



## Financial Statements

*For the Year Ended December 31, 2017*

*(With Summarized Financial Information for the Year Ended December 31, 2016)*



**and  
Report Thereon**





*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Meals on Wheels America

We have audited the accompanying financial statements of Meals on Wheels America (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAP). 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 Meals on Wheels America as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Meals on Wheels America's 2016 financial statements, and our report dated May 18, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Raffa P.C.*

**Raffa, P.C.**

Washington, DC  
May 7, 2018

**MEALS ON WHEELS AMERICA**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2017**  
**(With Summarized Financial Information as of December 31, 2016)**

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,137,692	\$ 813,939
Grants and contributions receivable	3,438,573	2,820,099
Other receivables	57,902	364,039
Inventory	42,640	35,512
Prepaid expenses	74,086	110,559
Investments	6,720,376	9,559,260
Property and equipment, net	684,406	759,631
Security deposit	22,940	22,940
	\$ 12,178,615	\$ 14,485,979
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 620,866	\$ 651,636
Lease obligation	19,038	246,906
Deferred revenue	406,035	412,177
Deferred rent and lease incentives	1,196,670	1,267,923
	2,242,609	2,578,642
<b>TOTAL LIABILITIES</b>		
<b>Net Assets</b>		
Unrestricted	5,898,116	7,560,332
Temporarily restricted	4,037,890	4,347,005
	9,936,006	11,907,337
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 12,178,615	\$ 14,485,979

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

**MEALS ON WHEELS AMERICA**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2017**

**(With Summarized Financial Information for the Year Ended December 31, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>OPERATING REVENUE AND SUPPORT</b>				
In-kind contributions:				
Public service announcements	\$ 31,594,793	\$ -	\$ 31,594,793	\$ 19,252,718
Other goods and services	1,969,980	-	1,969,980	-
Grants and contributions	2,900,028	4,262,681	7,162,709	6,766,247
Conference	543,295	-	543,295	521,965
Program service fees	444,055	-	444,055	445,726
Government grants	492,734	-	492,734	260,492
Membership dues	189,335	-	189,335	191,595
Other income	3,960	-	3,960	3,024
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>4,571,796</u>	<u>(4,571,796)</u>	<u>-</u>	<u>-</u>
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<u>42,709,976</u>	<u>(309,115)</u>	<u>42,400,861</u>	<u>27,441,767</u>
<b>OPERATING EXPENSES</b>				
Program Services	<u>42,656,368</u>	<u>-</u>	<u>42,656,368</u>	<u>28,404,258</u>
Supporting Services:				
Management and general	1,787,018	-	1,787,018	1,441,356
Development	<u>603,006</u>	<u>-</u>	<u>603,006</u>	<u>475,084</u>
Total Supporting Services	<u>2,390,024</u>	<u>-</u>	<u>2,390,024</u>	<u>1,916,440</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>45,046,392</u>	<u>-</u>	<u>45,046,392</u>	<u>30,320,698</u>
Change in net assets from operations	(2,336,416)	(309,115)	(2,645,531)	(2,878,931)
<b>NONOPERATING ACTIVITIES</b>				
Investment income	674,200	-	674,200	680,262
Loss on the disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,458)</u>
<b>CHANGE IN NET ASSETS</b>	(1,662,216)	(309,115)	(1,971,331)	(2,209,127)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,560,332</u>	<u>4,347,005</u>	<u>11,907,337</u>	<u>14,116,464</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,898,116</u>	<u>\$ 4,037,890</u>	<u>\$ 9,936,006</u>	<u>\$ 11,907,337</u>

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

**MEALS ON WHEELS AMERICA**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2017**

**(With Summarized Financial Information for the Year Ended December 31, 2016)**

	Supporting Services					
	Program Services	Management and General	Development	Total Supporting Services	2017 Total	2016 Total
Grants, scholarships and awards	\$ 5,834,003	\$ -	\$ -	\$ -	\$ 5,834,003	\$ 3,413,310
Personnel	2,438,765	1,138,163	308,523	1,446,686	3,885,451	3,572,320
Consulting and contracted services	1,733,402	427,552	218,045	645,597	2,378,999	2,633,870
Conference and events	463,818	-	-	-	463,818	408,612
Occupancy	-	287,868	-	287,868	287,868	293,176
Travel and meetings	130,272	82,206	16,754	98,960	229,232	267,766
Depreciation and amortization	-	78,611	-	78,611	78,611	77,775
Accounting, audit and legal fees	-	73,655	-	73,655	73,655	88,546
Member services	51,477	-	-	-	51,477	96,508
Bank fees	-	40,946	-	40,946	40,946	31,556
Miscellaneous	-	24,664	-	24,664	24,664	27,112
Dues and subscriptions	4,539	9,074	5,369	14,443	18,982	39,713
Telephone	-	17,987	-	17,987	17,987	21,446
Office supplies	10,635	3,913	1,024	4,937	15,572	22,432
State registration fees	-	13,682	-	13,682	13,682	13,145
Printing	1,730	9,635	1,949	11,584	13,314	24,486
Insurance	-	12,936	-	12,936	12,936	13,446
Postage	3,510	4,200	1,917	6,117	9,627	10,661
Advertising	775	-	-	-	775	12,100
Indirect expenses	388,649	(438,074)	49,425	(388,649)	-	-
<b>TOTAL EXPENSES BEFORE IN-KIND</b>	11,061,575	1,787,018	603,006	2,390,024	13,451,599	11,067,980
In-kind public service announcements and advertising	31,594,793	-	-	-	31,594,793	19,252,718
<b>TOTAL OPERATING EXPENSES</b>	\$ 42,656,368	\$ 1,787,018	\$ 603,006	\$ 2,390,024	\$ 45,046,392	\$ 30,320,698

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

**MEALS ON WHEELS AMERICA**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2017**

**(With Summarized Financial Information for the Year Ended December 31, 2016)**

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,971,331)	\$ (2,209,127)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	78,611	77,775
Unrealized gain on investments	(371,578)	(588,895)
Realized loss (gain) on investments	(85,148)	233,039
Loss on the disposal of property and equipment	-	10,458
Changes in assets and liabilities:		
Grants and contributions receivable	(618,474)	(852,534)
Other receivables	306,137	375,688
Inventory	(7,128)	(11,816)
Prepaid expenses	36,473	47,432
Security deposit	-	165,927
Accounts payable and accrued expenses	(30,770)	393,178
Lease obligation	(227,868)	(220,912)
Deferred revenue	(6,142)	(31,699)
Deferred rent and lease incentives	(71,253)	(48,959)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(2,968,471)</u>	<u>(2,660,445)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,098,301)	(9,708,068)
Proceeds from sale of investments	5,393,911	11,437,628
Purchases of property and equipment	(3,386)	(77,670)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>3,292,224</u>	<u>1,651,890</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	323,753	(1,008,555)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>813,939</u>	<u>1,822,494</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,137,692</u></u>	<u><u>\$ 813,939</u></u>

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

# MEALS ON WHEELS AMERICA

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

---

### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

Meals on Wheels America (the Organization) is a nonprofit organization chartered in Washington, D.C., on April 30, 1976. The Organization's vision is an America in which all seniors live nourished lives with independence and dignity. The Organization's mission is to empower local community programs to improve the health and quality of life of the seniors they serve so that no one is left hungry or isolated. The Organization's activities are primarily funded from corporate, foundation and government grants, contributions from individuals, an annual conference and membership dues.

#### **Basis of Presentation**

The financial statements are presented using the accrual method of accounting. Revenue is recognized when earned and support is recognized when contributions are made. Expenses are reported when obligations are incurred.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits and money market accounts and all highly liquid investments with initial maturities of three months or less.

#### **Receivables**

Receivables are stated at net realizable value. Management believes that all outstanding grants and contributions and other receivables are fully collectible and due within one year. Accordingly, an allowance for doubtful accounts has not been recognized.

#### **Investments**

Investments consist of cash and cash equivalents, mutual funds and exchange-traded funds. These investments are recorded in the accompanying statement of financial position at fair value based on quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by comparison of fair value at the beginning and end of the reporting period.

#### **Fair Value Measurement**

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, the Organization has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the fair value hierarchy, the categorization is based upon the lowest-level input that is significant to the fair value measurement of the instrument.



## MEALS ON WHEELS AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

---

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Fair Value Measurement (continued)**

The applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

Only the Organization's investments were measured at fair value on a recurring basis (see Note 4).

##### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are recorded at cost. All additions in excess of \$1,000 are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Computer and office equipment is depreciated on a straight-line basis over the estimated useful life of the assets, which ranges from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in the accompanying statement of activities.

##### **Net Assets**

The net assets of the Organization are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

##### **Revenue Recognition**

The Organization recognizes all unconditional contributed support in the period in which the commitment to give is made. Grants and contributions are considered unrestricted revenue and support and available for general operations unless specifically restricted by the donor. The Organization reports grants of cash and other assets as temporarily restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets as to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to

## MEALS ON WHEELS AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

---

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Revenue Recognition (continued)**

unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized on grants and contributions that has been committed to the Organization, but has not been received, is reflected as grants and contributions receivable in the accompanying statement of financial position.

Government grants and program service fees are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants and contracts for which billings have not been presented to or collected from the donor or awarding agency is included in grants and contributions receivable in the accompanying statement of financial position. Amounts received in advance that were not spent as of year-end are included in deferred revenue in the accompanying statement of financial position.

Revenue and the related costs of the annual conference are recognized in the year in which the conference is held.

Membership dues are recognized as revenue in the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statement of financial position.

##### **Donated Services**

Donated services consist of donated public service announcements (PSA's), other media spots, and digital and web advertising and are recognized as in-kind contributions in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt.

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

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of direct labor costs.

##### **Definition of Operations**

Operating revenue and expenses generally reflect those revenues and expenses that are an integral part of the programs and supporting activities of the Organization and exclude investment income (loss).

##### **Estimates**

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

## MEALS ON WHEELS AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

---

#### 2. Grants and Contributions Receivable

As of December 31, 2017, grants and contributions receivable consisted of grants and contributions from foundations, government agencies and corporate donors to be used for particular programs and/or general support. The balances are expected to be collected within one year and are considered fully collectible.

#### 3. Investments

Investments consisted of the following as of December 31, 2017:

Mutual funds	\$ 5,268,179
Exchange-traded funds	1,095,093
Cash and cash equivalents	<u>357,104</u>
Total Investments	<u>\$ 6,720,376</u>

Investment income is summarized as follows for the year ended December 31, 2017:

Unrealized gain, net	\$ 371,578
Interest and dividends	217,474
Realized gain, net	<u>85,148</u>
Total Investment Income	<u>\$ 674,200</u>

Investment fees totaled \$52,395 for the year ended December 31, 2017, and are included as consulting and contracted services in the accompanying statement of functional expenses.

## MEALS ON WHEELS AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

#### 4. Fair Value Measurement

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of December 31, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds:				
Fixed income	\$ 3,962,553	\$ 3,962,553	\$ -	\$ -
Equity	1,081,457	1,081,457	-	-
Multi-alternative	224,169	224,169	-	-
Exchange-traded funds:				
Fixed income	107,349	107,349	-	-
Equity	716,724	716,724	-	-
Multi-alternative	271,020	271,020	-	-
Total Investments Measured in the Fair Value Hierarchy	6,363,272	\$ 6,363,272	\$ -	\$ -
Cash and cash equivalents	357,104			
Total Investments	\$ 6,720,376			

The Organization used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

*Mutual funds and exchange-traded funds* – Valued at net asset value at the closing price reported in the active market in which the mutual and exchange-traded funds are traded.

#### 5. Property and Equipment and Accumulated Depreciation and Amortization

The Organization's property and equipment consisted of the following as of December 31, 2017:

Leasehold improvements	\$ 786,942
Computer equipment	95,376
Office equipment	27,286
Total Property and Equipment	909,604
Less: Accumulated Depreciation and Amortization	(225,198)
Property and Equipment, Net	\$ 684,406

Depreciation and amortization expense totaled \$78,611 for the year ended December 31, 2017.

## MEALS ON WHEELS AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

#### 6. Temporarily Restricted Net Assets

The Organization's temporarily restricted net assets were available for the following programs or purposes as of December 31, 2017:

Community impact	\$ 2,928,455
Pet initiative	675,090
Home repair	349,345
Research	<u>85,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 4,037,890</u>

#### 7. Commitments and Risks

##### Operating Leases

###### *Lease for New Office Space*

On November 16, 2015, the Organization entered into a noncancelable operating lease for new office space located in Arlington, Virginia. The lease agreement commenced in July 2015 and is scheduled to terminate on November 15, 2027. The agreement allowed for rent abatement at the beginning of the lease and requires monthly rental payments of \$27,655, subject to 2.5% annual fixed escalations. The Organization is obligated to pay its pro rata share of the building's real estate and operating expenses after the abatement period ends. The terms of the lease required a security deposit of \$165,927 and included a tenant improvement allowance of \$698,640, representing the landlord's contribution toward leasehold improvements and other build-out-related costs, as well as a provision to provide monthly rent credits worth up to \$563,104 to assist the Organization with the payment of its existing lease obligation. As of December 31, 2017, the unused rent credits totaled approximately \$19,000, and they are included in other receivables in the accompanying statement of financial position.

Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying statements of financial position.

Future minimum lease payments required under the office space lease are as follows:

For the Year Ending December 31,	
2018	\$ 349,744
2019	358,487
2020	367,449
2021	376,636
2022	386,052
Thereafter	<u>2,024,156</u>
Total	<u>\$ 3,862,524</u>

Continued

## MEALS ON WHEELS AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

---

#### 7. Commitments and Risks (continued)

##### **Operating Leases (continued)**

###### ***Lease for New Office Space (continued)***

Rental expense totaled \$269,960 for the year ended December 31, 2017, and is included in occupancy expense in the accompanying statement of functional expenses.

###### ***Lease for Old Office Space***

The Organization entered into a noncancelable lease agreement for office space located in Alexandria, Virginia, that commenced on February 1, 2013, and will expire on January 31, 2018. The agreement allowed for rent abatement and requires minimum monthly rental payments of \$17,728, subject to annual fixed escalations. The terms of the lease required a security deposit of \$17,728 and included a \$17,728 building improvement allowance to be applied toward build-out costs comprising architectural, engineering and construction costs as an incentive to enter into the lease.

In accordance with GAAP, the Organization was required to recognize the costs to exit its existing lease agreement as a loss, including the costs that will continue to be incurred under the lease agreement, net of any sublease income, credits for cleaning (janitorial) costs and discounted to the present value. As of December 31, 2017, the Organization had been unable to secure a sublease tenant for its previous office space.

At December 31, 2017, the Organization was committed to pay the rental payments for the year ended December 31, 2018, in the amount of \$18,542, which is net of cleaning credits of \$1,410.

##### **Letter of Credit**

In lieu of a cash security deposit to its landlord, the Organization elected to deliver an irrevocable unconditional letter of credit in the amount of \$165,927, issued by a financial institution, naming the landlord as the beneficiary thereof. The letter of credit expires and renews each year automatically on the last day of December, unless written notice is provided by the lender 45 days prior to expiration. The letter of credit, however, will not be extended beyond December 31, 2027, the final maturity date.

##### **Hotel Agreements**

The Organization has entered into agreements with a hotel providing for room accommodations for its 2018, 2019 and 2020 annual conferences. These agreements contain clauses whereby the Organization is liable for liquidated damages in the event of cancellation. The potential liquidated damages increase as the actual date of the annual conference approaches. The maximum possible amount of liquidated damages as of December 31, 2017, was approximately \$495,000.

##### **Employment Agreement**

During 2013, the Organization entered into an employment contract with the Executive Director that documents the terms and conditions of employment. Under the terms of the contract, should the Organization terminate the Executive Director's employment without

## MEALS ON WHEELS AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

---

#### 7. Commitments and Risks (continued)

##### **Employment Agreement (continued)**

cause, the Organization would be obligated to make a separation payment equal to her annual base salary, and would be obligated to pay certain benefits for a period of six months from her termination date.

##### **Concentration of Credit Risk**

The Organization maintains its cash with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2017, the Organization had approximately \$1,576,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$754,000. The Organization monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

#### 8. Donated Support

Effective April 1, 2015, the Organization entered into a three-year agreement with the Ad Council, a private, nonprofit organization with a history of marshaling volunteer talent from the advertising and media industries to deliver critical messages to the American public. This collaboration developed a large-scale media campaign, titled "America, Let's Do Lunch," encouraging Americans to volunteer during their lunch breaks to deliver meals and a smile to seniors. The agreement between the parties will be terminated on March 31, 2018.

The radio and televised PSA airtime, as well as internet and print advertising space, included in the media campaign have been donated to the Organization for the purpose of recruiting volunteers and educating the general public about the Organization's mission, which is to empower local community programs to improve the health and wellness of the seniors they serve, with the goal of preventing hunger and isolation. The fair value of the PSA's totaled \$31,594,793 for the year ended December 31, 2017, and is included in in-kind contribution revenue and program services expense in the accompanying statement of activities. PSA's are valued based on the number of times and period in which the advertisements are aired at the radio or television station's equivalent advertising rate charged to paying customers or, in the case of print or internet advertising, at the rate charged for similar advertising in that medium.

#### 9. Retirement Plan

The Organization maintains a 403(b) retirement plan (the Plan) covering substantially all full-time employees who have completed one year of service and have attained 21 years of age. Employees may elect to defer and contribute to the Plan a portion of their compensation in amounts up to the maximum permitted by law. The Organization matches employee contributions up to 3% of the employees' salary. Retirement plan expense totaled \$63,530 for the year ended December 31, 2017.

## MEALS ON WHEELS AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

---

#### 10. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2017, as the Organization had no net unrelated business income.

The Organization performed an evaluation of uncertainty in income taxes for the year ended December 31, 2017, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2017, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Organization files tax returns. The Organization is not currently under audit by the U.S. Internal Revenue Service for the year ended December 31, 2017. It is the Organization's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2017, the Organization had no accruals for interest and/or penalties.

#### 11. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

#### 12. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions, for potential recognition or disclosure, through May 7, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.