

Financial Statements and Report of
Independent Certified Public
Accountants

**Nutritional Development Services of the
Archdiocese of Philadelphia**

June 30, 2020 and 2019

Contents

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities and changes in net assets	6
Statements of cash flows	8
Notes to financial statements	9
Required Supplementary Information	
Statements of activities and changes in net assets by program	19

GRANT THORNTON LLP

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

D +215.561.4200

F +215.561.1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Nutritional Development Services
of the Archdiocese of Philadelphia

Report on the financial statements

We have audited the accompanying financial statements of Nutritional Development Services of the Archdiocese of Philadelphia (the "Entity"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nutritional Development Services of the Archdiocese of Philadelphia as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary statements of activities and changes in net assets by program are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates 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 audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Philadelphia, Pennsylvania
November 11, 2020

Nutritional Development Services of the Archdiocese of Philadelphia

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 848,344	\$ 161,873
Cash - government funded programs	2,640,846	3,493,148
Grants receivable	3,312,693	3,133,277
Other receivables	103,031	234,307
Inventory	644,753	534,084
Prepaid expenses	60,985	60,985
	<hr/>	<hr/>
Total current assets	7,610,652	7,617,674
Investments - board designated	1,368,087	1,177,957
Equipment, net	1,268,052	1,273,976
	<hr/>	<hr/>
Total assets	<u>\$ 10,246,791</u>	<u>\$ 10,069,607</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,003,219	\$ 1,538,272
	<hr/>	<hr/>
Total current liabilities	1,003,219	1,538,272
Loan payable	546,997	-
Deferred revenue	80,000	-
	<hr/>	<hr/>
Total liabilities	1,630,216	1,538,272
NET ASSETS		
Net assets without donor restrictions	1,411,856	1,296,530
Net assets without donor restrictions - government funded programs	7,006,835	7,149,917
	<hr/>	<hr/>
	8,418,691	8,446,447
Net assets with donor restrictions	197,884	84,888
	<hr/>	<hr/>
Total net assets	8,616,575	8,531,335
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 10,246,791</u>	<u>\$ 10,069,607</u>

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

Nutritional Development Services of the Archdiocese of Philadelphia

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2020

	Net assets without donor restrictions	Net assets without donor restrictions - government funded programs	Net assets with donor restrictions	Total
Revenue				
Grants				
Federal and state governments	\$ -	\$ 19,054,453	\$ -	\$ 19,054,453
City of Philadelphia	1,600	-	27,042	28,642
Nongovernment meal receipts	-	423,271	-	423,271
Contributions from Operation Rice Bowl	-	-	102,912	102,912
Contributions - other	32,794	-	52,322	85,116
Subsidy from Catholic Charities Appeal Fund	150,000	-	-	150,000
Investment income	46,599	9,249	-	55,848
Other income	344,928	6,503	78,500	429,931
Net assets released from restrictions	147,780	-	(147,780)	-
Total revenue	723,701	19,493,476	112,996	20,330,173
Expenses				
Food costs	354,751	13,727,330	-	14,082,081
Compensation	181,411	2,598,545	-	2,779,956
Office	13,928	111,531	-	125,459
Transportation	9,769	80,190	-	89,959
Fixed charges	2,289	112,194	-	114,483
Program administration	41,073	2,780,500	-	2,821,573
Depreciation	5,154	226,268	-	231,422
Total expenses	608,375	19,636,558	-	20,244,933
Change in net assets	115,326	(143,082)	112,996	85,240
Net assets				
Beginning of year	1,296,530	7,149,917	84,888	8,531,335
End of year	\$ 1,411,856	\$ 7,006,835	\$ 197,884	\$ 8,616,575

The accompanying notes are an integral part of this financial statement.

Nutritional Development Services of the Archdiocese of Philadelphia

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2019

	<u>Net assets without donor restrictions</u>	<u>Net assets without donor restrictions - government funded programs</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Revenue				
Grants				
Federal and state governments	\$ -	\$ 21,462,583	\$ -	\$ 21,462,583
City of Philadelphia	1,600	-	48,039	49,639
Nongovernment meal receipts	-	1,090,757	-	1,090,757
Contributions from Operation Rice Bowl	-	-	102,291	102,291
Contributions - other	25,451	1,500	8,838	35,789
Subsidy from Catholic Charities Appeal Fund	150,000	-	-	150,000
Investment income	89,043	10,346	-	99,389
Other income	294,732	38	-	294,770
Net assets released from restrictions	166,534	-	(166,534)	-
	<u>727,360</u>	<u>22,565,224</u>	<u>(7,366)</u>	<u>23,285,218</u>
Expenses				
Food costs	365,574	15,960,630	-	16,326,204
Compensation	178,640	2,567,208	-	2,745,848
Office	15,486	157,023	-	172,509
Transportation	14,849	81,818	-	96,667
Fixed charges	1,265	112,903	-	114,168
Program administration	62,302	3,732,888	-	3,795,190
Depreciation	3,294	239,400	-	242,694
	<u>641,410</u>	<u>22,851,870</u>	<u>-</u>	<u>23,493,280</u>
Change in net assets	85,950	(286,646)	(7,366)	(208,062)
Net assets				
Beginning of year	<u>1,210,580</u>	<u>7,436,563</u>	<u>92,254</u>	<u>8,739,397</u>
End of year	<u>\$ 1,296,530</u>	<u>\$ 7,149,917</u>	<u>\$ 84,888</u>	<u>\$ 8,531,335</u>

The accompanying notes are an integral part of this financial statement.

Nutritional Development Services of the Archdiocese of Philadelphia

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 85,240	\$ (208,062)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	231,422	242,694
Realized and unrealized gains and losses on investments	(21,176)	(63,371)
Changes in assets and liabilities		
Grants receivable	(179,416)	632,397
Other receivables	131,276	(24,853)
Inventory	(110,669)	(32,294)
Accounts payable and accrued expenses	(535,053)	241,644
Deferred revenue	80,000	-
	<u>(318,376)</u>	<u>788,155</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Purchases of equipment	(225,498)	(378,623)
Purchases of investments	(401,559)	(249,432)
Sales of investments	232,605	171,987
	<u>(394,452)</u>	<u>(456,068)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from loan payable	546,997	-
	<u>546,997</u>	<u>-</u>
Net cash provided by financing activities		
Net (decrease) increase in cash	(165,831)	332,087
Cash		
Beginning of year	3,655,021	3,322,934
	<u>3,655,021</u>	<u>3,322,934</u>
End of year	\$ <u>3,489,190</u>	\$ <u>3,655,021</u>

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

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - ORGANIZATION AND PURPOSE

Nutritional Development Services (“NDS”) is a corporation of the Archdiocese of Philadelphia whose purpose is to obtain and distribute nutritious foods at a minimum cost to those attending or residing in educational or charitable institutions, or to those whose physical or financial circumstances require a specialized delivery of food; to provide food procurement and delivery services contemplated by governmental agencies; to conduct nutrition awareness programs in conjunction with these activities and to cooperate with and render technical assistance and advice to others working in this field.

NOTE B – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. As a result of the school, childcare and after-school site closures, there has been significant negative impact to NDS’ revenues and operations. While the disruption is expected to be temporary, there is uncertainty around the duration. NDS expects this matter to negatively impact its business. NDS is leveraging its statement of financial position and seeking ways to preserve its financial flexibility until normal operations resume when the crisis passes and site closures are lifted.

In March 2020, the federal government through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, started a program called the Paycheck Protection Program (“PPP”). This program was designed to help small businesses, with less than 500 employees, with funds to cover the costs associated with payroll, wages, health insurance and matching contributions on retirement plans. In addition, the funds can be used to cover costs of utilities and interest on outstanding mortgages. Companies receiving these funds can request for the loan to be forgiven in its entirety assuming the proceeds have been used as outlined in the guidelines. NDS successfully applied for and received \$546,997. This amount is recorded as a loan payable pending forgiveness from the Small Business Administration (“SBA”).

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of NDS have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The significant accounting policies followed are described below.

Net assets and revenues, expenses, gains and losses are categorized into two categories, based on the existence or absence of donor-imposed restrictions.

Net assets with donor restrictions include contributions, which can be expended but for which restrictions have not yet been met.

Net assets without donor restrictions are free of donor-imposed restrictions. Included in these funds are \$1,368,087 and \$1,177,957 of board-designated investments as of June 30, 2020 and 2019, respectively.

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Funding

NDS receives most of its revenues from performance-based contracts with various governmental agencies. These revenues are subject to audit, which could result in repayment or reversal of revenues.

The various school, childcare, and summer meals programs are funded by the U.S. Department of Agriculture through the Pennsylvania Department of Education. The State Food Purchase Program is funded by the Commonwealth of Pennsylvania. Programs listed as part of the Child Nutrition Cluster in this report are governed by the United States Department of Agriculture regulations including 7 CFR 210, 220, 215, and 226 and FNS Instruction 796-2, in addition to guidance from the Pennsylvania Department of Education. Surpluses within these programs that are not required to be returned or spent, are to be retained for that program exclusively. These funds are to be used to improve operations or set aside to apply to any future losses within the specific program. These cash balances and net assets are recorded as without donor restrictions; however, the amounts are contractually obligated for use in these programs.

Contributions

Gifts of long-lived assets are reported at fair value as revenue without donor restrictions. Gifts specified for the acquisition or construction of long-lived assets are reported as net assets without donor restrictions when the assets are placed in service.

Classification of Gifts

NDS reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions. Donor restricted contributions are reported as operating revenue without donor restrictions when the restriction is satisfied within the same year that the contribution is received.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment and Depreciation

Equipment purchased is stated at cost, while donated assets are stated at fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets and is computed using the straight-line method. The estimated useful life for equipment ranges from three to twelve years.

Cash

NDS maintains its cash on deposit with a large commercial bank, and the deposit typically exceeds Federal Deposit Insurance Corporation limits. Management does not believe the credit risk related to these deposits to be significant.

Inventory

Inventory consists of food and supplies used for the programs and is stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Investments

Investments consist of investments set aside by the Board of Directors for future purposes that were received through special appeals for the Community Food Program. Investments in debt and equity securities are measured at fair value based on quoted market prices. Alternative investments include investments in private equity funds, which are measured at the net asset value (“NAV”) of the securities held. All investments are designated as trading securities. Investment income, realized gains and losses, and changes in net unrealized gains and losses on trading securities are recorded as other income on the statement of activities and changes in net assets.

Liquidity and Availability of Resources

Financial assets available for general expenditure within one year and current liabilities as of June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,489,190	\$ 3,655,021
Grants receivable	3,312,693	3,133,277
Other receivables	103,031	234,308
	<u>6,904,914</u>	<u>7,022,606</u>
Investments - board designated	1,368,087	1,177,956
	<u>8,273,001</u>	<u>8,200,562</u>
Financial assets available to management	8,273,001	8,200,562
Current liabilities	<u>(1,003,219)</u>	<u>(1,538,272)</u>
Assets available to management less current liabilities	<u>\$ 7,269,782</u>	<u>\$ 6,662,290</u>

Assets available to management include expected proceeds from government grants of \$3,312,693, other grant receivables of \$103,031, and cash from government funded programs of \$2,640,846, which are under contractual obligations with the government grantor and are to be used solely for activities to operate the government funded food programs. As NDS’ operations are entirely for this purpose, these amounts are part of the liquidity analysis above and are not considered restricted by donor.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. ASU 2014-09, as amended, is effective for periods beginning after December 15, 2019. An entity will apply this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening statement of financial position at the date of initial application. NDS is evaluating the future impact of ASU 2014-09 at this time.

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require entities to record additional leases onto the statement of financial position. The standard aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities and increasing disclosure requirements about leasing arrangements. ASU 2016-02, as amended, will be effective for annual periods beginning after December 15, 2020, and interim periods therein. NDS is evaluating the impact of ASU 2016-02 at this time.

NOTE D - EQUIPMENT, NET

Equipment at June 30 consisted of:

	<u>2020</u>	<u>2019</u>
Equipment at schools	\$ 3,066,079	\$ 3,175,568
Office equipment	986,867	857,078
	<u>4,052,946</u>	<u>4,032,646</u>
Less: accumulated depreciation	<u>(2,784,894)</u>	<u>(2,758,670)</u>
	<u>\$ 1,268,052</u>	<u>\$ 1,273,976</u>

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$231,422 and \$242,695, respectively.

NOTE E - INVESTMENTS

At June 30, NDS held the following categories of investments:

	<u>2020</u>	<u>2019</u>
Cash	\$ 189,829	\$ 47,966
Mutual funds	212,810	314,669
Equities	678,332	623,307
Alternative investments	<u>287,116</u>	<u>192,015</u>
	<u>\$ 1,368,087</u>	<u>\$ 1,177,957</u>

NDS recognized the following changes as part of other income on the statements of activities and changes in net assets for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Dividend and interest income	\$ 34,672	\$ 36,018
Realized losses, net	(37,907)	(2,831)
Unrealized gains, net	<u>59,083</u>	<u>66,202</u>
	<u>\$ 55,848</u>	<u>\$ 99,389</u>

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The NDS Investment Committee retains the authority to approve the Investment Managers' strategic asset allocation between asset classes as noted in the NDS Investment Policy Statement, which is approved by the NDS Board of Directors. The NDS Finance Committee is responsible for oversight of the investments including setting risk tolerances and controls.

NOTE F - FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities as of the measurement date.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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

The following table presents the fair values of the investments held by NDS by level within the fair value hierarchy as of June 30, 2020 and 2019:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2020</u>				
Cash	\$ 189,829	\$ -	\$ -	\$ 189,829
Mutual funds	212,810	-	-	212,810
Equities	678,332	-	-	678,332
	<u>\$ 1,080,971</u>	<u>\$ -</u>	<u>\$ -</u>	1,080,971
Alternative investments at NAV				<u>287,116</u>
Total assets				<u>\$ 1,368,087</u>

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2019</u>				
Cash	\$ 47,966	\$ -	\$ -	\$ 47,966
Mutual funds	314,669	-	-	314,669
Equities	<u>623,307</u>	<u>-</u>	<u>-</u>	<u>623,307</u>
	<u>\$ 985,942</u>	<u>\$ -</u>	<u>\$ -</u>	985,942
Alternative investments at NAV				<u>192,015</u>
Total assets				<u>\$ 1,177,957</u>

During 2020 and 2019, no investments were transferred between levels 1, 2 or 3.

The alternative investments are investments in two private equity funds, both are long-term capital appreciation funds, which benchmark to the MSCI All Country World Index and the Russell 2000 index, respectively, and are measured using the NAV of the fund. The funds' NAV is used to estimate fair value. NDS has no unfunded commitments or redemption restrictions related to these investments and can redeem the investment at will.

NOTE G - OPERATING LEASES

NDS has non-cancellable operating leases for two copiers and two vehicles. Future minimum rental payments, which extend to 2023, for non-cancellable lease terms in excess of one year as of June 30, 2020 are as follows:

2021	\$ 7,680
2022	7,122
2023	<u>7,122</u>
	<u>\$ 21,924</u>

Rental expense related to these leases for each of the years ended June 30, 2020 and 2019 was \$10,470 and \$10,069, respectively.

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE H - PENSIONS

Lay Employees' Retirement Plan - Frozen Effective June 30, 2014

Through June 30, 2014, the eligible lay employees of NDS were covered under the Archdiocese of Philadelphia's Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese of Philadelphia, based on age and service requirements. The Plan is administered by the Trustees of the Plan. NDS made annual contributions to the Plan at a rate of 5.9% of the salaries of eligible employees for both of the years ended June 30, 2020 and 2019. The amount expensed by NDS for contributions to the Plan was \$119,161 and \$118,933 for the fiscal years ended June 30, 2020 and 2019, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

Archdiocese of Philadelphia 403(b) Retirement Plan

Effective July 1, 2014, the Archdiocese of Philadelphia established a 403(b) defined contribution plan (the "403(b) plan"). Under the 403(b) plan, and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for the employer contributions:

Grandfathered Employees - Any employee who was accruing benefits as an active participant in the Plan as of its freeze date of June 30, 2014 is a grandfathered employee and will be eligible to receive employer contributions beginning with the first payroll on or after September 1, 2014.

Non-Grandfathered Employees - Non-grandfathered employees are eligible to receive the employer contributions beginning with the first payroll coinciding with or immediately following the completion of 1,000 hours of service during the 18-month period beginning July 1, 2014 through December 31, 2015. The employee must also have attained at least 18 years of age to be eligible. For a non-grandfathered employee hired prior to July 1, 2014 who does not meet the eligibility requirements for an employer contribution in the time frame described above, the period for determining whether or not one meets the 1,000 hour service requirement was modified to the calendar year beginning January 1, 2016.

Vesting - Vesting in employer contributions to a 403(b) plan account will be immediate for any grandfathered employee who has completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

In fiscal years 2020 and 2019, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees. The contributions by NDS into the 403(b) plan totaled \$90,886 and \$90,712 for the years ended June 30, 2020 and 2019, respectively.

NOTE I - INCOME TAXES

NDS is recognized as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC"), except on activities unrelated to their exempt purposes. The organization has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions.

NDS follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The organization has determined that there are no material uncertain tax positions that require recognition or disclosure in its consolidated financial statements.

NOTE J - CONTRIBUTIONS OF FOOD

During 2020 and 2019, approximately 841,328 and 782,320 pounds of food, respectively, with an estimated fair value of \$1,401,058 and \$1,329,944, respectively, were donated from various nongovernment sources and related parties. This food was redistributed to organizations feeding the needy and is not reflected in these financial statements.

NOTE K - FUNCTIONAL EXPENSES

The following table summarizes program and supporting, management and general expenses for the years ended June 30, 2020 and 2019.

<u>2020</u>	<u>Program</u>	<u>Supporting management and general</u>	<u>Total expenses year ended June 30, 2020</u>
Food costs	\$ 14,082,081	\$ -	\$ 14,082,081
Compensation	195,375	2,584,581	2,779,956
Office	-	125,459	125,459
Transportation	89,959	-	89,959
Fixed charges	-	114,483	114,483
Program administration	2,821,573	-	2,821,573
Depreciation	231,422	-	231,422
	<u>\$ 17,420,410</u>	<u>\$ 2,824,523</u>	<u>\$ 20,244,933</u>
Total expenses:			

<u>2019</u>	<u>Program</u>	<u>Supporting management and general</u>	<u>Total expenses year ended June 30, 2020</u>
Food costs	\$ 16,326,204	\$ -	\$ 16,326,204
Compensation	141,544	2,604,304	2,745,848
Office	-	172,509	172,509
Transportation	96,667	-	96,667
Fixed charges	-	114,168	114,168
Program administration	3,795,190	-	3,795,190
Depreciation	242,694	-	242,694
	<u>\$ 20,602,299</u>	<u>\$ 2,890,981</u>	<u>\$ 23,493,280</u>
Total expenses:			

Nutritional Development Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Program expenses consist of food, program compensation, transportation, depreciation and program administrative costs. Support expenses consist of supporting compensation, office expenses, fixed charges and miscellaneous costs.

NOTE L - RELATED PARTY TRANSACTIONS

NDS provides meals to elementary schools and childcare centers of parishes in the Archdiocese of Philadelphia. These meals are purchased by NDS and distributed in schools and centers under the federally funded child nutritional programs. During fiscal years 2020 and 2019, a total of \$132,082 and \$237,665, respectively, was purchased by the students, of which \$9,110 and \$21,823 was included in other receivables at June 30, 2020 and 2019, respectively.

NDS receives subsidies from the Catholic Charities Appeal Fund ("Catholic Charities"), which is a fund administered for the Archdiocese of Philadelphia. Subsidies for the administrative costs of the Community Food Program were \$150,000 for both of the years ended June 30, 2020 and 2019. Additionally, Catholic Charities through a separate annual appeal raises funds to be used for program costs by the Community Food Program and contributed \$304,924 and \$247,285 for the years ended June 30, 2020 and 2019, respectively.

NDS also receives funds from Operation Rice Bowl, which is also a program administered by the Archdiocese of Philadelphia, in which contributions are received from churches throughout the Archdiocese of Philadelphia. Contributions from Operation Rice Bowl for the years ended June 30, 2020 and 2019 were \$102,937 and \$102,291, respectively.

NDS rents certain facilities, utilized in the delivery of its services, from the Archdiocese of Philadelphia. Rent expense on these facilities was \$101,910 and \$101,921 for fiscal years 2020 and 2019, respectively. It is presented as part of fixed charges on the statements of activities and changes in net assets.

NDS reimburses Catholic Social Services ("CSS") of the Archdiocese of Philadelphia for meals served at the residential childcare centers and group homes. These meals are served in accordance with the regulations of the National School Lunch and Breakfast Program. As of June 30, 2020 and 2019, NDS has amounts payable to CSS totaling \$65,064 and \$99,667, respectively, which are included as part of accounts payable and accrued expenses on the statements of financial position.

NOTE M - SUBSEQUENT EVENTS

NDS evaluated events subsequent to June 30, 2020 and through November 11, 2020, the date the financial statements were available to be issued. Pursuant to the requirements, there were no events or transactions occurring during the subsequent event reporting period which required recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Nutritional Development Services of the Archdiocese of Philadelphia
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY PROGRAM

Year ended June 30, 2020

	School-Based Program	Seamless Summer Option	Child Care Program	Community Food	Food Program Admin	CFP Annual Appeal	Total All Programs
Revenue							
Grants							
Federal government	\$ 10,793,142	\$ 4,768,998	\$ 3,492,313	\$ -	\$ -	\$ -	\$ 19,054,453
City of Philadelphia	-	-	-	27,042	1,600	-	28,642
Nongovernment meal receipts	116,350	-	306,921	-	-	-	423,271
Contributions from Rice Bowl	-	-	-	102,912	-	-	102,912
Contributions - other	-	-	-	52,322	32,794	-	85,116
Subsidy from Catholic Charities Appeal Fund	-	-	-	-	150,000	-	150,000
Interest income	5,603	1,133	2,513	-	189	46,410	55,848
Other income	579	5,924	-	78,500	40,004	304,924	429,931
	<u>10,915,674</u>	<u>4,776,055</u>	<u>3,801,747</u>	<u>260,776</u>	<u>224,587</u>	<u>351,334</u>	<u>20,330,173</u>
Expenses							
Food costs	6,706,852	3,934,033	3,086,445	147,780	-	206,971	14,082,081
Compensation	1,327,588	351,359	919,598	-	181,411	-	2,779,956
Office	60,186	13,673	37,672	-	7,905	6,023	125,459
Transportation	33,182	18,973	28,035	-	9,769	-	89,959
Fixed charges	80,966	1,320	29,908	-	2,289	-	114,483
Program administration	2,312,219	258,302	209,979	-	26,567	14,506	2,821,573
Depreciation	216,449	685	9,134	-	5,154	-	231,422
	<u>10,737,442</u>	<u>4,578,345</u>	<u>4,320,771</u>	<u>147,780</u>	<u>233,095</u>	<u>227,500</u>	<u>20,244,933</u>
Change in net assets	178,232	197,710	(519,024)	112,996	(8,508)	123,834	85,240
Net assets (deficiency)							
Beginning of year	<u>7,718,753</u>	<u>(1,449,226)</u>	<u>880,390</u>	<u>84,888</u>	<u>(121,034)</u>	<u>1,417,564</u>	<u>8,531,335</u>
End of year	<u>\$ 7,896,985</u>	<u>\$ (1,251,516)</u>	<u>\$ 361,366</u>	<u>\$ 197,884</u>	<u>\$ (129,542)</u>	<u>\$ 1,541,398</u>	<u>\$ 8,616,575</u>

Nutritional Development Services of the Archdiocese of Philadelphia

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY PROGRAM

Year ended June 30, 2019

	School-Based Program	Seamless Summer Option	Child Care Program	Community Food	Food Program Admin	CFP Annual Appeal	Total All Programs
Revenue							
Grants							
Federal government	\$ 14,391,000	\$ 2,039,089	\$ 5,032,494	\$ -	\$ -	\$ -	\$ 21,462,583
City of Philadelphia	-	-	-	48,039	1,600	-	49,639
Nongovernment meal receipts	563,781	-	526,976	-	-	-	1,090,757
Contributions from Rice Bowl	-	-	-	102,291	-	-	102,291
Contributions - other	-	-	-	8,838	25,451	-	34,289
Subsidy from Catholic Charities Appeal Fund	-	-	-	-	150,000	-	150,000
Interest income	5,979	1,267	3,100	-	211	88,832	99,389
Other income	38	1,500	-	-	47,447	247,285	296,270
	<u>14,960,798</u>	<u>2,041,856</u>	<u>5,562,570</u>	<u>159,168</u>	<u>224,709</u>	<u>336,117</u>	<u>23,285,218</u>
Expenses							
Food costs	9,791,417	1,994,837	4,174,374	166,534	-	199,042	16,326,204
Compensation	1,369,837	284,136	913,235	-	178,640	-	2,745,848
Office	87,521	18,321	51,181	-	10,168	5,318	172,509
Transportation	28,996	21,660	31,162	-	14,849	-	96,667
Fixed charges	78,938	864	33,101	-	1,265	-	114,168
Program administration	3,370,798	87,169	274,920	-	41,218	21,084	3,795,189
Depreciation	228,576	423	10,402	-	3,294	-	242,695
	<u>14,956,083</u>	<u>2,407,410</u>	<u>5,488,375</u>	<u>166,534</u>	<u>249,434</u>	<u>225,444</u>	<u>23,493,280</u>
Change in net assets	4,715	(365,554)	74,195	(7,366)	(24,725)	110,673	(208,062)
Net assets (deficiency)							
Beginning of year	<u>7,714,038</u>	<u>(1,083,672)</u>	<u>806,195</u>	<u>92,254</u>	<u>(96,309)</u>	<u>1,306,891</u>	<u>8,739,397</u>
End of year	<u>\$ 7,718,753</u>	<u>\$ (1,449,226)</u>	<u>\$ 880,390</u>	<u>\$ 84,888</u>	<u>\$ (121,034)</u>	<u>\$ 1,417,564</u>	<u>\$ 8,531,335</u>