

MEALS ON WHEELS AMERICA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014 AND 2013



**Halt Buzas &
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Meals on Wheels America
Alexandria, Virginia

We have audited the accompanying financial statements of Meals on Wheels America (the Organization), formerly Meals on Wheels Association of America, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, 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 audit 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 auditors' 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 the Organization as of December 31, 2014 and 2013, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia

April 11, 2015

MEALS ON WHEELS AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,897,935	\$ 1,858,640
Contributions and grants receivable	396,658	108,584
Other receivables	6,846	-
Inventory	22,613	46,313
Prepaid expenses	154,380	144,687
Investments	11,114,942	11,923,546
Property and equipment, net	41,244	39,429
Security deposit	22,940	22,939
 Total assets	 \$ 13,657,558	 \$ 14,144,138
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 58,679	\$ 41,869
Accrued expenses	211,909	108,434
Member grants payable	42,531	153,063
Deferred revenue	372,234	751,903
Deferred rent	32,744	12,056
 Total liabilities	 718,097	 1,067,325
 Net assets:		
Unrestricted	11,722,437	12,804,545
Temporarily restricted	1,217,024	272,268
Total net assets	12,939,461	13,076,813
 Total liabilities and net assets	 \$ 13,657,558	 \$ 14,144,138

See accompanying notes to financial statements.

MEALS ON WHEELS AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Corporate and foundation grants	\$ 332,955	\$ 2,747,402	\$ 3,080,357
Contributions	1,464,218	1,963	1,466,181
Program service fees	585,532	-	585,532
Conference	381,942	-	381,942
Government grants	237,252	-	237,252
Investment income	177,137	-	177,137
Membership dues	140,222	-	140,222
Other income	24,657	-	24,657
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>1,804,609</u>	<u>(1,804,609)</u>	<u>-</u>
Total revenues	<u>5,148,524</u>	<u>944,756</u>	<u>6,093,280</u>
Expenses:			
Program services	<u>4,760,180</u>	<u>-</u>	<u>4,760,180</u>
Total program services	<u>4,760,180</u>	<u>-</u>	<u>4,760,180</u>
Support services:			
Management and general	1,150,126	-	1,150,126
Development	<u>320,326</u>	<u>-</u>	<u>320,326</u>
Total support services	<u>1,470,452</u>	<u>-</u>	<u>1,470,452</u>
Total expenses	<u>6,230,632</u>	<u>-</u>	<u>6,230,632</u>
Change in net assets	(1,082,108)	944,756	(137,352)
Net assets, beginning of year	<u>12,804,545</u>	<u>272,268</u>	<u>13,076,813</u>
Net assets, end of year	<u>\$ 11,722,437</u>	<u>\$ 1,217,024</u>	<u>\$ 12,939,461</u>

See accompanying notes to financial statements.

MEALS ON WHEELS AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Corporate and foundation grants	\$ 1,473,911	\$ 125,000	\$ 1,598,911
Contributions	1,794,245	-	1,794,245
Program service fees	549,567	-	549,567
Conference	370,211	-	370,211
Government grants	313,769	-	313,769
Investment income	111,478	-	111,478
Membership dues	147,250	-	147,250
Other income	1,130	-	1,130
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>530,848</u>	<u>(530,848)</u>	<u>-</u>
Total revenues	<u>5,292,409</u>	<u>(405,848)</u>	<u>4,886,561</u>
Expenses:			
Program services	<u>2,822,933</u>	<u>-</u>	<u>2,822,933</u>
Total program services	<u>2,822,933</u>	<u>-</u>	<u>2,822,933</u>
Support services:			
Management and general	1,054,347	-	1,054,347
Development	<u>175,981</u>	<u>-</u>	<u>175,981</u>
Total support services	<u>1,230,328</u>	<u>-</u>	<u>1,230,328</u>
Total expenses	<u>4,053,261</u>	<u>-</u>	<u>4,053,261</u>
Change in net assets	1,239,148	(405,848)	833,300
Net assets, beginning of year	<u>11,565,397</u>	<u>678,116</u>	<u>12,243,513</u>
Net assets, end of year	<u>\$ 12,804,545</u>	<u>\$ 272,268</u>	<u>\$ 13,076,813</u>

See accompanying notes to financial statements.

MEALS ON WHEELS AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program services	Management and general	Development	Total support services	Total expenses
Personnel	\$ 1,485,203	\$ 752,023	\$ 218,005	\$ 970,028	\$ 2,455,231
Accounting, audit and legal fees	-	79,837	-	79,837	79,837
Consulting and contracted services	679,994	77,624	13,950	91,574	771,568
Conference and events	243,880	2,565	8,918	11,483	255,363
Travel and meetings	93,413	38,664	14,104	52,768	146,181
Grants, scholarships and awards	1,676,956	-	2,000	2,000	1,678,956
Member services	297,916	-	-	-	297,916
Occupancy	4,981	252,088	-	252,088	257,069
Telephone and web services	867	30,250	-	30,250	31,117
Insurance	-	10,360	-	10,360	10,360
Printing	10,646	7,497	18,040	25,537	36,183
Postage	9,630	6,647	9,542	16,189	25,819
Office supplies	14,959	5,664	1,089	6,753	21,712
Depreciation and amortization	-	22,369	-	22,369	22,369
Dues and subscriptions	11,590	5,588	2,000	7,588	19,178
Bank fees	-	79,462	-	79,462	79,462
State registration fees	-	12,933	-	12,933	12,933
Miscellaneous	845	3,533	-	3,533	4,378
Bad debt	-	25,000	-	25,000	25,000
Indirect expenses	<u>229,300</u>	<u>(261,978)</u>	<u>32,678</u>	<u>(229,300)</u>	<u>-</u>
Total expenses	<u>\$ 4,760,180</u>	<u>\$ 1,150,126</u>	<u>\$ 320,326</u>	<u>\$ 1,470,452</u>	<u>\$ 6,230,632</u>

See accompanying notes to financial statements.

MEALS ON WHEELS AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program services	Management and general	Development	Total support services	Total expenses
Personnel	\$ 1,072,920	\$ 661,251	\$ 132,325	\$ 793,576	\$ 1,866,496
Accounting, audit and legal fees	9,400	133,611	-	133,611	143,011
Consulting and contracted services	239,350	53,802	7,897	61,699	301,049
Conference and events	237,911	1,172	3,250	4,422	242,333
Travel and meetings	56,350	39,862	3,238	43,100	99,450
Grants, scholarships and awards	844,387	-	-	-	844,387
Member services	129,734	-	-	-	129,734
Occupancy	2,368	250,396	-	250,396	252,764
Telephone and web services	2,121	30,032	-	30,032	32,153
Insurance	-	5,728	-	5,728	5,728
Printing	9,127	6,709	614	7,323	16,450
Postage	3,384	5,529	164	5,693	9,077
Office supplies	3,635	7,120	693	7,813	11,448
Depreciation and amortization	-	23,115	-	23,115	23,115
Dues and subscriptions	11,869	2,245	3,000	5,245	17,114
Bank fees	-	42,787	-	42,787	42,787
State registration fees	-	16,165	-	16,165	16,165
Indirect expenses	<u>200,377</u>	<u>(225,177)</u>	<u>24,800</u>	<u>(200,377)</u>	<u>-</u>
Total expenses	<u>\$ 2,822,933</u>	<u>\$ 1,054,347</u>	<u>\$ 175,981</u>	<u>\$ 1,230,328</u>	<u>\$ 4,053,261</u>

See accompanying notes to financial statements.

MEALS ON WHEELS AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>(137,352)</u>	\$ <u>833,300</u>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	22,369	23,115
Unrealized loss on investments	297,699	2,495
Realized gains on investments	(118,589)	(12,738)
Loss on disposal of property and equipment	-	1,941
Deferred rent	20,688	12,056
Bad debt	25,000	-
Decrease (increase) in assets:		
Contributions and grants receivable	(313,074)	50,443
Other receivables	(6,846)	-
Inventory	23,700	(19,410)
Prepaid expenses	(9,693)	(144,507)
Security deposit	-	(17,033)
Increase (decrease) in liabilities:		
Accounts payable	16,810	15,683
Accrued expenses	103,475	153,063
Member grants payable	(110,532)	31,943
Deferred revenue	<u>(379,669)</u>	<u>205,745</u>
Total adjustments	<u>(428,662)</u>	<u>302,796</u>
Net cash (used in) provided by operating activities	<u>(566,014)</u>	<u>1,136,096</u>
Cash flows from investing activities:		
Purchases of property and equipment	(24,184)	(9,482)
Purchases of investments	(10,461,615)	(6,621,157)
Redemptions and sales of investments	<u>11,091,108</u>	<u>7,230,703</u>
Net cash provided by investing activities	<u>605,309</u>	<u>600,064</u>
Net increase in cash and cash equivalents	39,295	1,736,160
Cash and cash equivalents, beginning of year	<u>1,858,640</u>	<u>122,480</u>
Cash and cash equivalents, end of year	<u>\$ 1,897,935</u>	<u>\$ 1,858,640</u>

See accompanying notes to financial statements.

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. Organization

Meals on Wheels America, formerly Meals On Wheels Association of America, Inc., (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 receives the majority of its revenue from corporate, foundation and government grants, contributions from individuals and corporations, an annual conference, and membership dues.

2. Summary of significant accounting policies

Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Organization has no permanently restricted net assets at December 31, 2014 and 2013.

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Fair value measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine 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. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no level 3 inputs for any assets or liabilities held by the Organization at December 31, 2014 and 2013.

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended December 31, 2014 and 2013 the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of December 31, 2014 and 2013, no uncertain tax positions existed for which the Organization should recognize a liability.

Cash and cash equivalents

For financial statement purposes, the Organization considers highly liquid investments with an original maturity of three months or less as cash equivalents. All components of investment accounts held within investment portfolios including temporary cash positions and money market funds are not considered to be cash and cash equivalents.

Contributions and grants receivable

Contributions and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. All such receivables are expected to be collected in less than one year and are reported at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. Management estimates that all receivables are fully collectible. Therefore, no allowance for doubtful contributions and grants receivable had been recognized at December 31, 2014 and 2013.

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Inventory

Inventory consists of 'Made with Love' cookbooks and FeelGoodFoods meals and is stated at the lower of cost or market by the first-in, first-out (FIFO) method.

Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law. The Organization purchases investment instruments that are exposed to various risks, such as fluctuations in market value and credit risk.

Donated securities and other donated items held as investments are recorded at their fair value on the date of the donation.

Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Office equipment	5 years
Computer equipment	5 years
Leasehold improvement	Life of lease
Furniture	7 years

The Organization's policy is to capitalize major additions and improvements over \$1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Deferred rent and lease incentives

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed, or are less than, the cash payments required. Lease incentives received as part of a lease agreement are recognized on a straight-line basis over the life of the lease as a reduction to rent expense.

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Revenue recognition

Contributions and grants

Contributions and grants that are considered non-exchange transactions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Government grants

Government grant revenue is recognized as earned when the qualifying costs are incurred. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position.

Membership dues

Membership dues are recognized as revenue ratably over the applicable dues period. Membership dues received in advance that are applicable to future periods are included in deferred revenue in the accompanying statements of financial position.

Program service and conference fees

Program service and conference fees are recognized as revenue in the period in which services are provided and when conferences take place. Fees received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Reclassification

For comparative purposes, certain 2013 amounts have been reclassified to conform to the 2014 presentation. None of these reclassifications affected the 2013 change in net assets.

3. Concentrations of credit risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2014 and 2013, the Organization had bank deposits in excess of FDIC limits of \$1,961,367 and \$1,450,329, respectively.

4. Property and equipment, net

The following is a summary of property and equipment held at December 31:

	<u>2014</u>	<u>2013</u>
Office equipment	\$ 6,376	\$ 4,479
Computer equipment	97,486	92,928
Leasehold improvement	22,176	4,448
Furniture	<u>-</u>	<u>259</u>
Property and equipment	126,038	102,114
Accumulated depreciation and amortization	<u>(84,794)</u>	<u>(62,685)</u>
Total property and equipment, net	<u>\$ 41,244</u>	<u>\$ 39,429</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$22,369 and \$23,115, respectively.

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

5. Investments and fair value measurements

Investments are comprised of the following at December 31:

	2014 <u>Cost</u>	2014 <u>Fair Value</u>	2013 <u>Cost</u>	2013 <u>Fair Value</u>
Mutual funds, fixed income	\$ 7,107,146	\$ 6,984,433	\$ 6,049,383	\$ 6,133,154
Mutual funds, equity	2,608,972	2,480,070	1,484,349	1,467,907
Mutual funds, managed futures	160,356	175,624	210,441	219,808
Mutual funds, multi-alternative	325,710	326,038	203,211	208,291
Exchange traded funds, equity	829,770	842,276	138,477	140,667
Money market funds	299,274	299,274	3,340,398	3,340,398
Common stock	2,574	7,227	982	982
Certificates of deposit	<u>-</u>	<u>-</u>	<u>410,491</u>	<u>412,339</u>
Total investments	<u>\$ 11,333,802</u>	<u>\$ 11,114,942</u>	<u>\$ 11,837,732</u>	<u>\$ 11,923,546</u>

Investment income is comprised of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 356,247	\$ 101,235
Realized gains on investments	118,589	12,738
Unrealized loss on investments	<u>(297,699)</u>	<u>(2,495)</u>
Total investment income	<u>\$ 177,137</u>	<u>\$ 111,478</u>

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
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The table below presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds, fixed income	\$ 6,984,433	\$ -	\$ 6,984,433
Mutual funds, equity	2,480,070	-	2,480,070
Mutual funds, managed futures	175,624	-	175,624
Mutual funds, multi-alternative	326,038	-	326,038
Exchange traded funds, equity	842,276	-	842,276
Money market funds	299,274	-	299,274
Common Stock	<u>7,227</u>	<u>-</u>	<u>7,227</u>
Total investments	<u>\$ 11,114,942</u>	<u>\$ -</u>	<u>\$ 11,114,942</u>

The table below presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds, fixed income	\$ 6,133,154	\$ -	\$ 6,133,154
Mutual funds, equity	1,467,907	-	1,467,907
Mutual funds, managed futures	219,808	-	219,808
Mutual funds, multi-alternative	208,291	-	208,291
Exchange traded funds, equity	140,667	-	140,667
Money market funds	3,340,398	-	3,340,398
Common stock	982	-	982
Certificates of deposit	<u>-</u>	<u>412,339</u>	<u>412,339</u>
Total investments	<u>\$ 11,511,207</u>	<u>\$ 412,339</u>	<u>\$ 11,923,546</u>

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

6. Temporarily restricted net assets

Net assets were released from donor restrictions during the years ended December 31, 2014 and 2013 for the following purposes:

	<u>2014</u>	<u>2013</u>
Share the Love	\$ 1,238,973	\$ -
More Than a Meal	319,470	5,530
Van Donation	135,931	-
Kosher Meal Fund	68,864	30,911
Building the Future	30,483	462,415
Emergency Response	10,528	1,920
Community Impact	360	29,948
National Response to Senior Hunger	<u>-</u>	<u>124</u>
Total net assets released from restrictions	<u>\$ 1,804,609</u>	<u>\$ 530,848</u>

At December 31, 2014 and 2013, temporarily restricted net assets were available for the following purposes:

	<u>2014</u>	<u>2013</u>
Community Support	\$ 500,000	\$ -
Share the Love	476,429	-
Data Pilot	182,000	-
National Response to Senior Hunger	22,814	22,814
Van Donation	14,069	-
Emergency Response	18,793	27,358
Community Impact	2,919	3,279
More Than a Meal	-	119,470
Kosher Meal Fund	-	68,864
Building the Future	<u>-</u>	<u>30,483</u>
Total temporarily restricted net assets	<u>\$ 1,217,024</u>	<u>\$ 272,268</u>

MEALS ON WHEELS AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

7. Commitments and contingency

Operating lease

Effective February 1, 2013, the Organization entered into an operating lease for office space located in Alexandria, Virginia. The lease agreement contains a provision for increasing the annual base rent at three percent per year. The annual rent increase is being amortized over the life of the lease. As a result, the Organization is recognizing rent expense on the straight-line basis over the lease term. The unamortized portion resulting from the difference between the amounts paid and expensed make up the deferred rent liability on the statement of financial position at December 31, 2014. The lease expires on January 31, 2018 and calls for a base monthly rent of \$17,728.

Rent expense for the years ended December 31, 2014 and 2013 was \$221,541 and \$220,411, respectively, and is included in occupancy expense in the accompanying statements of functional expenses.

Aggregate future minimum lease payments are as follows for the years ending December 31:

2015	\$ 225,137
2016	231,892
2017	238,848
2018	<u>19,952</u>
Total	\$ <u>715,829</u>

Hotel agreements

The Organization enters into agreements with hotels for their annual conference. Hotel agreements are made several years in advance to block rooms and meeting space. Such agreements contain cancellation clauses that increase as the actual date of the annual conference approaches. Potential estimated fees due as of April 11, 2015, should the cancellation of certain agreements occur, totaled \$196,240.

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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 cause, the Organization would be obligated to make a separation payment equal to the base salary for twelve months and certain benefits for six months at the time of termination.

8. Concentrations of revenue risk

During the years ended December 31, 2014 and 2013, the Organization received \$2,648,402 and \$1,429,761 from three grantors, respectively, which is approximately 44% and 29%, respectively, of its total revenue and support. Any significant reduction in revenue and support may adversely impact the Organization's financial position and operations.

9. Contingency

The Organization receives contracts and awards from agencies of the United States Government. Contracts and awards received from the U.S. government are potentially subject to review and/or audit by audit agencies of the government. Such audits or reviews determine whether an adjustment of expenditures rendered to the government is appropriate based on the underlying terms of the contracts. Should any of the contracts or awards be audited or reviewed, management does not expect the results to have a material effect on the Organization's financial position or results of future operations.

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10. Retirement plan

The Organization maintains a 403(b) retirement plan (the Plan) covering all employees who have completed one year of service and have attained 21 years of age. Employees can elect to defer a portion of their compensation in accordance with Internal Revenue Service deferral limits. The Organization may elect to make discretionary contributions to the Plan, of which employees will receive an allocation proportionate to their share of total deferrals in relation to total participant deferrals. Employer matching contributions for the years ended December 31, 2014 and 2013 totaled \$31,339 and \$26,179, respectively.

11. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 11, 2015, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.