

MEALS ON WHEELS OF ROWAN, INC.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

MEALS ON WHEELS OF ROWAN, INC.

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EDDIE CARRICK, CPA, PC
Certified Public Accountant

The Board of Directors
Meals on Wheels of Rowan, Inc.
Salisbury, North Carolina

Independent Auditor's Report

Report on the financial statements

We have audited the accompanying statement of financial position of Meals on Wheels of Rowan, Inc. (the "Corporation") as of December 31, 2018 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 the evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 Rowan, Inc. as of December 31, 2018 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on 2017 Financial Statements

The financial statements of Meals on Wheels of Rowan, Inc. as of December 31, 2017, were subjected to a compilation engagement by other accountants, whose report dated July 1, 2018, stated that they have not audited or reviewed the 2017 financial statements and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.



Lexington, North Carolina
July 2, 2019

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 (Audited) and 2017 (Unaudited)

	2018	2017
ASSETS		
Cash	\$ 134,682	\$ 124,508
Marketable equity securities	225,453	249,874
Accounts receivable	18,294	-
Sales tax refund receivable	7,619	8,729
Prepaid expenses	28,677	-
Property & equipment, net	41,223	2,358
Total assets	\$ 455,948	\$ 385,469
LIABILITIES		
Accounts payable	\$ 18,796	\$ 1,009
Wages payable	1,746	-
Payroll taxes payable	199	1,241
Deferred revenue	24,250	4,000
Lease obligation payable	48,656	-
Total liabilities	93,647	6,250
NET ASSETS		
Without donor restriction		
Undesignated	136,848	129,345
Designated by the Board for endowment purposes	225,453	249,874
Total net assets	362,301	379,219
Total liabilities and net assets	\$ 455,948	\$ 385,469

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF ACTIVITIES
For Years Ended December 31, 2018 (Audited) and 2017 (Unaudited)

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Support and revenue		
Contributions & grants	\$ 363,137	\$ 288,879
United Way appropriation	27,000	45,979
Meal charges	92,844	80,955
Unrealized investments gains (losses)	(30,774)	12,061
Realized investments gains (losses)	2,903	4,536
Special events - net	39,593	6,871
Interest and dividends	5,648	6,483
Total support and revenue	500,351	445,764
Expenses		
Program services	416,216	384,086
Supporting services		
General administration	49,066	36,799
Fundraising	51,987	56,895
Total expenses	517,269	477,781
Increase (Decrease) in net assets	(16,918)	(32,017)
Net assets at beginning of year	379,219	411,236
Net assets at end of year	\$ 362,301	\$ 379,219

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended December 31, 2018 (Audited)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Meal Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018</u>
Salaries	\$ 112,165	\$ 28,813	\$ 30,528	\$ 171,506
Payroll taxes	9,243	2,374	2,516	14,133
Employee insurance allowance	392	101	107	600
Total salaries and related expenses	<u>121,800</u>	<u>31,288</u>	<u>33,151</u>	<u>186,239</u>
Accounting fee	3,932	1,010	1,070	6,012
Audit	1,308	336	356	2,000
Auto allowance	4,592	1,180	1,250	7,021
Conferences, conventions, and meetings	2,477	636	674	3,788
Contract meal preparation	225,207	-	-	225,207
General liability insurance	4,167	1,070	1,134	6,371
Office expense	14,378	3,693	3,913	21,985
Organization dues	1,426	366	388	2,181
Other expenses	7,286	1,872	1,983	11,141
Postage	1,848	475	503	2,826
Rent	8,633	2,218	2,350	13,200
Strategic planning	1,840	473	501	2,814
Technology	6,664	1,712	1,814	10,189
Telephone	1,863	478	507	2,848
Transaction fees on investments	1,385	356	377	2,117
Utilities	3,334	856	907	5,098
Workers compensation insurance	1,799	462	490	2,750
Total expenses before depreciation	<u>413,938</u>	<u>48,481</u>	<u>51,367</u>	<u>513,787</u>
Depreciation on office equipment	<u>2,277</u>	<u>585</u>	<u>620</u>	<u>3,482</u>
	<u>\$ 416,216</u>	<u>\$ 49,066</u>	<u>\$ 51,987</u>	<u>\$ 517,269</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended December 31, 2017 (Unaudited)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Meal Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017</u>
Salaries	\$ 93,378	\$ 20,540	\$ 31,757	\$ 145,676
Payroll taxes	8,062	1,773	2,742	12,577
Employee insurance allowance	5,965	1,312	2,028	9,305
Total salaries and related expenses	<u>107,405</u>	<u>23,626</u>	<u>36,528</u>	<u>167,558</u>
Accounting fee	3,515	773	1,196	5,484
Audit	2,724	599	927	4,250
Auto allowance	6,266	1,378	2,131	9,775
Conferences, conventions, and meetings	5,206	1,145	1,771	8,122
Contract meal preparation	216,793	-	-	216,793
General liability insurance	1,667	367	567	2,601
Office expense	10,364	2,280	3,525	16,168
Organization dues	515	113	175	804
Other expenses	5,583	1,228	1,899	8,710
Postage	1,311	288	446	2,046
Rent	9,230	2,030	3,139	14,400
Strategic planning	-	-	-	-
Technology	6,700	1,474	2,279	10,452
Telephone	2,194	483	746	3,422
Transaction fees on investments	1,206	265	410	1,881
Utilities	2,518	554	856	3,928
Workers compensation insurance	366	81	124	571
Total expenses before depreciation	<u>383,563</u>	<u>36,684</u>	<u>56,717</u>	<u>476,965</u>
Depreciation on office equipment	<u>523</u>	<u>115</u>	<u>178</u>	<u>816</u>
	<u>\$ 384,086</u>	<u>\$ 36,799</u>	<u>\$ 56,895</u>	<u>\$ 477,781</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 (Audited) and 2017 (Unaudited)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (16,918)	\$ (32,017)
Non-cash items included in change in net assets:		
Depreciation	3,482	816
Stock donations received	-	(10,150)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized losses or (gains) on investments	30,774	(12,061)
Realized losses or (gains) on investments	(2,903)	(4,536)
(Increase) decrease in operating assets:		
Accounts receivable	(18,294)	9,600
Sales tax receivable	1,110	(186)
Prepaid expenses	(28,677)	-
Increase (decrease) in operating liabilities:		
Accounts payable	17,787	(1,304)
Wages payable	1,746	-
Accrued payroll taxes	(1,041)	1,241
Deferred revenue	20,250	4,000
Net cash provided (used) by operating activities	<u>7,316</u>	<u>(44,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(42,347)	-
Purchase of investments	(496,820)	(198,743)
Proceeds from sale of investments	493,369	194,176
Net cash provided (used) by investing activities	<u>(45,798)</u>	<u>(4,567)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	(1,497)	-
Proceeds from capital lease obligation	50,153	-
Net cash provided (used) by financing activities	<u>48,656</u>	<u>-</u>
Net increase (decrease) in cash	10,174	(49,164)
Beginning cash	<u>124,508</u>	<u>173,672</u>
Ending cash	<u>\$ 134,682</u>	<u>\$ 124,508</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (Audited) and 2017 (Unaudited)

Note 1 - Nature of Organization

Meals on Wheels of Rowan, Inc. (the Organization) is a community based non-profit organization whose mission is to provide a meal and friendly visit to the homebound of Rowan County. Many clients are unable to pay the full meal cost so the organization continually raises funds to pay for meals and associated administrative expenses. Support for the Organization comes from individuals, grants, businesses, churches, civic groups and the United Way.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards ASC 958, as amended by ASU 2016-14. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchases of property and equipment, payment of long-term debt, or endowment.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a 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 Statement of Activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Council reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

A large number of people have contributed significant amounts of time to the activities of the Organization without compensation. No amounts have been reflected in the financial statements for donated services. Under ASC 958, contributions of services are not recognized unless the services require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of operating the Organization's program and related supporting costs have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between program and supporting services.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Council qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as increases and decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

Property, Equipment and Depreciation

Property and equipment are stated at their original cost. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Major renewals, betterments, and acquisitions in excess of \$500 are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended December 31, 2018 and 2017 was \$3,482 and \$816 respectively.

Unconditional Promises to Give

Unconditional promises to give are recognized as support in the period they are pledged. They are expected to be collected within one year and are recognized at net realizable value. No allowance for uncollectible amounts is necessary, as management believes that all recorded amounts are collectible.

Note 3 - Investments

Investments include equity securities and are carried at fair value. Investments as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Amortized cost-equity securities	\$ 253,324	\$ 233,277
Gross unrealized gains (losses)	(30,774)	12,061
Gross realized gains (losses)	<u>2,903</u>	<u>4,536</u>
Fair Value of equity securities	<u>\$ 225,453</u>	<u>\$ 249,874</u>

Note 4 – Prepaid Expenses

Prepaid expense consists of a software license and leased equipment maintenance costs. The software license cost \$8,995 and is being amortized at \$150 per month for 60 months. The leased equipment maintenance cost \$21,566 and is being amortized at \$342 per month for 63 months. The amortized software license expense totaled \$1,200 and the equipment maintenance expense totaled \$684 for the year ended December 31, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5 - Property and Equipment

At December 31, 2018 and 2017, property and equipment consist of the following:

	2018	2017
Furniture and equipment	\$ 26,741	\$ 12,980
Toshiba copier	28,587	-
Leasehold improvements	1,330	1,330
	56,658	14,310
Less accumulated depreciation	(15,435)	(11,952)
	\$ 41,223	\$ 2,358

Note 6 – Capital Lease

On September 27, 2018 the Organization executed a copier lease from Toshiba Business Solutions. The duration of the lease is such that it covers a substantial portion of the asset's useful life. As such the economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities. The leased equipment has a cost of \$28,587, accumulated depreciation of \$1,361 and a net book value of \$27,226 as of December 31, 2018. The lease consists of 63 payments of \$797.64 beginning in November, 2018. For financial reporting purposes, minimum lease payments relating to the lease have been capitalized.

Future annual minimum lease payments are:

Year Ending December 31:	
2019	\$ 9,572
2020	9,572
2021	9,572
2022	9,572
2023	9,572
2024	796
Total minimum lease payments	48,656
Less interest included in payments	-
	\$ 48,656

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7 – Lease

On April 15, 2017 the Organization executed a month to month lease for \$1,100 per month. The location provides office space and facilities for the Organization's programs. Rent expense was \$13,200 and \$14,400 for the years ended December 31, 2018 and 2017, respectively.

Note 8 – Subsequent Events

Subsequent events occurring after the balance sheet date have been evaluated through July 2, 2019, which is the date the financial statements were available to be issued. No subsequent events were noted.