

Metro-Erie Meals on Wheels, Inc.
dba Meals on Wheels Erie

**Audited Financial Statements and
Independent Auditors' Report**

June 30, 2016 and 2015

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Knowledge to Solutions

Certified Public Accountants and Advisors

Independent Auditors' Report

To the Board of Directors

Metro-Erie Meals on Wheels, Inc.

We have audited the accompanying financial statements of Metro-Erie Meals on Wheels, Inc. a nonprofit corporation, which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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.

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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 Metro-Erie Meals on Wheels, Inc. as of June 30, 2016 and 2015, 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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The County of Erie/Title XX Adult Services Grant - Under 60 Home Delivered Meals Program Schedules of Budgeted and Incurred Costs is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

K2S, PC



Erie, Pennsylvania
September 21, 2016

Financial Statements

Metro-Erie Meals on Wheels, Inc.

Statements of Financial Position

	<i>June 30,</i>	<i>2016</i>	<i>2015</i>
Current Assets:			
Cash and equivalents	\$	2,391	\$ 3,709
Receivables:			
Client fees		4,034	2,805
GECAC-over 60 program		12,101	14,818
Erie County under 60 program		7,393	1,933
Prepaid expenses		<u>3,955</u>	<u>4,008</u>
Total Current Assets		29,874	27,273
Equipment, net		10,593	13,250
Investment		<u>1,638,175</u>	<u>1,709,032</u>
Total Assets	\$	<u>1,678,642</u>	\$ <u>1,749,555</u>
Current Liabilities:			
Accounts payable and accrued expenses	\$	17,485	\$ 28,523
Compensated absences		8,137	8,008
Deferred revenue		<u>2,042</u>	<u>618</u>
Total Current Liabilities		27,664	37,149
Net Assets			
Unrestricted net assets		1,650,978	1,712,406
Temporarily restricted net assets		<u>-</u>	<u>-</u>
Total Net Assets		<u>1,650,978</u>	<u>1,712,406</u>
Total Liabilities and Net Assets	\$	<u>1,678,642</u>	\$ <u>1,749,555</u>

The accompanying notes are an integral part of the financial statements

Metro-Erie Meals on Wheels, Inc.

Statement of Activities and Changes in Net Assets

<i>For the Year Ended June 30, 2016</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support				
United Way of Erie County	\$ 41,511	\$ -	\$ -	\$ 41,511
Contributions	8,242	-	-	8,242
Total Public Support	49,753	-	-	49,753
Revenue				
GECAC-over 60 program	72,609	-	-	72,609
Erie County-under 60 program	49,974	-	-	49,974
Client fees	69,402	-	-	69,402
Grocery Shopping Program	2,117	-	-	2,117
Interest and dividend income	33,701	-	-	33,701
Total Revenue	227,803	-	-	227,803
Net Assets Released from Restrictions				
Satisfaction of Restrictions	-	-	-	-
Total Public Support and Revenue	277,556	-	-	277,556
Expenses				
Program services:				
Home meal delivery	230,322	-	-	230,322
Supporting services:				
Management and general	69,847	-	-	69,847
Total Expenses	300,169	-	-	300,169
Other Income and Expense				
Net realized and unrealized gains and losses on investment	(38,815)	-	-	(38,815)
Change In Net Assets	(61,428)	-	-	(61,428)
Beginning of year net assets	1,712,406	-	-	1,712,406
End of Year Net Assets	\$ 1,650,978	\$ -	\$ -	\$ 1,650,978

The accompanying notes are an integral part of the financial statements

Metro-Erie Meals on Wheels, Inc.

Statement of Activities and Changes in Net Assets

<i>For the Year Ended June 30, 2015</i>	<u><i>Unrestricted</i></u>	<u><i>Temporarily Restricted</i></u>	<u><i>Permanently Restricted</i></u>	<u><i>Total</i></u>
Public Support				
United Way of Erie County	\$ 30,112	\$ -	\$ -	\$ 30,112
Contributions	26,295	-	-	26,295
Total Public Support	56,407	-	-	56,407
Revenue				
GECAC-over 60 program	88,909	-	-	88,909
Erie County-under 60 program	53,176	-	-	53,176
Client fees	65,549	-	-	65,549
Grocery Shopping Program	82	-	-	82
Interest and dividend income	51,711	-	-	51,711
Total Revenue	259,427	-	-	259,427
Net Assets Released from Restrictions				
Satisfaction of Restrictions	-	-	-	-
Total Public Support and Revenue	315,834	-	-	315,834
Expenses				
Program services:				
Home meal delivery	229,457	-	-	229,457
Supporting services:				
Management and general	70,545	-	-	70,545
Total Expenses	300,002	-	-	300,002
Other Income and Expense				
Net realized and unrealized gains and losses on investment	(60,498)	-	-	(60,498)
Change In Net Assets	(44,666)	-	-	(44,666)
Beginning of year net assets	1,757,072	-	-	1,757,072
End of Year Net Assets	\$ 1,712,406	\$ -	\$ -	\$ 1,712,406

The accompanying notes are an integral part of the financial statements

Metro-Erie Meals on Wheels, Inc.

Statements of Cash Flows

	<i>Year Ended June 30,</i>	<i>2016</i>	<i>2015</i>
Cash flows from operating activities:			
Change in net assets	\$	(61,428)	\$ (44,666)
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation		2,657	2,093
Net realized and unrealized (gain) loss on investments		38,815	60,498
Amortization on investments		3,506	2,885
Changes in assets and liabilities:			
Receivables		(3,972)	(1,831)
Prepaid expenses		53	653
Accounts payable and accrued expenses		(11,038)	8,951
Compensated absences		129	2,098
Deferred revenue		1,424	13
Net cash from operating activities		(29,854)	30,694
Cash Flows from Investing Activities:			
Purchase of equipment		-	(10,068)
Purchase of investments		(1,223,405)	(952,757)
Proceeds from sale of investments		1,251,941	932,089
Net cash from investing activities		28,536	(30,736)
Net change in cash and equivalents		(1,318)	(42)
Cash and equivalents balance, beginning of year		3,709	3,751
Cash and equivalents balance, end of year	\$	2,391	\$ 3,709

The accompanying notes are an integral part of the financial statements

Metro-Erie Meals on Wheels, Inc.

Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services	Supporting Services	Total Expenses
Salaries	\$ 69,873	\$ 29,396	\$ 99,269
Employee benefits	4,700	1,603	6,303
Payroll taxes	5,905	2,531	8,436
Total Salaries and Related Expenses	80,479	33,529	114,008
Meals for delivery	113,995	-	113,995
Professional fees	-	9,400	9,400
Supplies	957	2,070	3,027
Telephone	2,200	244	2,444
Postage	-	582	582
Occupancy	4,500	4,500	9,000
Local transportation	22,926	865	23,791
Uncollectible accounts	-	213	213
Insurance	1,563	908	2,471
Advertising	2,255	-	2,255
Volunteer appreciation	1,448	-	1,448
Investment Fees	-	12,242	12,242
Miscellaneous	-	2,636	2,636
Total Expenses Before Depreciation	230,322	67,190	297,512
Depreciation of equipment	-	2,657	2,657
Total Expenses	\$ 230,322	\$ 69,847	\$ 300,169

The accompanying notes are an integral part of the financial statements

Metro-Erie Meals on Wheels, Inc.

Statement of Functional Expenses

Year Ended June 30, 2015

	Program Services	Supporting Services	Total Expenses
Salaries	\$ 61,244	\$ 29,132	\$ 90,376
Employee benefits	4,659	1,623	6,282
Payroll taxes	5,142	2,204	7,345
	<hr/>	<hr/>	<hr/>
Total Salaries and Related Expenses	71,045	32,957	104,003
Meals for delivery	122,278	-	122,278
Professional fees	-	9,300	9,300
Supplies	286	2,957	3,243
Telephone	1,478	164	1,642
Postage	-	490	490
Occupancy	3,513	3,513	7,025
Local transportation	24,987	916	25,903
Insurance	1,542	895	2,437
Advertising	2,512	-	2,512
Volunteer appreciation	1,816	-	1,816
Investment Fees	-	12,851	12,851
Miscellaneous	-	4,410	4,410
	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	229,457	68,452	297,910
Depreciation of equipment	-	2,093	2,093
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Total Expenses	\$ 229,457	\$ 70,545	\$ 300,002

The accompanying notes are an integral part of the financial statements

Note 1 - Summary of Significant Accounting Policies

Purpose of Organization

Metro-Erie Meals on Wheels, Inc. (the "Agency") is a nonprofit corporation organized to promote healthy, independent living through home delivery of nutrition services to aged, convalescent and handicapped individuals who for physical, psychological, or economic reasons are unable to prepare meals or grocery shop for themselves, thereby intending to preserve the independence of and to prevent hardship and deterioration to those served.

The Agency acts as a subcontractor for the Greater Erie Community Action Committee (the Area Agency on Aging for Planning and Service Area #01). Under this subcontract, only persons found to be in need of services and over the age of sixty years are eligible. Services are provided to clients according to priorities implemented by GECAC and required by Title III prioritizing the provision of services to the persons with the greatest social and economic needs. GECAC provides the meals to be delivered under this subcontract.

The Agency entered into a contract with the County of Erie, Department of Human Services, Office of Mental Health and Mental Retardation to provide services to qualifying individuals under sixty years of age. Meals are purchased from Regional Health Services, Inc. and delivered to qualifying clients under this contract.

Services are provided to private clients who qualify but are unable or do not wish to be under one of the above provider contracts. Private clients pay for meals delivered to them. Meals are purchased from St. Martin Center, Inc. and delivered to these clients.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Equivalents

Cash and equivalents consist of cash accounts and certificates of deposit with terms of one year or less. Certificates of deposit with maturities of greater than one year are separately reported as certificates of deposit.

Financial Statement Presentation

The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a statement of cash flows. Net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Agency. The donors of these assets generally permit the Agency to use the income earned on any related investments for general or specific purposes.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Agency receives support contributions from the United Way of Erie County and individuals. The

Notes to Financial Statements

Agency reports temporarily restricted contributions received and used in the same accounting period as unrestricted contributions.

Donated Services

A large number of volunteers have donated substantial amounts of time on behalf of the Agency, but no amounts have been reflected in the financial statements because the criteria for recognition under SFAS No. 116 have not been satisfied.

Income Tax Status

The Agency is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Agency does not participate in any business activities unrelated to its exempt purpose and therefore has not paid any federal income tax.

ASC 740-10, "Accounting for Uncertainty in Income Taxes", requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years ended on or after June 30, 2013 are subject to examination by taxing authorities. Areas that the Internal Revenue Service and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The organization does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

The Agency is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Receivables

Receivables are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

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.

Subsequent Events

Management has evaluated subsequent events through September 21, 2016, the date the financial statements were available to be issued.

Note 2 - Equipment

Maintenance and repairs are charged to expense as incurred, while major renewals and betterments are capitalized. Equipment is stated at its fair market value at the date of donation for donated equipment, and at cost for equipment purchased. Depreciation of equipment has been provided on a straight-line basis over the estimated useful lives of the respective equipment. The balance at June 30, 2016 and 2015 consists of the following:

Metro- Erie Meals On Wheels, Inc.

Notes to Financial Statements

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 6,661	\$ 6,661
Program equipment	7,772	7,772
Leasehold Improvements	<u>5,153</u>	<u>5,153</u>
Total	19,586	19,586
Less: accumulated depreciation	<u>8,993</u>	<u>6,336</u>
Net book value	<u>\$ 10,593</u>	<u>\$ 13,250</u>

Note 3 - Investment

The investment account represents amounts received in a prior year from an anonymous donor, which have been invested with Huntington Private Financial – Manning and Napier and at June 30, 2016 the investment account's ending market value was \$1,638,175 while at June 30, 2015 the market value was \$1,709,032. Investment income recognized for the years ended June 30, 2016 and 2015 were \$37,208 and \$54,596, respectively. The realized loss for the year ended June 30, 2016 was \$24,069 while the realized gain for the year ended June 30, 2015 was \$2,824. The unrealized loss was \$14,746 for June 30, 2016 and the unrealized loss was \$57,674 for June 30, 2015. Investment fees paid out totaled \$12,242 and \$12,851 for the years ended June 30, 2016 and 2015, respectively.

The investment allocation at year end is as follows.

	2016	2015
Cash and Equivalents	\$ 55,325	\$ 40,322
Equities and Mutual Funds	974,658	1,324,740
Bonds	<u>608,192</u>	<u>343,970</u>
Total	<u>\$ 1,638,175</u>	<u>\$ 1,709,032</u>

Note 4 - Compensated Absences

The Agency's policies provide for an accumulation of up to 30 sick days for each of its full time staff. The liability accumulated under this policy, which amounts to \$8,137 and \$8,008 at June 30, 2016 and 2015, respectively, is recorded as compensated absences.

Note 5 - Deferred Revenue

During 2016 and 2015, Private Clients made advance payments on their accounts. The advances will be applied to future deliveries and are therefore recorded as deferred revenue.

Note 6 - Lease Commitments

During November of 2014, the Agency renewed and expanded its office space lease with Altair Realty. The term of the lease is 24 months and lease expense for the year ended June 30, 2016 was \$9,000 and at June 30, 2015 was \$7,025. At June 30, 2016, future minimum lease payments under the non-cancelable lease are as follows:

2017	\$ 3,000
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Notes to Financial Statements

Note 7 - Retirement Plan

The Agency has a Simple IRA retirement plan. All full time employees are eligible to participate in the plan after one full year of employment. The Agency contributes 2% of the employee's salary to the plan. The amount of the contribution for the year ended June 30, 2016 was \$1,755 and for June 30, 2015 was \$1,704.

Note 8 - Fair Value Financial Instruments

FASB ASC 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the entity that owns the asset or has the liability. Unobservable inputs are inputs that reflect the entity's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3- Level 3 inputs are unobservable inputs for the asset or liability.

The table below presents the balance of assets measured at fair value as of June 30, 2016:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Investments	\$ 1,638,175	\$ 1,638,175		

The table below presents the balance of assets measured at fair value as of June 30, 2015:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Investments	\$ 1,709,032	\$ 1,709,032		

Supplemental Information

Metro-Erie Meals on Wheels, Inc.
County of Erie/Title XX Adult Services Block Grant
Home Delivered Meals Program
Schedule of Budgeted and Incurred Costs

Year Ended June 30, 2016

Budget Categories	Approved Annual Budget (1) Under Age 60	Costs Incurred (2)	Over (Under) Budget
Personnel expenses			
Wages and salaries	\$ 8,033	\$ 9,929	\$ 1,896
Social security, etc.	637	844	207
Retirement	193	176	(17)
Insurance, etc.	496	455	(41)
Other Personnel	51	-	(51)
Total Personnel expenses	9,410	11,404	1,994
Operating expenses			
Rent	1,800	2,250	450
Utilities	600	244	(356)
Insurance	193	247	54
Communications	314	-	(314)
Office supplies	-	361	361
Meals for Delivery	70,726 (3)	58,149 (4)	(12,577)
Staff travel	88	87	(1)
Client Travel	2,792	2,293	(499)
Volunteer recognition	198	145	(53)
Recruitment/Advertising	600	-	(600)
Miscellaneous	-	1,503	1,503
Total Operating expenses	77,311	65,280	(12,031)
Distribution of Administration	1,395	2,350	955
Total Expenses	88,116	79,033	(9,083)
Client Specific Income			
Program Service Fees	-	-	-
Area Agency on Aging/GECAC	-	-	-
Other	-	-	-
Total Client Specific Income	-	-	-
General income			
County of Erie, per contact	52,627	49,974	(2,653)
United Way allocation	30,000	27,200	(2,800)
Ineligible or Agency Incurred Costs	5,489	-	(5,489)
Interest	-	-	-
Contributions	-	-	-
Total General Income	88,116	77,174	(10,942)
Total Income	88,116	77,174	(10,942)
Excess of Revenue or (Expenses)	\$ -	\$ (1,859)	\$ (1,859)
Units of service	7,042	7,860	
Cost per unit of Service			
Average food cost	10.04	7.40	
Average delivery cost	2.47	2.66	
Meals delivered	14,084	15,720	
Average total cost per meal	6.26	5.03	

(1) Budget cost is 8.0% of selected expense items based on projected units of service.

(2) Incurred cost is 10.5% of selected expense items based on actual units of service.

(3) Projected food service cost.

(4) Actual food service cost.

See independent auditors' report

Metro-Erie Meals on Wheels, Inc.
County of Erie/Title XX Adult Services Block Grant
Under 60 Home Delivered Meals Program
Schedule of Budgeted and Incurred Costs

Year Ended June 30, 2015

Budget Categories	Approved Annual Budget (1) Under Age 60	Costs Incurred (2)	Over (Under) Budget
Personnel expenses			
Wages and salaries	\$ 7,425	\$ 9,952	\$ 2,527
Social security, etc.	619	809	190
Insurance, etc.	179	188	9
Purchased personnel	677	504	(173)
Other personnel	2,250	-	(2,250)
Total Personnel expenses	11,150	11,453	303
Operating expenses			
Rent	1,700	1,756	56
Utilities	-	181	181
Insurance	254	268	14
Communications	289	-	(289)
Office supplies	370	411	41
Food	68,202 (3)	67,540 (4)	(662)
Staff travel	84	101	17
Volunteer travel	2,808	2,752	(56)
Volunteer recognition	189	200	11
Recruitment/Advertising	19	-	(19)
Miscellaneous	-	1,895	1,895
Total Operating expenses	73,915	75,104	1,189
Distributions of Administration	-	2,325	2,325
Total Expenses	85,065	88,882	3,817
Client Specific Income			
Program Service Fees	-	-	-
Area Agency on Aging/GECAC	-	-	-
Other	-	-	-
Total Client Specific Income	-	-	-
General income			
County of Erie, per contact	52,627	52,627	-
United Way allocation	30,700	30,495	(205)
Agency Balance Carried Forward	1,738	-	(1,738)
Interest	-	-	-
Contributions	-	-	-
Total General Income	85,065	83,122	(1,943)
Total Income	85,065	83,122	(1,943)
Excess of Revenue or (Expenses)	\$ -	\$ (5,760)	\$ (5,760)
Units of service	7,042	9,127	
Cost per unit of service			
Average food cost	9.69	7.40	
Average delivery cost	2.39	2.34	
Meals delivered	14,084	18,254	
Average total cost per meal	6.04	4.87	

(1) Budget cost is 8.3% of selected expense items based on projected units of service.

(2) Incurred cost is 10.3% of selected expense items based on actual units of service.

(3) Projected food service cost.

(4) Actual food service cost.

See independent auditors' report