

Meals on Wheels of Greenville, Inc.

Financial Statements

Year Ended December 31, 2016

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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, 2016, 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, 2016, 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 22, 2017**

Meals on Wheels of Greenville, Inc.
Statement of Financial Position
December 31, 2016

Assets

Cash and cash equivalents	\$	530,389
Accounts receivable		45,606
Prepaid expenses		24,395
Beneficial interest in charitable remainder trust		3,816
Property and equipment, less accumulated depreciation		<u>1,022,167</u>
Total assets	\$	<u><u>1,626,373</u></u>

Liabilities and Net Assets

Accounts payable	\$	21,259
Accrued expenses		37,455
Deferred revenue		<u>84,750</u>
Total liabilities		<u>143,464</u>
Net assets:		
Unrestricted		1,451,286
Temporarily restricted		<u>31,623</u>
Total net assets		<u>1,482,909</u>
Total liabilities and net assets	\$	<u><u>1,626,373</u></u>

See accompanying notes.

Meals on Wheels of Greenville, Inc.
Statement of Activities
For the Year Ended December 31, 2016

Unrestricted net assets:

Revenues, gains and other support:

Contributions and grants	\$ 1,267,569
Special events	420,140
In-kind donation of items and services	58,898
In-kind donations of investments	47,758
Gain on sale of assets	345
Realized and unrealized loss on investments	(245)
Other income	9,845
Transfer from Meals on Wheels of Greenville Endowment Fund, Inc.	<u>228,000</u>

Total unrestricted revenue, gains and other support 2,032,310

Net assets released from restrictions 6,723

Total unrestricted revenues, gains and other support 2,039,033

Expenses:

Program services	1,723,545
Management and general	114,435
Fundraising	382,308
Total expenses	<u>2,220,288</u>

Decrease in unrestricted net assets (181,255)

Temporarily restricted net assets:

Contributions	20,000
Change in value of beneficial interest in charitable remainder trust	(803)
Net assets released from restrictions	<u>(6,723)</u>

Increase in temporarily restricted net assets 12,474

Change in net assets (168,781)

Net assets, beginning of year 1,651,690

Net assets, end of year \$ 1,482,909

See accompanying notes.

Meals on Wheels of Greenville, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bank charges and credit card fees	\$ 10,855	\$ 2,326	\$ 2,326	\$ 15,507
Building maintenance	20,261	2,251	-	22,512
Client and volunteer outreach	2,715	-	-	2,715
Due and publications	3,494	388	-	3,882
Equipment maintenance	14,786	-	-	14,786
Facilities expense	35,002	3,889	-	38,891
Food	409,824	-	-	409,824
Group insurance	47,476	5,426	14,921	67,823
Insurance	27,424	1,524	1,524	30,472
Marketing	54,091	-	18,031	72,122
Miscellaneous	1,147	126	-	1,273
Office supplies	17,170	5,724	-	22,894
Payroll taxes	39,991	4,570	12,569	57,130
Postage	15,392	3,298	3,298	21,988
Professional fees	59,640	12,780	12,780	85,200
Program supplies	83,512	-	-	83,512
Retirement	4,055	463	1,275	5,793
Salaries	503,148	57,503	158,132	718,783
Service contracts	20,198	1,122	1,122	22,442
Special events	-	-	105,965	105,965
Staff development	23,094	2,566	-	25,660
Taxes and licenses	2,309	257	-	2,566
Transfer to Meals on Wheels of Greenville Endowment Fund, Inc.	220,454	-	-	220,454
Vehicle expense	6,971	-	-	6,971
Total expenses before depreciation and in-kind	<u>1,623,009</u>	<u>104,213</u>	<u>331,943</u>	<u>2,059,165</u>
Depreciation	92,003	10,222	-	102,225
In-kind expenses	8,533	-	50,365	58,898
	<u>\$ 1,723,545</u>	<u>\$ 114,435</u>	<u>\$ 382,308</u>	<u>\$ 2,220,288</u>

See accompanying notes.

Meals on Wheels of Greenville, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash flows from operating activities:		
Change in net assets	\$	(168,781)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		102,225
In-kind donations of investments		(47,758)
Gain on sale of property and equipment		(345)
Change in value of beneficial interest in charitable remainder trust		803
Realized and unrealized loss on investments		245
Net changes in operating assets and liabilities:		
Accounts receivable		(17,436)
Prepaid expenses		(1,500)
Accounts payable		(105,393)
Accrued expenses		5,803
Deferred revenue		16,360
Net cash used by operating activities		<u>(215,777)</u>
Cash flows from investing activities:		
Purchases of property and equipment		(34,074)
Proceeds from sale of property and equipment		1,675
Sales of donated investments		47,513
Net cash provided by investing activities		<u>15,114</u>
Net decrease in cash and cash equivalents		(200,663)
Cash and cash equivalents, beginning of year		<u>731,052</u>
Cash and cash equivalents, end of year	\$	<u><u>530,389</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**

Deferred Revenue

At times, the Organization receives payments for sponsorships of certain events in advance of the event. Income is recognized in 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 \$48,000 and donated services and supplies were approximately \$59,000 for the year ended December 31, 2016. 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, 2016.

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

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	\$ 1,087,022
Land	241,737
Furniture and equipment	608,381
Vehicles	<u>145,038</u>
	2,082,178
Less accumulated depreciation	<u>(1,060,011)</u>
	<u>\$ 1,022,167</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, 2016.

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, 2016:

	Fair value measurements at December 31, 2016 using:			
	Fair value at December 31, 2016	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	\$ 3,816	\$ -	\$ -	\$ 3,816

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from December 31, 2015 to December 31, 2016:

Fair value at December 31, 2015	\$ 4,619
Unrealized loss	<u>(803)</u>
Fair value at December 31, 2016	<u>\$ 3,816</u>

There were no transfers in or out of Level 3 during the year ended December 31, 2016.

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

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		2,282
Kitchen Equipment		20,000
Charitable remainder trust		<u>3,816</u>
	\$	<u>31,623</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, 2016 was \$9,633.

The total future minimum rental payments required are as follows:

2017	\$	8,870
2018		431
2019		431
2020		431
2021		<u>431</u>
	\$	<u>10,594</u>

7. Affiliate Transactions

Meals on Wheels of Greenville, Inc. contributed \$220,454 to Meals on Wheels of Greenville Endowment Fund, Inc., an affiliated organization. During 2016, the board of Meals on Wheels of Greenville Endowment Fund, Inc. authorized the transfer of \$228,000 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, 2016 were \$5,793.

9. Subsequent Events

The Organization evaluated the effect subsequent events would have on the financial statements through May 22, 2017, which is the date the financial statements were available to be issued.