



Financial Statements

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)



**and
Report Thereon**



MEALS ON WHEELS AMERICA

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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, 2020, 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.

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels America as of December 31, 2020, 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 2019 financial statements and in our report dated April 30, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
May 24, 2021

MEALS ON WHEELS AMERICA
STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,420,717	\$ 1,383,216
Investments	30,767,597	7,582,892
Grants and contributions receivable	3,134,446	3,161,574
Other receivables	210,842	143,983
Inventory	23,259	20,125
Prepaid expenses	144,124	73,560
Property and equipment, net	503,317	555,311
Security deposit	5,212	5,212
	<u>\$ 39,209,514</u>	<u>\$ 12,925,873</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,390,495	\$ 1,961,167
Note payable – PPP	507,200	-
Contract liabilities	376,014	336,787
Deferred rent and lease incentives	930,871	1,028,360
	<u>5,204,580</u>	<u>3,326,314</u>
Net Assets		
Without donor restrictions	21,809,514	5,980,010
With donor restrictions	12,195,420	3,619,549
	<u>34,004,934</u>	<u>9,599,559</u>
TOTAL NET ASSETS		
	<u>\$ 39,209,514</u>	<u>\$ 12,925,873</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, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
OPERATING REVENUE AND SUPPORT				
Grants and contributions	\$ 18,598,887	\$ 50,302,883	\$ 68,901,770	\$ 9,338,490
Government grants	402,774	-	402,774	540,830
In-kind contributions	2,796,107	-	2,796,107	104,254
Program service fees:				
Contracts and royalties	1,165,758	-	1,165,758	984,638
Conference	222,500	-	222,500	660,685
Membership dues	224,146	-	224,146	240,994
Other income	1,731	-	1,731	20,486
Net assets released from restrictions:				
Satisfaction of program restrictions	41,727,012	(41,727,012)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	65,138,915	8,575,871	73,714,786	11,890,377
OPERATING EXPENSES				
Program Services	45,574,582	-	45,574,582	7,862,904
Supporting Services:				
Management and general	2,015,619	-	2,015,619	2,085,432
Development	2,297,047	-	2,297,047	2,122,016
Total Supporting Services	4,312,666	-	4,312,666	4,207,448
TOTAL OPERATING EXPENSES	49,887,248	-	49,887,248	12,070,352
Change in net assets from operations	15,251,667	8,575,871	23,827,538	(179,975)
NONOPERATING ACTIVITIES				
Investment income	577,837	-	577,837	724,066
CHANGE IN NET ASSETS	15,829,504	8,575,871	24,405,375	544,091
NET ASSETS, BEGINNING OF YEAR	5,980,010	3,619,549	9,599,559	9,055,468
NET ASSETS, END OF YEAR	\$ 21,809,514	\$ 12,195,420	\$ 34,004,934	\$ 9,599,559

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, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	Supporting Services			Total Supporting Services	2020 Total	2019 Total
	Program Services	Management and General	Development			
Grants, scholarships and awards	\$ 35,673,180	\$ -	\$ -	\$ -	\$ 35,673,180	\$ 3,799,139
Consulting and contracted services	3,146,067	163,268	1,996,999	2,160,267	5,306,334	3,019,290
Personnel	2,852,770	1,315,816	229,494	1,545,310	4,398,080	3,725,873
Member services	582,774	-	-	-	582,774	256,109
Bank fees	89,750	285,403	-	285,403	375,153	123,524
Occupancy	196,901	72,963	18,367	91,330	288,231	281,534
Accounting, audit and legal fees	24,000	72,207	-	72,207	96,207	71,432
Depreciation and amortization	56,336	20,875	5,255	26,130	82,466	81,647
Dues and subscriptions	57,960	9,611	7,006	16,617	74,577	56,845
Conference and events	69,976	-	-	-	69,976	364,159
Travel and meetings	39,767	1,338	11,443	12,781	52,548	172,528
Printing	27,496	705	24,168	24,873	52,369	24,978
Miscellaneous	-	41,791	-	41,791	41,791	13,118
Insurance	18,111	6,711	1,689	8,400	26,511	17,809
Telephone	15,975	5,920	1,490	7,410	23,385	21,761
State registration fees	-	16,658	-	16,658	16,658	15,821
Postage	9,971	614	542	1,156	11,127	8,744
Office supplies	5,858	1,739	594	2,333	8,191	16,041
TOTAL EXPENSES BEFORE IN-KIND	42,866,892	2,015,619	2,297,047	4,312,666	47,179,558	12,070,352
In-kind public service announcements	2,707,690	-	-	-	2,707,690	-
TOTAL OPERATING EXPENSES	\$ 45,574,582	\$ 2,015,619	\$ 2,297,047	\$ 4,312,666	\$ 49,887,248	\$ 12,070,352

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, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 24,405,375	\$ 544,091
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	82,466	81,647
Unrealized gain on investments	(369,323)	(521,532)
Realized gain on investments	(45,932)	(47,511)
Changes in assets and liabilities:		
Grants and contributions receivable	27,128	1,503,175
Other receivables	(66,859)	(74,283)
Inventory	(3,134)	3,630
Prepaid expenses	(70,564)	16,248
Accounts payable and accrued expenses	1,429,328	1,297,423
Contract liabilities	39,227	(157,686)
Deferred rent and lease incentives	(97,489)	(88,527)
	25,330,223	2,556,675
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(31,773,240)	(4,051,005)
Proceeds from sale of investments	12,608,928	3,534,386
Purchases of property and equipment	(30,472)	(12,399)
	(19,194,784)	(529,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	507,200	-
	507,200	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,642,639	2,027,657
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,578,150	1,550,493
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,220,789	\$ 3,578,150
CASH REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	4,420,717	1,383,216
Cash and cash equivalents held for investment purposes	5,800,072	2,194,934
	\$ 10,220,789	\$ 3,578,150

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, 2020

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 individual contributions and/or grants, government grants, 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 expense is recognized when incurred. Unconditional promises to give (pledges) are recorded as contributions when the promise is made.

Cash and Cash Equivalents

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

Receivables

Receivables are stated at net realizable value. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, and subsequent collections.

Investments

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

Fair Value Measurement

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

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

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 consist of assets that are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.
- Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Revenue Recognition

Grants and Contributions

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

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

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

Revenue Recognition (continued)

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.

Donated Goods and Services

Donated goods and services consist of donated public service announcements, other media spots, printers and sanitation supplies are recognized as in-kind contributions in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt.

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.

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.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

New Accounting Pronouncements to be adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses – (Topic 326)*. This ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance applies to loans, accounts receivable, trade receivables and other financial assets measured at amortized costs, loan commitments, debt securities and beneficial interests in securitized financial assets, but the effect on the Organization is projected to be limited to accounts and grants receivable. The guidance will be effective for the fiscal year beginning after December 15, 2022, including interim periods within that year. The Organization is evaluating the impact this ASU will have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to put most leases on their statement of financial position. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The new standard is effective for the fiscal years beginning after December 15, 2021, and early adoption is permitted. The Organization is evaluating the impact this ASU will have on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU will now require a separate line items for contributed nonfinancial assets on the statement of activities and a disaggregation by type if there are many different kinds of nonfinancial assets that are received in the notes. The guidance also requires qualitative information about whether gifts-in-kind were either monetized or held and used, policy requirements for monetizing gifts-in-kind rather than utilizing them, descriptions of donor-imposed restrictions, description of valuation techniques used to estimate fair value at initial recognition, and principal or most advantageous market used to arrive at a fair value only if the donor restricts the sale or use of the assets in that market. The guidance will be effective for the fiscal year beginning after June 15, 2021, and early adoption is permitted. The Organization is evaluating the impact this ASU will have on its financial statements.

2. Grants and Contributions Receivable

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

As of December 31, 2020, contributions of \$1,000,000 are conditioned upon meeting certain programmatic objectives included in the contribution agreement, thus have not been recognized in the accompanying statement of activities.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

3. Investments

Investments consisted of the following as of December 31, 2020:

Mutual funds	\$ 23,092,632
Cash and cash equivalents	5,800,072
Exchange-traded funds	<u>1,874,893</u>
Total Investments	<u>\$ 30,767,597</u>

Investment income is summarized as follows for the year ended December 31, 2020:

Unrealized gain	\$ 369,323
Interest and dividends, net of expenses	162,582
Realized gain	<u>45,932</u>
Investment Income	<u>\$ 577,837</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, 2020:

	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	\$ 21,894,242	\$ 21,894,242	\$ -	\$ -
Equity	981,710	981,710	-	-
Multi-alternative	216,680	216,680	-	-
Exchange-traded funds:				
Equity	1,565,970	1,565,970	-	-
Multi-alternative	195,315	195,315	-	-
Fixed income	<u>113,608</u>	<u>113,608</u>	<u>-</u>	<u>-</u>
Total Investments Measured in the Fair Value Hierarchy	24,967,525	<u>\$ 24,967,525</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>5,800,072</u>			
Total Investments	<u>\$ 30,767,597</u>			

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

4. Fair Value Measurement (continued)

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, 2020:

Leasehold improvements	\$ 811,553
Computer equipment	131,141
Office equipment	<u>29,850</u>
Total Property and Equipment	972,544
Less: Accumulated Depreciation and Amortization	<u>(469,227)</u>
Property and Equipment, Net	<u>\$ 503,317</u>

Depreciation and amortization expense totaled \$82,466 for the year ended December 31, 2020.

6. Notes Payable

On April 28, 2020, the Organization entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$507,200. The loan will mature on April 28, 2022, with a fixed interest rate of 1% per annum. The loan amount may be eligible for forgiveness pursuant to the PPP. The Organization intends to apply for forgiveness at which point the forgiveness will be recognized in the financial statements as extinguishment of debt.

7. Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions were restricted for the following purposes or time specifications:

Subject to expenditure for specified purpose:	
COVID-19 Response and Recovery	\$ 8,735,320
Community impact	1,524,398
Pet initiative	1,196,327
Research	<u>200,844</u>
Total	11,656,889
Subject to occurrence of passage of time:	
General operations	<u>538,531</u>
Total Net Assets With Donor Restrictions	<u>\$ 12,195,420</u>

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

8. 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, 2020, 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, 2020</u>	
2021	\$ 376,636
2022	386,052
2023	395,703
2024	405,595
2025	415,735
Thereafter	<u>807,123</u>
Total	<u>\$ 2,786,844</u>

Rental expense totaled \$269,960 for the year ended December 31, 2020, 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. On March 30, 2021, via an amendment of the existing letter of credit, the amount of the letter of credit was reduced to \$62,577. All other terms and conditions contained in the letter of credit remained unchanged.

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

8. Commitments and Risks (continued)

Hotel Agreements

The Organization has entered an agreements with a hotel which will provide room accommodations for its 2021 annual conference. This agreement contains 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, 2020, was approximately \$246,000.

On March 29, 2021, the Organization made the hotel aware of its decision to use a virtual format for the 2021 Meals on Wheels Annual Conference and Expo scheduled in August 2021, due to the COVID-19 pandemic. After renegotiating with the hotel, the Organization was able to secure a new agreement, effectively superseding the terms of its previously executed agreement, which transitioned the conference and expo to August 2022, without penalty.

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, 2020, the Organization had approximately \$10,159,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$9,159,000. 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.

Risks and Uncertainties – Global Pandemic

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 was

MEALS ON WHEELS AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

8. Commitments and Risks (continued)

Risks and Uncertainties – Global Pandemic (continued)

significantly affected by COVID-19 in the form of increased contributions and subsequent grant making to its member organizations to support dramatically higher demand for their programmatic services. The Organization is 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.

9. Availability and Liquidity of Net Assets

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, 2020, were as follows:

Financial Assets:	
Cash and cash equivalents	\$ 4,420,717
Receivables	3,345,288
Investments	<u>30,767,597</u>
Total Financial Assets Available	38,533,602
Less:	
Net Assets With Donor Restrictions	<u>(12,195,420)</u>
Liquid and Available Net Assets Available for General Expenditure Within One Year	<u>\$ 26,338,182</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of monthly requirements in publicly traded investment vehicles including mutual funds and equity securities.

10. 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 \$76,014 for the year ended December 31, 2020.

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

11. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2020, as the Organization had no significant net unrelated business income.

The Organization performed an evaluation of uncertainty in income taxes for the year ended December 31, 2020, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status.

As of December 31, 2020, there are no tax examinations pending or in progress. It is the Organization's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2020, the Organization had no accruals for interest and/or penalties.

12. Reclassification

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

13. 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, 2019, from which the summarized information was derived.

14. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions, for potential recognition or disclosure, through May 24, 2021, the date the financial statements were available to be issued. Except for the hotel agreement renegotiation related to the 2021 annual conference and the amendment of the letter of credit reducing the face amount as described in Note 8 above, there were no subsequent events that require recognition or disclosure in the financial statements.