

**MEALS ON WHEELS  
OF  
CONTRA COSTA, INC.**

**Independent Auditor's Report,  
And  
Financial Statements,**

**For the Nine Month Period  
Ended June 30, 2016**

**MEALS ON WHEELS OF CONTRA COSTA, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Meals on Wheels of Contra Costa County  
Martinez, California

We have audited the accompanying financial statements of Meals on Wheels of Contra Costa County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the nine- and twelve-month periods 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 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 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 of Contra Costa County, Inc. as of June 30, 2016, and September 30, 2015, and the changes in its net assets and its cash flows for the nine- and twelve-month periods then ended in accordance with accounting principles generally accepted in the United States of America.

  
Orinda, California  
October 28, 2016

**MEALS ON WHEELS OF CONTRA COSTA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
As of June 30, 2016 and September 30, 2015

	2016	2015
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 702,120	\$ 647,259
Investments	701,328	317,522
Designated fund investments	57,312	54,372
Total Current Assets	1,460,760	1,019,153
Total Assets	\$ 1,460,760	\$ 1,019,153
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 18,887	\$ 9,649
Total Current Liabilities	18,887	9,649
Net Assets:		
Unrestricted	1,384,562	955,132
Temporarily restricted	57,311	54,372
Total Net Assets	1,441,873	1,009,504
Total Liabilities and Net assets	\$ 1,460,760	\$ 1,019,153

**MEALS ON WHEELS OF CONTRA COSTA, INC.**  
**STATEMENT OF ACTIVITIES**  
For The Nine Month Period Ended June 30, 2016  
(Comparative Statement For The Year Ended September 30, 2015)

	2016	2015
<b>UNRESTRICTED NET ASSETS</b>		
Support:		
Contributions	\$ 1,473,908	\$ 1,317,581
Workplace campaigns	60,463	72,360
Investment income (loss), net	33,833	(725)
Other income	-	40
Total Support	1,568,204	1,389,256
Net assets released from donor restrictions	129,540	141,400
	1,697,744	1,530,656
<b>EXPENSES:</b>		
Program services	919,051	1,094,409
Supporting Services:		
Management and general	11,545	24,992
Fund-raising expenses	337,718	395,364
Total Support Services	349,263	420,356
Total Expenses	1,268,314	1,514,765
Increase (Decrease) in Unrest. Net Assets	429,430	15,891
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grants	129,540	141,400
Contributions	1,001	-
Investment income (loss), net	1,938	(10,213)
Net assets released from donor restrictions	(129,540)	(141,400)
Change in Temporarily Restricted Assets	2,939	(10,213)
<b>TOTAL INCREASE IN NET ASSETS</b>	432,369	5,678
Net assets, beginning of year	1,009,504	1,003,826
Net assets, end of year	\$ 1,441,873	\$ 1,009,504

**MEALS ON WHEELS OF CONTRA COSTA, INC.**  
**STATEMENT OF CASH FLOWS**  
For The Nine Month Period Ended June 30, 2016  
(Comparative Statement For The Year Ended September 30, 2015)

	2016	2015
<b>Cash flows from operating activities:</b>		
Increase in Net Assets	\$ 432,369	\$ 5,678
<b>Adjustments to reconcile cash provided by (used for) operating activities:</b>		
Unrealized (gains) losses on investments	(49,966)	15,769
Increase (decrease) in accounts payable	9,239	3,249
<b>Total adjustments</b>	<u>(40,727)</u>	<u>19,018</u>
<b>Net cash provided (used) by operating activities</b>	<u>391,642</u>	<u>24,696</u>
<b>Cash flow from investing activities:</b>		
East Bay Community Foundation - Investment	(2,940)	75,229
Other Investments, net	(333,841)	(284,478)
<b>Net cash provided (used) by investing activities</b>	<u>(336,781)</u>	<u>(209,249)</u>
<b>Net increase (decrease) in cash and equivalents</b>	<u>54,861</u>	<u>(184,553)</u>
<b>Cash and equivalents, beginning of year</b>	<u>647,259</u>	<u>831,812</u>
<b>Cash and equivalents, end of year</b>	<u><u>\$ 702,120</u></u>	<u><u>\$ 647,259</u></u>

**MEALS ON WHEELS OF CONTRA COSTA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For The Nine- and Twelve-Month Periods Ended June 30, 2016 and September 30, 2015

	<u>Nine Month Period Ended June 30, 2016</u>				<u>Twelve Month Period Ended September 30, 2015</u>			
	<u>Program Services</u>	<u>Management Expenses</u>	<u>Fund-Raising Expenses</u>	<u>Total</u>	<u>Program Services</u>	<u>Management Expenses</u>	<u>Fund-Raising Expenses</u>	<u>Total</u>
Meals/Delivery	\$ 913,021	\$ -	\$ -	\$ 913,021	\$ 1,087,134	\$ -	\$ -	\$ 1,087,134
Development / Fundraising	-	-	146,677	146,677	-	-	175,230	175,230
Lists	-	-	42,862	42,862	-	-	45,587	45,587
Postage and delivery	385	-	98,493	98,878	374	-	100,640	101,014
Printing	4,944	-	42,382	47,326	4,622	-	45,163	49,785
Software/website	-	4,339	-	4,339	-	11,440	-	11,440
Graphic design costs	-	-	6,390	6,390	-	-	16,255	16,255
Training & Conferences	-	2,008	-	2,008	-	3,198	-	3,198
Insurance	701	377	-	1,078	2,279	1,201	-	3,480
Professional fees	-	4,125	-	4,125	-	4,161	-	4,161
Miscellaneous	-	696	914	1,610	-	4,992	12,489	17,481
<b>TOTAL EXPENSES</b>	<b>\$ 919,051</b>	<b>\$ 11,545</b>	<b>\$ 337,718</b>	<b>\$ 1,268,314</b>	<b>\$ 1,094,409</b>	<b>\$ 24,992</b>	<b>\$ 395,364</b>	<b>\$ 1,514,765</b>

See Notes to Financial Statements.

## MEALS ON WHEELS OF CONTRA COSTA, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2016

#### 1. ORGANIZATION

Meals on Wheels of Contra Costa, Inc. sponsors fund-raising and program activities, apply for and accept grants from public and private agencies, businesses and individuals, on behalf and for the benefit of providing meals delivered to the homebound elderly of Contra Costa County through the Contra Costa Meals on Wheels Program, operated by the Contra Costa County Department of Health Services-Public Health Division. Meals on Wheels of Contra Costa, Inc. is governed by a Board of Directors composed of representatives from public and private agencies throughout Contra Costa County.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting -The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation – The financial statements are presented under the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets described below. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are 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 Organization 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 may be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or a part of the income earned on any related investments for general or specific purposes.

Revenue – The Organization receives grant revenues from public and private organizations and are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

Contributions - Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Workplace campaign support is received through the Local Independent Charities of America and United Way of the Bay Area and is recognized when received.



**MEALS ON WHEELS OF CONTRA COSTA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant Revenue – Grant revenue is received primarily from non-governmental organizations within the community.

Functional expenses - Expenses are charged to program expenses based on direct expenditures incurred. Any expenditure not directly chargeable is allocated to the program based upon allowable costs, which are considered in the budget process.

Income tax status – The Organization is exempt from federal and state taxes on income under Internal Revenue Code section 501(c) (3) and California Revenue and Taxation Code 23701d of the respective income tax codes and regulations, and is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California.

The Organization has evaluated its current tax positions and has concluded that as of September 30, 2015 it does not have any significant uncertain tax positions for which a reserve would be necessary.

Allocation of Supporting Service Expenditures – It is the Organization’s policy to allocate the indirect expenses of administrative overhead (Supporting Services) to program services based upon various direct costs related to program services.

Cash Equivalents - The Organization maintains deposits with financial institutions in either general checking or savings accounts. These cash accounts are insured in limited amounts. The Organization also invests excess cash in money market funds and certificates of deposits. For purposes of the statements of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services - The Organization does not recognize any support, revenue or expenses from services contributed by volunteers. If any support, revenue or expenses were recorded it would be determined based on the difference of any amount paid to an individual and the comparable compensation, which would be paid to an individual if they were to occupy these paid positions.

Investments - Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Change of Fiscal Year End – At the beginning of the year the Organization has elected to change their fiscal year end from September 30 to June 30. As a result these financial statements reflect the nine-month period ended June 30, 2016 (October 1, 2015 through June 30, 2016).

**MEALS ON WHEELS OF CONTRA COSTA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment - Property and equipment are recorded at cost and contributed assets are carried at fair value at the date of the donation. Depreciation is provided on the straight-line method over estimated useful lives of the related assets. Maintenance and repairs which do not improve or extend the life of the respective assets are expensed when incurred. When assets are disposed of, the related cost and accumulated depreciation are removed from the respective accounts. Any gain or loss on an item disposed of is reflected in operating results.

Fair Value Measurements - Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 input - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

The Organization is required to measure non-cash contributions and related revenues. The specific techniques used to measure fair value for each element is described in the notes below that relate to each element.

Advertising - Advertising and promotional costs are charged to expense as incurred.

3. CONCENTRATION OF CREDIT RISK

The Organization has cash deposits which exceed FDIC limits. However, management believes that the concentration of credit risk is low due to the quality of the financial institutions holding these funds.

4. FAIR VALUE MEASUREMENTS

The table below present transactions measured at fair value on non-recurring basis during the nine month period ended June 30, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments/Desigarted Funds	<u>\$ 758,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,640</u>
Fair value at June 30, 2016	<u>\$ 758,640</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 758,640</u>

**MEALS ON WHEELS OF CONTRA COSTA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2016**

5. INVESTMENTS

The following summarizes carrying values and market values of Marketable Securities:

	<u>2016</u>	<u>2015</u>
Unrestricted:		
Money Market - Morgan Stanley	\$ 6,986	\$ 3,043
Equities - Morgan Stanley	481,917	17,811
Mutual Funds - Morgan Stanley	<u>212,425</u>	<u>296,668</u>
Subtotal	<u>701,328</u>	<u>317,522</u>
Temporarily Restricted:		
Designated Funds:		
East Bay Community Foundation	<u>57,312</u>	<u>54,372</u>
Total Investments	<u>\$ 758,640</u>	<u>\$ 371,894</u>

Net investment income consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 6,906	\$ 3,214
Realized gains (losses)	(17,256)	3,462
Unrealized gains (losses)	49,966	(15,769)
Investment fees	<u>(3,845)</u>	<u>(1,845)</u>
	<u>\$ 35,771</u>	<u>\$ (10,938)</u>

6. DESIGNATED FUND INVESTMENTS

The Organization adopted SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. SFAS No. 136 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, return of investment of those assets, or both to an entity that is specified by the donor. SFAS No. 136 specifically requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the Organization (donor) must account for the transfer of such assets as an asset and the recipient organization as a liability.

The Organization established the designated fund during 2004 and has transferred a total of \$100,000 since inception to the East Bay Community Foundation (EBCF). As per the Designated Fund Agreement between the Organization and EBCF, the Organization granted variance power, as defined by SFAS No. 136, and the Organization specified itself as the beneficiary. The fund may make distributions of up to 100% of its assets annually, net of fees. The distribution policy may be amended as agreed by the parties. The invested funds are reported on the statement of financial position as designated fund investments and as temporarily restricted net assets. The Organization received \$-0- and \$80,000 for the nine month period ended June 30, 2016 and the year ended September 30, 2015, respectively.

**MEALS ON WHEELS OF CONTRA COSTA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2016**

7. TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets balance as of June 30, 2016 and September 30, 2015 in the amount of \$57,311 and \$54,372 as of June 30, 2016 and September 30, 2015, respectively, represent the designated fund investments held by the East Bay Community Foundation.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2016, the date to which the financial statements were available.