

YPSILANTI MEALS ON WHEELS
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, 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, 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, in 2018, the organization adopted Accounting Standards update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Stefforia, Petik & Associates, P.C.

July 18, 2019

**YPSILANTI MEALS ON WHEELS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
Assets		
Current assets		
Cash	\$ 269,612	\$ 353,403
Accounts receivable	43,833	20,376
Grants receivable	93,970	154,083
Prepaid expenses	13,548	9,024
Total current assets	420,963	536,886
Property and equipment		
Delivery vans	96,731	96,731
Delivery equipment	3,363	3,725
Furniture and equipment	9,696	9,087
Leasehold improvements	53,207	53,207
Accumulated depreciation	(74,423)	(55,530)
Total property and equipment	88,574	107,220
Other assets		
Investments	571,520	429,416
Agency endowment fund	20,936	22,194
Total assets	\$ 1,101,993	\$ 1,095,716
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 36,917	\$ 25,773
Net assets:		
Without donor restrictions	896,615	857,939
With donor restrictions	168,461	212,004
Total net assets	1,065,076	1,069,943
Total liabilities and net assets	\$ 1,101,993	\$ 1,095,716

See Notes to Financial Statements

**YPSILANTI MEALS ON WHEELS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
				Total
Revenues and Other Support				
Program service fees	\$ 300,337	\$ -	\$ 277,242	\$ 277,242
Public contributions	221,481	-	261,667	261,667
Government agency contributions	17,150	92,088	15,650	87,000
Other grants and awards	69,074	36,500	81,967	142,500
Donated services and office space	32,982	-	31,567	-
Special events revenue	108,161	-	85,566	-
Net assets released from restrictions	172,131	(172,131)	196,483	(196,483)
Total revenues and other support	921,316	(43,543)	950,142	33,017
				983,159
Expenses				
Program services	642,541	-	570,696	570,696
Management and general	78,934	-	71,750	71,750
Fundraising	100,617	-	100,125	100,125
Cost of direct benefit to donors	31,234	-	15,120	15,120
Total expenses	853,326	-	757,691	757,691
Change in net assets from operations	67,990	(43,543)	192,451	33,017
Investment Income, Net	(29,314)	-	39,062	-
Change in Net Assets	38,676	(43,543)	231,513	33,017
Net Assets - Beginning of Year	857,939	212,004	626,426	178,987
Net Assets - End of Year	\$ 896,615	\$ 168,461	\$ 857,939	\$ 212,004
				\$ 1,069,943

YPSILANTI MEALS ON WHEELS
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2018

	Program Services	Supporting Services			Total
	Community Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	
Payroll Expenses:					
Salaries	\$ 174,571	\$ 48,654	\$ 24,473	\$ -	\$ 247,698
Employment taxes and benefits	23,616	6,060	3,400	-	33,076
Total payroll expenses	<u>198,187</u>	<u>54,714</u>	<u>27,873</u>	-	<u>280,774</u>
Other Expenses:					
Client pantry	809	-	-	-	809
Cost of goods sold	-	-	-	1,712	1,712
Depreciation/Amortization	19,193	2,133	-	-	21,326
Direct mail campaign	-	-	62,574	-	62,574
Donated services	3,694	473	241	-	4,408
Food and packaging	323,396	-	-	-	323,396
Home repair services	1,835	-	-	-	1,835
Insurance	18,311	4,578	-	-	22,889
Meals and entertainment	-	-	-	24,012	24,012
Miscellaneous	1,510	168	-	568	2,246
Office supplies and expenses	2,475	707	354	-	3,536
Pet supplies/food	2,907	-	-	-	2,907
Postage and printing	2,968	2,968	6,285	-	12,221
Professional fees	28,684	7,171	-	-	35,855
Publicity and promotion	-	-	545	-	545
Raffle prizes	-	-	-	2,600	2,600
Rent	19,215	5,490	2,745	2,342	29,792
Repairs and maintenance	1,743	194	-	-	1,937
Staff training	1,049	-	-	-	1,049
Telephone	1,353	338	-	-	1,691
Travel	3,824	-	-	-	3,824
Vehicle expenses and maintenance	7,573	-	-	-	7,573
Volunteer services	3,815	-	-	-	3,815
Total operating expenses	<u>\$ 642,541</u>	<u>\$ 78,934</u>	<u>\$ 100,617</u>	<u>\$ 31,234</u>	<u>\$ 853,326</u>

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

	Program Services	Supporting Services			Total
	Community Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	
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
Cost of goods sold	-	-	-	3,372	3,372
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
Home repair services	5,121	1,463	732	-	7,316
Insurance	11,435	2,859	-	-	14,294
Meals and entertainment	-	-	-	9,255	9,255
Miscellaneous	1,650	183	-	1,917	3,750
Office supplies and expenses	3,942	1,126	563	-	5,631
Pet supplies/food	1,303	-	-	-	1,303
Postage and printing	2,051	2,051	6,332	-	10,434
Professional fees	25,834	6,458	-	-	32,292
Publicity and promotion	-	-	999	-	999
Rent	14,575	4,164	2,082	576	21,397
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>\$ 570,696</u>	<u>\$ 71,750</u>	<u>\$ 100,125</u>	<u>\$ 15,120</u>	<u>\$ 757,691</u>

**YPSILANTI MEALS ON WHEELS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ (4,867)	\$ 264,530
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation/Amortization	21,326	19,303
Unrealized loss on investments	51,201	(25,758)
Realized gain on sale of investments	(3,925)	(4,903)
Endowment Fund Activity	1,258	(2,903)
Changes in operating assets and liabilities		
Accounts receivable	(23,457)	6,299
Grants receivable	60,113	(7,000)
Prepaid expenses	(4,524)	(3,695)
Accounts payable	11,144	(4,098)
Net cash provided by operating activities	<u>108,269</u>	<u>241,775</u>
Cash flows from investing activities		
Purchase of investments	(226,707)	(171,833)
Proceeds from sale of investments	37,327	67,870
Purchase of fixed assets	<u>(2,680)</u>	<u>(43,530)</u>
Net cash provided (used) by investing activities	<u>(192,060)</u>	<u>(147,493)</u>
Net (decrease) increase in cash and cash equivalents	(83,791)	94,282
Cash and cash equivalents at beginning of year	<u>353,403</u>	<u>259,121</u>
Cash and cash equivalents at end of year	<u>\$ 269,612</u>	<u>\$ 353,403</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, 2018 AND 2017**

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 net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restrictions.

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, 2018 and 2017 based on a review by management of the estimated ability to collect the outstanding amounts.

Contributions Receivable

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

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

are expensed as incurred. Total depreciation expense was \$21,326 and \$19,303 for the years ended December 31, 2018 and 2017, respectively.

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 net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, YMOW reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. YMOW reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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 \$4,407 and \$10,747 in specialized services were received and recognized as support by YMOW during the years ended December 31, 2018 and 2017, 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 net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. YMOW reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

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

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

management. Although the methods of allocation are considered reasonable, other methods could be used that would produce different allocation amounts.

Liquidity

The following reflects YMOW's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions:

	<u>2018</u>	<u>2017</u>
Cash	\$ 269,612	\$ 353,403
Accounts receivable	43,833	20,376
Grants receivable	93,970	154,083
Investments	<u>571,520</u>	<u>429,416</u>
Total financial assets	978,935	957,278
Donor imposed restrictions:		
Grants receivable	(56,500)	(100,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 922,435</u>	<u>\$ 857,278</u>

YMOW maintains financial assets, which consist of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. As part of its liquidity management, YMOW invests excess cash in a short-term investment account. In addition, the Board has established an operating reserve policy with a target minimum equal to one month of average operating cost and a maximum of three months of average operating costs. The operating reserve fund target minimum is calculated each year after approval of the annual budget.

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 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.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2017 to conform to the presentation for the year ended December 31, 2018. The reclassifications had no impact on previously reported net assets.

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017 are as follows:

		2018		
		Cost	Accumulated Unrealized Gains (Losses)	Fair Value Measurements using Level 1
Mutual Funds		\$ 288,898	\$ (26,631)	\$ 262,267
Exchange Traded Products		333,823	(24,570)	309,253
	Total	<u>\$ 622,721</u>	<u>\$ (51,201)</u>	<u>\$ 571,520</u>
		2017		
		Cost	Accumulated Unrealized Gains (Losses)	Fair Value Measurements using Level 1
Mutual Funds		\$ 101,710	\$ 156	\$ 101,866
Exchange Traded Products		301,948	25,602	327,550
	Total	<u>\$ 403,658</u>	<u>\$ 25,758</u>	<u>\$ 429,416</u>

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.

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 – FAIR VALUE MEASUREMENTS (continued)

The composition of investment income on YMOW's investment portfolio for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 25,128	\$ 8,919
Realized gains	3,925	4,903
Unrealized gains	(51,201)	25,758
Less: investment expenses	(5,908)	(3,421)
	<u>\$ (28,056)</u>	<u>\$ 36,159</u>

NOTE 3 –GRANTS RECEIVABLE

Grants receivable of \$93,970 and \$154,083 at December 31, 2018 and 2017 respectively, are expected to be collected within one year. No allowance is deemed necessary for grants receivable.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purpose:		
Program activities:		
Meal delivery	\$ 102,434	\$ 142,734
CAPABLE/Home repair program	23,961	12,684
Pet supply program	4,596	2,503
	<u>130,991</u>	<u>157,921</u>
Subject to passage of time:		
For periods after December 31	<u>37,470</u>	<u>54,083</u>
Total net assets with donor restrictions	<u>\$ 168,461</u>	<u>\$ 212,004</u>

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended December 31, 2018 and 2017:

	2018	2017
Purpose restrictions accomplished:		
Meal delivery	\$ 46,800	\$ 17,864
CAPABLE/Home repair program	13,723	7,316
Pet supply program	2,907	1,303
	63,430	26,483
Time restrictions expired:		
Passage of specified time	108,701	170,000
Total net assets with donor restrictions	\$ 172,131	\$ 196,483

NOTE 6 – 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. \$10,000 of net assets without donor restrictions has been Board designated for this endowment.

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 \$20,936 and \$22,194 as an other asset and (\$1,258) and \$2,903 as net investment income (without donor restrictions) for the years ended December 31, 2018 and 2017, respectively.

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 \$355,094 and \$286,989 were received from Washtenaw County and the Washtenaw County Coordinated Funders which represented 40% and 29% of total revenues and support for the years ended December 31, 2018 and 2017, 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

**YPSILANTI MEALS ON WHEELS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. YMOW has applied the changes retrospectively to all period presented. The new standard changes the following aspects of the financial statements

- Unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions
- The financial statements include a disclosure about liquidity and availability of resources (Note 1)
- Investment expenses are included in net investment return