

*Meals on Wheels  
of the  
Greater Lehigh Valley, Inc.*

*June 30, 2019 and 2018*

*Financial Statements and  
Independent Auditors' Report*

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**JUNE 30, 2019 AND 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Meals on Wheels of the Greater Lehigh Valley, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Meals on Wheels of the Greater Lehigh Valley, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 the Greater Lehigh Valley, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Concannon, Miller + Co., P.C.*

Bethlehem, PA  
October 23, 2019

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Meals on Wheels of the Greater Lehigh Valley, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meals on Wheels of the Greater Lehigh Valley, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon October 23, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Concannon, Miller + Co., P.C.*

Bethlehem, PA  
October 23, 2019

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2019**  
**(WITH SUMMARIZED TOTALS AS OF JUNE 30, 2018)**

	<u>2019</u>		<u>Totals</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 0	\$ 560,510	\$ 560,510	\$ 437,562
Service fees receivable	304,274		304,274	269,182
Contributions receivable		34,507	34,507	46,500
Pledges receivable		222,284	222,284	281,383
Prepaid expenses	3,914		3,914	807
Food stores inventory	54,317		54,317	46,045
Investments, at fair value	2,547,630	398,891	2,946,521	1,143,659
Total Current Assets	<u>2,910,135</u>	<u>1,216,192</u>	<u>4,126,327</u>	<u>2,225,138</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>925,244</u>		<u>925,244</u>	<u>1,112,847</u>
<b>OTHER ASSETS</b>				
Pledges receivable, net		106,528	106,528	290,135
Perpetual trusts held by others		760,168	760,168	0
Cash value of life insurance		92,842	92,842	83,932
Interest in a beneficial gift annuity - held by others		701	701	2,156
Total Other Assets	<u>0</u>	<u>960,239</u>	<u>960,239</u>	<u>376,223</u>
Total Assets	<u>\$ 3,835,379</u>	<u>\$ 2,176,431</u>	<u>\$ 6,011,810</u>	<u>\$ 3,714,208</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Cash overdraft	\$ 70,976	\$ 0	\$ 70,976	\$ 0
Accounts payable	61,835		61,835	57,680
Accrued payroll	66,040		66,040	54,582
Compensated absences	33,659		33,659	44,049
Total Current Liabilities	<u>232,510</u>	<u>0</u>	<u>232,510</u>	<u>156,311</u>
<b>LONG-TERM LIABILITIES</b>				
Future interest in a beneficial gift annuity - held by others		701	701	2,156
Total Liabilities	<u>232,510</u>	<u>701</u>	<u>233,211</u>	<u>158,467</u>
<b>NET ASSETS</b>				
Undesignated	359,546		359,546	365,200
Designated for Board endowment	2,318,079		2,318,079	751,890
Investment in property and equipment	925,244		925,244	1,112,847
	<u>3,602,869</u>	<u>0</u>	<u>3,602,869</u>	<u>2,229,937</u>
Designated for meal assistance fund			0	29,471
Restricted contributions		923,429	923,429	883,172
Restricted for investments and beneficial interest		1,252,301	1,252,301	413,161
Total Net Assets	<u>3,602,869</u>	<u>2,175,730</u>	<u>5,778,599</u>	<u>3,555,741</u>
Total Liabilities and Net Assets	<u>\$ 3,835,379</u>	<u>\$ 2,176,431</u>	<u>\$ 6,011,810</u>	<u>\$ 3,714,208</u>

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

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2018**

	2018		Total 2018
	Without Donor Restrictions	With Donor Restrictions	
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 142,952	\$ 294,610	\$ 437,562
Service fees receivable	269,182		269,182
Contributions receivable		46,500	46,500
Pledges receivable		281,383	281,383
Prepaid expenses	807		807
Food stores inventory	46,045		46,045
Investments, at fair value	814,415	329,244	1,143,659
Total Current Assets	1,273,401	951,737	2,225,138
<b>PROPERTY AND EQUIPMENT, NET</b>	1,112,847		1,112,847
<b>OTHER ASSETS</b>			
Pledges receivable, net		290,135	290,135
Cash value of life insurance		83,932	83,932
Interest in a beneficial gift annuity - held by others		2,156	2,156
Total Other Assets	0	376,223	376,223
Total Assets	\$ 2,386,248	\$ 1,327,960	\$ 3,714,208
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 57,680	\$ 0	\$ 57,680
Accrued payroll	54,582		54,582
Compensated absences	44,049		44,049
Total Current Liabilities	156,311	0	156,311
<b>LONG-TERM LIABILITIES</b>			
Future interest in a beneficial gift annuity - held by others		2,156	2,156
Total Liabilities	156,311	2,156	158,467
<b>NET ASSETS</b>			
Undesignated	365,200		365,200
Designated for Board endowment	751,890		751,890
Investment in property and equipment	1,112,847		1,112,847
	2,229,937	0	2,229,937
Designated for meal assistance fund		29,471	29,471
Restricted contributions		883,172	883,172
Restricted for investments and beneficial interest		413,161	413,161
Total Net Assets	2,229,937	1,325,804	3,555,741
Total Liabilities and Net Assets	\$ 2,386,248	\$ 1,327,960	\$ 3,714,208

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



**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	2019		Totals	
	Without Donor Restrictions	With Donor Restrictions	2019	2018
<b>OPERATING REVENUES AND SUPPORT</b>				
<b>SERVICE FEE REVENUE</b>				
Governmental service fees	\$ 1,410,694	\$ 0	\$ 1,410,694	\$ 948,129
Food service fees	232,478		232,478	1,242,218
Client service fees	558,982		558,982	257,712
Total Service Fee Revenue	<u>2,202,154</u>	<u>0</u>	<u>2,202,154</u>	<u>2,448,059</u>
<b>PROGRAM SUPPORT</b>				
Contributions	748,979	169,181	918,160	1,530,500
United Way	198,113		198,113	111,090
Fundraising events, net of direct expenses of \$31,376 and \$0, respectively	39,663		39,663	0
Total Program Support	<u>986,755</u>	<u>169,181</u>	<u>1,155,936</u>	<u>1,641,590</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Total Operating Revenues and Support	<u>179,032</u>	<u>(179,032)</u>	<u>0</u>	<u>0</u>
	<u>3,367,941</u>	<u>(9,851)</u>	<u>3,358,090</u>	<u>4,089,649</u>
<b>OPERATING EXPENSES</b>				
Program services	3,151,752		3,151,752	2,867,544
General and administrative	456,033		456,033	330,710
Fund-raising	245,243		245,243	235,811
Total Expenses	<u>3,853,028</u>	<u>0</u>	<u>3,853,028</u>	<u>3,434,065</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>				
	<u>(485,087)</u>	<u>(9,851)</u>	<u>(494,938)</u>	<u>655,584</u>
<b>NON-OPERATING CHANGE IN NET ASSETS</b>				
Contributions received from merger	1,893,937	814,634	2,708,571	0
Investment income, net of fees	81,393	21,452	102,845	75,997
Change in outside perpetual trust		14,781	14,781	0
Other income		8,910	8,910	2,377
Loss on disposal of assets	(117,311)		(117,311)	0
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>				
	<u>1,858,019</u>	<u>859,777</u>	<u>2,717,796</u>	<u>78,374</u>
<b>CHANGE IN NET ASSETS</b>				
	<u>1,372,932</u>	<u>849,926</u>	<u>2,222,858</u>	<u>733,958</u>
<b>NET ASSETS, JULY 1</b>				
	<u>2,229,937</u>	<u>1,325,804</u>	<u>3,555,741</u>	<u>2,821,783</u>
<b>NET ASSETS, JUNE 30</b>				
	<u>\$ 3,602,869</u>	<u>\$ 2,175,730</u>	<u>\$ 5,778,599</u>	<u>\$ 3,555,741</u>

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

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	<b>2018</b>		<b>Total 2018</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
<b>OPERATING REVENUES AND SUPPORT</b>			
<b>SERVICE FEE REVENUE</b>			
Governmental service fees	\$ 948,129	\$ 0	\$ 948,129
Food service fees	1,242,218		1,242,218
Client service fees	257,712		257,712
Total Service Fee Revenue	<u>2,448,059</u>	<u>0</u>	<u>2,448,059</u>
<b>PROGRAM SUPPORT</b>			
Contributions	484,707	1,045,793	1,530,500
United Way	111,090		111,090
Total Program Support	<u>595,797</u>	<u>1,045,793</u>	<u>1,641,590</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Total Operating Revenues and Support	<u>298,660</u>	<u>(298,660)</u>	<u>0</u>
	<u>3,342,516</u>	<u>747,133</u>	<u>4,089,649</u>
<b>OPERATING EXPENSES</b>			
Program services	2,867,544		2,867,544
General and administrative	330,710		330,710
Fund-raising	235,811		235,811
Total Expenses	<u>3,434,065</u>	<u>0</u>	<u>3,434,065</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>			
	<u>(91,549)</u>	<u>747,133</u>	<u>655,584</u>
<b>NON-OPERATING CHANGE IN NET ASSETS</b>			
Investment income, net of fees	45,323	30,674	75,997
Other income	0	2,377	2,377
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>			
	<u>45,323</u>	<u>33,051</u>	<u>78,374</u>
<b>CHANGE IN NET ASSETS</b>			
	<u>(46,226)</u>	<u>780,184</u>	<u>733,958</u>
<b>NET ASSETS, JULY 1</b>			
	<u>2,276,163</u>	<u>545,620</u>	<u>2,821,783</u>
<b>NET ASSETS, JUNE 30</b>			
	<u>\$ 2,229,937</u>	<u>\$ 1,325,804</u>	<u>\$ 3,555,741</u>

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

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	<u>Program Services</u>			<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total Expenses</u>	
	<u>Client Services</u>	<u>Volunteer Services</u>	<u>Food Services</u>				<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 432,704	\$ 149,179	\$ 517,109	\$ 1,098,992	\$ 234,488	\$ 145,867	\$ 1,479,347	\$ 1,206,411
Employee benefits	113,105	31,355	164,019	308,479	52,937	22,927	384,343	295,316
Payroll taxes	36,943	13,092	47,407	97,442	19,395	12,059	128,896	108,001
Food and kitchen			1,234,844	1,234,844			1,234,844	1,270,339
Supplies	24,322	1,777	13,226	39,325	17,766	2,038	59,129	36,028
Telephone	7,095	5,002	2,621	14,718	2,621	2,621	19,960	13,077
Postage	4,524			4,524	2,721	2,789	10,034	5,704
Utilities	4,594	4,715	23,803	33,112	4,292	3,834	41,238	41,714
Insurance	5,519		11,037	16,556	5,519		22,075	20,964
Repairs and maintenance	8,862	1,998	42,333	53,193	41,874	1,554	96,621	76,021
Travel and delivery	12,209		34,784	46,993	1,079		48,072	46,436
Professional fees				0	39,570	3,835	43,405	61,797
Conferences and training	559		228	787	4,581	1,052	6,420	4,086
Dues	658			658	2,774	120	3,552	2,716
Advertising	3,167	1,213	239	4,619	212	4,521	9,352	9,049
Development and appeals				0	11,096	25,662	36,758	18,768
Volunteer training and benefits		16,005		16,005			16,005	6,598
Depreciation	17,252		136,320	153,572	8,187	8,881	170,640	172,656
Computer services	12,931	7,420	4,052	24,403	6,921	7,483	38,807	22,936
Bad debt	3,530			3,530			3,530	15,448
	<u>\$ 687,974</u>	<u>\$ 231,756</u>	<u>\$ 2,232,022</u>	<u>\$ 3,151,752</u>	<u>\$ 456,033</u>	<u>\$ 245,243</u>	<u>\$ 3,853,028</u>	<u>\$ 3,434,065</u>

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

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	<b>Program Services</b>			<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fund-Raising</b>	<b>Total 2018</b>
	<b>Client Services</b>	<b>Volunteer Services</b>	<b>Food Services</b>				
Salaries and wages	\$ 278,723	\$ 99,235	\$ 528,371	\$ 906,329	\$ 177,938	\$ 122,144	\$ 1,206,411
Employee benefits	71,774	16,204	156,572	244,550	34,272	16,494	295,316
Payroll taxes	22,779	8,987	50,044	81,810	15,724	10,467	108,001
Food and kitchen			1,270,339	1,270,339			1,270,339
Supplies	20,065	1,926	5,423	27,414	8,594	20	36,028
Telephone	3,937	2,223	2,223	8,383	2,347	2,347	13,077
Postage	1,726			1,726	1,845	2,133	5,704
Utilities	4,600	5,049	23,944	33,593	4,263	3,858	41,714
Insurance	5,241		10,482	15,723	5,241		20,964
Repairs and maintenance	4,628	2,442	38,841	45,911	28,889	1,221	76,021
Travel and delivery	5,772		40,664	46,436			46,436
Professional fees				0	30,147	31,650	61,797
Conferences and training	1,145			1,145	1,713	1,228	4,086
Dues				0	2,716		2,716
Advertising	4,171	62	582	4,815	4,234		9,049
Development and appeals				0		18,768	18,768
Volunteer training and benefits		6,598		6,598			6,598
Depreciation	17,456		137,930	155,386	8,284	8,986	172,656
Computer services	6,055	5,091	3,636	14,782	4,503	3,651	22,936
Bad debt	2,604			2,604		12,844	15,448
	<u>\$ 450,676</u>	<u>\$ 147,817</u>	<u>\$ 2,269,051</u>	<u>\$ 2,867,544</u>	<u>\$ 330,710</u>	<u>\$ 235,811</u>	<u>\$ 3,434,065</u>

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

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from governmental contracts	\$ 1,436,876	\$ 1,029,611
Cash received from food service fees	312,576	1,282,393
Cash received from client service fees	544,080	259,694
Cash received from program support	1,410,635	1,025,572
Cash received from merger	15,810	0
Cash paid for employees	(1,991,518)	(1,619,358)
Cash paid to vendors and purchased services	(1,642,499)	(1,659,094)
Net Cash Provided by Operating Activities	<u>85,960</u>	<u>318,818</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of capital assets	170	0
Purchase of capital assets	(32,602)	(165,148)
Purchases of investments, net of proceeds from sales	69,420	20,795
Net Cash Provided by (Used in) Investing Activities	<u>36,988</u>	<u>(144,353)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	110,000	50,000
Payments on line of credit	(110,000)	(50,000)
Net Cash Used in Financing Activities	<u>0</u>	<u>0</u>
<b>NET INCREASE IN CASH</b>	122,948	174,465
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>437,562</u>	<u>263,097</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 560,510</u>	<u>\$ 437,562</u>

**RECONCILIATION OF CHANGES IN NET ASSETS**  
**TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

<b>CHANGE IN NET ASSETS</b>	\$ 2,222,858	\$ 733,958
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	170,640	172,656
Loss on disposal of assets	117,311	0
Noncash assets contributed in merger	(2,692,761)	0
Realized gain on investments	(55,077)	0
Unrealized (gain) loss on investments	32,405	(52,171)
Change in outside perpetual trust	(14,781)	0
Donated property and equipment	0	(33,076)
Cash value of life insurance	(8,910)	(15,844)
Bad debt expense	3,530	15,448
Changes in operating assets and liabilities		
Service fees receivable	87,848	84,033
Contributions receivable	11,993	12,500
Pledges receivable	242,706	(561,518)
Prepaid expenses	(3,107)	(807)
Food stores inventory	(8,272)	973
Cash overdraft	70,976	0
Accounts payable	(92,467)	(26,170)
Accrued payroll	11,458	(344)
Compensated absences	(10,390)	(9,287)
Future interest in beneficial gift annuity	0	(1,533)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 85,960</u>	<u>\$ 318,818</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

In-kind contribution of property and equipment	\$ 0	\$ 33,076
In-kind contribution of goods and services	17,247	6,123
	<u>\$ 17,247</u>	<u>\$ 39,199</u>

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

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1      Nature and Purpose of the Organization**

Meals on Wheels of the Greater Lehigh Valley, Inc., formerly Meals on Wheels of Northampton County, Inc., (“Organization”) is a private, not-for-profit charitable organization tax exempt under Section 501(c)(3) of the Internal Revenue Code and incorporated under the laws of the Commonwealth of Pennsylvania to assist in the providing for nutritional needs of the expanding population of elderly, disabled and homebound persons of all ages.

On August 22, 2018, the Lehigh County Orphans Court approved the merger of Meals on Wheels of Northampton County, Inc. and Meals on Wheels of Lehigh County, Inc., with the surviving organization renamed to become the Meals on Wheels of the Greater Lehigh Valley, Inc. The merger was completed to provide efficiency and increase effectiveness of similar programs run by the two organizations. While the merger was effective at this date, the assets of Meals on Wheels of Lehigh County were not fully transferred and merged with the assets of Meals on Wheels of Northampton County until September 30, 2018.

**NOTE 2      Summary of Significant Accounting Policies**

**Basis of Accounting**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*.

**Basis of Presentation**

The Organization’s net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions or law.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Cash and Cash Equivalents**

Cash consists solely of the Organization’s checking and savings accounts held at one financial institution.

**Service Fees Receivable**

The balance in service fees receivable represent program service fees charged to the respective County, Meals on Wheels affiliate or individual for meals provided in the previous months. The Organization reviews the composition of these balances in consideration of any allowance for credit losses.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Service Fees Receivable (Continued)**

Management considers the following factors when determining the collectability of specific service fees receivable: historical collection experience, a review of the current status of receivables, receipts subsequent to year end and judgement. Based on management's assessment, all of the contributions are considered to be realizable at the amounts stated in the accompanying statements of financial position and no allowance for credit losses was considered necessary as of June 30, 2019 and 2018.

**Pledges Receivable**

Pledges receivable are unconditional promises to give from private foundations, organizations and individuals and are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate applicable to the years in which the promises are received, ranging from 1.81% to 2.73%. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible contributions. Under this method, the Organization prepares an allowance based on prior experience and management's analysis of individual accounts. In the opinion of management, all of the contributions are considered to be realizable at the amounts stated in the accompanying statements of financial position and no allowance for credit losses was considered necessary as of June 30, 2019 and 2018.

**Bequests**

Bequests are not recognized or recorded as support until all of the following conditions are met: the demise of testator, the amount of the bequest is known, the Organization is certain that, based on the estate's net assets, the amount bequeathed is realizable, and the probate court has declared the will valid.

**Inventory**

Inventory consists of food stores and is stated at the lower of cost or market, valued on a first-in, first-out basis.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Valuation of Investments in Securities at Fair Value**

The Organization complies with the provisions of FASB ASC 820, *Fair Value Measurement and Disclosures*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**Invested with Lehigh Valley Community Foundation** – Measured at the reported value by the Foundation, which approximates fair value. The Organization does not have discretion over investment composition of funds held with the Foundation.

**Outside Perpetual Trusts** – Measured based on the Organization’s pro-rata share of the Trust assets, which approximates fair value.

**Perpetual Trusts Held by Others**

Perpetual trusts held by others are funds held by outside trusts for the benefit of the Organization in accordance with the terms of the irrevocable trusts. These funds are neither in the possession, nor under the control, of the Organization. Such terms provide that the Organization is to receive a portion of the income earned by the funds that are held in trust. The Organization’s portion of the fair value of the trusts are recognized as assets and gift income at the dates the trusts are established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts.



**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Property and equipment are carried at cost, less accumulated depreciation. Maintenance and repairs which neither materially add to the value of property nor appreciably prolong its life are charged to expense. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Related gains or losses from such transactions are credited or charged to income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

**Revenue Recognition**

The Organization recognizes all service fee revenue based on a retrospective count of the actual meals provided in a given month and based on the contracted rates with the respective agency or individual.

All contributions that are restricted by the donor are reported as increases in net assets with donor restrictions in the year in which the revenue is recognized. When a restriction expires, 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.

**Advertising**

Advertising costs are charged to operations when incurred. Total advertising costs for the years ended June 30, 2019 and 2018 were \$9,352 and \$9,049, respectively.

**Functional Allocation of Expenses**

The costs of providing the Organization's various programs and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program, fundraising or support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated based on estimates made for time spent by key personnel between functions, space occupied by function, and other objective bases.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

No provision for income taxes has been made in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. However, income from activities not directly related to the Organization's tax-exempt purpose, if any, would be subject to taxation as unrelated business income.

The Organization complies with the guidance for uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities.

As of June 30, 2019 and 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3      Change in Accounting Principle**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has applied the changes retrospectively to all periods presented.

The new standard changes the following aspects of the financial statements:

- Unrestricted net asset class has been renamed Net Assets Without Donor Restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions.
- The financial statements are required to provide an analysis of expenses by their natural as well as their functional classification in one location.
- The financial statements include a disclosure about liquidity and availability of resources (Note 4).
- Investment expenses are included in net investment return.

The ASU has been applied retrospectively to all periods presented and had no impact on the previously reported net assets.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 4      Liquidity and Availability**

The Organization's cash flows and liquidity are primarily driven by the monthly receipt on the service fees charged on a monthly basis in exchange for the food services provided throughout the year and based on the terms of the respective contracts with state agencies or directly with clients. In addition, the Organization receives significant contributions, grants and pledges that are restricted in use by the donors. The Organization considers and treats these gifts as restricted in accordance with the directions of the donors and such funds remain unavailable for general expenditures. Unrestricted contributions, grants and pledges are considered for use with respect to ongoing, major programs, central to its annual operations and such unrestricted gifts are available to meet cash requirements for general expenditures. The Organization manages its liquidity in accordance with two guiding principles: (1) controlling its operations within a prudent range of financial soundness and stability and, (2) maintaining adequate liquid assets to fund near – term operating requirements.

Financial assets available for general expenditure within one year of the statement of financial position date, comprise the following:

Investments available for operations	\$ 2,547,630
Service fees receivable	304,274
Contributions receivable	34,507
Pledges receivable within twelve months	<u>222,284</u>
	<u>\$ 3,108,695</u>

The investments held and included above comprise entirely of board designated endowments. As such, the funds are available for operations at the discretion of the board of directors and related appropriation of such funds.

**NOTE 5      Merger**

As disclosed in Note 1, the Organization is the surviving entity from the merger of Meals on Wheels of Northampton County, Inc and Meals on Wheels of Lehigh County, Inc. The primary reasons for merging the two organizations was to provide efficiencies and to increase effectiveness of similar programs run by the two organizations.

Subsequent to the merger and during the remainder of the year ended June 30, 2019, the Board of Directors of each organization were merged with a composition as of year end of an even mix of representation from each of the prior organizations. Similarly, the staff and volunteers of both pre-merger organizations continue their work with the new entity.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 Merger (Continued)**

The fair value of Meals on Wheels of Lehigh County's major classes of assets and liabilities acquired by the Organization as of the date of merger are as follows:

Cash and cash equivalents	\$	15,810
Service fees receivable		126,470
Investments, at fair value		1,849,610
Investments in outside perpetual trusts		745,387
Property and equipment, net		67,916
Accounts payable		(96,622)
		\$ 2,708,571

**NOTE 6 Concentration of Credit Risk**

The Organization may be subject to credit risk on its cash balances, which are placed at one commercial bank. The amounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a maximum of \$250,000. The risk is managed by maintaining all deposits in a high quality financial institution. From time to time, the Organization may have amounts on deposit in excess of the FDIC limits. The Organization had an at-risk balance of approximately \$261,300 at June 30, 2019.

The Organization relies on various contracts with government agencies and local businesses to support its programs. During the years ended June 30, 2019 and 2018, the Organization received 17% and 34%, respectively, of its total revenue and support from two such contracts. To mitigate such risk, the Organization is regularly looking for new grantors and contributors to reduce the concentration of revenue.

**NOTE 7 Pledges Receivable**

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
Time restricted sponsorships and contributions	\$ 343,300	\$ 596,950
Less unamortized discount	14,488	25,432
	\$ 328,812	\$ 571,518
Less than one year	\$ 222,284	\$ 281,383
One to five years	106,528	290,135
	\$ 328,812	\$ 571,518

At June 30, 2019 and 2018, approximately 85% and 78% respectively, of the unconditional promises to give are from three donors and one donor, respectively.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 8 Property and Equipment**

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
Land, buildings and improvements	\$ 1,531,895	\$ 1,493,089
Construction in progress	25,000	123,052
Equipment	1,245,359	1,092,557
Vehicles	315,838	315,838
	3,118,092	3,024,536
Less accumulated depreciation	2,192,848	1,911,689
	\$ 925,244	\$ 1,112,847

Depreciation expense was \$170,640 and \$172,656 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 9 Investments**

The Organization's investments are recorded at fair value and have been categorized based upon a fair value hierarchy, in accordance with ASC 820 (see Note 2). The investments are comprised of the following:

	<b>Investments at Fair Value as of June 30, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Without Donor Restrictions:</i></b>				
Money market funds	\$ 37,222	\$ 0	\$ 0	\$ 37,222
Mutual funds				
Equities	1,390,681			1,390,681
Fixed income	471,921			471,921
Alternatives	41,980			41,980
Equities	605,826			605,826
	2,547,630			2,547,630
<b><i>With Donor Restrictions:</i></b>				
Money market funds	1,555	0	0	1,555
Mutual funds				
Equities	341,830			341,830
Invested with Lehigh Valley Community Foundation		55,506		55,506
	343,385	55,506	0	398,891
	\$ 2,891,015	\$ 55,506	\$ 0	\$ 2,946,521
Beneficial Interest in Outside Perpetual Trust (Note 10)	\$ 0	\$ 760,168	\$ 0	\$ 760,168

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 Investments (Continued)**

	<b>Investments at Fair Value as of June 30, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i><b>Without Donor Restrictions:</b></i>				
Money market funds	\$ 10,314	\$ 0	\$ 0	\$ 10,314
Mutual funds				
Equities	804,101			804,101
	814,415			814,415
<i><b>With Donor Restrictions:</b></i>				
Money market funds	1,525	0	0	1,525
Mutual funds				
Equities	327,719			327,719
	329,244	0	0	329,244
	\$ 1,143,659	\$ 0	\$ 0	\$ 1,143,659

Generally, for all mutual funds, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**NOTE 10 Beneficial Interest in Outside Perpetual Trusts**

The Organization is named as a beneficiary of two perpetual trusts held by corporate trustees. The amounts recorded as an asset represent the pro-rata share of the fair value of the trusts' assets that provides for distribution of income to the Organization as beneficiary. Income is disbursed annually as a percentage of the value of the investment at its valuation date. The Organization is a 5% beneficiary in the first trust and the share of the assets was \$165,386 as of June 30, 2019. Income distribution received from the first trust was \$5,600 for the year ended June 30, 2019. The Organization is a one-sixth beneficiary in the second trust and the share of assets was \$594,782 as of June 30, 2019. Income distribution received for the second trust was \$10,548 for the year ended June 30, 2019.

**NOTE 11 Endowment**

Since 2001, the Organization has held an open campaign to create an endowment for the future benefit of the Organization ("True Endowment"). The Organization also has created a separate endowment from the support of a single donor with the intent to support the clients of the Organization in their homes ("Compassionate Care" endowment). With the merger (Note 5) the Organization acquired another endowment which was funded by a bequest and which is held and invested with the Lehigh Valley Community Foundation.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 11      Endowment (Continued)**

Contributions provided for any of these endowments require the Organization to maintain the principal in perpetuity. The True Endowment restricts the use of all gains, losses, interest and dividends for current operating expenses. The Compassionate Care endowment restricts the use of all gains, losses, interest and dividends for the direct assistance of the Organization's clients. The endowment held by the Lehigh Valley Community Foundation is restricted to support the ongoing operations of the Organization. Therefore, gains, losses, interest and dividends are reported as net assets with donor restrictions until expended.

In addition, the Organization maintains a portion of its net assets as a quasi-endowment to support future operations. The amounts designated were \$2,318,079 and \$751,890 at June 30, 2019 and 2018. These funds are held in two and one separate funds, respectively, at June 30, 2019 and 2018.

**Interpretation of Relevant Law**

The Organization follows Commonwealth of Pennsylvania law and its own governing documents with respect to the management of endowment funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. As a result of this interpretation, the Organization classified as net assets with donor restrictions (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization.

**Endowment Return Objectives, Risk Parameters and Strategies**

The Organization has adopted investment and spending policies, approved by the Board of Directors, which govern the Organization's endowments. The primary objective of these policies is to produce a total return which will permit the maximum support for the general operating fund of the Organization to the extent that it is consistent with (a) prudent management of investments, (b) preservation of principal and (c) potential for long-term asset growth.

**Spending Policy**

The Organization follows "Total Return Policy" guidelines as established under Pennsylvania Act 141 and as adopted by the Board of Directors. The Organization's policy will be to distribute annually between two and seven percent (allowable "Total Return Policy" range) of the trailing three fiscal year average of the endowment's total asset value. The Board of Directors, with input from the finance committee, will establish annually the percentage to be adopted for distribution. For each of the years ended June 30, 2019 and 2018, the Organization adopted a 7% appropriation on the True Endowment and a 3% appropriation on the Compassionate Care endowment.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 11      Endowment (Continued)**

The activity and net asset classification of these endowments for the years ended June 30, 2019 and 2018 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets at			
July 1, 2017	\$ 751,690	\$ 388,786	\$ 1,140,476
Contributions	0	16,344	16,344
Appropriation of endowment assets for expenditure	(45,000)	(22,643)	(67,643)
Investment income			
Interest and dividends, net of fees	14,912	8,791	23,704
Unrealized gains	30,288	21,883	52,171
Total investment income	45,200	30,674	75,875
Endowment net assets at			
June 30, 2018	751,890	413,161	1,165,051
Contributions	0	400	400
Contributions via merger (Note 5)	1,581,440	54,772	1,636,212
Appropriation of endowment assets for expenditure	(85,000)	(6,562)	(91,562)
Investment income			
Interest and dividends, net of fees	65,492	8,121	73,613
Unrealized gains	4,257	22,241	26,498
Total investment income	69,749	30,362	100,111
Endowment net assets at			
June 30, 2019	<u>\$ 2,318,079</u>	<u>\$ 492,133</u>	<u>\$ 2,810,212</u>

**NOTE 12      Governmental Fees**

Revenue from governmental fees consisted of the following:

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>County of Northampton</b>		
Area Agency on Aging	\$ 567,783	\$ 468,082
HSDF	108,583	82,000
<b>County of Lehigh</b>		
Area Agency on Aging	217,467	39,725
HSDF	33,434	5,624
Congregate	213,355	216,492
<b>State of Pennsylvania</b>		
Waiver program	270,072	136,206
	<u>\$ 1,410,694</u>	<u>\$ 948,129</u>



**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 12 Governmental Fees (Continued)**

Subsequent to the merger (Note 5) each of the government agencies amended the respective contracts to cover the merged entity. As such, the amounts above include the amounts received under the contracts established for Meals on Wheels of Northampton County for the period of July 1, 2018 to September 30, 2018 and the amounts received under the contracts established for the Meals on Wheels of the Greater Lehigh Valley for the period October 1, 2018 to June 30, 2019.

**NOTE 13 Donated Services and Materials**

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt.

A substantial number of volunteers have donated significant amounts of their time to the Organization primarily for the operation of its various programs. The value of these contributed services is not reported in the financial statements since the criteria for recognition has not been met.

The Organization recognized revenue for services rendered and assets donated during the fiscal years ended June 30, 2019 and 2018, with the fair value of those services and materials as follows:

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
Capital campaign	\$ 0	\$ 2,287
Fundraising efforts	16,698	1,726
Volunteer gifts	25	984
Maintenance	524	621
Food and kitchen supplies	0	505
Vehicles and equipment	0	33,076
	\$ 17,247	\$ 39,199

**NOTE 14 Retirement Plans**

The Organization has a defined contribution simplified employee retirement plan covering substantially all of its employees. The Organization's contribution is computed at a rate of 10% of the participating employees' salaries. The Organization's contribution expense for the years ended June 30, 2019 and 2018 were \$132,069 and \$113,824, respectively.

The Organization also provides a 403(b) plan where employees may elect to defer a portion of their earnings up to limits determined by the Internal Revenue Code. The Organization is currently not contributing nor matching employee contributions to the plan.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 15 Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes:

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Subject to expenditure for specific purpose:</b>		
Meal assistance fund	\$ 0	\$ 29,471
Capital campaign	809,318	834,321
Time or use restrictions on contributions	114,111	48,851
 <b>Subject to the Organization's appropriation:</b>		
Original donor-restricted gift required to be maintained in perpetuity by donor	366,803	321,183
Outside perpetual trust	760,168	0
Accumulated gain	125,330	91,978
	<b>\$ 2,175,730</b>	<b>\$ 1,325,804</b>

**NOTE 16 Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows:

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Purpose restrictions accomplished:</b>		
Planning and development costs of the building expansion project	\$ 44,278	\$ 146,265
Meal assistance fund	29,471	32,069
Specific projects covered by donor gifts	98,721	84,839
Appropriation of endowment	6,562	22,643
Change in gift annuity	0	12,844
	<b>\$ 179,032</b>	<b>\$ 298,660</b>

**NOTE 17 Related Party Contributions**

The Organization receives contributions from its various board members. Contributions received from these related parties during the years ended June 30, 2019 and 2018 totaled \$26,618 and \$42,244, respectively.

**NOTE 18 Reclassification**

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net asset balances.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 19      Subsequent Events**

Subsequent to June 30, 2019, the Organization executed an agreement to purchase a new building in Allentown, PA. All operations of the Organization will be moved to the new building once renovations are completed.

To finance the purchase of this building, the Organization has also executed a bridge loan to cover the costs of renovations and provide cash for the transaction until such time that the current building can be sold. It is expected that the proceeds from the existing building will cover a substantial portion of the related debt. The Organization's capital campaign is expected to cover any difference.

In addition, the Organization's contract for the Congregate program through the County of Lehigh was not renewed for the year ended June 30, 2020.

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 23, 2019, the date the financials were available to be issued. Except as disclosed above, no events or transactions occurred that would require recognition or disclosure in the financial statements.

**NOTE 20      Recent Accounting Pronouncements**

**Revenue from Contracts with Customers**

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

The guidance will initially be applied retrospectively using one or two methods. The standard will be effective for the Organization for the fiscal year ending June 30, 2020. Early adoption is permitted. Management is evaluating the impact of the amended revenue recognition guidance on the Organization's financial statements.

**Clarifying Scope and the Accounting Guidance for Contributions**

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed.

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2019 AND 2018**

**NOTE 20      Recent Accounting Pronouncements (Continued)**

**Clarifying Scope and the Accounting Guidance for Contributions (Continued)**

In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for the Organization for the fiscal year ended June 30, 2020. Early adoption is permitted.

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the fiscal year ending June 30, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

**INDEPENDENT AUDITORS' REPORT**  
**ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of  
Meals on Wheels of the Greater Lehigh Valley, Inc.

We have audited the statements of financial position of Meals on Wheels of the Greater Lehigh Valley, Inc. as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and have issued our report thereon dated October 23, 2019, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Government Contracts is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Concannon, Miller + Co., P.C.*

Bethlehem, PA  
October 23, 2019

**MEALS ON WHEELS OF THE GREATER LEHIGH VALLEY, INC.**  
**SCHEDULE OF GOVERNMENT CONTRACTS**  
**YEAR ENDED JUNE 30, 2019**

	<b><u>Contract Maximum</u></b>	<b><u>Billings</u></b>	<b><u>Units of Service (Meals)</u></b>
<b>County of Northampton</b>			
Area Agency on Aging	\$ 580,000	\$ 567,783	92,068
Human Services Development Fund	110,008	108,583	19,578
<b>County of Lehigh</b>			
Area Agency on Aging	238,755	217,467	29,791
Human Services Development Fund	27,510	33,434	5,543
Congregate Meals	Unlimited	213,355	36,276
<b>State of Pennsylvania</b>			
Waiver program	Unlimited	270,072	49,015