

Audited Financial Statements

Meals On Wheels West

June 30, 2009

Quigley & Miron

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Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Suite 317
528 Arizona Avenue
Santa Monica, California 90401

Telephone: (213) 639-3550

Telephone: (310) 394-6687

Facsimile: (213) 639-3555

Facsimile: (310) 394-6027

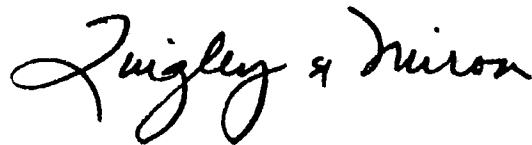
REPORT OF INDEPENDENT AUDITORS

Board of Directors
Meals on Wheels West
Santa Monica, California

We have audited the accompanying statement of financial position of Meals on Wheels West (Organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels West as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Santa Monica, California
March 19, 2010

MEALS ON WHEELS WEST
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 135,907	\$ 348,578
Certificates of deposit	204,000	
Grants receivable	10,000	
Prepaid expenses	<u>4,495</u>	<u>4,495</u>
TOTAL CURRENT ASSETS	354,402	353,073
PROPERTY AND EQUIPMENT, NET		
Furniture and equipment	45,053	31,761
Leasehold improvements	<u>29,911</u>	<u>29,911</u>
	74,964	61,672
Less accumulated depreciation	<u>(43,554)</u>	<u>(32,202)</u>
NET PROPERTY AND EQUIPMENT	<u>31,410</u>	<u>29,470</u>
TOTAL ASSETS	<u>\$ 385,812</u>	<u>\$ 382,543</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 13,415	\$ 12,204
Accrued payroll expense	5,130	4,386
Accrued vacation pay expense	15,339	11,383
Capital lease obligation	3,852	
Deferred lease incentive	<u>18,086</u>	<u>15,763</u>
TOTAL CURRENT LIABILITIES	55,822	43,736
COMMITMENTS--Note 2		
NET ASSETS		
Unrestricted	319,990	338,807
Temporarily restricted	<u>10,000</u>	<u>10,000</u>
TOTAL NET ASSETS	<u>329,990</u>	<u>338,807</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 385,812</u>	<u>\$ 382,543</u>

See notes to financial statements.

MEALS ON WHEELS WEST
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
UNRESTRICTED NET ASSETS		
Public Support and Revenue		
Contributions	\$ 298,003	\$ 291,768
Government grants	139,839	128,755
Meal fees	149,084	129,881
In-kind contributed meals	19,520	18,605
Fundraising events, net--Note 3	14,067	10,815
Dividend and interest income	<u>8,953</u>	<u>9,645</u>
TOTAL PUBLIC SUPPORT AND REVENUE	629,466	589,469
Expenses		
Program services	501,025	417,731
Management and general	74,827	45,553
Fund development	<u>72,431</u>	<u>76,243</u>
TOTAL EXPENSES	<u>648,283</u>	<u>539,527</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(18,817)	49,942
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	<u>10,000</u>	<u> </u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>10,000</u>	<u> </u>
INCREASE (DECREASE) IN NET ASSETS	(8,817)	49,942
NET ASSETS AT BEGINNING OF YEAR	<u>338,807</u>	<u>288,865</u>
NET ASSETS AT END OF YEAR	<u>\$ 329,990</u>	<u>\$ 338,807</u>

See notes to financial statements.

MEALS ON WHEELS WEST
 STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2009
 (with comparative totals for 2008)

EXPENSES	Program Services	Supporting Services		Totals	
		Management and General	Fund Development	2009	2008
Personnel					
Salaries	\$ 149,015	\$ 25,829	\$ 23,842	\$ 198,686	\$ 180,307
Payroll taxes	12,142	2,105	1,942	16,189	14,556
Employee benefits	13,578	2,353	2,172	18,103	19,109
TOTAL PERSONNEL	174,735	30,287	27,956	232,978	213,972
Non-personnel					
Cost of meals	190,658			190,658	171,294
Occupancy	33,047	5,728	5,287	44,062	41,857
Supplies	60,071	12,310	32,487	104,868	63,857
Depreciation	8,513	1,477	1,362	11,352	6,743
Professional fees	25,885	22,690	4,141	52,716	31,627
Insurance	3,482	603	557	4,642	4,972
Telephone	2,363	410	378	3,151	2,836
Travel	1,643	285	263	2,191	820
Membership dues	628	1,037		1,665	1,549
TOTAL NON-PERSONNEL	326,290	44,540	44,475	415,305	325,555
TOTALS	\$ 501,025	\$ 74,827	\$ 72,431	\$ 648,283	\$ 539,527

See notes to financial statements.

MEALS ON WHEELS WEST
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (8,817)	\$ 49,942
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	11,352	6,743
Changes in operating assets and liabilities:		
Increase in:		
Prepaid expenses		(95)
Grants receivable	(10,000)	
Increase in:		
Accounts payable	1,211	241
Accrued payroll expense	744	1,010
Accrued vacation pay expense	3,956	1,252
Deferred lease incentive	<u>2,323</u>	<u>3,560</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	769	62,653
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(204,000)	
Purchase of property	<u>(13,292)</u>	<u>(1,692)</u>
NET CASH USED IN INVESTING ACTIVITIES	(217,292)	(1,692)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital lease obligation	4,623	
Repayments on capital lease obligation	<u>(771)</u>	
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,852</u>	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(212,671)	60,961
BEGINNING CASH AND CASH EQUIVALENTS	<u>348,578</u>	<u>287,617</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 135,907</u>	<u>\$ 348,578</u>
SUPPLEMENTARY DISCLOSURES		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

MEALS ON WHEELS WEST
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities--Meals on Wheels West (Organization), formerly known as Santa Monica/Malibu Meals on Wheels, was operated as a program of the Westside Interfaith Council prior to July 1, 1996. The program started on April 22, 1974 for the purpose of providing nutritious meals at a nominal cost to the disabled, elderly and the homebound in need of service in the Santa Monica, Malibu, Pacific Palisades and Topanga Canyon geographic area. On March 6, 1996, Meals on Wheels West incorporated as a not for profit corporation for the purpose of operating as a separate entity effective July 1, 1996. The major sources of public support and revenue are fees collected for meals (24% in 2009 and 22% in 2008), private contributions (49% in 2009 and 50% in 2008) and government grants (22% in 2009 and 22% in 2008).

Contributions--Non-reciprocal contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. It is the policy of the Organization to record restricted support as unrestricted support where the donor-restrictions have been satisfied within the reporting period.

Income Taxes--The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. In July 2006, Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) was issued. Under FIN 48, an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. The FASB has granted nonpublic companies and nonprofit organizations the election to defer the effective date for implementation of FIN 48 to years beginning after December 15, 2008. Management has elected to defer the application of FIN 48 and will continue to evaluate its tax positions using the guidance of FASB Statement No. 5, *Accounting for Contingencies*.

Cash and Cash Equivalents--The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk--The Organization maintains cash balances at a high quality financial institution, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances of the Organization exceeded the FDIC limit by approximately \$115,000 at June 30, 2009.

MEALS ON WHEELS WEST
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
--Continued

Property and Equipment--Property and equipment is stated at cost when purchased, or at estimated fair market value at the date of bequest or gift. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, principally 5 years. Amortization of equipment purchased under capital lease obligations is included in depreciation expense. It is the Organization's policy to expense items purchased or donated with values less than \$500.

Donated Materials and Services--The Organization records the value of donated food at the time of donation. No amounts have been reflected in the statements for the value of donated services as no objective basis is available to measure the value of such services and they do not create or enhance a non-financial asset. Nevertheless, a substantial number of volunteers donated significant amounts of time to the Organization. The estimated total hours for program services for the years ended June 30, 2009 and 2008 is 25,000. Using an average hourly wage of \$8.00, the total estimated annual value of such donated services is approximately \$200,000.

Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications--Certain amounts in 2008 have been reclassified to conform with the 2009 financial statement presentation.

Comparative Totals for 2008--The accompanying financial statements include certain prior-year summarized comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2008, from which the summarized information was derived.

MEALS ON WHEELS WEST
 NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 2--COMMITMENTS

The Organization rents office space in Santa Monica, California under a noncancellable operating lease agreement (Agreement) which commenced on November 1, 2005 and expires on October 31, 2015. The Organization retains the option to extend the term of the Agreement for two additional sixty month periods with advance written notice of no less than six months. The conditional rental rate would initially be based on a market rental value adjustment on November 1, 2006 with annual minimum 5% increases or cost of living adjustments, whichever is higher, on the anniversary through November 1, 2014. The cost of living adjustments are based on the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor. Additionally, the Organization rents equipment under a noncancellable operating lease that commenced in January 2006 and expires in December 2010. Future minimum annual rental payments under these lease agreements are as follows:

<u>Year Ending June 30,</u>		
2010	\$	29,313
2011		29,659
2012		30,070
2013		31,573
Thereafter		<u>79,751</u>
	TOTAL \$	<u>200,366</u>

Rent expense for the new Santa Monica location is recognized on a straight-line basis over the lease terms based on the total payments required under the lease. The deferred lease incentive amounts of \$18,086 and \$15,763 at June 30, 2009 and 2008, respectively, represents the cumulative difference between the amounts paid and amounts expensed under the lease.

Rental expense related to the above leases for the years ended June 30, 2009 and 2008 was \$29,250 and \$29,078, respectively.

NOTE 3--FUNDRAISING EVENTS, NET

Net income for the various fundraising events held during the years ended June 30, 2009 and 2008, respectively, consists of the following:

	<u>2009</u>	<u>2008</u>
Fundraising events income	\$ 16,804	\$ 11,990
Less related fundraising events expenses	<u>(2,737)</u>	<u>(1,175)</u>
NET	<u>\$ 14,067</u>	<u>\$ 10,815</u>

MEALS ON WHEELS WEST
 NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 4--OFFICER FRINGE BENEFIT

The Organization contributes to a salary reduction account for its executive director, which is maintained pursuant to Internal Revenue Code Section 403(b). This account is held through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Contribution expense for the years ended June 30, 2009 and 2008 amounted to \$4,750 and \$4,500, respectively.

NOTE 5--FAIR VALUE MEASUREMENTS

The Organization adopted Financial Accounting Standard (FAS) No. 157, *Fair Value Measurements*, on July 1, 2008, with no material impact to the financial statements. FAS 157 requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosure about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value. FAS 157 applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

Level 1--Quoted market prices in active markets for identical assets or liabilities.

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

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

The estimated fair values of the Organization's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

The balances of assets measured at fair value on a recurring basis by hierarchy level at June 30, 2009 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 204,000	\$	\$ 204,000	\$
TOTALS	<u>\$ 204,000</u>	<u>\$</u>	<u>\$ 204,000</u>	<u>\$</u>

MEALS ON WHEELS WEST
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 5--FAIR VALUE MEASUREMENTS--Continued

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, FAS 157 requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. For the year ended June 30, 2009, no Level 3 activity occurred that required the reconciliation of the Foundation's assets measured at fair value on a recurring basis using significant unobservable inputs.

NOTE 6--CAPITAL LEASE OBLIGATION

In May 2009, the Organization negotiated a capital lease agreement with an equipment leasing company for a computer network server. This agreement requires monthly payments of \$385, at no interest, through April 2010. Included in the Organization's net property and equipment, as of June 30, 2009, are the cost and accumulated depreciation of the computer network server under the terms of the capital lease agreement as follows:

Equipment	\$	4,623
Less: Accumulated depreciation		<u>(1,541)</u>
NET PROPERTY AND EQUIPMENT HELD UNDER CAPITAL LEASE AGREEMENT	\$	<u>3,082</u>