

# **Meals on Wheels of Greenville, Inc.**

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**Financial Statements**

**Year Ended December 31, 2015**



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## **Independent Auditors' Report**

The Board of Directors  
Meals on Wheels of Greenville, Inc.  
Greenville, South Carolina

We have audited the accompanying financial statements of Meals on Wheels of Greenville, Inc. which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Meals on Wheels of Greenville, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

**Greenville, South Carolina  
May 12, 2016**

**Meals on Wheels of Greenville, Inc.**  
**Statement of Financial Position**  
**December 31, 2015**

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**Assets**

Cash and cash equivalents	\$	731,052
Accounts receivable		28,070
Other receivables		100
Prepaid expenses		22,895
Beneficial interest in charitable remainder trust		4,619
Property and equipment, less accumulated depreciation		<u>1,091,648</u>
Total assets	\$	<u><u>1,878,384</u></u>

**Liabilities and Net Assets**

Accounts payable	\$	126,652
Accrued expenses		31,652
Deferred revenue		<u>68,390</u>
Total liabilities		<u>226,694</u>
Net assets:		
Unrestricted		1,632,541
Temporarily restricted		<u>19,149</u>
Total net assets		<u>1,651,690</u>
Total liabilities and net assets	\$	<u><u>1,878,384</u></u>

See accompanying notes.

**Meals on Wheels of Greenville, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

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**Unrestricted net assets:**

Revenues, gains and other support:

Contributions and grants	\$ 1,238,381
Special events	516,673
Sales of meals to other organizations	46,851
Interest income	53
In-kind donation of items and services	64,810
In-kind donations of investments	40,178
Loss on sale of assets	(10,037)
Realized and unrealized loss on investments	(368)
Other income	8,533
Transfer from Meals on Wheels of Greenville Endowment Fund, Inc.	<u>406,205</u>
Total unrestricted revenue, gains and other support	2,311,279
Net assets released from restrictions	<u>85,470</u>
Total unrestricted revenues, gains and other support	2,396,749

Expenses:

Program services	1,606,511
Management and general	114,054
Fundraising	<u>422,731</u>
Total expenses	<u>2,143,296</u>
Increase in unrestricted net assets	253,453

**Temporarily restricted net assets:**

Contributions	20,000
Change in value of beneficial interest in charitable remainder trust	(882)
Net assets released from restrictions	<u>(85,470)</u>
Decrease in temporarily restricted net assets	<u>(66,352)</u>
Change in net assets	187,101
Net assets, beginning of year	<u>1,464,589</u>
Net assets, end of year	<u>\$ 1,651,690</u>

See accompanying notes.

**Meals on Wheels of Greenville, Inc.  
Statement of Functional Expenses  
For the Year Ended December 31, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bank charges and credit card fees	\$ 11,003	\$ 2,358	\$ 2,358	\$ 15,719
Building maintenance	23,008	2,556	-	25,564
Client and volunteer outreach	4,874	-	-	4,874
Due and publications	3,699	411	-	4,110
Equipment maintenance	28,967	-	-	28,967
Facilities expense	36,235	4,026	-	40,261
Food	442,461	-	-	442,461
Group insurance	35,147	4,017	11,046	50,210
Insurance	25,591	1,422	1,422	28,435
Marketing	54,113	-	18,038	72,151
Miscellaneous	719	80	-	799
Office supplies	21,009	7,003	-	28,012
Payroll taxes	47,206	5,395	14,835	67,436
Postage	18,348	3,932	3,932	26,212
Professional fees	66,145	14,174	14,174	94,493
Program supplies	88,375	-	-	88,375
Retirement	4,803	549	1,509	6,861
Salaries	488,261	55,801	153,454	697,516
Service contracts	14,390	800	800	15,990
Special events	-	-	156,418	156,418
Staff development	14,652	1,628	-	16,280
Taxes and licenses	2,566	285	-	2,851
Transfer to Meals on Wheels of Greenville Endowment Fund, Inc.	60,000	-	-	60,000
Vehicle expense	8,318	-	-	8,318
Total expenses before depreciation and in-kind	1,499,890	104,437	377,986	1,982,313
Depreciation	86,556	9,617	-	96,173
In-kind expenses	20,065	-	44,745	64,810
	<u>\$ 1,606,511</u>	<u>\$ 114,054</u>	<u>\$ 422,731</u>	<u>\$ 2,143,296</u>

See accompanying notes.

**Meals on Wheels of Greenville, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

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Cash flows from operating activities:		
Change in net assets	\$	187,101
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		96,173
In-kind donations of investments		(40,178)
Loss on sale of property and equipment		10,037
Change in value of beneficial interest in charitable remainder trust		882
Realized and unrealized loss on investments		368
Net changes in operating assets and liabilities:		
Accounts receivable		(4,670)
Other receivables		(100)
Prepaid expenses		(3,007)
Accounts payable		(1,913)
Accrued expenses		(78,149)
Deferred revenue		470
Net cash provided by operating activities		<u>167,014</u>
Cash flows from investing activities:		
Purchases of property and equipment		(166,643)
Sales of donated investments		<u>50,550</u>
Net cash used in investing activities		<u>(116,093)</u>
Net increase in cash and cash equivalents		50,921
Cash and cash equivalents, beginning of year		<u>680,131</u>
Cash and cash equivalents, end of year	\$	<u><u>731,052</u></u>

See accompanying notes.

## **Notes to Financial Statements**

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

#### ***Organization and Purpose***

Meals on Wheels of Greenville, Inc. (the "Organization") is an eleemosynary corporation organized under the laws of the State of South Carolina. The purpose of the Organization is to enhance the quality of life of homebound individuals by providing nutritious meals, personal contact and related services.

On January 8, 1992, the Board of Directors voted to establish an endowment fund, Meals on Wheels of Greenville Endowment Fund, Inc., to be used for the future growth of the Meals on Wheels Program and support for the Organization's annual operations. The Endowment Fund is a separate organization, governed by a separate board of directors and is not included in these financial statements for reporting purposes.

#### ***Basis of Presentation***

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Cash and cash equivalents consists of all highly liquid investments with an original maturity of three months or less when purchased.

#### ***Concentration of Credit Risk***

The Organization maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation (the "FDIC"). At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit. The Organization believes it is not exposed to any significant credit risk.

#### ***Property and Equipment***

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Additions with a value of \$1,000 or greater are capitalized and expenditures for repairs and maintenance are expensed when incurred. Depreciation is computed on the straight-line basis over the estimated useful life of the respective assets. The estimated useful lives are:

Building	15-40 years
Furniture and equipment	3-15 years
Vehicles	5 years

#### ***Beneficial Interest in Charitable Remainder Trust***

The Organization owns a 25% restricted interest in a split-interest agreement which is unavailable for current operating purposes. Assets held in an irrevocable charitable trust are recorded at the fair value of the Organization's interest in the trust. Generally, such trusts provide for distribution of all or a substantial portion of the trust assets upon a designated recipient's death. The ultimate amount to be received is dependent upon various factors and risks, including changes in market value, investment return, discount rates applied, the life term of a designated recipient, and the extent of distributions to the recipient.

**Meals on Wheels of Greenville, Inc.  
Notes to Financial Statements**

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***Deferred Revenue***

At times, the Organization receives payments for sponsorships of certain events in advance of the event. Income is recognized over the period in which the event occurs.

***Net Assets***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted* – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Organization or may otherwise be limited by contractual agreements with outside parties.

*Temporarily Restricted* – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

*Permanently Restricted* – Net assets subject to donor-imposed stipulations that they be maintained by the Organization.

***Restricted and Unrestricted Revenue and Support***

Contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

***Non-Cash Contributions***

Donated marketable securities, services, supplies and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated marketable securities were approximately \$40,000 and donated services and supplies were approximately \$65,000 for the year ended December 31, 2015. A substantial number of volunteers have made significant contributions of their time to the Organization principally in the area of meal preparation and delivery and office assistance. The value of non-professional contributed time has not been reflected in the accompanying financial statements since the recognition criteria under accounting standards were not met.

***Income Taxes***

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that there are no material unrecognized tax benefits or obligations as of December 31, 2015.

**Meals on Wheels of Greenville, Inc.**  
**Notes to Financial Statements**

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***Estimates***

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

**2. Property and Equipment**

Property and equipment as of December 31 follows:

Buildings	\$ 1,002,177
Land	241,737
Furniture and equipment	597,988
Vehicles	145,038
Construction in progress	<u>74,475</u>
	2,061,415
Less accumulated depreciation	<u>(969,767)</u>
	<u>\$ 1,091,648</u>

**3. Professional Liability Insurance**

The Organization is not currently involved in litigation related to professional liability claims. Management believes that if claims occur in the future, they will be settled within the limits of the coverage, which is on a claims-made basis, with insurance limits of \$2,000,000 in the aggregate. The Organization's professional liability insurance is a claims-made policy. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

**4. Fair Value Disclosures**

The Financial Accounting Standards Board ("FASB") issued a statement that defines fair value and establishes 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 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 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Meals on Wheels of Greenville, Inc.**  
**Notes to Financial Statements**

The asset's 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 measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

***Beneficial interest in charitable remainder trust***

The Organization's investment in beneficial interest in charitable remainder trust is valued at the fair value of the trust's underlying assets which is derived principally from inputs of quoted prices in active markets as reported by the trust's fund managers. These are classified within Level 3 of the valuation hierarchy.

The preceding 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 the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level the fair value hierarchy of the Organization's assets accounted for at fair value on a recurring basis as of December 31, 2015:

	Fair value measurements at December 31, 2015 using:			
	Fair value at December 31, 2015	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant other observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Beneficial interest in charitable remainder trust	\$ 4,619	\$ -	\$ -	\$ 4,619

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from December 31, 2014 to December 31, 2015:

Fair value at December 31, 2014	\$ 5,501
Unrealized loss	<u>(882)</u>
Fair value at December 31, 2015	<u>\$ 4,619</u>

There were no transfers in or out of Level 3 during the year ended December 31, 2015.

**Meals on Wheels of Greenville, Inc.**  
**Notes to Financial Statements**

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**5. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted by donors for the following purposes at December 31:

Generator project	\$	5,525
HVAC project		9,005
Charitable remainder trust		<u>4,619</u>
	\$	<u>19,149</u>

**6. Operating Leases**

The Organization leases two copiers and a postage meter under long-term lease agreements. Rental expense for the year ended December 31, 2015 was \$9,633.

The total future minimum rental payments required are as follows:

2016	\$	9,633
2017		<u>8,440</u>
	\$	<u>18,073</u>

**7. Affiliate Transactions**

Meals on Wheels of Greenville, Inc. contributed \$60,000 to Meals on Wheels of Greenville Endowment Fund, Inc., an affiliated organization. During 2015, the board of Meals on Wheels of Greenville Endowment Fund, Inc. authorized the transfer of \$406,205 to the Organization to cover operating expenses.

**8. Retirement Plan**

Effective January 1, 2013, the Organization established a 401(k) retirement plan. Employees that have completed a minimum of 1,000 hours during a twelve month period with the Organization are eligible to participate in a 401(k) retirement plan. The Organization has the right to make a discretionary matching contribution to eligible participants. Contributions for the year ended December 31, 2015 were \$6,861.

**9. Subsequent Events**

The Organization evaluated the effect subsequent events would have on the financial statements through May 12, 2016, which is the date the financial statements were available to be issued.