

**AUDITED
CONSOLIDATED FINANCIAL STATEMENTS**

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

DECEMBER 31, 2018

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Statements of Financial Position.....	3
Statement of Activities and Changes in Net Assets - 2018.....	4
Statement of Activities and Changes in Net Assets - 2017.....	5
Statements of Cash Flows.....	6
Statement of Functional Expenditures - 2018.....	7
Statement of Functional Expenditures - 2017.....	8
Notes to the Consolidated Financial Statements	9 - 21
Consolidating Supplementary Information:	
Statement of Financial Position.....	22
Statement of Activities and Changes in Net Assets.....	23
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards	24
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	25 - 26
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	27 - 28
Schedule of Findings and Questioned Costs	29 - 30
Schedule of Prior Year Findings and Questioned Costs	31



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meals on Wheels for Western New York, Inc.
and Related Entity

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Meals on Wheels for Western New York, Inc. and Related Entity, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenditures for the years then ended, and the related notes to the consolidated financial statements, (collectively, the consolidated financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meals on Wheels for Western New York, Inc. and Related Entity as of December 31, 2018 and 2017, 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 Matter

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on page 24, and the consolidating supplementary information on pages 22 and 23, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019 on our consideration of Meals on Wheels for Western New York, Inc. and Related Entity'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 Meals on Wheels for Western New York, Inc. and Related Entity's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 24, 2019

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31,**

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents	\$ 1,432,347	\$ 2,063,049
Pledges receivable - operating, net	129,854	95,689
Grants and accounts receivable, net	856,107	1,020,140
Prepaid expenses	45,111	51,214
Total current assets	<u>2,463,419</u>	<u>3,230,092</u>
Investments	2,018,223	2,169,141
Land, building and equipment, net	5,616,846	5,701,114
Pledges receivable - operating, net	46,813	66,755
Assets whose use is limited	254,263	234,038
Total assets	<u><u>\$ 10,399,564</u></u>	<u><u>\$ 11,401,140</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 120,000	\$ 161,366
Accounts payable	400,804	648,389
Accrued expenses	186,119	153,859
Deferred revenue	-	30,769
Total current liabilities	<u>706,923</u>	<u>994,383</u>
Long-term debt	260,000	865,304
Total liabilities	<u>966,923</u>	<u>1,859,687</u>
Net assets:		
Without donor restrictions:		
Undesignated	8,905,248	8,799,277
Designated by Board	254,263	234,038
Total without donor restrictions	<u>9,159,511</u>	<u>9,033,315</u>
With donor restrictions	273,130	508,138
Total net assets	<u>9,432,641</u>	<u>9,541,453</u>
Total liabilities and net assets	<u><u>\$ 10,399,564</u></u>	<u><u>\$ 11,401,140</u></u>

See accompanying notes.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support:			
Federal, state and county grants	\$ 3,404,652	\$ -	\$ 3,404,652
Contributions:			
Client - home delivered meals	588,069	-	588,069
Client - congregate meals	469,084	-	469,084
Fundraising - operating	910,141	109,236	1,019,377
Private pay fees and other contracts	1,803,071	-	1,803,071
Rental income	416,778	-	416,778
Net assets released from restrictions	344,244	(344,244)	-
	<u>7,936,039</u>	<u>(235,008)</u>	<u>7,701,031</u>
Expenditures:			
Program services:			
Nutrition	5,839,711	-	5,839,711
Commissary	715,053	-	715,053
Supporting services:			
Management and general	677,638	-	677,638
Fundraising	421,453	-	421,453
Total expenditures	<u>7,653,855</u>	<u>-</u>	<u>7,653,855</u>
Income (loss) from operations	282,184	(235,008)	47,176
Other (loss) income:			
Interest expense	(23,628)	-	(23,628)
Investment income	91,183	-	91,183
Net realized gain on investment	53,160	-	53,160
Net unrealized loss on investment	(276,703)	-	(276,703)
Total other loss	<u>(155,988)</u>	<u>-</u>	<u>(155,988)</u>
Change in net assets	126,196	(235,008)	(108,812)
Net assets - beginning of year	<u>9,033,315</u>	<u>508,138</u>	<u>9,541,453</u>
Net assets - end of year	<u>\$ 9,159,511</u>	<u>\$ 273,130</u>	<u>\$ 9,432,641</u>

See accompanying notes.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support:			
Federal, state and county grants	\$ 3,270,957	\$ -	\$ 3,270,957
Contributions:			
Client - home delivered meals	666,386	-	666,386
Client - congregate meals	490,189	-	490,189
Fundraising - operating	1,370,914	328,193	1,699,107
Private pay fees and other contracts	1,916,952	-	1,916,952
Rental income	430,858	-	430,858
Net assets released from restrictions	277,987	(277,987)	-
	<u>8,424,243</u>	<u>50,206</u>	<u>8,474,449</u>
Total revenues and other support			
Expenditures:			
Program services:			
Nutrition	5,765,645	-	5,765,645
Commissary	707,996	-	707,996
Supporting services:			
Management and general	670,697	-	670,697
Fundraising	432,801	-	432,801
Total expenditures	<u>7,577,139</u>	<u>-</u>	<u>7,577,139</u>
Income from operations	847,104	50,206	897,310
Other (loss) income:			
Interest expense	(27,024)	-	(27,024)
Investment income	57,896	-	57,896
Net realized gain on investment	133,969	-	133,969
Net unrealized gain on investment	57,838	-	57,838
Total other income	<u>222,679</u>	<u>-</u>	<u>222,679</u>
Change in net assets	1,069,783	50,206	1,119,989
Net assets - beginning of year	<u>7,963,532</u>	<u>457,932</u>	<u>8,421,464</u>
Net assets - end of year	<u>\$ 9,033,315</u>	<u>\$ 508,138</u>	<u>\$ 9,541,453</u>

See accompanying notes.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31,**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (108,812)	\$ 1,119,989
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	362,827	324,464
Contributions restricted for purchasing equipment	(61,050)	(255,592)
Decrease in allowance for doubtful accounts	(14,120)	(96,292)
Net realized gain on investments	(53,160)	(133,969)
Net unrealized loss (gain) on investments	276,703	(57,838)
(Increase) decrease in pledges receivable - operating	(14,223)	52,129
Decrease (increase) in grants and accounts receivable	178,153	(9,520)
(Increase) decrease in prepaid expenses	6,103	(250)
(Decrease) increase in accounts payable	(247,585)	169,333
Increase (decrease) in accrued expenses	32,260	(7,770)
Decrease in deferred revenue	(30,769)	-
Net cash provided by operating activities	<u>326,327</u>	<u>1,104,684</u>
Cash flows from investing activities:		
Purchase of equipment	(278,559)	(290,845)
Purchase of investments	(750,263)	(908,695)
Increase in assets whose use is limited	(20,225)	(16,616)
Proceeds from sale of investments	677,638	850,466
Net cash used in investing activities	<u>(371,409)</u>	<u>(365,690)</u>
Cash flows from financing activities:		
Proceeds from capital campaign contributions and contributions restricted for purchasing equipment	61,050	255,592
Repayments on long-term debt	(646,670)	(160,414)
Net cash (used in) provided by financing activities	<u>(585,620)</u>	<u>95,178</u>
Net change in cash and cash equivalents	<u>(630,702)</u>	<u>834,172</u>
Cash and cash equivalents - beginning of year	<u>2,063,049</u>	<u>1,228,877</u>
Cash and cash equivalents - end of year	<u>\$ 1,432,347</u>	<u>\$ 2,063,049</u>
Supplemental disclosure of non-cash operating activities:		
Donated services	<u>\$ 18,554</u>	<u>\$ 22,027</u>
Donated goods	<u>\$ 24,551</u>	<u>\$ 37,231</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 23,628</u>	<u>\$ 27,024</u>

See accompanying notes.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
For the Year Ended December 31, 2018**

	Program Services			Supporting Services			2018 Total
	Nutrition	Commissary	Total	Management and General	Fund Raising	Total	
Contracted food service	\$ 4,381,602	\$ 231,776	\$ 4,613,378	\$ -	\$ -	\$ -	\$ 4,613,378
Salaries and wages	913,594	54,427	968,021	279,477	131,945	411,422	1,379,443
Depreciation	59,768	257,861	317,629	45,198	-	45,198	362,827
Fundraising and special events	-	-	-	-	147,760	147,760	147,760
Payroll taxes and benefits	83,081	5,896	88,977	37,697	14,293	51,990	140,967
Health insurance	71,612	6,723	78,335	36,286	16,298	52,584	130,919
Building and equipment repairs and maintenance	9,249	108,662	117,911	2,232	-	2,232	120,143
Bad debts	71,717	-	71,717	2,041	-	2,041	73,758
Travel	52,744	-	52,744	16,596	1,233	17,829	70,573
Printing	-	-	-	32,617	35,866	68,483	68,483
Insurance	16,009	29,670	45,679	16,111	-	16,111	61,790
Marketing and advertising	832	-	832	30,205	30,206	60,411	61,243
Accounting and legal	-	-	-	55,808	-	55,808	55,808
Contractual services	13,836	234	14,070	37,062	3,626	40,688	54,758
Software and IT services	31,813	-	31,813	19,628	-	19,628	51,441
Postage and mailing	9,003	-	9,003	7,581	31,170	38,751	47,754
Retirement plan	22,240	1,965	24,205	11,339	4,764	16,103	40,308
Utilities	12,249	16,804	29,053	3,513	-	3,513	32,566
Supplies	21,290	-	21,290	7,637	1,323	8,960	30,250
Communication	19,831	-	19,831	6,507	-	6,507	26,338
Volunteer relations	15,685	-	15,685	-	-	-	15,685
Miscellaneous	5,053	-	5,053	10,465	-	10,465	15,518
Office rent and building	11,880	-	11,880	3,407	-	3,407	15,287
Equipment rental	7,700	-	7,700	2,614	280	2,894	10,594
Staff development	4,744	390	5,134	3,485	1,694	5,179	10,313
Dues and subscriptions	1,670	-	1,670	5,934	995	6,929	8,599
Grants and awards	-	-	-	3,865	-	3,865	3,865
Gift in kind	2,509	645	3,154	333	-	333	3,487
	<u>\$ 5,839,711</u>	<u>\$ 715,053</u>	<u>\$ 6,554,764</u>	<u>\$ 677,638</u>	<u>\$ 421,453</u>	<u>\$ 1,099,091</u>	<u>\$ 7,653,855</u>

See accompanying notes.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
For the Year Ended December 31, 2017**

	Program Services			Supporting Services			2017 Total
	Nutrition	Commissary	Total	Management and General	Fund Raising	Total	
Contracted food service	\$ 4,328,896	\$ 261,015	\$ 4,589,911	\$ -	\$ -	\$ -	\$ 4,589,911
Salaries and wages	893,110	27,589	920,699	291,290	129,180	420,470	1,341,169
Depreciation	50,959	231,728	282,687	41,777	-	41,777	324,464
Fundraising and special events	-	-	-	-	162,505	162,505	162,505
Building and equipment repairs and maintenance	9,620	133,730	143,350	2,163	-	2,163	145,513
Payroll taxes and benefits	85,132	3,247	88,379	39,757	15,200	54,957	143,336
Health insurance	68,406	5,942	74,348	30,894	12,378	43,272	117,620
Bad debts	81,550	-	81,550	9,555	-	9,555	91,105
Printing	-	-	-	30,530	35,773	66,303	66,303
Marketing and advertising	165	-	165	33,064	32,273	65,337	65,502
Travel	45,561	-	45,561	17,242	1,161	18,403	63,964
Insurance	17,537	29,200	46,737	16,833	-	16,833	63,570
Retirement plan	31,994	2,303	34,297	14,078	4,798	18,876	53,173
Postage and mailing	12,428	-	12,428	8,632	30,134	38,766	51,194
Contractual services	12,084	-	12,084	32,900	3,094	35,994	48,078
Software and IT services	28,306	-	28,306	17,390	-	17,390	45,696
Accounting and legal	-	-	-	33,909	-	33,909	33,909
Supplies	20,614	-	20,614	8,325	1,131	9,456	30,070
Utilities	11,829	13,242	25,071	3,489	-	3,489	28,560
Communication	18,549	-	18,549	7,826	-	7,826	26,375
Volunteer relations	21,910	-	21,910	-	-	-	21,910
Office rent and building	11,828	-	11,828	3,490	-	3,490	15,318
Miscellaneous	3,519	-	3,519	8,155	-	8,155	11,674
Equipment rental	7,551	-	7,551	3,075	-	3,075	10,626
Gift in kind	-	-	-	9,100	-	9,100	9,100
Dues and subscriptions	1,500	-	1,500	3,208	2,244	5,452	6,952
Staff development	2,597	-	2,597	932	2,930	3,862	6,459
Grants and awards	-	-	-	3,083	-	3,083	3,083
	<u>\$ 5,765,645</u>	<u>\$ 707,996</u>	<u>\$ 6,473,641</u>	<u>\$ 670,697</u>	<u>\$ 432,801</u>	<u>\$ 1,103,498</u>	<u>\$ 7,577,139</u>

See accompanying notes.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations: Meals on Wheels for Western New York, Inc. (the Agency) operates as a not-for-profit organization in Western New York under Section 170 (b)(1)(a)(vi) of the Internal Revenue Code. Its primary function is the delivery of nutritious meals to home-bound elderly and disabled persons in the community. Meals on Wheels Foundation of Western New York, Inc. (the Foundation), an entity influenced by the Agency, is a public charity under Section 170(b)(1)(a)(vi) whose purpose is to raise, hold and invest funds for the Agency and other beneficiary organizations involved in the promotion of nutritious meals to home-bound individuals.

On August 9, 2018, the Agency and the Foundation along with The Food Bank of Western New York (The Food Bank) established a joint task force pursuant to a memorandum of understanding (MOU) to develop recommendations for an alliance. On February 27, 2019, the parties entered into an alliance agreement (see Note 15).

Principles of Consolidation: The consolidated financial statements include the accounts of Meals on Wheels Foundation of Western New York, Inc. and Meals on Wheels for Western New York, Inc. (collectively, the Organization). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation: The consolidated financial statements have been prepared on the accrual basis of accounting.

Accounting for Contributions Received and Contributions Made: In accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), the Organization recognizes contributions received as income and contributions made as expenses. The Organization recognizes all contributions received as income in the period received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled, 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. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions. The Organization recognizes contributions made as expenses in the period pledged or distributed.

Revenue Recognition: Support received under Federal, New York State and Erie County grants is recorded as revenue when the related costs of the nutrition program are incurred. Included in grants and accounts receivable on the consolidated statements of financial position is \$468,484 (\$479,285 - 2017) which represents amounts due to the Organization for reimbursement of costs incurred prior to the end of the year. There were no amounts received in advance classified as refundable advances related to grant revenue at December 31, 2018 and 2017.

Deferred revenue: Rental payments received in advance for use of the Organization's facilities are recorded as deferred revenue.

Income Tax Status: The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal or state income taxes has been reflected in the consolidated financial statements.

U.S. GAAP provides guidance on the financial statement recognition and measurement for income tax positions that the Organization has taken or expects to take. Corporations take many tax positions relative to tax laws, including those taken in determining whether the tax is due, a refund is owed, a tax return needs to be filed, or the characterization of income as taxable (for example, unrelated business income) or nontaxable. The Organization has not recorded any liabilities relating to uncertain tax positions.

The Organization files its Return of Organization Exempt from Income Tax in the U.S. federal jurisdiction and its Annual Filing of Charitable Organizations in New York State.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates: The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts.

Cash and Cash Equivalents: The Organization considers financial instruments with original maturities of three months or less to be cash equivalents.

Pledges Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value which approximates fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially satisfied. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the date of pledge. Amortization of the discount is included in contribution revenue. Management's estimate of an allowance for uncollectible pledges is based on historical collection rates and an analysis of the collectability of individual promises. Management determined that no allowance related to pledges receivable was necessary at December 31, 2018 and 2017, respectively.

Grants and Accounts Receivable: Accounts receivable are carried at amount invoiced or amounts due from grantors on cost reimbursement grants. Balances outstanding longer than 30 days are considered past due. The accounts receivable are reviewed periodically to determine the need for an allowance. Management has determined that an allowance of \$24,308 related to accounts receivable was necessary at December 31, 2018 (\$38,428 - 2017).

Fair Value Measurements: In accordance with Fair Value Measurements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. U.S. GAAP establishes a framework for measuring fair value of assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that Organization has ability to access.
- Level 2: Valuation is based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Valuation is based upon unobservable inputs that are significant to the fair value measurement.

Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics or inputs other than quoted prices that are observable for the security, and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within Level 3 of the valuation hierarchy.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Following is a description of valuation methodologies used at December 31, 2018 and 2017.

Mutual Funds: Valued at net asset value (NAV) of shares held at year-end, which is the basis for transactions at that date. Mutual funds are classified as Level 1 investments.

Corporate Equity Securities: Valued at closing price reported on the active market on which the individual securities are traded. Equity securities are classified as Level 1 investments.

Corporate Bonds and Notes: Valued based on yields currently available on comparable securities of issuers with similar credit ratings. Corporate bonds and notes are classified as Level 2 investments.

U.S. Treasury and Agency Bonds: Valued at the closing price reported on the active market on which the individual securities are traded. U.S. treasury and agency bonds are classified as Level 1 investments.

Other: Interest-bearing cash valued at cost plus interest and classified as a Level 1 investment.

Land, Building and Equipment: Land, building and equipment are recorded at cost and depreciated using the straight-line method over the assets' estimated useful lives. Routine repairs and maintenance costs are expensed as incurred.

Accounting principles generally accepted in the United States of America require that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There was no impairment noted for the years ended December 31, 2018 and 2017.

Advertising: The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense amounted to \$832 for the year ended December 31, 2018 (\$955 - 2017).

Concentration of Risk: The Organization maintains its excess cash primarily in savings and checking accounts at several financial institutions. Although certain cash accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institutions and reviews their performance periodically.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

The Organization relies on one company for meal preparation. Management does not anticipate nonperformance by the company.

The Organization receives approximately 58% (52% - 2017) of its revenues and other support from federal, state and county sources, including client contributions, and the loss of any one of these sources would have a material adverse effect on the Organization. Effective January 1, 2014, the Organization has entered into two separate agreements (the Agreements) with the Erie County Department of Senior Services (the County) to provide home delivered meals and congregate meals, respectively. The Agreements are each for a term of three years commencing on January 1, 2014 and terminating on December 31, 2016, subject to annual appropriation. The County in its sole discretion may extend the Agreements beyond their initial terms for up to two additional one year periods subject to the terms of Agreements. The Agreements were renewed through December 31, 2021 (see Note 15).

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets: The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization's governing board has designated net assets without donor restrictions for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Building capital repairs, upgrades, replacements and property expense reimbursements.	\$ 251,004	\$ 234,038
Food Bank of WNY Alliance	<u>3,259</u>	-
Total	<u>\$ 254,263</u>	<u>\$ 234,038</u>

Net Assets With Donor Restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions: All revenues and net gains are reported as increases in net assets without donor restrictions in the consolidated statement of activities and changes in net assets unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Endowment and Long-term Investments: Endowment investments consist of investments purchased with the following resources:

- Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Organization's activities.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources. Endowment investments are reported at fair value with changes to fair value reported as investment return in the statement of activities. Purchases and sales of investments are reported on the trade date. The investment and spending policies for the Endowment Fund are discussed in Note 10.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense recognition and allocation: The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, salaries and benefits, which are allocated on the basis of estimates of time and effort. Every year the basis on which costs are allocated are evaluated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising.

Change in Accounting Principles: The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the consolidated financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (see Note 4).

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 9,033,315	\$ -
Temporarily restricted net assets	487,648	-
Permanently restricted net assets	20,490	-
Net assets without donor restrictions	-	9,033,315
Net assets with donor restrictions	-	508,138
Total net assets	<u>\$ 9,541,453</u>	<u>\$ 9,541,453</u>

Recently Issued Accounting Pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The ASU is effective for periods beginning after December 15, 2018. The Organization is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

NOTE 2. GRANTS AND ACCOUNTS RECEIVABLE

The grants and accounts receivable consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Due from Erie County	\$ 468,484	\$ 479,285
Due from private pay contracts	352,812	496,899
Other	<u>59,119</u>	<u>82,384</u>
	880,415	1,058,568
Less allowance for doubtful accounts	<u>24,308</u>	<u>38,428</u>
	<u>\$ 856,107</u>	<u>\$ 1,020,140</u>

NOTE 3. PLEDGES RECEIVABLE

Pledges receivable, net of present value discount, are summarized as follows at December 31:

Pledges expected to be collected in:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 134,100	\$ 99,657
One to five years	60,975	74,253
More than five years	<u>20,000</u>	<u>30,000</u>
	215,075	203,910
Less present value discount	<u>38,408</u>	<u>41,466</u>
	176,667	162,444
Less current portion, net of discount	<u>129,854</u>	<u>95,689</u>
	46,813	66,755
Long-term portion, net of discount	<u>\$ 46,813</u>	<u>\$ 66,755</u>

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Financial assets available for expenditure:

Cash and cash equivalents	\$ 1,432,347
Pledges receivable - operating, net	129,854
Grants and accounts receivable, net	856,107
Investments	<u>2,018,223</u>
Total financial assets	4,436,531

Less financial assets held to meet board and donor-imposed restrictions:

Purpose-restricted net assets (see Note 9)	273,130
Board-designated net assets	<u>254,253</u>

Amount available for general expenditures within one year \$ 3,909,148

Additional working capital needs related to core programs and capital expenditures can be funded through philanthropic efforts of the Foundation. The Organization currently holds unrestricted investments which can be used for additional liquidity purposes.

NOTE 5. INVESTMENTS

Investments are carried at fair value. Net realized gain and unrealized losses which are reported in the consolidated statement of activities and changes in net assets for the year ended December 31, 2018 amounted to \$53,160 and \$276,703, respectively. Net realized and unrealized gains which were reported in the consolidated statement of activities and changes in net assets for the year ended December 31, 2017 amounted to \$133,969 and \$57,838, respectively. The Organization has measured its investments at fair value on a recurring basis.

Investments consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>
Corporate equity securities	\$ 699,403	\$ 769,609
Mutual funds	967,473	901,165
Bonds	311,655	311,248
Other	<u>36,201</u>	<u>36,201</u>
	<u>\$ 2,014,732</u>	<u>\$ 2,018,223</u>
	 <u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>
Corporate equity securities	\$ 748,761	\$ 968,159
Mutual funds	744,272	810,910
Bonds	336,053	336,140
Other	<u>53,932</u>	<u>53,932</u>
	<u>\$ 1,883,018</u>	<u>\$ 2,169,141</u>

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (CONTINUED)

The following tables set forth financial assets measured at fair value in the consolidated statements of financial position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2018 and 2017:

	Assets at Fair value			Total
	As of December 31, 2018			
	Level 1	Level 2	Level 3	
Corporate equity securities:				
Domestic stocks	\$ 615,577	\$ -	\$ -	\$ 615,577
Foreign stocks	154,032	-	-	154,032
Mutual funds	901,165	-	-	901,165
Corporate bonds and notes	-	59,243	-	59,243
US Treasury and Agency bonds	252,005	-	-	252,005
Other	<u>36,201</u>	<u>-</u>	<u>-</u>	<u>36,201</u>
Total assets at fair value	<u>\$ 1,958,980</u>	<u>\$ 59,243</u>	<u>\$ -</u>	<u>\$ 2,018,223</u>

	Assets at Fair value			Total
	As of December 31, 2017			
	Level 1	Level 2	Level 3	
Corporate equity securities:				
Domestic stocks	\$ 856,997	\$ -	\$ -	\$ 856,997
Foreign stocks	111,162	-	-	111,162
Mutual funds	810,910	-	-	810,910
Corporate bonds and notes	-	71,408	-	71,408
US Treasury and Agency bonds	264,732	-	-	264,732
Other	<u>53,932</u>	<u>-</u>	<u>-</u>	<u>53,932</u>
Total assets at fair value	<u>\$ 2,097,733</u>	<u>\$ 71,408</u>	<u>\$ -</u>	<u>\$ 2,169,141</u>

NOTE 6. GIFT IN TRUST

The Organization established an endowment with a local community foundation through a gift in trust. It was the intention of the Organization that the principal not be invaded, unless approved by a two-thirds vote by the Board of Directors of both the Organization and the community foundation. The fair value of this endowment fund held by the community foundation was approximately \$155,700 at December 31, 2018 (\$166,200 - 2017). These amounts are not reflected on the consolidated financial statements, since the Organization does not have exclusive power over the funds. Income received related to the endowment fund is included in net assets without donor restrictions.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. LAND, BUILDING AND EQUIPMENT

Land, building and equipment are comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 31,614	\$ 31,614
Building	5,373,901	5,373,901
Leasehold improvements	63,845	63,845
Furniture, fixtures and equipment	2,927,086	2,651,588
Automobiles	96,261	96,261
Construction in progress	<u>10,000</u>	<u>10,000</u>
	8,502,707	8,227,209
Less accumulated depreciation	<u>2,885,861</u>	<u>2,526,095</u>
	<u>\$ 5,616,846</u>	<u>\$ 5,701,114</u>

Asset categories and related estimated useful lives are as follows:

Building	39 - 40 years
Leasehold improvements	15 - 35 years
Furniture, fixtures and equipment	5 - 7 years
Automobiles	5 years

Depreciation expense amounted to \$362,827 for the year ended December 31, 2018 (\$324,464 - 2017).

NOTE 8. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Subsidized term note with financial institution under New York State Energy Research and Development Authority, repaid during 2018	\$ -	\$ 526,670
Unsecured loan agreement from John R. Oshei Foundation. The loan did not bear interest until March 2012 when monthly principal payments commenced in the amount of \$10,000 plus 3% interest. The loan is due in March 2022. The note is entered into by the Foundation and guaranteed by the Agency.	<u>380,000</u>	<u>500,000</u>
	380,000	1,026,670
Less current portion	<u>120,000</u>	<u>161,366</u>
	<u>\$ 260,000</u>	<u>\$ 865,304</u>

The scheduled future maturities of long-term debt for years subsequent to December 31, 2019 are as follows:

2020	\$ 120,000
2021	120,000
2022	<u>20,000</u>
Total	<u>\$ 260,000</u>

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, net assets with donor restrictions are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Purpose restrictions, available for spending:		
Commissary equipment and improvements	\$ 86,801	\$ 280,592
Meal delivery equipment	62,978	65,055
Other	<u>25,567</u>	<u>45,186</u>
Total purpose-restricted net assets	<u>175,346</u>	<u>390,833</u>
Time restrictions:		
Pledges made for future periods	77,294	96,815
Endowment funds	<u>20,490</u>	<u>20,490</u>
Total net assets with donor restrictions	<u>\$ 273,130</u>	<u>\$ 508,138</u>

NOTE 10. ENDOWMENTS

The Organization's endowment consists of four individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted New York State Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor instructions to the contrary. As a result of this interpretation, the Organization classifies the following amounts as donor-restricted net assets in the accompanying financial statements:

- The original value of gifts donated to the endowment;
- The original value of the subsequent gifts to the endowment;
- 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; and
- The actuarial value of charitable trust gifts donated to the endowment.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The following is a summary of the Organization's endowment net asset composition by type of fund as of December 31, 2018 and 2017:

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. ENDOWMENTS (CONTINUED)

	2018		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 20,490	\$ 20,490
Board designated endowment funds	-	-	-
Total endowment net assets	<u>\$ -</u>	<u>\$ 20,490</u>	<u>\$ 20,490</u>

	2017		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 20,490	\$ 20,490
Board designated endowment funds	-	-	-
Total endowment net assets	<u>\$ -</u>	<u>\$ 20,490</u>	<u>\$ 20,490</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies as of December 31, 2018 or 2017. Deficiencies would result from unfavorable market fluctuations that occur after the investment of donor-restricted contributions and continued appropriation for certain activities that are deemed prudent by the Organization.

NOTE 11. RETIREMENT PLAN

The Organization participates in a 403(b) Thrift Plan. Eligible employees receive an allocation equal to the pro rata share of any discretionary employer base contributions made for the plan year. Allocations of the employer base contributions are based on participant's compensation as it relates to total compensation of plan participants. Employees who are age 21 or older and work at least 1,000 hours per year are eligible for pro rata share of employer base contributions after one year of employment. During the year ended December 31, 2018, the Organization contributed approximately \$40,300 to the 403(b) Plan (\$53,200 - 2017).

NOTE 12. DONATED GOODS AND SERVICES

In accordance with U.S. GAAP, contributed services are those services that would otherwise be required to be purchased had they not been contributed. There are approximately \$19,000 (\$22,000 - 2017) of such specialized services and approximately \$25,000 (\$37,000 - 2017) of donated goods reflected in the consolidated financial statements at December 31, 2018.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. RELATED PARTY TRANSACTIONS

The Agency has entered into a lease agreement (the Lease) with the Foundation to rent office space at the facility. The Lease included a base rent of \$1,414 per month for the year ended December 31, 2018 (\$1,385 - 2017). Base rent expense to the Foundation amounted to \$16,966 for the year ended December 31, 2018 (\$16,616 - 2017). In addition to the base rent, the Agency must pay for property expenses not to exceed \$43,006 for the year ended December 31, 2018 (\$42,118 - 2017) (originally \$30,000, adjusted in accordance with increase in the base rent). Any property expense in excess of the \$43,006 (\$42,118 - 2017) will be reimbursed by the Foundation to the Agency, up to the amount of base rent paid by the Agency for the preceding lease year. These expenses include but are not limited to property taxes, insurance, and all costs and expenses in connection with management, operation and maintenance of the facility. On an annual basis, the base rent and property expenses will be reviewed and adjusted, if necessary, according to changes in the Consumer Price Index.

The expenses were reviewed for the year ended December 31, 2018 and 2017, resulting in no receivable from the Foundation. The Lease expires October 31, 2049. The aforementioned transactions above have been eliminated in the consolidated financial statements.

NOTE 14. COMMISSARY LEASE COMMITMENT

During November 2013, the Foundation entered into a lease agreement for the commissary building and meal production equipment with Compass Group USA, Inc. (Bateman). The lease was for a term of 60 months with a renewal option for one additional period of five years. The lease provided for annual base rent of \$100,000 and an additional base rent of \$250,000 per year after the year of commencement. The additional base rent increases 2.5% per year through the end of the lease term. The Organization recognizes total rental income under the lease on a straight line basis over the five year term. Bateman is responsible for its pro-rata share of utilities based upon square footage of the commissary to the total building. Base rental income under this agreement amounted to \$364,459 during the year ended December 31, 2018 and 2017. The lease was renewed effective January 1, 2019 for a term of 24 months with a renewal option for one additional period of three years. At December 31, 2018, future minimum lease payments receivable under operating leases are as follows:

2019	\$ 382,852
2020	<u>389,923</u>
	<u>\$ 772,775</u>

Property held for lease to others under operating leases consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Building	\$ 4,330,783	\$ 4,330,783
Equipment	<u>2,421,081</u>	<u>2,160,694</u>
	6,751,864	6,491,477
Less accumulated depreciation	<u>2,088,973</u>	<u>1,841,353</u>
	<u>\$ 4,662,891</u>	<u>\$ 4,650,124</u>

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. SUBSEQUENT EVENTS

On January 1, 2019 the Agency entered into two separate agreements (the Agreements) with the Erie County Department of Senior Services (the County) to provide home delivered meals and congregate meals, respectively. The Agreements are each for a term of three years commencing on January 1, 2019 and terminating on December 31, 2021, subject to annual appropriation. The County in its sole discretion may extend the Agreements beyond their initial terms for up to two additional one year periods subject to the terms of Agreements.

On February 27, 2019, the Boards of the Agency, the Foundation and the Food Bank of Western NY, Inc. (the Food Bank) contemporaneously approved and entered into a plan of merger. Under the plan of merger the Agency will merge into the Food Bank with the new merged entity being called FeedMore Western New York, Inc., (FeedMore WNY). The Foundation will become FeedMore Foundation of Western New York, Inc., (FeedMore Foundation WNY). The merger requires approval of the New York State Attorney General and will be effective once approved. Until approval, both the Food Bank and the Agency are registered with New York State to also operate as FeedMore WNY and the Foundation is registered with New York State to also operate as FeedMore Foundation of WNY.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2018**

ASSETS	Meals on Wheels for Western New York, Inc.	Meals on Wheels Foundation of Western New York, Inc.	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 1,198,611	\$ 233,736	\$ -	\$ 1,432,347
Pledges receivable - operating, net	-	129,854	-	129,854
Grants and accounts receivable, net	849,721	34,849	(28,463)	856,107
Prepaid expenses	33,955	11,156	-	45,111
Total current assets	<u>2,082,287</u>	<u>409,595</u>	<u>(28,463)</u>	<u>2,463,419</u>
Investments	-	2,018,223	-	2,018,223
Land, building and equipment, net	283,882	5,332,964	-	5,616,846
Pledges receivable - operating, net	-	46,813	-	46,813
Assets whose use is limited	-	254,263	-	254,263
Total assets	<u>\$ 2,366,169</u>	<u>\$ 8,061,858</u>	<u>\$ (28,463)</u>	<u>\$ 10,399,564</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 120,000	\$ -	\$ 120,000
Accounts payable	362,527	66,740	(28,463)	400,804
Accrued expenses	117,991	68,128	-	186,119
Total current liabilities	<u>480,518</u>	<u>254,868</u>	<u>(28,463)</u>	<u>706,923</u>
Long-term debt	-	260,000	-	260,000
Total liabilities	<u>480,518</u>	<u>514,868</u>	<u>(28,463)</u>	<u>966,923</u>
Net assets:				
Without donor restrictions:				
Undesignated	1,798,483	7,106,765	-	8,905,248
Designated by Board	-	254,263	-	254,263
Total without donor restrictions	<u>1,798,483</u>	<u>7,361,028</u>	<u>-</u>	<u>9,159,511</u>
With donor restrictions	87,168	185,962	-	273,130
Total net assets	<u>1,885,651</u>	<u>7,546,990</u>	<u>-</u>	<u>9,432,641</u>
Total liabilities and net assets	<u>\$ 2,366,169</u>	<u>\$ 8,061,858</u>	<u>\$ (28,463)</u>	<u>\$ 10,399,564</u>

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018**

	<u>Meals on Wheels for Western New York, Inc.</u>	<u>Meals on Wheels Foundation of Western New York, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and other support:				
Federal, state and county grants	\$ 3,404,652	\$ -	\$ -	\$ 3,404,652
Contributions:				
Client - home delivered meals	588,069	-	-	588,069
Client - congregate meals	469,084	-	-	469,084
Fundraising - operating	86,388	932,989	-	1,019,377
Private pay fees and other contracts	1,568,520	234,551	-	1,803,071
Rental income	-	416,778	-	416,778
Total revenues and other support	<u>6,116,713</u>	<u>1,584,318</u>	<u>-</u>	<u>7,701,031</u>
Expenditures:				
Program services:				
Nutrition	5,852,896	-	(13,185)	5,839,711
Commissary	-	715,053	-	715,053
Supporting services:				
Management and general	304,927	376,492	(3,781)	677,638
Fundraising	-	421,453	-	421,453
Total expenditures	<u>6,157,823</u>	<u>1,512,998</u>	<u>(16,966)</u>	<u>7,653,855</u>
(Loss) income from operations	(41,110)	71,320	16,966	47,176
Other (loss) income:				
Interest expense	-	(23,628)	-	(23,628)
Investment income	5,840	85,343	-	91,183
Rental income - related party	-	16,966	(16,966)	-
Net realized gain on investment	-	53,160	-	53,160
Net unrealized loss on investment	-	(276,703)	-	(276,703)
Total other income (loss)	<u>5,840</u>	<u>(144,862)</u>	<u>(16,966)</u>	<u>(155,988)</u>
Change in net assets	(35,270)	(73,542)	-	(108,812)
Net assets - beginning of year	<u>1,920,921</u>	<u>7,620,532</u>	<u>-</u>	<u>9,541,453</u>
Net assets - end of year	<u>\$ 1,885,651</u>	<u>\$ 7,546,990</u>	<u>\$ -</u>	<u>\$ 9,432,641</u>

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Passed through to Sub-recipients</u>	<u>Federal Expenditures</u>
Aging Cluster: U.S. Department of Health and Human Services				
Erie County Department of Senior Services: Title IIIC2	93.045	163111-C-22016	\$ -	\$ 1,071,220
Cash in lieu	93.053	163NSIPI516	-	710,231
Total Aging Cluster			-	1,781,451
Other Programs: U.S. Department of Health and Human Services Erie County Department of Social Services:				
Title XX	93.667	15-3080-SW/pms 3853	-	66,852
Total Other Programs			-	66,852
Total Federal Awards Expended			\$ -	\$ 1,848,303

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity for all programs of Meals on Wheels for Western New York, Inc. and Related Entity under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Organization's consolidated financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Meals on Wheels for Western New York, Inc.
and Related Entity

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 consolidated financial statements of Meals on Wheels for Western New York, Inc. and Related Entity, which comprise the consolidated statements of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenditures for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Meals on Wheels for Western New York, Inc. and Related Entity'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meals on Wheels for Western New York, Inc. and Related Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels for Western New York, Inc. and Related Entity'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 entity'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 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. 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 Meals on Wheels for Western New York, Inc. and Related Entity's consolidated financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 24, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Meals on Wheels for Western New York, Inc.
and Related Entity

Report on Compliance for Each Major Federal Program

We have audited Meals on Wheels for Western New York, Inc. and Related Entity's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Meals on Wheels for Western New York, Inc. and Related Entity's major federal programs for the year ended December 31, 2018. Meals on Wheels for Western New York, Inc. and Related Entity's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of Meals on Wheels for Western New York, Inc. and Related Entity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meals on Wheels for Western New York, Inc. and Related Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Meals on Wheels for Western New York, Inc. and Related Entity's compliance.

Opinion on Each Major Federal Program

In our opinion, Meals on Wheels for Western New York, Inc. and Related Entity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Meals on Wheels for Western New York, Inc. and Related Entity is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Meals on Wheels for Western New York, Inc. and Related Entity's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels for Western New York, Inc. and Related Entity's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 24, 2019

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018**

I. SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of Auditor's Report Issued on whether the consolidated financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to consolidated financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2CFR 200.516(a)? _____ Yes X No

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.045	Aging Cluster
93.053	

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2018**

II. CONSOLIDATED FINANCIAL STATEMENT FINDINGS

There were no findings relating to the consolidated financial statement audit as required to be reported in accordance with Government Auditing Standards (GAS) during the year ended December 31, 2018.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs relating to the audit of the major federal programs during the year ended December 31, 2018.

**MEALS ON WHEELS FOR WESTERN NEW YORK, INC.
AND RELATED ENTITY**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017**

I. CONSOLIDATED FINANCIAL STATEMENT FINDINGS

There were no findings relating to the consolidated financial statement audit as required to be reported in accordance with Government Auditing Standards (GAS) during the year ended December 31, 2017.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs relating to the audit of the major federal programs during the year ended December 31, 2017.