Meals on Wheels of Northampton County, Inc.

June 30, 2017 and 2016

Financial Statements and Independent Auditors' Report



# MEALS ON WHEELS OF NORTHAMPTON COUNTY, INC. JUNE 30, 2017 AND 2016

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# **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of Meals on Wheels of Northampton County, Inc.

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

We have audited the accompanying financial statements of Meals on Wheels of Northampton County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 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 Northampton County, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Meals on Wheels of Northampton County, Inc.'s June 30, 2016 financial statements, and in our report dated September 20, 2016, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it was derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017 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 September 20, 2017



# 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 Northampton County, 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 Northampton County, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon September 20, 2017. The prior year summarized comparative information has been derived from the Organization's 2016 financial statements and, in our report dated September 20, 2016 we expressed an unqualified opinion on those financial statements.

### **Internal Control over Financial Reporting**

In planning and performing our audit 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 September 20, 2017

# MEALS ON WHEELS OF NORTHAMPTON COUNTY, INC. STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2017 (WITH SUMMARIZED TOTALS AS OF JUNE 30, 2016)

	2017									
			Temporarily		Permanently		To		tals	
	Un	restricted	R	estricted	R	estricted		2017		2016
ASSETS										
CURRENT ASSETS										
Cash	\$	186,574	\$	76,523	\$	0	\$	263,097	\$	150,785
Contributions receivable				59,000				59,000		78,096
Service fees receivable		355,819						355,819		402,980
Promise to give				10,000				10,000		0
Prepaid expenses								0		200
Food stores inventory		47,018						47,018		41,683
Investments, at fair value		791,585		83,947		236,751		1,112,283		1,001,321
Total Current Assets		1,380,996		229,470		236,751		1,847,217		1,675,065
PROPERTY AND EQUIPMENT, NET		1,087,279						1,087,279		1,142,556
OTHER ASSETS										
Cash value of life insurance						68,088		68,088		67,247
Interest in a beneficial gift						,		,		*
annuity - held by others				15,000				15,000		15,000
Total Other Assets		0		15,000		68,088		83,088		82,247
Total Assets	\$	2,468,275	\$	244,470	\$	304,839	\$	3,017,584	\$	2,899,868
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts payable	\$	90,430	\$	0	\$	0	\$	90,430	\$	87,475
Accrued payroll		48,346						48,346		38,287
Compensated absences		53,336						53,336		54,239
Total Current Liabilities		192,112		0		0		192,112		180,001
LONG-TERM LIABILITIES										
Future interest in a beneficial										
gift annuity - held by others				3,689				3,689		5,256
Total Liabilities		192,112		3,689		0		195,801		185,257
NET ASSETS										
Undesignated		437,194						437,194		372,491
Designated for Board endowment		751,690						751,690		699,985
Investment in property and equipment		1,087,279						1,087,279		1,142,556
investment in property and equipment		2,276,163		0		0		2,276,163		2,215,032
Designated for meal assistance fund		2,270,105		45,533		0		45,533		58,200
Restricted contributions				99,990				99,990		63,053
Restricted for investments and				,,,,,0				,,,,,		00,000
beneficial interest				95,258		304,839		400,097		378,326
Total Net Assets		2,276,163		240,781		304,839		2,821,783		2,714,611
Total Liabilities and Net Assets	\$	2,468,275	\$	244,470	\$	304,839	\$	3,017,584	\$	2,899,868
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The accompanying notes are an integral part of the financial statements.

### MEALS ON WHEELS OF NORTHAMPTON COUNTY, INC. STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017 (WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

		2017			
		Temporarily	Permanently	То	tals
	Unrestricted	Restricted	Restricted	2017	2016
SERVICE FEE REVENUE					
Governmental service fees	\$ 1,045,628	\$ 0	\$ 0	\$1,045,628	\$1,014,474
Food service fees	1,472,977			1,472,977	1,439,747
Client service fees	275,962			275,962	273,163
Total Service Fee Revenue	2,794,567	0	0	2,794,567	2,727,384
PROGRAM SUPPORT					
Contributions	457,276	196,463	500	654,239	657,702
United Way	112,485			112,485	117,012
Total Program Support	569,761	196,463	500	766,724	774,714
OTHER INCOME					
Investment income	22,627	14,660		37,287	40,303
Unrealized gain (loss) on investments	48,456	24,811		73,267	(16,095)
Other income	450	1,567	841	2,858	2,153
Total Other Income	71,533	41,038	841	113,412	26,361
NET ASSETS RELEASED FROM					
RESTRICTIONS	192,801	(192,801)		0	0
Total Revenue, Support and					
Other Income	3,628,662	44,700	1,341	3,674,703	3,528,459
EXPENSES					
Program services	3,042,072			3,042,072	3,044,607
General and administrative	323,157			323,157	297,935
Fund-raising	202,302			202,302	185,522
Total Expenses	3,567,531	0	0	3,567,531	3,528,064
CHANGE IN NET ASSETS	61,131	44,700	1,341	107,172	395
NET ASSETS, JULY 1	2,215,032	196,081	303,498	2,714,611	2,714,216
NET ASSETS, JUNE 30	\$ 2,276,163	\$ 240,781	\$ 304,839	\$2,821,783	\$2,714,611

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

#### MEALS ON WHEELS OF NORTHAMPTON COUNTY, INC. STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2017 (WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	<b>Program Services</b>								<b>Total Expenses</b>							
	1	Client Services		olunteer Services	Food Services		Food Services		Total ProgramGeneral andServicesAdministrativeFund-Raising		Fund-Raising		2017		2016	
Salaries and wages	\$	273,485	\$	120,339	\$	559,807	\$	953,631	\$	173,500	\$	131,310	\$	1,258,441	\$	1,171,780
Employee benefits		59,440		16,599		101,773		177,812		26,090		17,087		220,989		252,195
Payroll taxes		24,239		11,572		60,929		96,740		15,224		11,847		123,811		111,410
Food and kitchen						1,460,823		1,460,823						1,460,823		1,409,614
Supplies		37,321				7,043		44,364		28,823		1,013		74,200		88,932
Telephone		3,310						3,310		1,392		1,392		6,094		5,875
Postage		1,839						1,839		1,829		4,227		7,895		7,795
Utilities		8,260				25,058		33,318		9,072		246		42,636		41,219
Property insurance		5,002				10,203		15,205		5,002				20,207		21,696
Repairs and maintenance		6,929				30,455		37,384		16,890		2,480		56,754		94,838
Travel and delivery		5,785				31,800		37,585		3				37,588		39,000
Professional fees								0		28,010				28,010		28,301
Printing and publications		7,820						7,820				2,600		10,420		5,949
Conferences		3,503				899		4,402		3,890				8,292		7,815
Dues								0		4,668				4,668		4,740
Advertising						1,145		1,145		1,425		21,727		24,297		43,676
Volunteer services				9,338				9,338						9,338		10,382
Depreciation		15,309				142,047		157,356		7,339		8,373		173,068		181,764
Loss on disposal of equipment								0						0		1,083
	\$	452,242	\$	157,848	\$	2,431,982	\$	3,042,072	\$	323,157	\$	202,302	\$	3,567,531	\$	3,528,064

#### MEALS ON WHEELS OF NORTHAMPTON COUNTY, INC. STATEMENTS OF CASH FLOWS

	Years Ended June 30,			ed
		2017	/	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from governmental contracts	\$	1,043,169	\$	927,503
Cash received from program service fees		1,779,656		1,695,234
Cash received from program support		803,282		715,324
Cash paid for employees		(1,594,086)	(	(1,550,375)
Cash paid for occupancy and maintenance		(133,787)		(171,464)
Cash paid to vendors and purchased services		(1,630,436)	(	(1,564,205)
Net Cash Provided by Operating Activities		267,798		52,017
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of capital assets		(117,791)		(160,388)
Purchases of investments, net of proceeds from sales		(37,695)		(40,228)
Net Cash Used in Investing Activities		(155,486)		(200,616)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from line of credit		50,089		52,116
Payments on line of credit		(50,089)		(52,116)
Net Cash Used in Financing Activities		0		0
NET INCREASE (DECREASE) IN CASH		112,312		(148,599)
CASH, JULY 1		150,785		299,384
CASH, JUNE 30	\$	263,097	\$	150,785
<b>RECONCILIATION OF CHANGES IN NET A</b> TO NET CASH PROVIDED BY OPERATING AC	CTI	VITIES		
CHANGES IN NET ASSETS	\$	107,172	\$	395
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation		173,068		181,764
Unrealized (gain) loss on investments		(73,267)		16,095
Loss on disposal of assets		0		1,083
Cash value of life insurance		(841)		(641)
Changes in operating assets and liabilities		10.005		
(Increase) decrease in contributions receivable		19,096		(77,486)
(Increase) decrease in service fees receivable		47,161		(86,551)
Increase in promise to give		(10,000)		0
Decrease in prepaid expenses		200		41 5 106
(Increase) decrease in food stores inventory Increase in accounts payable		(5,335) 2,955		5,196 28,623
Increase (decrease) in accrued payroll		10,059		(17,850)
(Decrease) increase in compensated absences		(903)		2,860
Decrease in gift annuity		(1,567)		(1,512)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$		\$	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW I	NFC	RMATION		
Donated services and materials	\$	10,823	\$	23,201

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

# NOTE 1 Nature and Purpose of the Organization

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 on October 12, 1971 to assist in the providing for nutritional needs of the expanding population of elderly, disabled and homebound persons of all ages.

# NOTE 2 Summary of Significant Accounting Policies

# **Financial Statement Presentation**

The financial statements include certain prior year summarized comparative information in total but not by net asset classes. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

# **Basis of Accounting**

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

# Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

**Unrestricted Net Assets** – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the actions of the Board of Directors.

**Temporarily Restricted Net Assets** – subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Directors or become unrestricted at the date specified by the donor.

**Permanently Restricted Net Assets** – subject to donor-imposed stipulations that are to be maintained permanently. Generally, donors permit the income earned on the related investments to be used for general or specific purposes.

# <u>Cash</u>

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

# Contributions, Service Fees Receivable, and Promise to Give

Unconditional promises to give from private foundations, organizations and individuals are recognized in the financial statements as income and contributions receivable when made. Conditional promises to give are recognized as income when the conditions are met.

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

### Contributions, Service Fees Receivable, and Promise to Give (Continued)

All contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions, in the year in which the revenue is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible contributions and service fees receivable. 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 and service fees receivable are considered to be realizable at the amounts stated in the accompanying statements of financial position and no allowance for uncollectible accounts was considered necessary.

#### **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. The Organization recorded bequests meeting the above conditions of \$1,908 and \$37,104 for the years ended June 30, 2017 and 2016, respectively.

# **Inventory**

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

# 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.

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

#### Valuation of Investments in Securities at Fair Value (Continued)

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 - V aluations based on inputs that are unobservable and significant to the overall fair value measurement.

### **Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Equipment, furniture and fixtures are carried at cost, less accumulated depreciation. The Organization capitalizes fixed assets with an original cost in excess of \$500. 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 3 to 40 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.

### **Advertising**

Advertising costs are charged to operations when incurred. Total advertising costs for the years ended June 30, 2017 and 2016 were \$24,297 and \$43,676, respectively. For the years ended June 30, 2017 and 2016, and included in total advertising costs, the Organization received \$0 and \$9,688, respectively, of in-kind advertising.

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

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other 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.

### **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 taxexempt 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, 2017 and 2016, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

# <u>Estimates</u>

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** Concentration of Credit Risk

The Organization maintains cash balances at one commercial bank and a major brokerage firm. The amounts at the commercial bank 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. At times during the year, the Organization's accounts may be in excess of federally insured limits. At June 30, 2017 and 2016 management believes that the Organization is not exposed to any significant risk on its cash balances.

The Organization relies on various contracts with government agencies and local businesses to support its program. During the years ended June 30, 2017 and 2016, the Organization received 38% and 39%, respectively, of its total revenue and support from two such contracts. It is always considered reasonable that grantors and contributors may be lost in the near term.

### **NOTE 4 Promise to Give**

In June 2017, the Organization received an unconditional promise to give for \$15,000 with expected payments to be provided over a two year period. The related promise to give balance as of June 30, 2017 was \$10,000.

# **NOTE 5 Property and Equipment**

	June 30				
	2017	2016			
Land, buildings and improvements	\$ 1,493,089	\$ 1,491,797			
Construction in progress	104,307	8,452			
Equipment	945,004	924,360			
Vehicles	288,143	288,143			
	2,830,543	2,712,752			
Less accumulated depreciation	1,743,264	1,570,196			
	\$ 1,087,279	\$ 1,142,556			

Depreciation expense was \$173,068 and \$181,764 for the years ended June 30, 2017 and 2016, respectively.

### NOTE 6 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). All investments held at June 30, 2017 and 2016 are considered Level 1 investments, and are summarized as follows:

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	June 30,				
	2017	2016			
Unrestricted-board designated					
Money market funds	\$ 10,218	\$ 10,200			
Mutual funds	781,367	689,785			
	791,585	699,985			
Temporarily restricted					
Money market funds	1,510	1,508			
Mutual funds	82,437	63,577			
	83,947	65,085			
Permanently restricted					
Mutual funds	236,751	236,251			
	\$ 1,112,283	\$ 1,001,321			

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 7** 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). Contributions provided for either endowment require the Organization to maintain the principal in perpetuity. The endowment established by the Organization's open campaign restricts the use of all gains, losses, interest and dividends for current operating expenses. The endowment for client support restricts the use of all gains, losses, interest and dividends are reported as temporarily restricted net assets until expended and the contributions to the endowments are recorded as permanently restricted net assets.

# **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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent 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 classified in permanently restricted net assets is classified as temporarily restricted net assets 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, 2017 and 2016, the Organization adopted a 7% appropriation on the True Endowment and a 3% appropriation on the Compassionate Care endowment.

# **NOTE 7 Endowment (Continued)**

The activity and net asset classification of these endowments for the years ended June 30, 2017 and 2016 is as follows:

	nporarily estricted	Permanently Restricted		Total
Endowment net assets at June 30, 2015	\$ 76,939	\$	235,251	\$ 312,190
Contributions			1,000	1,000
Appropriations	(19,287)			(19,287)
Investment return Interest and dividends Unrealized loss Total investment return	 13,741 (6,308) 7,433		0	 13,741 (6,308) 7,433
Endowment net assets at June 30, 2016	\$ 65,085	\$	236,251	\$ 301,336
Contributions Appropriations	(20,609)		500	500 (20,609)
Investment return Interest and dividends Unrealized gain Total investment return	 14,660 24,811 39,471		0	 14,660 24,811 39,471
Endowment net assets at June 30, 2017	\$ 83,947	\$	236,751	\$ 320,698

# NOTE 8 Lines of Credit

The Organization has a \$150,000 revolving line of credit secured by all business assets of the Organization. This line of credit expires June 2018 and interest on outstanding borrowings is payable at the bank's variable prime rate of interest, with a minimum floor of 4.0% (4.0% at June 30, 2017 and 2016). There were no borrowings against the line as of June 30, 2017 and 2016, respectively.

The Organization also has a \$100,000 equipment line of credit secured by any equipment purchased under the agreement. This line of credit expires June 2018. When an advance is made, it converts to a note payable with a sixty-month term and fixed interest rate determined on the date of the advance. No advances were made on this line of credit during the years ended June 30, 2017 and 2016, respectively.

# **NOTE 9** Governmental Fees

Revenue from governmental fees consisted of the following:

	June 30			
	2017	2016		
County of Northampton				
Area Agency on Aging	\$ 518,744	\$ 458,818		
HSDF	79,157	69,584		
County of Lehigh				
Area Agency on Aging	60,803	55,692		
HSDF	6,973	8,912		
Congregate	226,610	251,194		
State of Pennsylvania				
Waiver program	153,341	170,274		
	\$ 1,045,628	\$ 1,014,474		

#### NOTE 10 Interest in Gift Annuity

The Organization received a 50% interest in a gift annuity held at the Presbyterian Foundation. These funds are held as a temporarily restricted net asset until the donor's death at which time the monies will be released to the endowment funds.

#### **NOTE 11 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. No amounts have been included in the financial statements for these services since the recognition criteria are not met.

The Organization recognized revenue for services rendered and assets donated during the fiscal years ended June 30, 2017 and 2016, with the fair value of those services and materials as follows:

	June 30			
	2017		2016	
Billboard advertising	\$	0 \$	9,688	
Bi-annual gala		0	4,067	
Fundraising efforts	2,74	5	2,938	
Volunteer gifts	76	6	1,248	
Client gift and services	6,01	0	0	
Maintenance	15	7	323	
Office supplies	8	0	80	
Food and kitchen supplies	1,06	5	4,857	
	\$ 10,82	3 \$	23,201	

# NOTE 12 Retirement Plans

The Organization has a defined contribution simplified employee retirement plan covering substantially all of its employees. The expense is computed at a rate of 10% of the participating employees' salaries. The Organization's contribution expense for the years ended June 30, 2017 and 2016 were \$97,863 and \$99,753, 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.

# NOTE 13 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	June 30				
		2017		2016	
Gift annuity	\$	11,311	\$	9,744	
Meal assistance fund		45,533		58,200	
Compassionate care fund		157		424	
Time or use restrictions on grants		99,833		62,361	
Gain on restricted investments		83,947		65,352	
	\$	240,781	\$	196,081	

# NOTE 14 Permanently Restricted Net Assets

Permanently restricted net assets are maintained in perpetuity and investment income is recorded as temporarily restricted income. Permanently restricted net assets consist of mutual fund investments and the cash value of two insurance policies. Permanently restricted net asset activity consisted of the following:

	June 30				
		2017		2016	
Beginning balance	\$	303,498	\$	302,857	
Change in value of insurance policies		841		641	
Contribution to endowments		500		0	
	\$	304,839	\$	303,498	

# **NOTE 15** Related Party Contributions

The Organization receives contributions from its various board members. Contributions received from these related parties during the years ended June 30, 2017 and 2016 totaled \$11,582 and \$16,042, respectively.

### NOTE 16 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.

### NOTE 17 Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 20, 2017, the date the financials were available to be issued. No events or transactions occurred that would require recognition or disclosure in the financial statements.



# INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of Meals on Wheels of Northampton County, Inc.

We have audited the statement of financial position of Meals on Wheels of Northampton County, Inc. as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and have issued our report thereon dated September 20, 2017, 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 September 20, 2017

# MEALS ON WHEELS OF NORTHAMPTON COUNTY, INC. SCHEDULE OF GOVERNMENT CONTRACTS YEAR ENDED JUNE 30, 2017

	Contract Maximum		 Billings	Units of Service (Meals)
County of Northampton				
Area Agency on Aging				
Meals	\$	517,500	\$ 516,244	87,174
Personnel costs - driver		2,500	2,500	N/A
Reimbursement of other costs		37,000	37,000	N/A
Human Services Development Fund		82,000	79,157	14,692
County of Lehigh				
Area Agency on Aging				
Meals		61,000	58,985	7,658
Reimbursement of other costs		1,818	1,818	N/A
Human Services Development Fund		8,500	6,973	913
Congregate Meals		Unlimited	226,610	38,539
State of Pennsylvania				
Waiver program		Unlimited	153,341	27,830