

YPSILANTI MEALS ON WHEELS
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016



STEFFORIA, PETIK & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ypsilanti Meals on Wheels

We have audited the accompanying financial statements of Ypsilanti Meals on Wheels (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 Ypsilanti Meals on Wheels as of December 31, 2017 and 2016, 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.

Stefforia, Petik & Associates, P.C.

June 28, 2018

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YPSILANTI MEALS ON WHEELS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash	\$ 353,403	\$ 259,121
Accounts receivable	20,376	26,675
Grants receivable	154,083	147,083
Prepaid expenses	9,024	5,329
Total current assets	<u>536,886</u>	<u>438,208</u>
Property and equipment		
Delivery vans	96,731	120,012
Delivery equipment	3,725	3,725
Furniture and equipment	9,087	9,908
Leasehold improvements	53,207	46,982
Accumulated depreciation	<u>(55,530)</u>	<u>(97,634)</u>
Total property and equipment	107,220	82,993
Other assets		
Investments	429,416	294,792
Agency endowment fund	<u>22,194</u>	<u>19,291</u>
Total assets	<u>\$ 1,095,716</u>	<u>\$ 835,284</u>
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 25,773	\$ 29,871
Net assets:		
Unrestricted		
Undesignated	835,745	607,135
Temporarily restricted	224,198	188,278
Permanently restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>1,069,943</u>	<u>805,413</u>
Total liabilities and net assets	<u>\$ 1,095,716</u>	<u>\$ 835,284</u>

See Notes to Financial Statements

YPSILANTI MEALS ON WHEELS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Unrestricted Net Assets		
Revenue and support		
Program service fees	\$ 277,242	\$ 253,400
Public contributions	252,177	179,787
Government agency grants	15,650	15,650
Other grants and awards	81,967	67,750
Special events revenue, net	66,164	31,490
Washtenaw United Way	9,490	14,298
Donated services and office space	31,567	16,442
Total support	734,257	578,817
Other changes in unrestricted net assets		
Investment income, net	36,159	2,705
Net assets released from restrictions	196,483	184,896
Total other changes in unrestricted net assets	232,642	187,601
Total unrestricted support and revenues	966,899	766,418
Expenses		
Program services		
Community services	570,695	467,816
Supporting services		
Management and general	71,750	54,459
Fundraising	95,844	87,183
Total expenses	738,289	609,458
Increase in unrestricted net assets	228,610	156,960
Temporarily restricted net assets		
Washtenaw United Way	47,000	40,000
Government grants	40,000	40,000
Grants received	142,500	222,500
Endowment fund activity	2,903	1,136
Net assets released from restrictions	(196,483)	(184,896)
Increase in temporarily restricted net assets	35,920	118,740
Increase in net assets	264,530	275,700
Net assets at beginning of year	805,413	529,713
Net assets at end of year	\$ 1,069,943	\$ 805,413

See Notes to Financial Statements

YPSILANTI MEALS ON WHEELS
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2017

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Community Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll Expenses:				
Salaries	\$ 147,688	\$ 45,231	\$ 28,391	\$ 221,310
Employment taxes and benefits	17,118	5,242	3,290	25,650
Total payroll expenses	<u>164,806</u>	<u>50,473</u>	<u>31,681</u>	<u>246,960</u>
Other Expenses:				
Client care pantry	204	-	-	204
Depreciation/Amortization	17,373	1,930	-	19,303
Direct mail campaign	-	-	57,114	57,114
Donated services	9,532	593	622	10,747
Food and packaging	297,132	-	-	297,132
Insurance	11,435	2,859	-	14,294
Miscellaneous	1,650	183	-	1,833
Office rental	14,574	4,164	2,082	20,820
Office supplies and expenses	3,942	1,126	563	5,631
Outside services - Home repair program	5,121	1,463	732	7,316
Pet supplies/food	1,303	-	-	1,303
Postage and printing	2,051	2,051	2,051	6,153
Professional fees	25,834	6,458	-	32,292
Publicity and promotion	-	-	999	999
Staff training	349	-	-	349
Telephone	1,802	450	-	2,252
Travel	2,090	-	-	2,090
Vehicle expenses and maintenance	8,824	-	-	8,824
Volunteer services	2,673	-	-	2,673
Total operating expenses	<u>\$ 570,695</u>	<u>\$ 71,750</u>	<u>\$ 95,844</u>	<u>\$ 738,289</u>

YPSILANTI MEALS ON WHEELS
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2016

	Program Services	Supporting Services		Total
	Community Services	Management and General	Fundraising	
Payroll Expenses:				
Salaries	\$ 103,292	\$ 39,925	\$ 35,753	\$ 178,970
Employment taxes and benefits	10,994	3,377	3,193	17,564
Total payroll expenses	<u>114,286</u>	<u>43,302</u>	<u>38,946</u>	<u>196,534</u>
Other Expenses:				
Depreciation/Amortization	16,329	1,814	-	18,143
Direct mail campaign	-	-	46,071	46,071
Donated services	12,944	-	-	12,944
Food and packaging	277,397	-	-	277,397
Insurance	10,393	2,598	-	12,991
Miscellaneous	586	65	-	651
Office rental	-	-	-	-
Office supplies and expenses	1,600	457	229	2,286
Pet supplies/food	2,248	-	-	2,248
Postage and printing	1,399	1,399	1,767	4,565
Professional fees	17,406	4,352	-	21,758
Publicity and promotion	-	-	170	170
Staff training	970	-	-	970
Telephone	1,887	472	-	2,359
Travel	1,185	-	-	1,185
Vehicle expenses and maintenance	7,240	-	-	7,240
Volunteer services	1,946	-	-	1,946
Total operating expenses	<u>\$ 467,816</u>	<u>\$ 54,459</u>	<u>\$ 87,183</u>	<u>\$ 609,458</u>

**YPSILANTI MEALS ON WHEELS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in net assets	\$ 264,530	\$ 275,700
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation/Amortization	19,303	18,143
Unrealized gain on investments	(25,758)	(202)
Realized gain on sale of investments	(4,903)	(19)
Endowment Fund Activity	(2,903)	(1,137)
Changes in operating assets and liabilities		
Accounts receivable	6,299	11,257
Grants receivable	(7,000)	(114,664)
Prepaid expenses	(3,695)	3,129
Accounts payable	(4,098)	10,167
Net cash provided by operating activities	<u>241,775</u>	<u>202,374</u>
Cash flows from investing activities		
Purchase of investments	(171,833)	(305,035)
Proceeds from sale of investments	67,870	10,467
Purchase of fixed assets	(43,530)	(38,503)
Net cash provided (used) by investing activities	<u>(147,493)</u>	<u>(333,071)</u>
Net (decrease) increase in cash and cash equivalents	94,282	(130,697)
Cash and cash equivalents at beginning of year	<u>259,121</u>	<u>389,818</u>
Cash and cash equivalents at end of year	<u>\$ 353,403</u>	<u>\$ 259,121</u>
Supplemental disclosures		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Ypsilanti Meals on Wheels (YMOW) is a Michigan nonprofit corporation founded in 1974 with the specific purpose of delivering prepared meals to the homebound elderly, disabled and ill residents of Ypsilanti and surrounding townships.

YMOW receives the majority of its support and revenue from program service fees, contributions, and contracts and grants from governmental agencies.

Basis of Presentation

The financial statements of YMOW have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. Temporarily restricted net assets are reported as released from restriction and transferred to unrestricted net assets when the purpose restrictions, time restrictions or legal requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. YMOW's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. YMOW has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. YMOW follows the allowance method to account for uncollectible accounts. No allowance was deemed necessary at December 31, 2017 and 2016 based on a review by management of the estimated ability to collect the outstanding amounts.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

YMOW carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

Property and Equipment

Property and equipment are stated at cost if purchased or at estimated fair market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major expenditures for property and those that substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Total depreciation expense was \$19,303 and \$18,143 for the years ended December 31, 2017 and 2016, respectively.

YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Donated Assets, Property and Equipment, and Services

Noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are recorded as increases in unrestricted net assets unless the donor has restricted the donation for a specific purpose.

YMOW records the fair value of contributed services in the financial statements if the services either (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by persons possessing those skills and would need to be purchased if they were not donated, as required by US GAAP Codification Topic 958. A total of \$10,747 and \$12,944 in specialized services were received and recognized as support by YMOW during the years ended December 31, 2017 and 2016, respectively.

In addition, YMOW has a number of unpaid volunteers assisting the organization. No amounts have been recognized in the accompanying financial statements since these contributed services do not meet the criteria noted above.

Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. When restrictions are met in the same period as the contribution is received, YMOW records the contribution revenue as unrestricted.

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the Statement of Activities. Indirect costs have been allocated between the community service program and support services based on estimates as determined by management. Although the methods of allocation are considered reasonable, other methods could be used that would produce different allocation amounts.

Income Taxes

YMOW is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. In addition, YMOW qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Income, if any, from certain activities not directly related to YMOW's tax-exempt purpose is subject to taxation as unrelated business income. YMOW believes it has appropriate support for any tax

YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including the date of the independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 2 – FAIR VALUE MEASUREMENTS

In determining fair value, YMOW uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is 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. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The fair value of assets and liabilities measured on a recurring basis as of December 31, 2017 and 2016 are as follows:

	2017		
	<u>Cost</u>	<u>Accumulated Unrealized Gains</u>	<u>Fair Value Measurements using Level 1</u>
Mutual Funds	\$ 403,658	\$ 25,758	\$ 429,416

	2016		
	<u>Cost</u>	<u>Accumulated Unrealized Gains</u>	<u>Fair Value Measurements using Level 1</u>
Mutual Funds	\$ 294,590	\$ 202	\$ 294,792

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 – FAIR VALUE MEASUREMENTS (continued)

The carrying amount of all other assets and liabilities reflected in the statements of financial position for YMOW’s financial instruments approximates their respective fair value due to the short-term nature of those instruments. There have been no changes in valuation techniques and related inputs.

The composition of investment income on YMOW’s investment portfolio for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 8,919	\$ 3,682
Realized gains	4,903	20
Unrealized gains	25,758	202
Less: investment expenses	<u>(3,421)</u>	<u>(1,199)</u>
	<u>\$ 36,159</u>	<u>\$ 2,705</u>

NOTE 3 –GRANTS RECEIVABLE

Grants receivable of \$154,083 and \$147,083 at December 31, 2017 and 2016 respectively, are expected to be collected within one year. No allowance is deemed necessary for grants receivable.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Personnel expenses	\$ 4,468	\$ 3,593
Program food expenses	-	5,409
Vehicle/delivery expenses	-	11,596
Other program expenses	12,194	9,291
Home repair program	12,684	20,000
Pet supply program	2,503	1,306
Weekend meal delivery	138,266	-
Time restrictions	54,083	137,083
	<u>\$ 224,198</u>	<u>\$ 188,278</u>

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – ENDOWMENT

During the year ended December 31, 2002, YMOW transferred \$10,000 to the Ypsilanti Area Community Fund (YACF), formerly the Ann Arbor Area Community Foundation, for the purpose of establishing an endowment fund to generate investment income for use by YMOW in perpetuity. Because YMOW named itself beneficiary of the fund, assets transferred to the fund by YMOW are net assets of YMOW while donations to the fund by others are net assets of the Foundation in accordance with US GAAP Codification Topic 958, even though the gift instrument grants variance power to YACF. Variance power is defined as the unilateral power to redirect the use of any gifts or assets to another beneficiary. Income distributions are determined by YACF based upon a formula of the market value of the assets under management and are reflected as endowment activity revenue by the beneficiary organization. YMOW reported \$22,194 and \$19,291 as an other asset and \$2,903 and \$1,137 as current income for the years ended December 31, 2017 and 2016, respectively.

NOTE 6 – SPECIAL EVENTS

The following is a summary of gross revenue and direct fundraising costs for the special events for the year ended December 31, 2017 and 2016. The net revenue from these events is included in unrestricted revenue in these financial statements:

	December 31, 2017		
	Gross Revenue	Gross Expenses	Net Revenue
Holiday Home Tour	\$ 55,893	\$ 14,011	\$ 41,882
Meals on Heels	15,114	4,704	10,410
Elvis Festival	3,329	-	3,329
Other	11,229	686	10,543
	\$ 85,565	\$ 19,401	\$ 66,164

	December 31, 2016		
	Gross Revenue	Gross Expenses	Net Revenue
Holiday Home Tour	\$ 33,630	\$ 13,279	\$ 20,351
Meals on Heels	8,451	4,250	4,201
Elvis Festival	4,809	356	4,453
Other	3,239	754	2,485
	\$ 50,129	\$ 18,639	\$ 31,490

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 – CONCENTRATIONS

Effective April 1, 2015 contracted with Valley Food Services, Inc. to provide all meals served by YMOW.

In addition, total revenues and support of \$286,989 and \$288,875 was received from Washtenaw County and the Washtenaw County Coordinated Funders which represented 29% and 32% of total revenues and support for the years ended December 31, 2017 and 2016, respectively. In addition during 2017 YMOW received grants from the Ann Arbor Area Community Foundation totaling \$110,000 which represented 11% of total revenue and support for the year ended December 31, 2017.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2017 it was determined that an error caused a misstatement of undesignated and temporarily restricted net assets at December 31, 2016. A reclassification increasing temporarily restricted net assets and decreasing unrestricted net assets totaling \$137,083 was recorded to correct the error at December 31, 2016.