\$ 11,330,572</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,961,167	\$ 663,744
Contract liabilities	336,787	494,473
Deferred rent and lease incentives	1,028,360	1,116,887
	<u>3,326,314</u>	<u>2,275,104</u>
Net Assets		
Without donor restrictions	5,980,010	6,239,457
With donor restrictions	3,619,549	2,816,011
	<u>9,599,559</u>	<u>9,055,468</u>
	<u>\$ 12,925,873</u>	<u>\$ 11,330,572</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, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
OPERATING REVENUE AND SUPPORT				
Grants and contributions	\$ 4,060,005	\$ 5,278,485	\$ 9,338,490	\$ 10,474,740
Government grants	540,830	-	540,830	396,184
In-kind contributions	104,254	-	104,254	23,940,524
Program service fees:				
Contracts and royalties	984,638	-	984,638	545,080
Conference	660,685	-	660,685	559,100
Membership dues	240,994	-	240,994	208,448
Other income	20,486	-	20,486	10,136
Net assets released from restrictions:				
Satisfaction of program restrictions	4,474,947	(4,474,947)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	<u>11,086,839</u>	<u>803,538</u>	<u>11,890,377</u>	<u>36,134,212</u>
OPERATING EXPENSES				
Program Services	7,862,904	-	7,862,904	33,841,710
Supporting Services:				
Management and general	2,085,432	-	2,085,432	2,339,054
Development	2,122,016	-	2,122,016	625,395
Total Supporting Services	<u>4,207,448</u>	<u>-</u>	<u>4,207,448</u>	<u>2,964,449</u>
TOTAL OPERATING EXPENSES	<u>12,070,352</u>	<u>-</u>	<u>12,070,352</u>	<u>36,806,159</u>
Change in net assets from operations	(983,513)	803,538	(179,975)	(671,947)
NONOPERATING ACTIVITIES				
Investment income (loss)	724,066	-	724,066	(208,591)
CHANGE IN NET ASSETS	(259,447)	803,538	544,091	(880,538)
NET ASSETS, BEGINNING OF YEAR	<u>6,239,457</u>	<u>2,816,011</u>	<u>9,055,468</u>	<u>9,936,006</u>
NET ASSETS, END OF YEAR	<u>\$ 5,980,010</u>	<u>\$ 3,619,549</u>	<u>\$ 9,599,559</u>	<u>\$ 9,055,468</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, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Supporting Services			Total Supporting Services	2019 Total	2018 Total
	Program Services	Management and General	Development			
Grants, scholarships and awards	\$ 3,799,139	\$ -	\$ -	\$ -	\$ 3,799,139	\$ 4,115,812
Personnel	2,012,855	1,389,602	323,416	1,713,018	3,725,873	4,142,729
Consulting and contracted services	989,929	296,349	1,733,012	2,029,361	3,019,290	3,294,027
Conference and events	364,159	-	-	-	364,159	445,821
Occupancy	158,604	91,070	31,860	122,930	281,534	306,181
Member services	254,741	1,368	-	1,368	256,109	84,456
Travel and meetings	134,970	25,607	11,951	37,558	172,528	179,026
Bank fees	-	123,524	-	123,524	123,524	48,279
Depreciation and amortization	45,712	26,622	9,313	35,935	81,647	79,916
Accounting, audit and legal fees	-	71,432	-	71,432	71,432	75,254
Dues and subscriptions	41,998	14,397	450	14,847	56,845	20,537
Printing	19,511	1,568	3,899	5,467	24,978	20,672
Telephone	12,184	7,095	2,482	9,577	21,761	20,196
Insurance	9,971	5,807	2,031	7,838	17,809	19,359
Office supplies	12,920	2,291	830	3,121	16,041	13,326
State registration fees	580	15,241	-	15,241	15,821	12,732
Miscellaneous	524	12,594	-	12,594	13,118	45,458
Postage	5,107	865	2,772	3,637	8,744	5,276
	<u>7,862,904</u>	<u>2,085,432</u>	<u>2,122,016</u>	<u>4,207,448</u>	<u>12,070,352</u>	<u>12,929,057</u>
TOTAL EXPENSES BEFORE IN-KIND						
In-kind public service announcements and advertising	-	-	-	-	-	23,877,102
TOTAL OPERATING EXPENSES	<u>\$ 7,862,904</u>	<u>\$ 2,085,432</u>	<u>\$ 2,122,016</u>	<u>\$ 4,207,448</u>	<u>\$ 12,070,352</u>	<u>\$ 36,806,159</u>

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, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 544,091	\$ (880,538)
Adjustments to reconcile change in net assets to net cash provided by (used in) in operating activities:		
Depreciation and amortization	81,647	79,916
Unrealized (gain) loss on investments	(521,532)	373,424
Realized gain on investments	(47,511)	(33,783)
Bad debt expense	-	24,250
Loss on the disposal of assets-inventory	-	7,659
Changes in assets and liabilities:		
Grants and contributions receivable	1,503,175	(1,250,426)
Other receivables	(74,283)	(11,798)
Inventory	3,630	11,226
Prepaid expenses	16,248	(15,722)
Security deposit	-	17,728
Accounts payable and accrued expenses	1,297,423	42,878
Lease obligation	-	(19,038)
Contract liabilities	(157,686)	88,438
Deferred rent and lease incentives	<u>(88,527)</u>	<u>(79,783)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,556,675</u>	<u>(1,645,569)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,737,513)	(2,303,891)
Proceeds from sale of investments	3,534,386	3,873,904
Purchases of property and equipment	<u>(12,399)</u>	<u>(20,069)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(2,215,526)</u>	<u>1,549,944</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	341,149	(95,625)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,042,067</u>	<u>1,137,692</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,383,216</u>	<u>\$ 1,042,067</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, 2019

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. The Organization's activities are primarily funded from corporate, foundation and government grants, contributions from individuals, an annual conference, and membership dues.

Basis of Presentation

The financial statements are presented using the accrual method of accounting. Revenue is recognized when earned and support is recognized when unconditional contributions are made. Expenses are reported when obligations are incurred.

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.

Receivables

Receivables are stated at net realizable value. Management believes that all outstanding grants and contributions receivable and other receivables are fully collectible and due within one year. Accordingly, an allowance for doubtful accounts has not been recognized.

Investments

Investments consist of cash and cash equivalents, mutual funds and exchange-traded funds. These investments are recorded in the accompanying statement of financial position at fair value based on quoted market prices. 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

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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

Fair Value Measurement (continued)

upon the lowest-level input that is significant to the fair value measurement of the instrument. The applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

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.

Classification of Net Assets

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Organization's operations.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various purposes or time periods.

Revenue Recognition

Grants and Contributions

The Organization recognizes all unconditional contributed support in the period in which the commitment to give is made. Grants and 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

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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

Revenue Recognition (continued)

Grants and Contributions (continued)

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 grants and 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 conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses and are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. 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

Consulting contracts include fixed price contracts that contain multiple performance obligations, and revenue under these contracts 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. Any contract 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.

Membership dues are recognized as revenue ratably over the membership term 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 in the accompanying statement of financial position.

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 salaries, employee benefits, rent, utilities, maintenance and repairs, insurance, printing, postage, supplies, telephone, software, and depreciation.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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

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 Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The Organization adopted ASU 2018-08 as of January 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for the Organization's grants and contributions.

2. Grants and Contributions Receivable

Grants and contributions receivable consisted of grants and contributions from foundations, government agencies and corporate donors to be used for particular programs and/or general support and were due as follows as of December 31:

Due in less than one year	\$ 2,853,511
Due in one to five years	<u>325,000</u>
Total Grants and Contribution Receivable	3,178,511
Less: Discount on Multiyear Contributions (2%)	<u>(16,937)</u>
Grants and Contributions Receivable, Net	<u>\$ 3,161,574</u>

Continued

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

2. Grants and Contributions Receivable (continued)

All amounts were deemed fully collectible as of December 31, 2019.

As of December 31, 2019, contributions of \$2,395,290, have not been recognized in the accompanying statement of activities because the conditions on which they depend has not yet been met. Of these conditional contributions, \$2,000,000 is due from a private foundation and is conditioned upon meeting certain performance obligations included in the grant, and \$395,290 relates to cost-reimbursable government grants that have not been recognized at December 31, 2019, because qualifying expenditures have not yet been incurred.

3. Investments

Investments consisted of the following as of December 31, 2019:

Mutual funds	\$ 3,651,208
Exchange-traded funds	1,736,750
Cash and cash equivalents	<u>2,194,934</u>
Total Investments	<u>\$ 7,582,892</u>

Investment income is summarized as follows for the year ended December 31, 2019:

Unrealized gain	\$ 521,532
Interest and dividends, net of expenses	155,023
Realized gain	<u>47,511</u>
Investment Income	<u>\$ 724,066</u>

4. Fair Value Measurement

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of December 31, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured in the fair value hierarchy:				
Mutual funds:				
Fixed income	\$ 2,676,787	\$ 2,676,787	\$ -	\$ -
Equity	757,217	757,217	-	-
Multi-alternative	217,204	217,204	-	-

Continued

MEALS ON WHEELS AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

4. Fair Value Measurement (continued)

<i>(continued)</i>	<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:				
Exchange-traded funds:				
Equity	\$ 1,408,920	\$ 1,408,920	\$ -	\$ -
Multi-alternative	220,820	220,820	-	-
Fixed income	<u>107,010</u>	<u>107,010</u>	<u>-</u>	<u>-</u>
Total Investments Measured in the Fair Value Hierarchy	5,387,958	<u>\$ 5,387,958</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>2,194,934</u>			
Total Investments	<u>\$ 7,582,892</u>			

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

Mutual funds 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.

5. Property and Equipment and Accumulated Depreciation and Amortization

The Organization's property and equipment consisted of the following as of December 31, 2019:

Leasehold improvements	\$ 795,206
Computer equipment	117,016
Office equipment	<u>29,850</u>
Total Property and Equipment	942,072
Less: Accumulated Depreciation and Amortization	<u>(386,761)</u>
Property and Equipment, Net	<u>\$ 555,311</u>

Depreciation and amortization expense totaled \$81,647 for the year ended December 31, 2019.

Continued

MEALS ON WHEELS AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

6. Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restrictions were restricted for the following purposes or time specifications:

Subject to expenditure for specified purpose:	
Community impact	\$ 1,670,422
Pet initiative	974,477
Research	390,798
Safety initiative	<u>275,789</u>
Total	3,311,486
Subject to occurrence of passage of time:	
General operations	<u>308,063</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 3,619,549</u></u>

7. Commitments and Risks

Operating Lease

On November 16, 2015, the Organization entered into a noncancelable operating lease for new office space located in Arlington, Virginia. The lease agreement commenced in July 2015 and is 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 a security deposit of \$165,927 and included a tenant improvement allowance of \$698,640, representing the landlord's contribution toward leasehold improvements and other build-out-related costs, as well as a provision to provide monthly rent credits worth up to \$563,104 to assist the Organization with the payment of its existing lease obligation. As of December 31, 2019, all of the rent credits were used.

Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying statement of financial position.

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

<u>For the Year Ending December 31,</u>	
2020	\$ 367,449
2021	376,636
2022	386,052
2023	395,703
2024	405,595
Thereafter	<u>1,222,858</u>
Total	<u><u>\$ 3,154,293</u></u>

Continued

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

7. Commitments and Risks (continued)

Operating Lease (continued)

Rental expense totaled \$269,960 for the year ended December 31, 2019, and is included in occupancy expense in the accompanying statement of functional expenses.

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.

Hotel Agreements

The Organization has entered into agreements with a hotel providing for room accommodations for its 2020 and 2021 annual conferences. 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, 2019, was approximately \$514,000.

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, 2019, the Organization had approximately \$3,557,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$2,432,000. 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.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

8. 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, 2019, were as follows:

Financial Assets:	
Cash and cash equivalents	\$ 1,383,216
Receivables	3,305,557
Investments	<u>7,582,892</u>
Total Financial Assets Available	12,271,665
Less:	
Receivables not expected to be collected within one year	(308,063)
Investments held for future sustainability	<u>(5,512,888)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 6,450,714</u>

The Organization is focused on sustaining its financial liquidity throughout the year. Management monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and receivables, which are available for general expenditures, liabilities and other obligations as they come due. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in short-term investments, including publicly traded investment vehicles, of mutual funds and equity securities. The Organization has long-term investment assets that could be drawn upon if the Board of Directors approves that action.

9. Retirement Plan

The Organization maintains a 403(b) retirement plan (the Plan) covering substantially all full-time employees who have completed one year of service and 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 by law. The Organization matches employee contributions up to 3% of the employee's salary. Retirement plan expense totaled \$43,094 for the year ended December 31, 2019.

10. 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, 2019, as the Organization had no significant net unrelated business income.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

10. Income Taxes (continued)

The Organization performed an evaluation of uncertainty in income taxes for the year ended December 31, 2019, 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. U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Organization files tax returns are open for examination pending or in progress. The Organization is not currently under audit by the U.S. Internal Revenue Service. 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, 2019, the Organization had no accruals for interest and/or penalties.

11. Reclassification

Certain reclassifications to the prior year financial statements have been made to conform to the current year presentation.

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, 2018, 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 April 30, 2020, the date the financial statements were available to be issued. Except for the COVID-19 outbreak described below, there were no subsequent events that require recognition or disclosure in the financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. Meals on Wheels America's business operations, fundraising and program activity are not expected to be significantly affected by COVID-19. The Organization is assessing risks, monitoring the evolving situation, and modifying its operations accordingly to continue to provide support and services to its member programs and the seniors they serve.