

MEALS ON WHEELS OF ROWAN, INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

MEALS ON WHEELS OF ROWAN, INC.

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-13

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, 2020 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, 2020 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 2019 Financial Statements

The financial statements of Meals on Wheels of Rowan, Inc. as of December 31, 2019, were subjected to a compilation engagement by other accountants, whose report dated July 1, 2020, stated that they have not audited or reviewed the 2019 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, In January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.


Lexington, North Carolina
February 24, 2021

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 (Audited) and 2019 (Unaudited)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 192,973	\$ 223,464
Cash - restricted	16,337	-
Marketable equity securities	722,920	258,208
Accounts receivable	45,590	21,006
Sales tax refund receivable	9,084	20,387
Prepaid expenses	22,846	22,773
Property & equipment, net	44,186	43,583
Total assets	<u>\$ 1,053,936</u>	<u>\$ 589,421</u>
LIABILITIES		
Accounts payable	\$ 26,843	\$ 17,204
Wages payable	1,846	1,913
Payroll taxes payable	366	246
Deferred revenue	19,000	13,500
Lease obligation payable	29,513	39,084
Total liabilities	<u>77,568</u>	<u>71,947</u>
NET ASSETS		
Without donor restriction		
Undesignated	242,606	259,266
Designated by the Board for endowment purposes	717,425	258,208
With donor restrictions	16,337	-
Total net assets	<u>976,368</u>	<u>517,474</u>
Total liabilities and net assets	<u>\$ 1,053,936</u>	<u>\$ 589,421</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF ACTIVITIES
For Years Ended December 31, 2020 (Audited) and 2019 (Unaudited)

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Support and revenue		
Contributions & grants	\$ 1,078,059	\$ 579,662
Meal charges	122,796	103,973
Unrealized investments gains (losses)	10,900	22,131
Realized investments gains (losses)	9,532	8,497
Special events - net	(4,907)	4,921
Gain on sale of fixed assets	-	9,989
PPP loan forgiveness	41,645	-
Interest and dividends	1,901	4,948
Total support and revenue without donor restrictions	<u>1,259,926</u>	<u>734,121</u>
Net assets released from restriction:		
Satisfaction of donor restrictions	<u>2,663</u>	<u>-</u>
Total net assets released from restrictions	<u>2,663</u>	<u>-</u>
Total support and revenue without donor restrictions	<u>1,262,589</u>	<u>734,121</u>
Expenses		
Program services	687,179	470,665
Supporting services		
General administration	64,020	48,623
Fundraising	<u>68,833</u>	<u>59,660</u>
Total expenses	<u>820,032</u>	<u>578,948</u>
Increase (Decrease) in net assets without donor restrictions	442,557	155,173
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	\$ 19,000	\$ -
Net assets released from restrictions	<u>(2,663)</u>	<u>-</u>
Increase (decrease) in net assets with donor restrictions	<u>16,337</u>	<u>-</u>
Increase (decrease) in net assets	458,894	155,173
Net assets at beginning of year	<u>517,474</u>	<u>362,301</u>
Net assets at end of year	<u>\$ 976,368</u>	<u>\$ 517,474</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended December 31, 2020 (Audited)

	Program Services	Supporting Services		Total
	Meal Service	Management and General	Fundraising	2020
Salaries	\$ 184,522	\$ 33,897	\$ 36,446	\$ 254,864
Payroll taxes	14,604	2,683	2,884	20,171
Other employee benefits	2,590	476	512	3,577
Total salaries and related expenses	201,715	37,055	39,842	278,612
Auto allowance	3,225	593	637	4,455
Conferences, conventions, and meetings	2,227	409	440	3,076
Contract meal preparation	338,681	-	-	338,681
General liability insurance	3,214	590	635	4,439
Office expense	23,618	4,339	4,665	32,621
Organization dues	1,992	366	394	2,752
Other expenses	61,311	11,263	12,110	84,684
Postage	2,438	448	482	3,368
Professional fees	5,792	1,064	1,144	8,000
Rent	9,557	1,756	1,888	13,200
Technology	13,394	2,461	2,646	18,500
Telephone	6,515	1,197	1,287	8,998
Transaction fees on investments	1,442	265	285	1,992
Utilities	3,418	628	675	4,721
Workers compensation insurance	702	129	139	969
Total expenses before depreciation	679,241	62,561	67,265	809,068
Depreciation on office equipment	7,938	1,458	1,568	10,964
	<u>\$ 687,179</u>	<u>\$ 64,020</u>	<u>\$ 68,833</u>	<u>\$ 820,032</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended December 31, 2019 (Unaudited)

	Program Services	Supporting Services		Total
	Meal Service	Management and General	Fundraising	2019
Salaries	\$ 133,740	\$ 28,328	\$ 30,641	\$ 192,709
Payroll taxes	11,338	2,402	2,598	16,337
Other employee benefits	416	88	96	600
Total salaries and related expenses	<u>145,494</u>	<u>30,818</u>	<u>33,334</u>	<u>209,646</u>
Auto allowance	5,464	1,157	1,252	7,873
Conferences, conventions, and meetings	2,970	629	681	4,280
Contract meal preparation	241,114	-	-	241,114
General liability insurance	3,790	803	868	5,461
Office expense	18,185	3,852	9,235	31,272
Organization dues	1,918	406	439	2,763
Other expenses	9,868	2,090	2,261	14,219
Postage	2,189	464	501	3,154
Professional fees	7,296	1,546	3,670	12,512
Rent	9,161	1,940	2,099	13,200
Technology	8,345	1,768	1,912	12,024
Telephone	3,171	672	726	4,569
Transaction fees on investments	1,398	296	320	2,014
Utilities	2,939	623	673	4,235
Workers compensation insurance	439	93	100	632
Total expenses before depreciation	<u>463,739</u>	<u>47,156</u>	<u>58,073</u>	<u>568,968</u>
Depreciation on office equipment	<u>6,926</u>	<u>1,467</u>	<u>1,587</u>	<u>9,980</u>
	<u>\$ 470,665</u>	<u>\$ 48,623</u>	<u>\$ 59,660</u>	<u>\$ 578,948</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 (Audited) and 2019 (Unaudited)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 458,894	\$ 155,173
Non-cash items included in change in net assets:		
Depreciation	10,964	9,980
Gain on Sale of fixed assets	-	(9,989)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized losses or (gains) on investments	(10,900)	(22,131)
Realized losses or (gains) on investments	(9,532)	(8,497)
(Increase) decrease in operating assets:		
Accounts receivable	(24,584)	(2,712)
Sales tax receivable	11,303	(12,768)
Prepaid expenses	(73)	5,904
Increase (decrease) in operating liabilities:		
Accounts payable	9,639	(1,592)
Wages payable	(67)	167
Accrued payroll taxes	120	47
Deferred revenue	5,500	(10,750)
Net cash provided (used) by operating activities	<u>451,264</u>	<u>102,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(11,567)	(12,340)
Purchase of investments	(1,323,334)	(430,449)
Proceeds from sale of investments	879,054	438,311
Net cash provided (used) by investing activities	<u>(455,847)</u>	<u>(4,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	(9,571)	(9,572)
Net cash provided (used) by financing activities	<u>(9,571)</u>	<u>(9,572)</u>
Net increase (decrease) in cash	(14,154)	88,782
Beginning cash	<u>223,464</u>	<u>134,682</u>
Ending cash	<u>\$ 209,310</u>	<u>\$ 223,464</u>

See accompanying notes to financial statements

MEALS ON WHEELS OF ROWAN, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 (Audited) and 2019 (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 \$1,000 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, 2020 and 2019 was \$10,964 and \$9,980 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 consists of equity securities and are carried at fair market value. Investments as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Equity securities - costs	\$ 689,171	\$ 240,581
Unrealized gains (losses)	<u>33,749</u>	<u>17,627</u>
Fair Market Value	<u>\$ 722,920</u>	<u>\$ 258,208</u>

Note 4 – Prepaid Expenses

Prepaid expense consists of nine months of liability insurance costs totaling \$5,977.

Prepaid expense consists of software license costs. The software license cost \$8,995 and is being amortized at \$150 per month for 60 months. Amortized software license expense for the year ended December 31, 2020 and 2019 was \$1,800 and \$1,800 respectively.

Prepaid expense consists of leased equipment maintenance costs. The leased equipment maintenance cost \$21,566 and is being amortized at \$342 per month for 63 months. Amortized equipment maintenance expense for the year ended December 31, 2020 and 2019 totaled \$4,104 and \$4,104 respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5 - Property and Equipment

At December 31, 2020 and 2019, property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 32,340	\$ 23,881
Toshiba copier	28,587	28,587
Vehicles	15,200	15,200
Leasehold improvements	4,438	1,330
	<u>80,565</u>	<u>68,998</u>
Less accumulated depreciation	(36,379)	(25,415)
	<u><u>\$ 44,186</u></u>	<u><u>\$ 43,583</u></u>

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 \$12,252 and a net book value of \$16,335 as of December 31, 2020. 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:	
2021	\$ 9,572
2022	9,572
2023	9,572
2024	797
2025	<u>-</u>
Total minimum lease payments	29,513
Less interest included in payments	<u>-</u>
	<u><u>\$ 29,513</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7 – Note payable

On April 16th, 2020, the Organization received an unsecured loan in the amount of \$41,645 under the Paycheck Protection Program. The Paycheck Protection Program was established as part of the Coronavirus Aid, Relief and Economic Security Act. The loan is repayable in eighteen equal payments including interest at 1% per annum. Repayment is deferred for six months from the origination date. The loan and accrued interest are forgivable after twenty-four weeks, if the borrower uses the funds for eligible expenses, including payroll, benefits, rent and utilities. The Paycheck Protection Program loan was forgiven in full on December 21, 2020.

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of contributions with the following restrictions as of December 31:

	<u>2020</u>	<u>2019</u>
COVID relief	<u>\$ 16,337</u>	<u>\$ -</u>
	<u><u>\$ 16,337</u></u>	<u><u>\$ -</u></u>

Note 9 – Building 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 \$13,200 for the years ended December 31, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year-end	\$ 1,009,750
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions on:	
Cash & cash equivalents - restricted	(16,337)
Accounts payable & accrued expenses	(29,055)
Deferred revenue	(19,000)
Lease obligation payable	(29,513)
Current portion of notes payable	-
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 915,845</u>

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portion of the Organization's support comes from restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Organization relies on its ability to finance liquidity needs through financing of local banks.

Note 11 – Subsequent Events

Subsequent events occurring after the balance sheet date have been evaluated through February 24, 2021, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11 – Subsequent Events (continued)

the ultimate material adverse impact of the coronavirus outbreak. The Organization was deemed an essential business and its employees were not subject to the NC Governor's stay in place order earlier this year. The Organization received Paycheck Protection Program funding in anticipation of the slowdown it has experienced. The outbreak presents uncertainty and risk with respect to the Organization and its ability to carry out its activities which could impact its financial results.