

**MEALS ON WHEELS OF
THE MONTEREY PENINSULA, INC.**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORTS**

JUNE 30, 2025
(with summarized comparative information at June 30, 2024)

**MCGILLOWAY, RAY, BROWN & KAUFMAN
CERTIFIED PUBLIC ACCOUNTANTS**

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Meals on Wheels of the
Monterey Peninsula, Inc.

Opinion

We have audited the accompanying financial statements of Meals on Wheels of the Monterey Peninsula, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Meals on Wheels of the Monterey Peninsula, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Meals on Wheels of the Monterey Peninsula, Inc. 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA | Jacinto Acosta Bernal, CPA

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 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 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 Meals on Wheels of the Monterey Peninsula, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Meals on Wheels of the Monterey Peninsula, Inc.'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 financial statements as a whole. The accompanying schedule of expenditures of federal 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Meals on Wheels of the Monterey Peninsula, Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 20, 2025. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026, on our consideration of Meals on Wheels of the Monterey Peninsula, Inc.'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 Meals on Wheels of the Monterey Peninsula, Inc.'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 Meals on Wheels of the Monterey Peninsula, Inc.'s internal control over financial reporting and compliance.



McGilloway, Ray, Brown & Kaufman
Salinas, California
January 16, 2026

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025
(with summarized comparative information at June 30, 2024)

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 1,185,359	\$ 1,204,080
Restricted cash - escrow account	71,500	-
Accounts receivable	99,077	-
Grants receivable	286,054	448,342
Bequests and contributions receivable	198,910	374,153
Inventory	55,824	42,331
Other assets	12,695	13,608
Prepaid expenses	247,052	140,262
Deposits on fixed assets	-	366,733
Investments	12,466,825	12,130,744
Contributions receivable under split-interest agreements	370,787	350,773
Beneficial interest in assets held by CFMC	401,511	363,263
Property and equipment, net	1,787,704	1,508,747
Contributed asset receivable - donated land	400,000	400,000
Total assets	\$ 17,583,298	\$ 17,343,036
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 172,586	\$ 168,445
Accrued expenses	8,494	21,066
Accrued compensation	187,489	122,912
Deferred revenue	49,900	33,600
Total liabilities	418,469	346,023
Net assets		
Without donor restrictions		
Undesignated	6,759,976	4,765,651
Board designated endowment	9,358,947	11,395,818
Total without donor restrictions	16,118,923	16,161,469
With donor restrictions		
	1,045,906	835,544
Total net assets	17,164,829	16,997,013
Total liabilities and net assets	\$ 17,583,298	\$ 17,343,036

The accompanying notes are an integral part of these financial statements.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(with summarized comparative information for the year ended June 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Support, Revenues, and Other Income				
Public support:				
Grants and contributions	\$ 1,552,177	\$ 354,550	\$ 1,906,727	\$ 1,902,131
Government grants	1,582,865	-	1,582,865	1,645,919
Contributed nonfinancial assets	151,365	-	151,365	195,130
Special events, net	263,083	-	263,083	219,533
Contributed nonfinancial asset - use of land	-	48,000	48,000	48,000
Membership	17,007	-	17,007	10,990
Auxiliary revenues	4,268	-	4,268	3,912
Change in value of split-interest agreements	-	20,014	20,014	19,913
Net assets released from restrictions	214,147	(214,147)	-	-
Total public support and net assets released from restrictions	<u>3,784,912</u>	<u>208,417</u>	<u>3,993,329</u>	<u>4,045,528</u>
Program service revenues:				
Meal sales agencies	552,351	-	552,351	320,577
Miscellaneous program revenue	7,640	-	7,640	5,407
Total program service revenues	<u>559,991</u>	<u>-</u>	<u>559,991</u>	<u>325,984</u>
Other income:				
Investment income, net	1,270,059	1,945	1,272,004	1,103,280
Facility rental and catering income	24,063	-	24,063	16,170
Total other income	<u>1,294,122</u>	<u>1,945</u>	<u>1,296,067</u>	<u>1,119,450</u>
Total support, revenue and other income	<u>5,639,025</u>	<u>210,362</u>	<u>5,849,387</u>	<u>5,490,962</u>
Expenses				
Program services	4,115,436	-	4,115,436	3,659,589
Management and general	636,923	-	636,923	555,905
Fundraising	929,212	-	929,212	843,059
Total expenses	<u>5,681,571</u>	<u>-</u>	<u>5,681,571</u>	<u>5,058,553</u>
Change in net assets	(42,546)	210,362	167,816	432,409
Net assets, beginning of year	16,161,469	835,544	16,997,013	16,564,604
Net assets, end of year	<u>\$ 16,118,923</u>	<u>\$ 1,045,906</u>	<u>\$ 17,164,829</u>	<u>\$ 16,997,013</u>

The accompanying notes are an integral part of these financial statements.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
(with summarized comparative information for the year ended June 30, 2024)

	Program Services	Management and General	Fundraising	2025 Total	2024 Total
Salaries	\$ 1,449,367	\$ 432,140	\$ 448,379	\$ 2,329,886	\$ 1,919,457
Employee benefits	395,550	62,215	100,016	557,781	567,195
Payroll taxes	117,081	29,636	33,368	180,085	149,029
Total salaries and related expenses	1,961,998	523,991	581,763	3,067,752	2,635,681
Food purchases and supplies	1,372,963	96	16,451	1,389,510	1,245,624
Community center and programs	115,398	-	1,262	116,660	102,066
Occupancy	220,386	-	-	220,386	209,366
Printing, publicity and postage	6,239	2,103	197,694	206,036	217,261
Depreciation	234,862	-	-	234,862	188,194
Office supplies and equipment	55,511	9,705	7,210	72,426	79,100
Volunteer and staff recognition	12,378	160	7,443	19,981	21,656
Insurance	32,119	28,720	-	60,839	40,171
Professional fees	4,700	57,551	1,010	63,261	57,950
Education, meetings and seminars	4,704	2,457	16,216	23,377	20,285
Contributed nonfinancial expenses	69,643	2,500	88,422	160,565	184,330
Bank service charges, licenses and fees	1,423	4,286	3,056	8,765	19,013
Telephone and internet	22,582	2,869	4,781	30,232	26,771
Dues and subscriptions	530	2,485	3,904	6,919	11,085
Total functional expenses	<u>\$ 4,115,436</u>	<u>\$ 636,923</u>	<u>\$ 929,212</u>	<u>\$ 5,681,571</u>	<u>\$ 5,058,553</u>

The accompanying notes are an integral part of these financial statements.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(with summarized comparative information for the year ended June 30, 2024)

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ 167,816	\$ 432,409
Adjustments to reconcile change in net assets to net cash (used)/provided by operating activities		
Depreciation	234,862	188,194
Change in value of contributions receivable under split-interest agreements	(20,014)	(19,913)
Change in value of beneficial interest in assets held by others	(38,248)	(32,653)
Net realized/unrealized gain on investments	(836,640)	(304,898)
(Increase) decrease in operating assets		
Accounts receivable	(99,077)	56,331
Grants receivable	162,288	49,992
Bequests and contributions receivable	175,243	(65,140)
Inventory	(13,493)	122,324
Other assets	913	(13,608)
Prepaid expenses	(106,790)	(79,166)
Increase (decrease) in operating liabilities		
Accounts payable	4,141	(108,074)
Accrued expenses	(12,572)	(8,116)
Accrued compensation	64,577	10,824
Deferred revenue	16,300	(300)
Net cash (used)/provided by operating activities	(300,694)	228,206
Cash Flows from Investing Activities		
Proceeds from sale of investments	8,762,958	6,266,824
Purchases of investments	(8,262,399)	(6,038,965)
Purchases of property and equipment	(147,086)	(560,463)
Net cash (used)/provided by investing activities	353,473	(332,604)
Net (decrease)/increase in cash and cash equivalents	52,779	(104,398)
Cash, cash equivalents, and restricted cash, beginning of year	1,204,080	1,308,478
Cash, cash equivalents, and restricted cash, end of year	\$ 1,256,859	\$ 1,204,080
Cash and cash equivalents	\$ 1,185,359	\$ 1,204,080
Restricted cash	71,500	-
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 1,256,859	\$ 1,204,080
Supplemental disclosure of noncash activities		
Contributed land lease	\$ 48,000	\$ 48,000

The accompanying notes are an integral part of these financial statements.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

1. Nature of Operations

Meals on Wheels of the Monterey Peninsula, Inc. (the “Organization”) is a nonprofit corporation devoted to improving the health and well-being of seniors, disabled adults, veterans, and other underserved populations in Monterey County, California. Freshly prepared, nutritious meals are delivered to the homebound across the Monterey Peninsula and group meals are provided in Pacific Grove, Monterey, Seaside, Marina, and Salinas for those who are ambulatory. The Organization relies on its volunteer group to deliver meals to the homes of program recipients. The Organization also offers a wide variety of activities including exercise classes, technical trainings, support groups, lecture series, and more at the Meals on Wheels Community Center.

The Organization's major sources of revenue are local individual support, government, foundation, civic, and corporate grants, and special events.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

These financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the related liability is incurred. The Organization reports information regarding its financial position and activities according to the following two classes of net assets: without donor restrictions and with donor restrictions.

Revenues are reported as increases in net assets without restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restriction. Gains and losses on assets are reported as increases or decreases in net assets without restriction unless their use is restricted by explicit donor restriction or by law.

Cash and Cash Equivalents

For purposes of the statement of financial position and statement of cash flows, the Organization considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. Cash and cash equivalents consist of demand deposit accounts, money market accounts and cash on hand which are not managed as part of long-term investment strategies. At times, these accounts may exceed federally insured limits. The Organization believes it mitigates the risk of concentration by depositing at major financial institutions. The Organization has not experienced any losses in these accounts and believes they are not exposed to any significant credit risk with respect to cash.

Restricted Cash

Restricted cash is the escrow account related to the purchase of a new building described in Note 17. The balance of restricted cash at June 30, 2025 is \$71,500.

Concentration of Credit Risk

The Organization's investments are exposed to various risks, such as fluctuations in the market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur and such changes could be material.

Accounts Receivable

Accounts receivable consists of amounts due from other agencies for the purchase of meals. All accounts receivable are expected to be collected within one year and are recorded at net realizable

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

value. No amounts have been recorded for uncollectible amounts, as management believes all amounts to be collectible.

Grants Receivable

Grants receivable consist of amounts due for grant awards. All grants receivable are expected to be collected within one year and are recorded at net realizable value. No amounts have been recorded for uncollectible amounts, as management believes all amounts are collectible.

Bequests and Contributions Receivable

Bequests are recognized as revenue once the Organization has received notification and a reasonably estimated valuation has been received from the executor of the estate. Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. No amounts have been recorded for uncollectible amounts, as management believes all amounts to be collectible.

Inventory

Inventory consists of food and supplies purchased by the Organization for use in the upcoming year. Inventory value is stated at acquisition cost and net realizable value.

Prepaid Expenses

Prepaid expenses represent amounts paid for insurance, prepaid expenses related to the purchase of a new building, and other expenses allocable to the upcoming year.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without 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. If the restrictions are not met, gains and losses are recorded as with donor restrictions.

Contributions Receivable Under Split-Interest Agreements

Contributions receivable under split-interest agreements represent the estimated net present value of the Organization's interest in two irrevocable trusts held by third parties. The Organization recorded the receivable as net assets with donor restrictions when the Organization was notified of the trust's existence. The receivable is reported at fair value, which is estimated using an income approach based on assumptions developed by the Organization about the future distributions it will receive from the trust. Changes in the fair value of the beneficial interest are reflected in net assets with donor restrictions.

Property and Equipment

Property and equipment additions that are purchased are recorded at cost and donations of property and equipment are recorded as support at fair value. Additions exceeding \$5,000 and one year of useful life are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets ranging from three to seven years for equipment; three to ten years for furniture and fixtures; five years for vehicles; and ten to forty years for building improvements using the straight-line method. Normal repairs and maintenance are expensed as incurred. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. Gain or loss on the sale or retirement is recognized in current operations.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Classes of Net Assets

The Organization has classified the individual funds according to donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specified operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Support Revenue

Grants and Contributions

Grants and contributions are recorded as support without or with donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Government Grants - Home-Delivery and Congregate Meals

Government grants are conditional grants primarily for home-delivery and congregate meals. Revenue is recognized when conditions are met. Revenue for which billings have not been collected are included in grants receivable.

The Organization records home-delivery and congregate meal client contributions as support revenue upon collection. Client contributions for meals are requested at specified rates; however, no action is taken to collect if individuals cannot afford to pay.

Program Service Revenues

Meal Sales Agencies

Meal sales agencies program service revenue is related to agreements with agencies that purchase meals from the Organization. Revenue for which billings have not been collected are included in accounts receivable.

Contributions of Nonfinancial Assets

The Organization recognizes donated auction items and food at their fair value as of the date of the donation and are reported as increases to net assets without donor restriction unless explicit donor stipulations specify how the assets must be used. Gifts of land with explicit restrictions that specify how the assets are to be used are reported as restricted support.

The Organization’s policy related to contributed nonfinancial assets is to utilize the assets given to carry out the mission of the Organization. Contributions of auction items are auctioned off at the annual Culinary Classique event. Donated food is used in the preparation of meals.

These amounts have also been charged to expenses in the statement of activities. In valuing the assets, auction items were valued at comparable retail or market prices for similar items and food was valued at the whole sale cost the Organization would have paid for a similar product. Note 11 describes the valuation of the donated land.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Contributed nonfinancial assets recognized within the statement of activities included the following for the year ended June 30, 2025:

Auction items	\$ 60,892
Donated food	90,231
Donated land	48,000
Miscellaneous	242
Total	<u>\$ 199,365</u>

Contributed Services

The Organization received more than 28,000 volunteer hours for the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The contributed services for the year ended June 30, 2025 did not meet the requirements above, therefore no amounts were recognized in the accompanying financial statements.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state franchise or income tax under Section 23701(d) of the Revenue and Taxation Code of the State of California. As such, no provision is made for current or deferred income tax expense.

The Organization's management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Management's 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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The Organization reports information regarding the cost of providing various programs and activities summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on either direct allocation or on the basis of estimates of time and effort, as determined by management.

Salaries and related expenses for kitchen staff who work primarily on meal preparation are allocated to program expenses. Salaries and related expenses for employees whose time is attributable to one or more program or supporting functions is allocated based on their job duties. Allocations of insurance, professional fees, telephone and internet are directly allocated based on the supporting service or program benefited.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year's presentation. The Organization reclassified \$49,452 from without donor restriction net assets to

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

with donor restricted net assets as of June 30, 2024. The reclassification has no effect on total net assets or the change in net assets. The ending balance as of June 30, 2024, and the beginning balance as of June 30, 2025, have been updated accordingly.

3. Cash and Cash Equivalents

The following is the composition of cash and cash equivalents at June 30, 2025:

Cash and checking accounts	\$ 682,829
Money market funds	<u>502,530</u>
Total cash and cash equivalents	<u><u>\$ 1,185,359</u></u>

4. Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of June 30, 2025, reduced by amounts not available for general expenditure due to contractual or donor-imposed restrictions within one year. Amounts not available include amounts set aside by the board of directors for the liquidity reserve, which may be spent for operations at the discretion of the board.

The following assets are available to meet cash needs for general expenditure within one year:

Cash and cash equivalents, unrestricted	\$ 1,185,359
Accounts receivable	99,077
Grants receivable	286,054
Bequests and contributions receivable	198,910
Investments	<u>12,466,825</u>
	14,236,225
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	1,045,906
Board designated reserve	<u>9,358,947</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,831,372</u></u>

5. Grants Receivable

Grants receivable consists of the following at June 30, 2025:

County of Monterey AAA	\$ 142,959
Home Heart Heroes	75,000
Meals on Wheels America	25,500
Monterey Bay Air Resources	20,000
CDBG grants from local municipalities	12,995
SPCA Monterey County	<u>9,600</u>
Total	<u><u>\$ 286,054</u></u>

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

6. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standard Codification* (ASC) Topic 820, *Fair Value Measurements*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The primary uses of fair value assets in the Organization's financial statements are:

- Initial measurement of noncash gifts, including gifts of donated use of facility and unconditional promise to give.
- Recurring measurement of investments.
- Recurring measurement of contributions receivable under split-interest agreement.

The following methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the Organization's valuation methodologies for assets measured at fair value:

- Fair value for level 1 is based upon quoted market prices obtained from various sources including market participants, dealers, brokers and financial institutions.
- Fair value for level 2 is determined by reference to quoted market prices for similar investments, yield curves, and other relevant information.
- Fair value for level 3 utilizes the key input of a discount rate to convert the expected future cash flows from the split-interest agreement to a single present value amount. The Organization utilizes an estimated discount rate at June 30, 2025 and develops measurement criteria based on the best information possible. The Organization measures the fair value of the beneficial interest in the assets held at Community Foundation of Monterey County and split-interest agreements and adjusts the measurement inputs based on the statements received from the trustee, market conditions and other relevant data.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Assets measured at fair value on a recurring basis have been categorized into a hierarchy based on the observable and unobservable inputs used to determine fair value as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 12,421,333	\$ -	\$ 45,492	\$ 12,466,825
Beneficial interest in assets held by CFMC	-	-	401,511	401,511
Contributions receivable under split-interest agreement	-	-	370,787	370,787
Total	<u>\$ 12,421,333</u>	<u>\$ -</u>	<u>\$ 817,790</u>	<u>\$ 13,239,123</u>

Investments consist of the following as of June 30, 2025:

Fixed income	\$ 3,208,606
Exchange traded funds	9,212,727
Alternative asset investment	45,492
Total	<u>\$12,466,825</u>

The following table summarizes the changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2025:

Beneficial interest in assets held by CFMC:	
Beginning balance	\$ 363,263
Investment income (interest and dividends)	12,933
Realized gain	13,194
Unrealized gain	17,600
Distributions	(1,324)
Investment fees	(4,155)
Ending balance	<u>\$ 401,511</u>
Contributions receivable under split-interest agreements:	
Beginning balance	\$ 350,773
Change in value due to change in actuarial life expectancy and estimated fair value of underlying trust assets	20,014
Ending balance	<u>\$ 370,787</u>

7. Contributions Receivable Under Split-Interest Agreements

The Organization is a beneficiary to assets held in two irrevocable trusts administered by other trustees. The receivables are recorded at the present value of the amount held by the trustee that is due to the Organization, which is calculated using the life expectancy of the income beneficiaries. The Organization uses an interest rate commensurate with the risks involved to discount the contribution receivable. The discount rate used for the year ended June 30, 2025 was 6.7%. Valuations are reviewed annually by management by updating the life expectancy of the income beneficiary, discount rates and the fair value of the underlying investments.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Amortization of discounts and changes in actuarial assumptions are reflected in the statement of activities as a change in value of split-interest agreements.

8. Beneficial Interest in Assets Held by Others

The Organization has established an agency endowment fund (Fund) with the Community Foundation for Monterey County (Community Foundation) for the benefit of the Organization. The investment income earned on the funds is donor restricted until appropriated and amounts to a change in value of \$1,945 at June 30, 2025. The Organization has granted variance power to Community Foundation and Community Foundation has full authority and discretion as to the investment and reinvestment of the assets. In the event of the dissolution of the Organization, the Community Foundation shall thereafter continue to hold the funds and shall distribute income therefrom to such organizations, as in the opinion of the Board of Directors of Community Foundation, mostly nearly serve the purposes and objectives of the Organization. All funds held in the Fund are subject to the power of Community Foundation to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to a specified organization, if in their sole judgment such restrictions become, in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Community Foundation.

The earnings payout of the Fund is evaluated at least annually by Community Foundation, in light of total return from investments, fees, expenses, and the effects of inflation. The annual payout is typically between 5% and 7% of the fair market value of the Fund at December 31 of the preceding calendar year. In the year ended June 30, 2025, earnings of \$1,324 were disbursed from the Fund. Fees of \$348 were charged by Community Foundation for management of the Fund. The balance of this account was \$32,664 as of June 30, 2025.

In addition, the Community Foundation for Monterey County holds an endowment fund for the benefit of the Organization that was established with funds from third parties. At June 30, 2025, the balance of the Community Foundation agency endowment fund amounted to \$109,377. The income distribution from this fund to the Organization amounted to \$4,105 for the fiscal year ended June 30, 2025. The balance is not reflected in the accompanying financial statements as the Fund does not fall under the recognition requirements of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification relating to Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.

9. Stewardship Fund – Community Kitchen Fund

In September of 2022, the Organization established a Stewardship Fund (Fund) with the Community Foundation of Monterey County (Community Foundation) for the benefit of the Organization. The Organization granted variance power to the Community Foundation; thus, the Community Foundation has full authority and discretion as to the investment and reinvestment of the assets.

The Community Foundation may make annual distributions if requested by the Organization. Grants from the Fund may be made at the Organization's discretion upon a resolution authorizing such action approved by three-fourths of the board of directors of the Organization. Distributions are for the Organization's discretionary use. The Organization may terminate the Fund and receive payment equal to the Fund's total value upon a resolution authorizing such action approved by three-fourths of the board of directors of the Organization. In the event the Organization ceases operations as a qualified 501(c)(3) organization, the Community Foundation Board of Directors, in consultation with the Board of Directors of the Organization, may

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

designate other qualified charitable organizations as successor beneficiaries of the Fund and the corpus of the Fund would remain the permanent possession of the Community Foundation. The balance in this account was \$368,847 as of June 30, 2025.

10. Property and Equipment

Property and equipment consist of the following as of June 30, 2025:

Buildings	\$ 3,404,977
Furniture and equipment	1,069,701
Vehicles	<u>365,585</u>
Total	4,840,263
Less accumulated depreciation	<u>(3,052,559)</u>
Property and equipment, net	<u>\$ 1,787,704</u>

Depreciation expense for the year ended June 30, 2025 was \$234,862.

11. Contributed Asset Receivable – Donated Land

The Organization is the beneficiary of land from the City of Pacific Grove for a term of 55 years that will expire in 2060 for an annual payment of \$1, which was paid in advance. Under the terms of the lease, the Organization constructed a building housing the Organization’s programs. An unconditional promise to give has been recorded to reflect the value of the use of the land based upon a monthly rent of 1% of the value of the property, estimated to be \$400,000. The future value of the donated rent has been discounted to its present value using an interest rate of 5%. In addition, the value of the lease has been reduced by an allowance of \$377,259 at June 30, 2025, so as not to exceed the estimated value of the underlying asset at the time of donation.

In the year ended June 30, 2025, the Organization recorded revenue for the contributed nonfinancial asset – use of land of \$48,000 and donated rent expense of \$48,000, which is included in occupancy expense in the accompanying statement of functional expenses.

As of June 30, 2025, the benefits of the donated land expected to be received were as follows:

Receivable in less than one year	\$ 48,000
Receivable in one to five years	192,000
Receivable in more than five years	<u>1,392,000</u>
Total unconditional promise to give donated land lease	1,632,000
Less discount to net present value	(854,741)
Less allowance	<u>(377,259)</u>
Donated land lease, net	<u>\$ 400,000</u>

The discount rate used was 5%.

12. Retirement Plan

The Organization provides a 401(k) plan for the benefit of eligible employees. Through the plan, employees may defer a portion of their salary on a pre-tax basis. The Organization matched employees' deferrals up to 6% of wages. For the year ended June 30, 2025, the Organization made matching retirement contributions in the amount of \$100,161.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

13. State and Federal Assistance

The Organization has been awarded a number of United States Health and Human Services grants, passed through the California Department of Aging and the County of Monterey, and other federal grants for the purpose of providing nutritious, low-cost meals. Funds were distributed to the various programs according to the scope of the grant awards. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

Grant activity for the year ended June 30, 2025 was as follows:

	Assistance Listing #	Federal Awards/ Expenditures	State Awards/ Expenditures	Project Income	Organization Match	Total Expenditures Claimed
Passed through AAA:						
Title III C1 - Congregate	93.045	\$ 420,798	\$ -	\$ 14,789	\$ 57,251	\$ 492,838
Title III C2 - Home Delivered	93.045	556,611	-	54,710	39,063	650,384
NSIP C1	93.053	29,221	-	-	-	29,221
NSIP C2	93.053	35,691	-	-	-	35,691
Title III D - Health Promotion	93.043	29,417	-	-	4,574	33,991
Title III D - Health Promotion ARPA	93.043	26,600	-	-	4,389	30,989
MOCA - Congregate	NA	-	37,500	-	-	37,500
MOCA - Home Delivered	NA	-	85,228	-	1,607	86,835
Title III C HCBS	NA	-	266,960	-	-	266,960
Total AAA		1,098,338	389,688	69,499	106,884	1,664,409
Passed Through:						
County of Monterey CSBG	93.569	47,250	-	-	-	47,250
County of Monterey CDBG	14.218	25,000	-	-	-	25,000
City of Monterey CDBG	14.218	11,787	-	-	-	11,787
City of Seaside CDBG	14.218	10,800	-	-	-	10,800
Total		\$ 1,193,175	\$ 389,688	\$ 69,499	\$ 106,884	\$ 1,759,246

Financial awards from federal, state and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the Organization's management is monitoring grant expenses to ensure compliance requirements are met.

14. Endowment

The Organization's endowment consists of a board-designated endowment and an agency endowment fund held at the Community Foundation. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

time the accumulation is added to the fund. The Organization does not hold any donor-restricted endowments.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for board-designated endowment assets that attempt to achieve a growth in principle that will support a continuing rise in expenditure from its endowment and avoid a high degree of risk to ensure endowment funds will operate in perpetuity. Board-designated endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 20% of budgeted operating expenses, while growing the funds if possible. Assets held at the Community Foundation are invested according to investment policies established by the Community Foundation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Asset Allocation Strategy

As of June 30, 2025, the Finance Committee had approved the recommendations of the investment advisor which consisted principally of exchange traded funds.

Spending Policy

At least annually, the Organization's Finance Committee reviews the board-designated endowment fund and recommends to the Board whether to use the interest earned on the fund for operating expenses or to reinvest it. Under the terms of the agency endowment agreement, the Organization receives either the net income or an annual payout from the agency endowment as determined by the Community Foundation, as noted in Note 8 above.

Risk Tolerance

The Board of Directors understands there are investment risks associated with any portfolio and wish to incur no more risk than a comparable balanced market index.

Endowment Net Asset Composition

Endowment net asset composition as of June 30, 2025 is as follows:

	Without Restrictions	With Restrictions	Total
Board designated endowment	\$ 9,358,947	\$ -	\$ 9,358,947
Beneficial interest in assets held by CFMC	-	32,664	32,664
Total endowment funds	\$ 9,358,947	\$ 32,664	\$ 9,391,611

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Changes in endowment net assets for the year ended June 30, 2025 are as follows:

	Without Restrictions	With Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 11,395,818	\$ 30,719	\$ 11,426,537
Interest and dividends	361,321	1,082	362,403
Realized and unrealized gains	842,608	2,535	845,143
Investment fees	(40,800)	(348)	(41,148)
Amounts approved for expenses and withdrawals	(3,200,000)	(1,324)	(3,201,324)
Endowment net assets, end of year	<u>\$ 9,358,947</u>	<u>\$ 32,664</u>	<u>\$ 9,391,611</u>

15. Net Assets

Without Donor Restriction

Net assets without donor restrictions consisted of the following at June 30, 2025:

Undesignated	\$ 6,759,976
Board designated endowment	9,358,947
Total	<u><u>\$ 16,118,923</u></u>

With Donor Restriction

Net assets with donor restrictions consisted of the following at June 30, 2025:

	Balance June 30, 2024	Additions	Releases	Balance June 30, 2025
Restricted for specific purpose:				
Home Heart Heroes- Hayward	\$ 49,452	\$ 150,000	\$ (37,069)	\$ 162,383
MPF - MIN Program	-	50,000	(2,594)	47,406
MOWA- Helping Homebound Heroes	4,600	61,500	(39,623)	26,477
Dental care program	-	13,000	(6,811)	6,189
Donation for YMCA meals	-	15,050	(15,050)	-
Harden Foundation	-	65,000	(65,000)	-
Undisbursed CFMC earnings	5,719	1,945	-	7,664
Split-interest agreements	350,773	20,014	-	370,787
Land lease	400,000	48,000	(48,000)	400,000
Total restricted for purpose	<u>810,544</u>	<u>424,509</u>	<u>(214,147)</u>	<u>1,020,906</u>
Not subject to appropriation or expenditure:				
Held in Perpetuity:				
Beneficial interest CFMC	25,000	-	-	25,000
Total	<u>\$ 835,544</u>	<u>\$ 424,509</u>	<u>\$ (214,147)</u>	<u>\$ 1,045,906</u>

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

16. Special Events, net

The Organization held a special event known as the “Culinary Classique”, as well as other events throughout the year. Results of the events for the year ended June 30, 2025 are as follow:

Culinary Classique	
Revenue	\$ 354,140
Expenses	<u>(101,360)</u>
Net proceeds from the Culinary Classique	252,780
Special event revenue from other events, net	<u>10,303</u>
Total	<u>\$ 263,083</u>

17. Commitment to Purchase Building

On January 28, 2025, the Organization entered escrow to purchase a new building in Seaside, California, for the price of \$3,400,000. The Organization intends to fund the purchase entirely through existing cash and investments and does not expect to obtain external financing for the acquisition.

For the year ended June 30, 2025, the Organization paid \$87,475 toward the purchase. This amount is included in prepaid expenses on the statement of financial position as of June 30, 2025. The purchase has not yet closed as of year-end, and therefore the building has not been recorded as an asset.

18. Concentrations

For the year ended June 30, 2025, approximately 21% of total revenue was derived from the County of Monterey AAA grants. Grants receivables from County of Monterey AAA grants at of June 30, 2025 are 50% of total grants receivable.

19. Subsequent Events

Management has evaluated subsequent events through January 16, 2026, the date which the financial statements were available to be issued. On July 29, 2025, the Organization finalized the purchase of a building in Seaside, California. The total purchase price was \$3,400,000 and was purchased using cash and investments.

SUPPLEMENTARY INFORMATION

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor, Pass Through Grantor, Cluster, Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Indirect Federal Awards			
U. S. Department of Health and Human Services			
Aging Cluster			
Special Programs for the Aging, Title III, Part C, Nutrition Services*	93.045		
Monterey County Area Agency on Aging, C-1 Congregate Nutrition		AAA-2425-32	\$ 435,587
Monterey County Area Agency on Aging, C-2 Home-Delivered Meals		AAA-2425-32	611,321
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>1,046,908</u>
Nutrition Services Incentive Program*	93.053		
Monterey County Area Agency on Aging, C-1 Congregate Nutrition		AAA-2425-32	29,221
Monterey County Area Agency on Aging, C-2 Home-Delivered Meals		AAA-2425-32	35,691
Total Nutrition Services Incentive Program			<u>64,912</u>
Total Aging Cluster			<u>1,111,820</u>
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		
Monterey County Area Agency on Aging, Health Promotion		AAA-2425-32	29,417
Monterey County Area Agency on Aging, Health Promotion - ARPA		AAA-2425-32	26,600
Total Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services			<u>56,017</u>
Community Services Block Grant			
County of Monterey	93.569	2401CACOSR	<u>47,250</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants	14.218		
Passed-Through:			
County of Monterey		B-24-UC-06-0011	25,000
City of Monterey		Not Available	11,787
City of Seaside		Not Available	10,800
Total Community Development Block Grants			<u>47,587</u>
Total Indirect Federal Awards			<u>\$ 1,262,674</u>

* Denotes major program

See Notes to the Schedule

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

1. Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared from Meals on Wheels of the Monterey Peninsula, Inc.'s (the "Organization") accounting records and is presented on the accrual basis of accounting in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). The purpose of the Schedule is to present a summary of those activities of the Organization for the year ended June 30, 2025, which have been financed by federal awards. Because the Schedule presents only the federal awards activity of the Organization, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Organization.

B. Expenditures

Expenditures reported on the Schedule are presented using the accrual basis of accounting in conformity with generally accepted accounting principles and follow the cost principles contained in Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

C. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The Organization uses the rates established directly with the respective federal agency.

D. Relationship to Federal Financial Reports

Grant expenditure reports for the year ended June 30, 2025, which have been submitted to grantor agencies, will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies, if any, are for timing differences.

E. Assistance Listing Number

Pass-through awards have been presented by pass-through entity, Assistance Listing Number and grant award name or by the Organization's identifier.

F. Amounts Provided to Subrecipients

The Organization provided no federal funds to subrecipients.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

2. State Funded Expenditures

The Organization expended the following state expenditures related to the Monterey County Area Agency on Aging federal funding:

Assistance Listing Number	Contract Number	Federal Expenditures	State Expenditures
93.045	AP-2223-32	\$ 435,587	\$ -
93.045	AP-2223-32	611,321	-
93.053	AP-2223-32	29,221	-
93.053	AP-2223-32	35,691	-
93.043	AP-2222-32	29,417	-
93.043	AP-2222-32	26,600	-
NA	AP-2122-32	-	37,500
NA	AP-2122-32	-	85,228
NA	NI-2223-32	-	266,960
	Total	<u>\$ 1,167,837</u>	<u>\$ 389,688</u>

3. Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

OTHER AUDITOR'S REPORTS



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INDEPENDENT AUDITOR'S 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*

To the Board of Directors of
Meals on Wheels of the Monterey Peninsula, Inc.
Pacific Grove, California

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, the financial statements of Meals on Wheels of the Monterey Peninsula, Inc., a nonprofit organization, (the "Organization") which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 Organization'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.

Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA | Jacinto Acosta Bernal, CPA

Gerald C. Ray, CPA | Daniel M. McGilloway, CPA, CVA | Sarita Shannon, CPA | Whitney Ernest, CPA | Laura L. Armbruster, CPA |
Rose Maxwell, CPA | Eleonora G. Burchill, CPA | Lisette Craft, CPA | Charlene Coffey, CPA

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McGilloway, Ray, Brown & Kaufman
Salinas, California
January 16, 2026



McGilloway | Ray
Brown | Kaufman
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE; REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Meals on Wheel of the Monterey Peninsula, Inc.
Pacific Grove, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Meals on Wheels of the Monterey Peninsula, Inc.'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 each of the Organization's major federal programs for the year ended June 30, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditor's 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 each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA | Jacinto Acosta Bernal, CPA

Gerald C. Ray, CPA | Daniel M. McGilloway, CPA, CVA | Sarita Shannon, CPA | Whitney Ernest, CPA | Laura L. Armbruster, CPA |
Rose Maxwell, CPA | Eleonora G. Burchill, CPA | Lisette Craft, CPA | Charlene Coffey, CPA

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.

Auditor's 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 generally accepted auditing standards, *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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Auditor's 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.

McGilloway, Ray, Brown & Kaufman

McGilloway, Ray, Brown & Kaufman
Salinas, California
January 16, 2026

MEALS ON WHEELS ON THE MONTEREY PENINSULA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit finding disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance?	No

Identification of Major Federal Programs

Assistance Listing
Number

93.045	Department of Health and Human Services, Aging Cluster Special Programs for the Aging, Title III, Part C, Nutrition Services
93.053	Department of Health and Human Services, Aging Cluster Nutrition Services Incentive Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

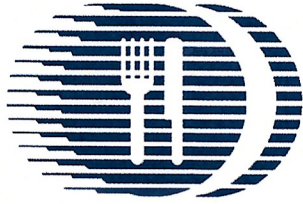
MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



Meals on Wheels of the Monterey Peninsula



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Section IV – Summary Schedule of Prior Year Audit Findings

Finding Number: 2024-001 Significant Deficiency – Internal Controls over Compliance and Compliance of: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Federal Award: Aging Cluster, No. 93.045, Special Programs for the Aging, Title III, Part C, Nutrition Services, and No 93.053, Nutrition Services Incentive Program

Federal Agency: Department of Health and Human Services

Pass-Through Entity: Monterey County Area Agency on Aging

Criteria or Specific Requirement: CFR section 200.403, Factors Affecting Allowability of Costs, states costs must: conform to limitations or exclusions, be accorded consistent treatment, a cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost and be adequately documented.

2 CFR section 200.405, Allowable Costs, states this standard is met if the cost is incurred specifically for the Federal award and can be distributed in proportions that may be approximated using reasonable methods. Further, if costs benefit two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined, the costs must be allocated on any reasonable documented basis.

2 CFR section 200.430(i), Standards for Documentation of Personnel Expenses, states charges to Federal awards for salaries must be based on records that accurately reflect the work performed and these records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated, support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award and non-Federal award and charges for the salaries and wages of nonexempt employees must be supported by records indicating the total number of hours worked each day.

Condition: The Organization did not maintain an effective control environment to ensure costs incurred for expenditures charged to the program were in accordance with contract requirements and applicable cost principles.

The method for allocation of non-payroll expenditures between federally funded programs and other programs was based on percentages that had not been updated to reflect current funding sources.

Payroll expenditures were allocated based on budget estimates and not upon the actual work performed on various Federal awards and non-federal activities.

Cause: The Organization received new funding subject to Uniform Guidance and did not have written internal control policies as required by Uniform Guidance. Processes and procedures were not updated to be in accordance with Uniform Guidance.

Effect or Potential Effect: Potential for unallowable activities and unallowable costs.

Questioned Costs: Related questioned costs are unknown.

Context: During the year under audit, the issues represent a systemic problem.

Recommendation: We recommend the Organization document all methods used to allocate expenditures and ensure adequate support is maintained to substantiate allocation calculations. Management should design and implement policies and procedures to ensure payroll expenditures are based on actual time spent on the federal funded programs.

Status: Corrective action was taken. As of July 1, 2024, Controller and/or bookkeeper now allocate expenditures based on the number of meals prepared each month and the percentage of meals prepared for each program and funding. The annual review of the allocation process was conducted to ensure accuracy and relevance. Adjustments were made based on changes in meal demand, program requirements, funding sources, and other factors affecting meal preparation costs.

Prior to July 1, 2024, Managers and Directors allocated the amount of time each employee works based on tasks performed and the amount of time worked on federal award activities. This allocation was expressed as a percentage of total work hours performed. Periodic adjustments to time allocations were necessary to reflect changes in project priorities, staffing levels, or other factors affecting workload distribution.

Finding Number: 2024-002 Significant Deficiency – Internal Controls over Compliance and Compliance of: Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Matching, and Program Income

Federal Award: Aging Cluster, No. 93.045, Special Programs for the Aging, Title III, Part C

Federal Agency: Department of Health and Human Services

Pass-Through Entity: Monterey County Area Agency on Aging

Criteria or Specific Requirement: 2 CFR section 200.302, Financial Management, states that the recipient's financial management system must provide for the following: Maintaining records that sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards. These records must contain information necessary to identify Federal awards, authorizations, financial obligations, as well as expenditures and income. All records must be supported by source documentation. There must be written procedures for determining the allowability of costs in accordance with subpart E and the terms and conditions of the Federal award.

2 CFR section 200.303, Internal Controls, states grant recipient must: establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Cause: The organization does not have an effective reconciliation and review process required to track compliance requirements that adhere to Uniform Guidance and the grant terms. Match expenditures could not be reconciled to the Service Invoice Summaries. In addition, the methodology used to allocate program income, matching, and non-payroll expenditures was not consistently applied.

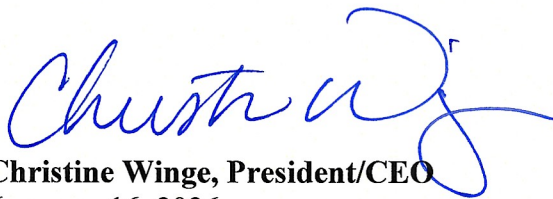
Effect or Potential Effect: Potential for unallowable activities and unallowable costs, not meeting matching requirements per grant terms, and potential for program income to be understated or overstated.

Questioned Costs: Related questioned costs are unknown.

Context: During the year under audit, the issues represent a systemic problem.

Recommendation: We recommend the Organization implement policies and procedures to ensure proper reconciliation and review of Service Invoice Summaries are effective and specific to grant terms and in accordance with compliance requirements per Uniform Guidance.

Status: Corrective action was taken for fiscal year 2025 to ensure reconciliation and review of service invoices summaries are effective and specific to grant terms and in accordance with compliance requirements per Uniform Guidance.



Christine Winge, President/CEO
January 16, 2026