

*Meals-on-Wheels
Greater San Diego, Inc.
(A California Non-profit Corporation)*



FINANCIAL REPORT

SEPTEMBER 30, 2007



CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activity	3
Statement of Cash Flows.....	4
Statement of Functional Expense.....	5
Notes to Financial Statements.....	6 – 9



3104 Fourth Avenue
San Diego, California 92103
619.615.5380 Fax 619.615.5389

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Meals-On-Wheels Greater San Diego, Inc.
(A California Nonprofit Corporation)
San Diego, California

We have audited the accompanying statement of financial position of Meals-On-Wheels Greater San Diego, Inc. (the Organization), as of September 30, 2007, and the related statements of activity, functional expense, and cash flows for the nine months 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 provides 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 Greater San Diego, Inc., as of September 30, 2007, and the results of its activities and its cash flows for the nine months then ended, in conformity with accounting principles generally accepted in the United States of America.

James H. West, CPA
for WEST RHODE & ROBERTS

San Diego, California
December 10 2007

MEALS-ON-WHEELS GREATER SAN DIEGO, INC.
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF FINANCIAL POSITION
September 30, 2007

ASSETS

Cash and cash equivalents (Note 1)	\$ 281,891
Investments (Note 2)	4,308,181
Accounts receivable, net of allowance	167,389
Prepaid expenses	26,004
Deposits	14,652
Property and equipment, net of accumulated depreciation (Note 3)	<u>1,130,676</u>
Total assets	<u>\$ 5,928,793</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 210,148
Prepaid client fees	<u>626</u>
Total liabilities	<u>210,774</u>

Commitments (Note 7)

Net assets:

Unrestricted:

Designated endowment	756,679
Designated for investment in property, equipment, and leasehold improvements	1,210,608
Undesignated	<u>789,921</u>
Total unrestricted	2,757,208
Temporarily restricted (Note 4)	155,411
Permanently restricted (Note 5)	<u>2,805,400</u>
Total net assets	<u>5,718,019</u>
Total liabilities and net assets	<u>\$ 5,928,793</u>

See Notes to Financial Statements.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC.
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF ACTIVITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 673,796	\$ 255,585	\$ -	\$ 929,381
Bequests	15,774	-	-	15,774
Fees for services	1,119,887	-	-	1,119,887
Community outreach	260,230	-	-	260,230
Government grants	53,988	-	-	53,988
Special events	149,940	-	-	149,940
Gain on sale of investments	297,155	-	-	297,155
Investment income, net of				
\$24,880 investment expense	79,625	-	-	79,625
Unrealized gain (loss) on investments	(126,783)	-	-	(126,783)
Net assets released from restrictions	117,893	(117,893)	-	-
Total revenues and other support	<u>2,641,505</u>	<u>137,692</u>	<u>-</u>	<u>2,779,197</u>
EXPENSES				
Program services	<u>2,506,538</u>	<u>-</u>	<u>-</u>	<u>2,506,538</u>
Supporting services:				
Management and general	326,665	-	-	326,665
Fundraising	<u>298,485</u>	<u>-</u>	<u>-</u>	<u>298,485</u>
Total supporting services	<u>625,150</u>	<u>-</u>	<u>-</u>	<u>625,150</u>
Loss on disposal of equipment	997	-	-	997
Special events expenses	<u>66,570</u>	<u>-</u>	<u>-</u>	<u>66,570</u>
	<u>67,567</u>	<u>-</u>	<u>-</u>	<u>67,567</u>
Total expenses	<u>3,199,255</u>	<u>-</u>	<u>-</u>	<u>3,199,255</u>
Change of net assets	(557,750)	137,692	-	(420,058)
NET ASSETS AT BEGINNING OF YEAR	<u>3,314,958</u>	<u>17,719</u>	<u>2,805,400</u>	<u>6,138,077</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,757,208</u>	<u>\$ 155,411</u>	<u>\$ 2,805,400</u>	<u>\$ 5,718,019</u>

See Notes to Financial Statements.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC.
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (420,058)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	92,990
Increase in allowance for doubtful accounts	16,900
Loss on disposal of assets	997
(Gain) on sale of investments	(297,155)
Unrealized loss on investments	126,783
Net (increase) in operating assets:	
Accounts receivable	(25,605)
Prepaid expenses	(197)
Deposits	(2,732)
Net (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>(73,956)</u>
Net cash (used in) operating activities	<u>(582,033)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	2,836,647
Purchases of investments	(2,300,188)
Proceeds from sale of assets	150
Purchase of furniture and equipment	<u>(14,205)</u>
Net cash provided by investing activities	<u>522,404</u>

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (59,629)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 341,520

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 281,891

See Notes to Financial Statements.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC.
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

	Program Services		Supporting Services		Total
	Meals on Wheels	Management General	Fundraising	Supporting Services	
Salaries	\$ 1,058,496	\$ 167,628	\$ 135,420	\$ 303,048	\$ 1,361,544
Meal purchases	762,621	-	-	-	762,621
Payroll taxes	103,661	10,315	13,279	23,594	127,255
Occupancy	108,198	8,402	853	9,255	117,453
Contract service fees	22,390	29,009	21,402	50,411	72,801
Depreciation	87,181	4,931	878	5,809	92,990
Travel	48,725	1,900	1,441	3,341	52,066
Pension expense	41,674	25,037	9,799	34,836	76,510
Medical insurance	54,337	14,550	6,662	21,212	75,549
Printing & materials	9,356	3,784	41,362	45,146	54,502
Telecommunications	25,802	5,626	7,046	12,672	38,474
Repair & maintenance	35,894	4,286	2,796	7,082	42,976
Workers' compensation	47,156	1,733	4,275	6,008	53,164
Postage	8,112	13,328	28,495	41,823	49,935
Supplies	18,098	6,970	2,056	9,026	27,124
General insurance	21,883	3,414	3,483	6,897	28,780
Temporary staff	-	15,158	-	15,158	15,158
Staff & Board development	2,249	3,343	849	4,192	6,441
Advertising & marketing	3,833	131	13,548	13,679	17,512
Packaging supplies	27,268	-	-	-	27,268
Other	2,704	5,297	4,841	10,138	12,842
Equipment	-	1,823	-	1,823	1,823
Bad debt expense	16,900	-	-	-	16,900
	<u>\$ 2,506,538</u>	<u>\$ 326,665</u>	<u>\$ 298,485</u>	<u>\$ 625,150</u>	<u>\$ 3,131,688</u>

See Notes to Financial Statements

MEALS-ON-WHEELS GREATER SAN DIEGO, INC.
(A CALIFORNIA NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization – Meals-On-Wheel Greater San Diego, Inc. (the Organization), was formed under the laws of the State of California in May 1970, to provide a variety of services throughout San Diego County to help senior adults remain independent. The Organization became active in January 1971, as the successor Organization to “Senior Adult Services,” an unincorporated association.

Method of Accounting – The financial statements of the Organization have been prepared utilizing the accrual basis of accounting.

Financial Statement Presentation – The Organization’s financial presentation is in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under SFAS No. 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization presents a statement of cash flows.

Contributions – The Organization’s contributions are recorded in accordance with SFAS No. 116, “Accounting for Contributions Received and Contributions Made,” whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, contributions received that have temporary restrictions as to their use are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon fulfillment of the restriction. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as permanently restricted. The income earned from such assets is generally restricted to the purpose designated by the donor.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year that the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization reports such contributions at their estimated fair value when received. During the nine months ended September 30, 2007, the Organization recorded no such contributions.

Investments – The Organization’s investments are stated at fair value.

Property and Equipment – Purchased property is carried at cost; donated property is recorded at the estimated fair value on the date received. Buildings and improvements are depreciated on a straight-line basis over useful lives of 40 years. Vehicles and equipment are depreciated on a straight-line basis over three to five years.

Income Taxes – The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC.
(A CALIFORNIA NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses – Salaries and related expenses are allocated to the various programs and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on space utilization.

Cash Equivalents – Cash equivalents are highly liquid debt instruments with original maturities of three months or less. Temporary cash accounts are included with investments brokerage accounts.

Use of 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.

Allocation of Joint Costs – The Organization conducted community outreach programs that included appeals for contributions and incurred joint costs of \$109,784 for the nine months ended September 30, 2007. These costs include printing, telephone, and postage. Joint costs were allocated as follows:

	Telephone	Postage	Other	Total
Community outreach	\$ 3,051	\$ 1,174	\$ 50,667	\$ 54,892
Fundraising	3,051	1,174	50,667	54,892
Total	\$ 6,102	\$ 2,348	\$ 101,334	\$ 109,784

NOTE 2. INVESTMENTS

Investments at September 30, 2007, stated at fair value, consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Market Value	Total Cost
Cash equivalents	\$ 638,119	\$ 41,051	\$ 167,884	\$ 847,054	\$ 846,220
Non-U.S. securities	-	-	11,950	11,950	11,573
U.S. agency obligations	99,636	99,707	642,798	842,141	841,999
Corporate obligations	1,554	-	407,885	409,439	400,912
Mutual funds	608,061	-	467,602	1,075,663	939,936
Equities	-	14,653	1,107,281	1,121,934	990,665
	\$ 1,347,370	\$ 155,411	\$ 2,805,400	\$ 4,308,181	\$ 4,031,305

The fair value of the investments has been determined by the Organization using independent pricing services as of September 30, 2007.

The Organization's investment activity for the nine months ended September 30, 2007 resulted in interest and dividend income of \$104,505, realized gains of \$297,155, and net unrealized loss of \$126,783.

MEALS-ON-WHEELS GREATER SAN DIEGO, INC.
(A CALIFORNIA NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment with an original cost in excess of \$1,000 are comprised of:

Land	\$ 374,571
Building and improvements	632,675
Furniture and equipment	134,703
Kitchen equipment & supplies	253,666
Vehicles	241,682
Computers	<u>132,684</u>
	1,769,981
Less accumulated depreciation	<u>639,305</u>
	<u>\$ 1,130,676</u>

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Website design	\$ 15,128
Seniors- District 4	39,283
Seniors- Encinitas	91,000
Video project	<u>10,000</u>
	<u>\$ 155,411</u>

NOTE 5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of investments in perpetuity in accordance with the request of the donor. However, the donor has given the Organization variance power, which under certain unanticipated circumstances, allow the redirection of the principal. At September 30, 2007, the total permanently restricted net assets totaled \$2,805,400.

NOTE 6. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Seniors - District 4	\$ 717
Purchase of vehicles	25,000
Seniors- Encinitas	10,000
Software	1,891
Purchase of meals	70,585
Other projects	<u>9,700</u>
	<u>\$ 117,893</u>

MEALS-ON-WHEELS GREATER SAN DIEGO, INC.
(A CALIFORNIA NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 7. COMMITMENTS

Operating Leases – The Organization leases office space and equipment under operating leases. For the nine months ended September 30, 2007, rent expense totaled \$71,727.

As of September 30, 2007, minimum rental payments totaling \$145,487 are due as follows:

2008	\$ 112,578
2009	17,842
2010	9,042
2011	5,214
2012	811
	<u>\$ 145,487</u>

NOTE 8. CONCENTRATIONS

Concentration of Credit Risk – The Organization maintains cash in its bank accounts, which at times may exceed the Federal Deposit Insurance Organization limit of \$100,000. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Concentration of Revenues and Receivables – The Organization's Meals-On-Wheels program serves seniors primarily in San Diego County. Fees for these services are paid primarily by the individuals and supplemented by city contracts that the Organization executes annually. Accounts receivable arise from the normal course of providing these services and are not secured. An allowance of \$41,000 has been provided for accounts receivable at September 30, 2007.

Supplies-Meals – The Organization entered into a group purchasing participation agreement with MedAssets Supply Chain Systems, Inc. for access to the Senior Nutrition Marketplace for the procurement of food, supplies, services, and equipment for a period of three years from the date of execution, October 15, 2007.

NOTE 9. PENSION PLAN

The Organization has a Money Purchase Pension Plan covering all full-time employees that are at least 21 years old, have completed one year of service, and worked 1,000 hours during the calendar year. Contributions are paid 100% by the Organization, and represent 7.17% of all participants' compensation plus 4.3% of their compensation in excess of 35% of the social security taxable wage base. A qualified employee is fully vested after five years. It is the Organization's policy to fund the pension cost accrued. Pension expense for the nine months ended September 30, 2007 was \$76,510.