

**Meals on Wheels of San Francisco, Inc.  
and Subsidiary**

Consolidated Financial Statements and  
Supplementary Information

June 30, 2025

# Meals on Wheels of San Francisco, Inc. and Subsidiary

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Table of Contents

June 30, 2025

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
<b>Supplementary Information</b>	
Consolidating Statements of Financial Position	25
Consolidating Statements of Activities	26
Schedule of Expenditures of Federal and Nonfederal Awards	27
Notes to Schedule of Expenditures of Federal and Nonfederal Awards	29
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> Standards</b>	30
<b>Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance</b>	32
Schedule of Findings and Questioned Costs	35
Schedule of Prior Year Findings and Questioned Costs	36

## **Independent Auditors' Report**

To the Board of Directors of  
Meals on Wheels of San Francisco, Inc. and Subsidiary

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Meals on Wheels of San Francisco, Inc. and subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and nonfederal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the California Department of Aging, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal and nonfederal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 25-26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the audit procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

#### **Report on Summarized Comparative Information**

We have previously audited the Organization's consolidated financial statements as of and for the year ended June 30, 2024, and we expressed an unmodified opinion on those audited financial statements in our report dated November 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Baker Tilly US, LLP*

San Francisco, California  
December 12, 2025

# Meals on Wheels of San Francisco, Inc. and Subsidiary

## Consolidated Statement of Financial Position

June 30, 2025 (with summarized comparative information for June 30, 2024)

	2025	2024
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,222,656	\$ 4,159,801
Grants receivable	2,886,585	3,544,105
Pledges receivable, net	1,216,427	359,518
Pledges receivable, capital campaign, net	110,000	126,000
Inventory	862,746	799,281
Prepaid expenses	306,051	286,049
Total current assets	11,604,465	9,274,754
<b>Noncurrent Assets</b>		
Restricted cash	637,757	881,972
Investments in marketable securities	1,164,078	1,029,932
Deposits and other assets	206,164	171,416
Pledges receivable, noncurrent	100,000	-
Pledges receivable, capital campaign, net	155,120	625,582
New Markets Tax Credit (NMTC) loans receivable	26,389,390	26,389,390
Property and equipment, net	37,932,461	38,728,012
Operating lease right-of-use assets	2,550,642	2,912,467
Total noncurrent assets	69,135,612	70,738,771
Total assets	<u>\$ 80,740,077</u>	<u>\$ 80,013,525</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,015,987	\$ 575,673
Accrued expenses	1,682,277	1,521,778
Deferred revenue	-	199,763
Short-term debt	75,000	72,376
Operating lease liabilities, current portion	358,453	337,924
Total current liabilities	3,131,717	2,707,514
<b>Long-term Liabilities</b>		
NMTC notes payable, net of current portion and debt discount	35,634,163	35,589,280
Operating lease liabilities, noncurrent	2,294,367	2,652,820
Total liabilities	41,060,247	40,949,614
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	1,921,370	(1,761,756)
Noncontrolling interest	(1,802,055)	(224,627)
Investment in property and equipment, net of related financing activities	37,932,461	38,728,012
Without donor restrictions, including noncontrolling interests	38,051,776	36,741,629
With donor restrictions	1,628,054	2,322,282
Total net assets	39,679,830	39,063,911
Total liabilities and net assets	<u>\$ 80,740,077</u>	<u>\$ 80,013,525</u>

See notes to consolidated financial statements

**Meals on Wheels of San Francisco, Inc. and Subsidiary**

Consolidated Statement of Activities

June 30, 2025 (with summarized comparative information for June 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues and Support</b>				
Government and other grants	\$ 18,381,160	\$ -	\$ 18,381,160	\$ 16,299,170
Program income	222,571	-	222,571	227,173
Contributions	5,862,241	516,000	6,378,241	5,652,432
Contributed nonfinancial assets	1,226,932	-	1,226,932	274,791
Special events (net of direct benefit to donors of \$733,774 and \$291,383)	5,586,976	-	5,586,976	3,525,363
	31,279,880	516,000	31,795,880	25,978,929
Net assets released from restrictions	1,210,228	(1,210,228)	-	-
Total revenues and support	32,490,108	(694,228)	31,795,880	25,978,929
<b>Expenses</b>				
Program	25,865,834	-	25,865,834	25,680,793
Management and general	2,761,223	-	2,761,223	2,067,185
Fundraising	2,917,493	-	2,917,493	2,735,811
Total expenses	31,544,550	-	31,544,550	30,483,789
Change in net assets from operations	945,558	(694,228)	251,330	(4,504,860)
<b>Nonoperating Items</b>				
Capital campaign expenses	(169,745)	-	(169,745)	(8,682)
Realized and unrealized gain on marketable securities	119,389	-	119,389	241,863
Interest and dividend income, net	414,945	-	414,945	418,246
Loan forgiveness	-	-	-	280,000
Employee Retention Credit	-	-	-	654,279
Loss on sale of property and equipment	-	-	-	(804)
Total nonoperating items	364,589	-	364,589	1,584,902
Change in net assets	1,310,147	(694,228)	615,919	(2,919,958)
<b>Net Assets, Beginning</b>	36,741,629	2,322,282	39,063,911	41,983,869
<b>Net Assets, Ending</b>	\$ 38,051,776	\$ 1,628,054	\$ 39,679,830	\$ 39,063,911

See notes to consolidated financial statements

## Meals on Wheels of San Francisco, Inc. and Subsidiary

### Consolidated Statement of Functional Expenses

June 30, 2025 (with summarized comparative information for June 30, 2024)

	2025				2024
	Meals and Other Programs	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 8,545,165	\$ 1,456,545	\$ 862,113	\$ 10,863,823	\$ 10,635,197
Food and packaging costs	8,958,737	-	-	8,958,737	7,979,309
Employee benefits	2,911,255	248,848	159,102	3,319,205	3,397,759
Events	-	2,133	2,014,791	2,016,924	1,391,859
Depreciation and amortization	2,021,036	43,063	53,884	2,117,983	2,871,960
Contractual services	401,642	635,771	135,971	1,173,384	835,244
Repairs and maintenance expense	688,957	41,427	31,925	762,309	678,067
Supplies	369,928	96,102	272,704	738,734	692,204
Utilities and garbage	625,667	1,876	1,733	629,276	565,394
Interest expense	416,906	-	-	416,906	440,093
Office expense	231,737	79,641	11,512	322,890	339,668
Banking and other fees	122,232	27,869	101,756	251,857	277,853
Insurance	224,943	13,101	10,255	248,299	227,453
Delivery expense	234,010	-	52	234,062	301,592
Bad debt expense	-	17,396	157,000	174,396	5,496
Travel and training	54,497	34,794	8,214	97,505	96,790
External communications	11,301	73,008	-	84,309	21,285
Household equipment assistance	47,821	-	-	47,821	46,947
Total operating expenses	25,865,834	2,771,574	3,821,012	32,458,420	30,804,170
Less special events expenses	-	-	(733,774)	(733,774)	(291,383)
Less capital campaign expenses	-	-	(169,745)	(169,745)	(8,682)
Less investment fees	-	(10,351)	-	(10,351)	(20,316)
Total operating expenses excluding nonoperating expenses	<u>\$ 25,865,834</u>	<u>\$ 2,761,223</u>	<u>\$ 2,917,493</u>	<u>\$ 31,544,550</u>	<u>\$ 30,483,789</u>

See notes to consolidated financial statements



**Meals on Wheels of San Francisco, Inc. and Subsidiary**

## Consolidated Statement of Cash Flows

June 30, 2025 (with summarized comparative information as on June 30, 2024)

	<u>2025</u>	<u>2024</u>
<b>Cash Flows Form Operating Activities</b>		
Change in net assets	\$ 615,919	\$ (2,919,958)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,117,983	2,871,960
Noncash lease expense	23,901	34,142
Loss on sale of property and equipment	-	804
Debt forgiveness	-	(280,000)
Realized and unrealized gain on investments in marketable securities	(119,389)	(241,863)
Bad debt expense	174,396	5,496
Discount on pledge receivables	(14,538)	(48,018)
Amortization of debt issuance costs	44,883	44,883
Changes in operating assets and liabilities:		
Grants receivable	657,520	270,040
Pledges receivable	(630,305)	68,257
Prepaid expenses	(20,002)	(51,413)
Inventory	(63,465)	157,508
Deposits and other assets	(34,748)	(40,921)
Accounts payable	440,314	(288,626)
Accrued expenses	160,499	(45,810)
Deferred revenue	(199,763)	199,763
Net cash provided by (used in) operating activities	<u>3,153,205</u>	<u>(263,756)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of marketable securities	(257,884)	(279,101)
Proceeds from sale of marketable securities	243,127	5,101,058
Purchases of property and equipment	<u>(1,322,432)</u>	<u>(380,811)</u>
Net cash (used in) provided by investing activities	<u>(1,337,189)</u>	<u>4,441,146</u>
<b>Cash Flows From Financing Activities</b>		
Payments on notes payable	-	(1,621,832)
Advances to note payable	<u>2,624</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>2,624</u>	<u>(1,621,832)</u>
Net increase in cash and cash equivalents	1,818,640	2,555,558
<b>Cash, Cash Equivalents and Restricted Cash, Beginning</b>	<u>5,041,773</u>	<u>2,486,215</u>
<b>Cash, Cash Equivalents and Restricted Cash, Ending</b>	<u><u>\$ 6,860,413</u></u>	<u><u>\$ 5,041,773</u></u>
<b>Supplemental Cash Flow Information and Noncash Transactions</b>		
Cash paid for interest	<u>\$ 372,024</u>	<u>\$ 440,093</u>
<b>Reconciliation of Totals in the Consolidated Statement of Cash Flows Related to Captions in the Consolidated Statement of Financial Position</b>		
Cash and cash equivalents	\$ 6,222,656	\$ 4,159,801
Restricted cash and cash equivalents	<u>637,757</u>	<u>881,972</u>
	<u><u>\$ 6,860,413</u></u>	<u><u>\$ 5,041,773</u></u>

See notes to consolidated financial statements

# Meals on Wheels of San Francisco, Inc. and Subsidiary

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Notes to Consolidated Financial Statements

June 30, 2025

## 1. Description of Organization and Summary of Significant Accounting Policies

Meals on Wheels of San Francisco, Inc., and Subsidiary (the Organization) is a California nonprofit corporation which provides meals to the elderly home-bound in San Francisco.

Organized in 1970, the Organization was incorporated under the laws of the state of California. The Organization provides the nutrition component that will allow home-bound San Francisco seniors to remain in their own homes for as long as appropriate and fosters independent living with dignity in the home-bound senior population.

Nourish SF Kitchen LLC (Nourish) was established on May 28, 2019 as a limited liability company to complete the New Markets Tax Credit (NMTC) financing to construct The Sangiacomo Flynn Building to be used as the kitchen and food production facility for the Organization (see Note 7). Nourish is operated by the same management as the 90% member, Meals on Wheels of San Francisco Inc. Accordingly, the Meals on Wheels of San Francisco, Inc. exerts control over the operations and governance of Nourish.

The Organization has established the following programs:

### Nutrition Programs

#### Home Delivered Meals (Meals on Wheels)

The home-delivered meals program delivers essential meals and services to homebound older adults and adults with disabilities in the Bay Area, helping combat hunger and isolation and enabling people to live safely and with dignity at home for as long as possible. The program consists of: annual home visit and assessment by a trained social service professional or Licensed Social Worker; procurement, preparation, packaging and delivery of nutritious meals to the homes of enrolled individuals; information and referral to other community resources designed to enable community-based living; safety/wellness checks; companionship; nutrition education; and coordination with case managers, family members/caregivers and emergency personnel as needed. The program also provides wraparound services designed to alleviate loneliness and social isolation and promote safe aging in place.

#### Home Delivered Groceries

Provides weekly home-delivered fresh groceries and a friendly visit/wellness-check to older adults who still have the ability to cook for themselves at home.

### Other Programs and Supportive Services

The San Francisco Department of Homelessness and Supportive Housing (HSH) operates Navigation Center Programs to provide critical resources to adults experiencing homelessness. As a part of the operations, HSH contracts with the Organization to provide meals to the Navigation Center Programs and Shelters. The Organization prepares and delivers the meals as individual servings so that the Navigation Center Programs' Service Providers can offer them to clients on a flexible schedule.

Additionally, in 2017 the Organization embarked on a capital campaign to acquire property and build a new facility that will allow for greater expansion of programs and significantly increase the meals served to home-bound San Francisco seniors (see Note 7).

## Meals on Wheels of San Francisco, Inc. and Subsidiary

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### Notes to Consolidated Financial Statements

June 30, 2025

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

#### **Principles of Consolidation**

The Organization has a controlling financial interest in Nourish, and it is required to be consolidated under U.S. generally accepted accounting principles (U.S. GAAP). The ownership percentage is 90%. All intercompany transactions have been eliminated in consolidation.

#### **Basis of Accounting**

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting and in conformity with GAAP specific to nonprofit organizations. The Organization presents information about its net assets and activities by net assets classes: without donor restriction and with donor restriction.

#### **Basis of Presentation**

**Net Assets Without Donor Restrictions** - The portion of net assets that is not subject to donor-imposed restriction. Noncontrolling interest represents third party limited member ownership in Nourish, for which Meals on Wheels San Francisco, Inc. (MOWSF) serves as the managing member.

**Net Assets With Donor Restrictions** - Net assets with donor restrictions represent net assets subject to donor-imposed restrictions. The originating contributions requires the Organization to maintain them either permanently or is limited in accordance with specific donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intentions of the donors. Restricted donations received and released within the year are considered without donor restrictions for the presentation of the consolidated statement of activities. The Organization does not have any permanently restricted net assets from donors.

#### **Cash and Cash Equivalents**

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those that are held for investment purposes. Cash and cash equivalents restricted to use are segregated on the accompanying consolidated statement of financial position.

As of June 30, 2025 restricted cash of \$637,757 consists of \$345,618 of cash reserved to service debt on one of the four NMTC loans (see Note 8). Restricted cash related to property and equipment and reserves for other loans at June 30, 2025 was \$292,139.

#### **Grants Receivable**

Grants receivable represent unreimbursed expenditures incurred under the terms of the grant agreements. In the opinion of management, grants receivable are collectible in full; therefore, no allowance for doubtful accounts was assessed at June 30, 2025.

## Meals on Wheels of San Francisco, Inc. and Subsidiary

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Notes to Consolidated Financial Statements

June 30, 2025

### Pledges Receivable

Unconditional promises to give are recognized as support and assets in the period received. Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in the future years are recorded at the present value of their estimated future cash flows determined using a fair value measurement that is the risk-free interest rate applicable for the year in which the promises are received. For the year ended June 30, 2025, the discount rates used ranged from 1.63% to 4.09%. Conditional promises to give are excluded from revenue and support until the conditions are substantially met. The Organization provides for an allowance for doubtful accounts based on historical collectability and other factors known to management. At June 30, 2025, the Organization deemed that an allowance was not necessary.

### Inventory

Inventory, consisting of food and food supplies, is valued at the lower of cost (on a first-in, first out basis), or net realizable value. An allowance for damaged, obsolete, or slow-moving inventory is provided based on an analysis performed by management. The allowance for damaged, obsolete, and slow-moving inventory was zero at June 30, 2025.

### Investments in Marketable Securities

The Organization is required to consider the use of market-based information over entity specific information in valuing its financial assets measured at fair value, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 - inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.

Level 3 - inputs to the valuation methodology - unobservable and significant to the fair value measurement.

An asset's or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the consolidated statement of financial position. All investments acquired by donation to the Organization are recorded at their fair market value as of the date of donation. Unrealized gains and losses are included in the change in net assets. Gains and losses that result from market fluctuations are recognized in the period such fluctuation occurs and are determined using average cost. Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

## Meals on Wheels of San Francisco, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025

### Property and Equipment, Net

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is provided on the straight-line zero-month convention method of accounting over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 - 39
Kitchen Equipment	3 - 20
Automobiles and trucks	5
Office furniture and equipment	5
Software	3

Depreciation is computed based on the month the asset is placed in service.

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Renewals and betterments in excess of \$5,000 are capitalized.

The Organization evaluates long-lived assets, such as property and equipment or intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group, based on discounted cash flows.

### NMTC Loans Receivable

NMTC loans receivable are stated at the principal amount. Payments of the loans receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. Interest on loans receivable is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. The Organization has one class of financing receivables from a highly credible institution.

The Organization recognizes an allowance for credit losses for loans receivable to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the statement of financial position date. Receivables are written off when the Organization determined that such receivables are deemed uncollectible.

The Organization pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. The Organization also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

## **Meals on Wheels of San Francisco, Inc. and Subsidiary**

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Notes to Consolidated Financial Statements

June 30, 2025

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on loans receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: assesses the credit quality of loans receivable based on indicators such as collateralization, collection experience and management's internal metrics, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. There was no allowance for credit losses as of June 30, 2025.

### **Lease**

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The Organization has made the following accounting policy elections with regard to its lease accounting:

- The Organization does not separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Organization does not apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line bases over the lease term.

### **Revenue Recognition**

#### **Government Grants**

The Organization receives government grants from cost-reimbursable contracts. These contracts are conditioned upon certain performance requirements such as number of meals served, and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met these conditions. There were no amounts received in advance or outstanding conditional promises to give related to government grants as of June 30, 2025.

#### **Special Event Revenue**

The Organization records revenue from a special event at the time of the event.

#### **Program Income**

Program income consists of client contributions and are recognized when received. Other operating revenue mainly consists of revenues from the Home Delivered Groceries program. Revenue is recognized when the Organization renders the services stipulated in the contract.

## **Meals on Wheels of San Francisco, Inc. and Subsidiary**

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Notes to Consolidated Financial Statements

June 30, 2025

### **Contributions**

Contributions, including unconditional promises to give, are recognized as revenue in the period received or unconditionally promised, as without donor restriction or with donor restriction depending on the existence of any donor restrictions. Unconditional promises to give becoming due in the next year are recorded at their net realizable value. All contributions with donor restriction and income whose restrictions or conditions are met in the same year as the revenue is received are recognized as revenue without donor restriction. If the restriction is released in a different reporting period, such revenue is required to be reported as support with donor restriction and then reclassified to net assets without donor restriction upon fulfillment of the restrictions. Contributions with donor restrictions received that are for the acquisition and construction of long-lived assets are released when the assets are placed into service.

### **Contributed Nonfinancial Assets**

In-kind contributions are reflected as contributions on the date of donation at fair value and are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The Organization recognizes the fair value of contributed services received if such services (a) create or enhance non-financial assets or (b), require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Organization receives services from general volunteers associated with the programs and fundraising campaigns which do not meet the criteria for financial statement recognition and therefore are not included in these consolidated financial statements.

### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that are benefited based on estimates of time and usage determined by management.

The consolidated statement of functional expenses reports certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include the salary and fringe benefits of the Finance, Human Resources, Development, Executive, Communications and Information Technology departments. These expenses are allocated on the basis of full-time equivalent positions.

Vendors, such as legal, and other general support contracts are allocated on a time and material basis as indicated in the invoices and approved by the department head.

### **Income Taxes**

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code. As a result, the Organization is exempt from paying income taxes, and thus no provision for income taxes has been reflected in these consolidated financial statements.

No income was earned for the year ended June 30, 2025 from activities not directly related to the Organization's tax-exempt purpose. Cumulative net operating losses of \$69,068 will be carried forward and may be applied to the return filed for the 2025 tax year.

Nourish is a passthrough entity for income tax purposes and is not subject to federal income tax but may be subject to certain minimum state taxes. Nourish's members are liable for taxes based on Nourish's income or loss.

## Meals on Wheels of San Francisco, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025

Nourish follows the authoritative guidance on accounting for and disclosure of uncertainty in tax positions, which requires Nourish to determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. Nourish has determined that there is no effect on the financial statements from this authoritative guidance.

### Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

### Measure of Operations

The Organization's measure of operations is its changes in net assets from operating activities, excluding investment related activity, revenues and expenses from its current capital campaign, and certain other items incidental to the operations of the Organization.

### Prior Year Summarized Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total. 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 June 30, 2024, from which the summarized information was derived.

For comparative purposes, certain amounts in the prior year's summarized comparative financial information have been reclassified to conform to current year presentation.

## 2. Liquidity and Availability

The Organization maintains adequate liquidity to meet operating needs for a period of at least twelve months. Management monitors cash flows and liquidity regularly and invests excess cash in highly liquid, interest-bearing deposits and investments. In addition to the financial assets available to meet general expenditures, the Organization secured a \$1,000,000 line of credit in October 2025 to support short-term liquidity needs.

Financial assets available for general expenditure consisted for the year ended June 30, 2025 of the following:

Cash and cash equivalents	\$ 6,860,413
Grants receivable	2,886,585
Pledges receivables, net	1,216,427
Pledges receivables, capital campaign, net	110,000
Investments in marketable securities	<u>1,164,078</u>
Total financial assets	12,237,503
Less pledges receivable meant for capital campaign	(110,000)
Less restricted cash	<u>(637,757)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 11,489,746</u>



## Meals on Wheels of San Francisco, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025

### 3. Pledges Receivable

Pledges receivable other than those related to the capital campaign as of June 30, 2025 is as follows:

Receivable in less than one year	\$ 1,216,427
Receivable in one to five years	<u>568,000</u>
Noncapital campaign pledges receivable	<u><u>\$ 1,784,427</u></u>

Management determined that any discount on the pledges receivable was insignificant to the consolidated financial statements.

Pledges receivable related to the capital campaign as of June 30, 2025 is as follows:

Receivable in less than one year	\$ 210,000
Receivable in one to five years	<u>190,000</u>
	400,000
Less discount to net present value	<u>(34,880)</u>
Capital campaign pledges receivable, net	<u><u>\$ 365,120</u></u>

### 4. Investments in Marketable Securities

The Organization considers all investments in marketable securities to be long-term assets. Such funds are expected to be utilized for the development, or expansion, of program services and their related infrastructure costs. With the exception of money market funds, which are excluded from the fair value hierarchy, all investments at June 30, 2025 are classified as level 1.

At June 30, 2025, fair values of assets measured on a recurring basis are as follows:

Money market funds	\$ 26,122
Mutual funds:	
US large cap equity	122,109
US high relative profitability	210,763
US small cap	196,539
US large cap value	137,392
International high relative profitability	244,796
International value	58,945
International small company	<u>167,412</u>
	<u><u>\$ 1,164,078</u></u>

## Meals on Wheels of San Francisco, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025

### 5. NMTC Loans Receivable

As part of the NMTC funding, the Organization made a set of three leverage loans totaling \$26,389,390 to the Chase NMTC MOWSF Investment Fund, LLC (the Investment Fund) (NMTC Loans Receivable) (see Note 7).

The value of loans receivable as of June 30, 2025 are as follows:

Loan A-1	\$ 5,400,000
Loan A-2	3,500,000
Loan B	<u>17,489,390</u>
Total	<u>\$ 26,389,390</u>

Interest is earned on the NMTC loans receivable at a rate of 1.066% per annum. Payments are due on a quarterly basis by the 10th of the month following the end of the quarters of February 28, May 31, August 31 and November 30. Interest only payments commenced on September 10, 2019 and continue until December 10, 2026 at which point, quarterly payments of principal and interest are to be made in the following amounts: Loan A-1: \$69,154, Loan A-2: \$44,822 and Loan B: \$223,974. The loans receivable are collateralized by the CDE interests and secured by the Fund Pledge Agreement as defined in the Fund Loan Agreement between the Organization and the Investment Fund.

At June 30, 2025, the scheduled maturities of the NMTC loans receivable are as follows:

	Loan A-1	Loan A-2	Loan B	Total NMTC Loans Receivable
2026	\$ -	\$ -	\$ -	\$ -
2027	207,462	134,466	671,923	1,013,851
2028	276,616	179,288	895,898	1,351,802
2029	276,616	179,288	895,898	1,351,802
2030	276,616	179,288	895,898	1,351,802
Thereafter	<u>4,362,690</u>	<u>2,827,670</u>	<u>14,129,773</u>	<u>21,320,133</u>
	<u>\$ 5,400,000</u>	<u>\$ 3,500,000</u>	<u>\$ 17,489,390</u>	<u>\$ 26,389,390</u>

### 6. Property and Equipment

At June 30, 2025, property and equipment consist of the following:

Land	\$ 5,577,130
Building and improvements	31,353,619
Office furniture and equipment	9,141,495
Software	1,398,057
Automobiles and trucks	<u>2,108,480</u>
	49,578,781
Less accumulated depreciation	<u>(12,423,648)</u>
Construction in progress	<u>777,328</u>
	<u>\$ 37,932,461</u>

## Meals on Wheels of San Francisco, Inc. and Subsidiary

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Notes to Consolidated Financial Statements

June 30, 2025

As of June 30, 2025, the Organization had construction in progress totaling \$777,328, representing costs incurred to date for an emergency generator for the Sangiacomo Flynn Industrial Kitchen and Food Distribution Center. The purpose of the generator is to ensure that food will not be spoiled in the case of a city power outage. In September 2025, the project was completed and the total costs of \$1,545,469 were capitalized to be depreciated over the estimated useful life of the asset.

As part of the New Market Tax Credit transaction (see Note 7), the Organization transferred land and property located at 2230 Jerrold Avenue in San Francisco (The Sangiacomo Flynn Building), to Nourish. The Organization renovated the space by demolishing the existing building and completed construction on a new facility to expand programmatic operations.

### 7. New Market Tax Credits

On May 28, 2019, Nourish was established to facilitate construction of The Sangiacomo Flynn Building, a 35,794 square-foot kitchen to be located in San Francisco's Bayview District. During the year ended June 30, 2020, the Organization contributed \$6 million in equity to Nourish to establish a 90% membership interest. The remaining 10% was purchased by a third party, Food Runners, for \$130,000.

In September 2019, the Organization entered into a financing arrangement to fund a significant portion of the construction costs for The Sangiacomo Flynn Building. Nourish received total funding prior to taxes and fees of approximately \$11.9 million through the federal new markets tax credit (NMTC) program. This was used toward the approximately \$43 million project. The remaining project costs were to be covered by funds raised from the MOWSF Capital Campaign and a set of three bridge loans totaling \$17.4 million from MOSWF to Nourish (bridge loans) (see Note 8).

Four Community Development Entities, the San Francisco Community Investment Fund (SFCIF), Community Vision Capital and Consulting (CVCC), Chase New Markets Corporation (CNMC), and Capital Impact Partners (CIP) (collectively, the CDEs), received allocations of NMTCs pursuant to Section 45D of the Internal Revenue Code to assist eligible businesses in making investments in certain low-income communities.

The availability of NMTCs allowed Chase Community Equity, LLC (CCE) to invest approximately \$11.8 million in the Chase NMTC MOWSF Investment Fund, LLC (the Investment Fund). In addition, MOWSF made a set of three leverage loans totaling approximately \$26.4 million to the Investment Fund (NMTC Loans Receivable) (Note 5).

The Investment Fund used the total proceeds to make equity contributions to funds established by the CDEs, with \$18 million invested in SFCIF Sub CDE 9, LLC (SFCIF LLC), \$7 million in Northern California Community Loan Fund NMTC Sub-CDE 23, LLC (NCCLF LLC), \$2.4 million in Chase New Markets Corporation Sub-CDE 170, LLC (CNMC LLC) and \$10.5 million in Impact CDE 71, LLC (Impact LLC) (collectively, the CDE Funds).

Each of the CDE Funds then made four NMTC enhanced mortgage loans (NMTC Loans Payable) to Nourish to finance The Sangiacomo Flynn Building construction. The 16 NMTC Loans Payable of \$36.94 million are secured by the Investment Fund's membership interests in the CDE Funds (Fund Pledged Collateral) (see Note 8).

As a condition of making the NMTC Loans to Nourish, the CDE Funds required that the Organization guarantee the payment of the interest on the NMTC Loans and the completion of construction of The Sangiacomo Flynn Building. The guarantee is in effect until maturity of the NMTC Loans. In addition, the Organization and Nourish have jointly and severally guaranteed any obligations to Chase Community Equity, LLC arising from the occurrence of a NMTC recapture event, as defined in the indemnity agreement.

## Meals on Wheels of San Francisco, Inc. and Subsidiary

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Notes to Consolidated Financial Statements

June 30, 2025

After the expiration of the NMTCs on September 19, 2026, Chase Community Equity, LLC has until December 18, 2026 to exercise its right, but not an obligation, to require the Organization to purchase all of Chase Community Equity, LLC's interest in the Investment Fund for a put exercise price of \$1,000 plus the amount of all transfer or excise taxes imposed upon Chase Community Equity LLC in connection with the transfer of the interest. If the put is not exercised, the Organization has the option, during the period from December 18, 2026 to March 18, 2027, to purchase Chase Community Equity, LLC's interest in the Investment Fund at a price based on a formula as stipulated in the Investment Fund Put and Call Agreement.

The Organization intends to record any gain or loss associated with either option at the date it is exercised. The options do not represent embedded derivatives and accordingly, have not been accounted for as derivative instruments in the consolidated financial statements.

In accordance with NMTC rules and regulations, as the borrower, the Organization created a separate division for the Organization's Portion of Business (POB) related to the NMTC financing. The Organization maintains a segregated set of accounts for its POB related financial information and such breakdown is presented separately in the supplementary consolidating statements.

### 8. Notes Payable

#### CDE Loans

Each of the CDE Funds (see Note 7) made four NMTC enhanced mortgage loans (NMTC Loans Payable) to Nourish to finance The Sangiacomo Flynn Building construction. The various NMTC loans payables are structured such that interest only payments will be made for the seven years after the commencement of the loan, December 2019. Starting December 2026, payments on the interest and principal of the loan will be made on a quarterly basis in the amounts below until maturity in September 2054. The notes bear interest at 1% per annum. Each of the loans are collateralized by the Deed of Trust, the underlying land, the assignment of any leases or rents associated with it, and the assignment of the construction documents. Further, the Organization guarantees payment and secures the interest and fees.

As security for the NMTC loans, Nourish granted each of the CDEs a mortgage on The Sangiacomo Flynn Building. Further, the interest on the loans is guaranteed by the Organization. Quarterly interest only payments on the NMTC loans commenced December 1, 2019, at an interest rate of 1%. The loan matures on September 19, 2054, at which time any unpaid principal balance will become due.

## Meals on Wheels of San Francisco, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025

The details of the various CDE NMTC loans payable provided to Nourish are as follows:

	<b>Quarterly Payments After Seven-Year Interest Only Period</b>	<b>Original Principal Amount</b>
SFCIF Sub CDE 9, LLC		
Loan A-1.1	\$ 26,350	\$ 2,564,644
Loan A-2.1	17,079	1,662,269
Laon B.1	85,343	8,306,307
Loan C.1	50,620	4,926,780
Subtotal		17,460,000
NCCLF NMTC Sub-CDE 23, LLC		
Loan A-1.2	\$ 10,247	997,361
Loan A-2.2	6,642	646,438
Loan NB.2	33,189	3,230,230
Loan C.2	19,686	1,915,971
Subtotal		6,790,000
CNMC Sub-CDE 170, LLC		
Loan A-1.3	\$ 3,513	341,953
Loan A-2.3	2,277	221,636
Loan B.3	11,379	1,107,508
Loan C.3	7,489	728,903
Subtotal		2,400,000
Impact CDE 71, LLC		
Loan A-1.4	\$ 15,371	1,496,042
Loan A-2.4	9,963	969,657
Loan B.4	49,763	4,845,345
Loan C.4	30,607	2,978,956
Subtotal		10,290,000
Total NMTC Loans		\$ 36,940,000

Interest expense related to the CDE Loans for the year ended June 30, 2025 was \$372,024.

Notes payable are presented net of debt issuance costs of \$1,305,837 for the year ended June 30, 2025. Debt issuance costs are the direct costs to complete the issuance of debt. The costs consist of various fees and commissions paid to the bank for the issuance of the debt. These costs are amortized on an effective interest basis over the term of the loans.

## Meals on Wheels of San Francisco, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025

### Goodman Revocable Trust

In October 2021, the Organization entered into a loan agreement for \$705,000 with monthly payments of \$16,726 and a maturity date in January 2027.

	NMTC Loans	Goodman Revocable Trust	Total Notes Payable
2026	\$ -	\$ 75,000	\$ 75,000
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
Thereafter	36,940,000	-	36,940,000
Total notes payable	36,940,000	75,000	37,015,000
Less unamortized debt issuance costs	(1,305,837)	-	(1,305,837)
Less current portion	-	(75,000)	(75,000)
Total long-term notes payable, net	\$ 35,634,163	\$ -	\$ 35,634,163

### 9. Noncontrolling Interests

As part of the NMTC transaction, the Organization created a new subsidiary, Nourish, along with another third-party investor (minority owner). The minority owner has a noncontrolling equity investment, which is separately presented on the consolidated statement of financial position as a component of net assets without donor restrictions. On August 16, 2024, Food Runners entered into an asset transfer agreement with ExtraFood for 10% ownership interest in Nourish, transferring all rights, titles, and interests to ExtraFood. All other ownership percentages remained the same.

Changes in consolidated net assets without donor restrictions for the year ended June 30, 2025 is as follows:

	Controlling Interests	Noncontrolling Interests	Total Net Assets Without Donor Restrictions
Net assets without donor restrictions, beginning of year	\$ 37,025,385	\$ (283,656)	\$ 36,741,629
Distribution	35,000	(35,000)	-
Change in net assets	2,793,546	(1,483,399)	1,310,147
Net assets without donor restrictions, end of year	\$ 39,853,931	\$ (1,802,055)	\$ 38,051,776

## Meals on Wheels of San Francisco, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025

### 10. Net Assets With Donor Restrictions

Net assets with donor restrictions – purpose and time restricted consist of the following:

Time restricted	\$ 730,000
Purpose restricted:	
Generator	429,845
Medically tailored meals	<u>468,209</u>
Total	<u>\$ 1,628,054</u>

Net assets were released from restrictions during the year ended June 30, 2025 by incurring expenses satisfying the restricted purpose or by the expiration of time as follows for a total amount of \$1,210,228.

### 11. Contributed Nonfinancial Assets

For the year ended June 30, 2025, contributed nonfinancial assets recognized within the consolidated statement of activities consisted of in-kind services valued at \$1,226,932 based on estimated hourly billing rates for service providers. The Organization recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

### 12. Contingencies

#### Litigation

The Organization is involved in various legal actions in the normal course of business. While the results of such proceedings cannot be predicted with certainty, management expects the ultimate resolution of these matters will not have a material adverse effect on the Organization's consolidated financial statement position or results of operations.

#### Government Funding

The Organization is a recipient of federal, state, and local funds. These funds may be subject to audit and final acceptance by the grantors. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

### 13. Concentrations

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents greater than the federally insured amounts of \$250,000 with each financial institution. The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Certain investment accounts are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). Such balances with any one institution may, at times, be in excess of the insured amounts. The Organization has not experienced credit losses in such accounts and believes it is not exposed to any significant credit risk.

For the year ended June 30, 2025, the Organization received approximately 73% of its revenue and support from two government contracts. At June 30, 2025, 93% of grants receivable are from four government agencies. In addition, the Organization, as a recipient of governmental funding, is vulnerable to the budgetary constraints of its funding sources. However, the Organization does not expect any near term reduction of funding.

## Meals on Wheels of San Francisco, Inc. and Subsidiary

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Notes to Consolidated Financial Statements

June 30, 2025

### 14. Retirement Plan

The Organization has a 403(b) defined contribution retirement plan (the Plan) covering all eligible participants who have completed 3 months of service with the Organization and are on track to complete 1,000 hours within 12 months. Only eligible participants are eligible to make salary deferrals to the Plan. Employee elective deferrals are governed by provisions of the Plan and IRS regulations regarding maximum salary deferrals and compensation limits. The Organization at its sole discretion may elect to make employer matching contributions to the plan. For the year ended June 30, 2025, employer contributions to the Plan totaled \$293,296.

### 15. Leases

The Organization has a lease under a noncancelable operating lease agreement.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.
- Determined whether contracts contain embedded leases.
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases.
- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.



## Meals on Wheels of San Francisco, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2025

The following table summarizes the lease right-of-use asset and lease liability as of June 30, 2025:

Right-of-use assets:	
Operating leases	<u>\$ 2,550,642</u>
Lease liabilities:	
Current operating lease liabilities	358,453
Long-term operating lease liabilities	<u>2,294,367</u>
Total lease liabilities	<u><u>\$ 2,652,820</u></u>

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2025:

Operating lease expense	\$ 443,806
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The following table presents supplemental information related to leases:

Weighted average remaining lease term (in years):	
Operating leases	6.34
Weighted average discount rate:	
Operating leases	3.14 %

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after June 30, 2025:

Year ending June 30:	
2026	\$ 430,403
2027	441,163
2028	452,192
2029	463,497
2030	475,084
Thereafter	<u>650,613</u>
Total lease payments	2,912,952
Less present value discount	<u>(260,132)</u>
Total lease liabilities	2,652,820
Less current portion	<u>(358,453)</u>
Long-term lease liabilities	<u><u>\$ 2,294,367</u></u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2025:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 419,905

## Meals on Wheels of San Francisco, Inc. and Subsidiary

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Notes to Consolidated Financial Statements

June 30, 2025

### 16. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through December 12, 2025, which represents the date financial statements were available to be issued.

After fiscal year-end, the Organization entered into three new grant awards with the City and County of San Francisco totaling maximum funding of \$40,436,968 over a four-year period. The award requires the organization to incur eligible expenditures and fulfill other programmatic requirements before revenue or receivables can be recognized.

In September 2025, management approved a strategic restructuring and workforce reduction plan to better align staffing levels with operational requirements. The action affected approximately 15% of employees and is expected to reduce annual operating expenses beginning in fiscal year 2026.

On November 6, 2025, the Organization entered into a line of credit agreement with Bank of America. The agreement provides for borrowings up to \$1,000,000. The line of credit is intended to support short-term operating liquidity needs, if ever required.

**Meals on Wheels of San Francisco, Inc. and Subsidiary**

Consolidating Statements of Financial Position  
June 30, 2025

	MOWSF					
	POB	Non-POB	Total	Nourish	Eliminations	Total
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 6,064,338	\$ -	\$ 6,064,338	\$ 158,318	\$ -	\$ 6,222,656
Grants receivable	2,886,585	-	2,886,585	-	-	2,886,585
Pledges receivable	-	1,216,427	1,216,427	6,848	(6,848)	1,216,427
Pledges receivable, capital campaign, net	-	110,000	110,000	-	-	110,000
Inventory	862,746	-	862,746	-	-	862,746
Prepaid expenses	300,933	-	300,933	5,118	-	306,051
Total current assets	10,114,602	1,326,427	11,441,029	170,284	(6,848)	11,604,465
<b>Noncurrent Assets</b>						
Restricted cash	-	292,139	292,139	345,618	-	637,757
Investments in marketable securities	-	1,164,078	1,164,078	-	-	1,164,078
Deposits and other assets	32,760	173,404	206,164	-	-	206,164
Pledges receivable, noncurrent	-	100,000	100,000	-	-	100,000
Pledges receivable, capital campaign, net	-	155,120	155,120	-	-	155,120
NMTC loans receivable	-	26,389,390	26,389,390	-	-	26,389,390
Property and equipment, net	1,391,376	5,428,560	6,819,936	31,112,525	-	37,932,461
Operating lease right-of-use assets	-	2,550,642	2,550,642	-	-	2,550,642
Finance lease right-of-use assets	-	28,667,994	28,667,994	-	(28,667,994)	-
Total noncurrent assets	1,424,136	64,921,327	66,345,463	31,458,143	(28,667,994)	69,135,612
Total assets	\$ 11,538,738	\$ 66,247,754	\$ 77,786,492	\$ 31,628,427	\$ (28,674,842)	\$ 80,740,077
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 1,008,323	\$ 6,850	\$ 1,015,173	\$ 7,662	\$ (6,848)	\$ 1,015,987
Accrued expenses	869,191	748,183	1,617,374	64,903	-	1,682,277
Short-term debt	-	75,000	75,000	-	-	75,000
Operating lease liabilities, current portion	-	358,453	358,453	-	-	358,453
Total current liabilities	1,877,514	1,188,486	3,066,000	72,565	(6,848)	3,131,717
<b>Long-term Liabilities</b>						
NMTC notes payable, net of current portion and debt discount	-	-	-	35,634,163	-	35,634,163
Operating lease liabilities, noncurrent	-	2,294,367	2,294,367	-	-	2,294,367
Finance lease liabilities, noncurrent	-	35,498,569	35,498,569	-	(35,498,569)	-
Total liabilities	1,877,514	38,981,422	40,858,936	35,706,728	(35,505,417)	41,060,247
<b>Net Assets</b>						
Without donor restrictions, including noncontrolling interest	9,661,224	25,638,278	35,299,502	(4,078,301)	6,830,575	38,051,776
With donor restrictions	-	1,628,054	1,628,054	-	-	1,628,054
Total net assets	9,661,224	27,266,332	36,927,556	(4,078,301)	6,830,575	39,679,830
Total liabilities and net assets	\$ 11,538,738	\$ 66,247,754	\$ 77,786,492	\$ 31,628,427	\$ (28,674,842)	\$ 80,740,077

**Meals on Wheels of San Francisco, Inc. and Subsidiary**

Consolidating Statements of Activities

Year Ended June 30, 2025

	MOWSF			Nourish Total	Eliminations	Total
	POB	Without Donor Restrictions	Non-POB With Donor Restrictions			
<b>Revenues and Support</b>						
Government and other grants	\$ 18,381,160	\$ -	\$ -	\$ -	\$ -	\$ 18,381,160
Project income	222,571	-	-	-	-	222,571
Contributions	-	5,862,241	516,000	-	-	6,378,241
Contributed nonfinancial assets	-	1,226,932	-	-	-	1,226,932
Special events (net of direct expenses of \$733,774)	-	5,586,976	-	-	-	5,586,976
Other operating revenue	-	-	-	653,168	(653,168)	-
	18,603,731	12,676,149	516,000	653,168	(653,168)	31,795,880
Net assets released from restrictions	-	1,210,228	(1,210,228)	-	-	-
Total revenues and support	18,603,731	13,886,377	(694,228)	653,168	(653,168)	31,795,880
<b>Expenses</b>						
Program expenses	23,235,512	494,369	-	2,135,953	-	25,865,834
Management and general	2,757,123	5,017,934	-	4,100	(5,017,934)	2,761,223
Fundraising	1,955,455	2,023,918	-	-	(1,061,880)	2,917,493
Total expenses	27,948,090	7,536,221	-	2,140,053	(6,079,814)	31,544,550
Change in net assets from operations	(9,344,359)	6,350,156	(694,228)	(1,486,885)	5,426,646	251,330
<b>Nonoperating Items</b>						
Capital campaign expenses	-	(169,745)	-	-	-	(169,745)
Realized and unrealized loss on marketable securities	-	119,389	-	-	-	119,389
Interest and dividend income, net	-	411,459	-	3,486	-	414,945
Total nonoperating	-	361,103	-	3,486	-	364,589
Change in net assets	(9,344,359)	6,711,259	(694,228)	(1,483,399)	5,426,646	615,919
Distribution from subsidiary	-	35,000	-	(35,000)	-	-
POB/ Non-POB Donation	13,987,521	(13,987,521)	-	-	-	-
<b>Net Assets, Beginning</b>	5,018,062	32,879,540	2,322,282	(2,559,902)	1,403,929	39,063,911
<b>Net Assets, Ending</b>	\$ 9,661,224	\$ 25,638,278	\$ 1,628,054	\$ (4,078,301)	\$ 6,830,575	\$ 39,679,830

**Meals on Wheels of San Francisco, Inc. and Subsidiary**

Schedule of Expenditures of Federal and Nonfederal Awards  
Year Ended June 30, 2025

	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
<b>Federal</b>			
<b>U.S. Department of Health and Human Services (Pass-Through from the City and County of S.F. Office on the Aging and Adult Services)</b>			
Aging Cluster:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	000862042	\$ 1,060,085
Total Special Programs for the Aging - Title III, Part C - Nutrition Services			1,060,085
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	000862042	100,682
Total Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers			100,682
Nutrition Services Incentive Program	93.053	000862042	821,421
Total Nutrition Services Incentive Program			821,421
<b>(Pass-Through from the San Mateo County Health Aging and Adult Services)</b>			
Aging Cluster:			
Nutrition Services Incentive Program	93.053	000057000	34,150
Total Nutrition Services Incentive Program			34,150
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	000057000	575,746
Total Special Programs for the Aging - Title III, Part C - Nutrition Services			575,746
Total Aging Cluster			2,592,084
Medicaid Cluster:			
Medical Assistance Program	93.778	0000752395	26,773
Medical Assistance Program	93.778	0000647653	341,204
	93.778	000866933	530
Total Medicaid Cluster			368,507
Total Federal Programs			\$ 2,960,591

See notes to schedule of expenditures of federal and nonfederal awards

**Meals on Wheels of San Francisco, Inc. and Subsidiary**

Schedule of Expenditures of Federal and Nonfederal Awards  
Year Ended June 30, 2025

	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures</b>
<b>State</b>			
<b>California Department of Aging</b>			
Title III, Part C Nutrition Services	N/A	000862042	\$ 1,608,993
Title III, Part C Nutrition Services	N/A	000057000	<u>182,908</u>
Total state			<u><u>\$ 1,791,901</u></u>
<b>Local</b>			
<b>City and County of San Francisco</b>			
Title III, Part C Nutrition Services	N/A	0000752391	<u>\$ 3,566,315</u>
<b>City and County of San Mateo</b>			
Home Delivered Meals	N/A	000080511	518,520
Title III, Part C Nutrition Services	N/A	000057000	<u>56,298</u>
Total local			<u><u>\$ 4,141,133</u></u>

See notes to schedule of expenditures of federal and nonfederal awards

## **Meals on Wheels of San Francisco, Inc. and Subsidiary**

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Notes to Schedule of Expenditures of Federal and Nonfederal Awards

June 30, 2025

### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and Nonfederal Awards (the Schedule) includes the activity of Meals on Wheels of San Francisco, Inc. and Subsidiary (Organization) under its programs with federal and state government agencies for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the Organization's financial position, changes in net assets, or cash flows.

### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **3. Indirect Cost Rate**

The Organization did elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**Independent Auditors' Report**

To the Board of Directors of  
Meals on Wheels of San Francisco, Inc. and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Meals On Wheels of San Francisco, Inc. and Subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statement and have issued our report thereon dated December 12, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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



## **Report on Compliance and Other Matters**

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

## **Purpose of This Report**

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

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
December 12, 2025

**Report on Compliance for the Major Federal Program and  
Report on Internal Control Over Compliance Required  
by the Uniform Guidance**

**Independent Auditors' Report**

To the Board of Directors of  
Meals on Wheels of San Francisco, Inc. and Subsidiary

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Meals on Wheels of San Francisco, Inc.'s and subsidiary's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2025. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly US, LLP*

San Francisco, California  
December 12, 2025

## Meals on Wheels of San Francisco, Inc. and Subsidiary

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2025

### Section I - Summary of Auditors' Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?

\_\_\_\_\_ yes   X   no

Auditee qualified as low-risk auditee?

  X   yes \_\_\_\_\_ no

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Identification of major federal programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

93.045, 93.044 and 93.053

Aging Cluster

### Section II - Financial Statement Findings

None noted.

### Section III - Federal Award Findings and Questioned Costs

None noted.

## **Meals on Wheels of San Francisco, Inc. and Subsidiary**

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Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2025

### **Summary of Prior Year Findings**

None noted.