MEALS ON WHEELS OF GREENVILLE, INC.

Financial Statements

December 31, 2012

(with Independent Auditors' Report thereon)

MEALS ON WHEELS OF GREENVILLE, INC.

December 31, 2012

Table of Contents

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

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, 2012, 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, 2012, 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

June 11, 2013

11 Brendan Way, Suite 200, Greenville, SC 29615 | T 864.288.5544 | F 864.458.8519 | dhgllp.com

MEALS ON WHEELS OF GREENVILLE, INC.
Statement of Financial Position
December 31, 2012

Assets

Cash and cash equivalents	$	274,176
Accounts receivable		17,944
Prepaid expenses		19,087
Beneficial interest in charitable remainder trust		7,323
Property and equipment, less accumulated depreciation		1,041,883
Total assets	$	1,360,413

Liabilities and Net Assets

Accounts payable	$	8,358
Accrued expenses		18,287
Deferred revenue		28,869
Total liabilities		55,514
Net assets:		
Unrestricted		1,274,487
Temporarily restricted		30,412
Total net assets		1,304,899
Total liabilities and net assets	$	1,360,413

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

MEALS ON WHEELS OF GREENVILLE, INC.

Statement of Activities

For the Year Ended December 31, 2012

Unrestricted net assets:		
Revenues, gains and other support:		
Contributions and grants	$	685,193
Special events		448,260
Promotions		296,808
Sales of meals to Meals on Wheels of Pickens County		108,941
Interest income		271
In-kind donation of items and services		97,182
In-kind donations of investments		38,365
Gain on sale of assets		6,000
Realized and unrealized gain on investments		1,894
Transfer from Meals on Wheels of Greenville Endowment Fund, Inc., net		259,675
Total unrestricted revenue, gains and other support		1,942,589
Net assets released from restrictions		54,352
Total unrestricted revenues, gains and other support		1,996,941
Expenses:		
Program services		1,630,961
Management and general		122,950
Fundraising		232,878
Total expenses		1,986,789
Increase in unrestricted net assets		10,152
Temporarily restricted net assets:		
Contributions		67,441
Change in value of beneficial interest in charitable remainder trust		(681)
Net assets released from restrictions		(54,352)
Increase in temporarily restricted net assets		12,408
Change in net assets		22,560
Net assets, beginning of year		1,282,339
Net assets, end of year	$	1,304,899

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

MEALS ON WHEELS OF GREENVILLE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services	Management and General	Fundraising	Total
Bank charges and credit card fees	$ 200	$ 22	$ -	$ 222
Building maintenance	18,697	2,077	-	20,774
Client and volunteer outreach	12,906	-	-	12,906
Due and publications	2,276	253	-	2,529
Equipment maintenance	3,695	205	205	4,105
Facilities Expense	37,290	4,143	-	41,433
Food	431,843	-	-	431,843
Group insurance	54,869	6,946	7,640	69,455
Insurance	6,223	346	346	6,915
Marketing/public relations	45,242	-	15,081	60,323
Miscellaneous	1,310	146	-	1,456
Office supplies	14,104	4,701	-	18,805
Payroll taxes	45,045	5,702	6,272	57,019
Postage	21,652	2,406	-	24,058
Professional fees	66,653	14,283	14,283	95,219
Program supplies	94,166	-	-	94,166
Retirement	3,926	497	547	4,970
Salaries	555,913	70,369	77,406	703,688
Service contracts	12,847	714	714	14,275
Special events	-	-	110,384	110,384
Staff development	6,876	764	-	7,640
Taxes and licenses	4,228	470	-	4,698
Vehicle expense	13,666	-	-	13,666
Total expenses before depreciation and in-kind	1,453,627	114,044	232,878	1,800,549
Depreciation	80,152	8,906	-	89,058
In-kind expenses	97,182	-	-	97,182
	$ 1,630,961	$ 122,950	$ 232,878	$ 1,986,789

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

MEALS ON WHEELS OF GREENVILLE, INC.

Statement of Cash Flows

For the Year Ended December 31, 2012

Cash flows from operating activities:		
Change in net assets	$	22,560
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		89,058
In-kind donations of investments		(38,365)
Gain on disposal of property and equipment		(6,000)
Change in value of beneficial interest in charitable remainder trust		681
Net changes in operating assets and liabilities:		
Accounts receivable		(7,047)
Contributions receivable		65,325
Prepaid expenses		(9,745)
Accounts payable		(18,562)
Accrued expenses		(13,126)
Deferred revenue		7,729
Due from affiliate		(25,000)
Net cash provided by operating activities		67,508
Cash flows from investing activities:		
Purchases of property and equipment		(128,629)
Proceeds from sale of property and equipment		6,000
Sales of donated investments		38,365
Net cash used in investing activities		(84,264)
Net decrease in cash and cash equivalents		(16,756)
Cash and cash equivalents, beginning of year		290,932
Cash and cash equivalents, end of year	$	274,176

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

MEALS ON WHEELS OF GREENVILLE, INC.
Notes to Financial Statements
December 31, 2012

(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 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.

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 including unconditional promises to give, when received 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 $38,000 and donated services and supplies were approximately $97,000 for the year ended December 31, 2012. 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, 2012. Fiscal years ending on or after December 31, 2009 remain subject to examination by federal and state taxing authorities.

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	$ 943,478
Land	241,737
Equipment and furnishings	579,922
Vehicles	154,155
	1,919,292
Less accumulated depreciation	(877,409)
	$ 1,041,883

(3) 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.

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, 2012.

Beneficial interest in charitable remainder trust
The Endowment'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, 2012:

		Fair value measurements at December 31, 2012 using:		
	Fair value at December 31, 2012	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Beneficial interest in charitable remainder trust	$ 7,323	$ -	$ -	$ 7,323

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from December 31, 2011 to December 31, 2012:

Fair value at December 31, 2011	$ 8,004
Unrealized loss	(681)
Fair value at December 31, 2012	$ 7,323

There were no transfers in or out of Level 3 during the year ended December 31, 2012.

(4) Temporarily Restricted Net Assets

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

Vehicle replacement	$ 23,089
Charitable remainder trust	7,323
	$ 30,412

(5) **Operating Leases**

The Organization leases two copiers under long-term lease agreements. Rental expense for the year ended December 31, 2012 was $6,899.

The total future minimum rental payments required are as follows:

2013	$ 8,686
2014	8,686
2015	8,686
2016	8,686
2017	7,962
	$ 42,706

(6) **Affiliate Transactions**

Meals on Wheels of Greenville, Inc contributed $40,325 to Meals on Wheels of Greenville Endowment Fund, Inc., an affiliated organization. During 2012, the board of Meals on Wheels of Greenville Endowment Fund, Inc. authorized the transfer of $300,000 to the Organization to cover operating expenses. These transactions were netted on the Statement of Activities.

(7) **Retirement Plan**

Employees that have completed one year of continuous service with the Organization are covered under a 403(b) pension plan. Under this plan, the Organization contributes 8% of the eligible employee's salary to the plan. The employees are not required to make any contributions to the plan. Effective March 1, 2012, the Organization terminated their contributions to the plan. Contributions for the year ended December 31, 2012 were $4,970.

(8) **Subsequent Events**

Effective January 1, 2013, the Organization established a 401(k) retirement plan. To participate in the plan, employees must work a minimum of 1,000 hours during a twelve month period. The Organization has the right to make a discretionary matching contribution to eligible participants.

Effective January 28, 2013, the 403(b) pension plan was terminated.

The Organization evaluated the effect subsequent events would have on the financial statements through June 11, 2013, which is the date the financial statements were available to be issued.