

MEALS ON WHEELS OF RHODE ISLAND, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2019 AND 2018

**MEALS ON WHEELS OF RHODE ISLAND, INC.
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meals on Wheels of Rhode Island, Inc.
Providence, Rhode Island

Report on Financial Statements

We have audited the accompanying financial statements of Meals on Wheels of Rhode Island, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, 2019 and 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
June 17, 2020

MEALS ON WHEELS OF RHODE ISLAND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 415,033	\$ 478,837
Receivables		
Grants and contracts receivable	522,961	177,755
Other	28,744	7,317
Prepaid expenses	11,974	2,539
Current portion of restricted cash	<u>31,225</u>	<u>1,667</u>
Total current assets	1,009,937	668,115
Property and equipment, net	467,302	473,188
Restricted cash, net of current portion and restricted cash for purchase of vehicles	107,594	107,594
Restricted cash, purchase of vehicles	-	40,800
Investments	950,952	806,393
Beneficial interest in perpetual trust	<u>600,831</u>	<u>534,388</u>
TOTAL ASSETS	<u>\$ 3,136,616</u>	<u>\$ 2,630,478</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities, current:		
Accounts payable	\$ 124,037	\$ 31,792
Accrued expenses	70,766	73,560
Refundable advances	<u>-</u>	<u>24,125</u>
Total liabilities	<u>194,803</u>	<u>129,477</u>
Net assets:		
Without donor restrictions:		
Undesignated	743,909	506,971
Designated - capital asset replacement and operating reserves (Note 7)	990,952	836,393
Designated - property and equipment	<u>467,302</u>	<u>473,188</u>
Total without donor restrictions	2,202,163	1,816,552
With donor restrictions (Note 8)	<u>739,650</u>	<u>684,449</u>
Total net assets	<u>2,941,813</u>	<u>2,501,001</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,136,616</u>	<u>\$ 2,630,478</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF RHODE ISLAND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Government grants and contracts:			
Federal	\$ 1,231,019	\$ -	\$ 1,231,019
State	559,434	-	559,434
Healthcare revenue:			
Governmental	194,827	-	194,827
Private	126,657	-	126,657
Project income	325,755	-	325,755
Donations	449,778	31,225	481,003
Fundraising event income, net of expenses of \$35,092	159,988	-	159,988
Other	14,450	-	14,450
Net assets released from restrictions	<u>42,467</u>	<u>(42,467)</u>	<u>-</u>
Total revenue and support	<u>3,104,375</u>	<u>(11,242)</u>	<u>3,093,133</u>
Expenses:			
Home delivered program	1,958,077	-	1,958,077
Congregate meal site program	158,134	-	158,134
Management and general	587,237	-	587,237
Fundraising	<u>161,241</u>	<u>-</u>	<u>161,241</u>
Total expenses	<u>2,864,689</u>	<u>-</u>	<u>2,864,689</u>
Increase (decrease) in net assets from operations	<u>239,686</u>	<u>(11,242)</u>	<u>228,444</u>
Nonoperating revenues:			
Increase in beneficial interest in perpetual trust	-	66,443	66,443
Net interest and dividend income	19,655	-	19,655
Net gains on investments	<u>126,270</u>	<u>-</u>	<u>126,270</u>
Total nonoperating revenues	<u>145,925</u>	<u>66,443</u>	<u>212,368</u>
Change in net assets	385,611	55,201	440,812
Net assets - beginning	<u>1,816,552</u>	<u>684,449</u>	<u>2,501,001</u>
NET ASSETS - ENDING	<u>\$ 2,202,163</u>	<u>\$ 739,650</u>	<u>\$ 2,941,813</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF RHODE ISLAND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Government grants and contracts:			
Federal	\$ 1,179,009	\$ -	\$ 1,179,009
State	510,326	-	510,326
Healthcare revenue			
Governmental	127,838	-	127,838
Private	129,087	-	129,087
Project income	310,487	-	310,487
Donations	371,449	42,667	414,116
Fundraising event income, net of expenses of \$3,228	104,324	-	104,324
Other	9,295	-	9,295
Net assets released from restrictions	<u>600</u>	<u>(600)</u>	<u>-</u>
Total revenue and support	<u>2,742,415</u>	<u>42,067</u>	<u>2,784,482</u>
Expenses:			
Home delivered program	1,908,794	-	1,908,794
Congregate meal site program	150,899	-	150,899
Management and general	511,165	-	511,165
Fundraising	<u>159,931</u>	<u>-</u>	<u>159,931</u>
Total expenses	<u>2,730,789</u>	<u>-</u>	<u>2,730,789</u>
Increase in net assets from operations	<u>11,626</u>	<u>42,067</u>	<u>53,693</u>
Nonoperating revenues (expenses):			
Decrease in beneficial interest in perpetual trust	-	(52,424)	(52,424)
Net interest and dividend income	18,816	-	18,816
Net losses on investments	<u>(66,294)</u>	<u>-</u>	<u>(66,294)</u>
Total nonoperating expenses	<u>(47,478)</u>	<u>(52,424)</u>	<u>(99,902)</u>
Change in net assets	(35,852)	(10,357)	(46,209)
Net assets - beginning	<u>1,852,404</u>	<u>694,806</u>	<u>2,547,210</u>
NET ASSETS - ENDING	<u>\$ 1,816,552</u>	<u>\$ 684,449</u>	<u>\$ 2,501,001</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF RHODE ISLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>			<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
	<u>Home Delivered Program</u>	<u>Congregate Meal Site Program</u>	<u>Total Program Services</u>			
Payroll and related costs	\$ 531,858	\$ 50,645	\$ 582,503	\$ 358,477	\$ 147,716	\$ 1,088,696
Contracted services	13,591	1,626	15,217	78,646	9,096	102,959
Building costs and utilities	4,997	483	5,480	31,837	1,528	38,845
Supplies	4,612	6,532	11,144	16,845	2,901	30,890
Other expenses	61,102	339	61,441	59,557	-	120,998
Meal costs	1,336,768	98,509	1,435,277	-	-	1,435,277
Total expenses before depreciation	1,952,928	158,134	2,111,062	545,362	161,241	2,817,665
Depreciation expense	5,149	-	5,149	41,875	-	47,024
Total expenses	<u>\$ 1,958,077</u>	<u>\$ 158,134</u>	<u>\$ 2,116,211</u>	<u>\$ 587,237</u>	<u>\$ 161,241</u>	<u>\$ 2,864,689</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF RHODE ISLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>			<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
	<u>Home Delivered Program</u>	<u>Congregate Meal Site Program</u>	<u>Total Program Services</u>			
Payroll and related costs	\$ 509,111	\$ 51,484	\$ 560,595	\$ 357,109	\$ 147,382	\$ 1,065,086
Contracted services	12,871	1,333	14,204	33,030	9,012	56,246
Building costs and utilities	4,853	457	5,310	33,593	1,446	40,349
Supplies	6,865	9,505	16,370	8,251	2,091	26,712
Other expenses	66,142	433	66,575	36,282	-	102,857
Meal costs	1,302,576	87,687	1,390,263	-	-	1,390,263
Total expenses before depreciation	1,902,418	150,899	2,053,317	468,265	159,931	2,681,513
Depreciation expense	6,376	-	6,376	42,900	-	49,276
Total expenses	<u>\$ 1,908,794</u>	<u>\$ 150,899</u>	<u>\$ 2,059,693</u>	<u>\$ 511,165</u>	<u>\$ 159,931</u>	<u>\$ 2,730,789</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF RHODE ISLAND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 440,812	\$ (46,209)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	47,024	49,276
Net realized (gain) loss on sale of investments	(13,585)	972
Net unrealized (gain) loss on investments	(112,685)	65,322
Decrease (increase) in beneficial interest in perpetual fund	(66,443)	52,424
Changes in operating assets and liabilities:		
Grants and contracts receivables	(345,206)	293,686
Other receivables	(21,427)	8,439
Prepaid expenses	(9,435)	758
Accounts payable	92,245	(160,634)
Accrued expenses	(2,794)	(24,883)
Refundable advances	<u>(24,125)</u>	<u>23,276</u>
Net cash provided by (used in) operating activities	<u>(15,619)</u>	<u>262,427</u>
Cash flows from investing activities:		
Proceeds from sales and redemption of investments	202,866	380,312
Purchase of investments and reinvested earnings	(221,155)	(397,842)
Purchase of property and equipment	<u>(41,138)</u>	<u>-</u>
Net cash used in investing activities	<u>(59,427)</u>	<u>(17,530)</u>
Net (decrease) increase in cash and restricted cash	(75,046)	244,897
Cash and restricted cash - beginning	<u>628,898</u>	<u>384,001</u>
CASH AND RESTRICTED CASH - ENDING	<u>\$ 553,852</u>	<u>\$ 628,898</u>

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2019</u>	<u>2018</u>
Cash	\$ 415,033	\$ 478,837
Current portion of restricted cash	31,225	1,667
Restricted cash, net of current portion and restricted cash for purchase of vehicles	107,594	107,594
Restricted cash, purchase of vehicles	<u>-</u>	<u>40,800</u>
	<u>\$ 553,852</u>	<u>\$ 628,898</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of organization

Meals on Wheels of Rhode Island, Inc. (the "Organization") is a Rhode Island nonprofit corporation exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Organization's primary function is to help meet the nutritional needs and provide other types of assistance to the elderly in the State of Rhode Island (the "State"). Funding for programs sponsored by the Organization is derived principally from pass-through federal grants and direct contracts awarded by the State of Rhode Island, Office of Healthy Aging ("OHA"), various foundations and the general public.

The Organization continues to achieve its mission of meeting the nutritional and other special needs of the elderly to help them maintain their independent lifestyles. The Organization's Home-Delivered Meal Program has over 700 volunteers who deliver meals through 89 routes across the state, ensuring Rhode Island's most vulnerable seniors are fed and safe. In 2019, they delivered 308,636 meals to 2,563 homebound Rhode Islanders. Through OHA, the state is divided into five regions for congregate meals; the Organization's Capital City Cafe Program is the designated provider for Providence cafes. This program provides more mobile seniors weekday dining options in nine community locations, including an ethnic cafe and an LGBT-friendly cafe. In 2019, these programs together provided 25,756 meals to Rhode Island seniors. The Organization also offers participants the option to dine at three restaurants in the State.

Recently adopted accounting pronouncements

Contributions

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Organization adopted ASU 2018-08 effective January 1, 2019 using the modified prospective method. Under the modified prospective method, the amendments are applied to agreements that are either not completed as of the effective date or entered into after the effective date. The Organization has determined that the application of the amendments of ASU 2018-08 did not have a material impact on the Organization's financial statements and related disclosures.

Statement of cash flows

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, ("ASU 2016-18"), which required that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. ASU 2016-18 was effective for annual periods beginning after December 15, 2018. The Organization retrospectively adopted ASU 2016-18 and has included restricted cash with its cash on the statements of cash flow for all periods presented.

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently adopted accounting pronouncement (continued)

Financial instruments

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which changes the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2018-03"). In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ("ASU 2019-04"), to clarify certain aspects of 2016-01. The Organization adopted the amendments effective January 1, 2019, using the modified retrospective method.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for capital asset replacement and operating reserves and property and equipment.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Revenue, gains and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments or other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Contributions

Contribution revenue, which includes donations and project income, is recorded as received or unconditionally promised. If the contribution is made in assets other than cash, the amount of the contribution is measured at the fair value of the asset contributed at the date the contribution or unconditional promise to give is made by the donor.

Contributions of cash and other assets are reported as an increase in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Performance indicator

In the accompanying statements of activities, the primary indicator of the Organization's results is the "*increase/decrease in net assets from operations*." As such, it includes all operating support and revenue, fundraising revenue, and operating expenses. All other interest and dividend income without donor restrictions, net realized and unrealized gains/losses on investments, and change in beneficial interest in perpetual trust, are included as a component of "*nonoperating revenues (expenses)*" in the statements of activities.

Investments

Investments are classified as "other-than-trading securities" and are stated at fair value. Investments sold are identified using the specific identification method.

The Organization invests in a professionally managed portfolio. Such investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term will materially affect investment balances and the amounts reported in the financial statements.

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization has adopted accounting guidance permitting beneficial interests in assets held by others to be valued using net asset value ("NAV") as a practical expedient. As a result of applying this practical expedient, the beneficial interest in perpetual trust is not presented within the fair value hierarchy and is measured at NAV per unit, as determined by the trustee. The NAV per unit is based on the fair value of the underlying fund, less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents, with the exception of cash invested in certain money market funds, which are classified as investments for financial statement purposes. The Organization had no cash equivalents at December 31, 2019 or 2018.

The Organization maintains its cash accounts with one financial institution whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2019 and 2018, the Organization had \$232,663 and \$370,213, respectively on deposit in excess of the amount insured by the FDIC.

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted cash

The Organization considers all cash with restrictions imposed by donors or the board of directors limiting its use as restricted cash.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. The Organization capitalizes individual assets with a cost greater than \$5,000 and a useful life of more than one year. Capital purchases made with grantor funds are capitalized in accordance with grant stipulations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 years to 27.5 years.

The Organization evaluates long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Organization did not record any impairment losses during the years ended December 31, 2019 or 2018.

Contributed services and in-kind contributions

Contributed services received by the Organization that either do not require specialized skills or would not typically be purchased if not provided by donation are not reported as support and expenses in the financial statements. Contributed services and in-kind contributions which would typically be purchased if not provided by donation are reported as support and expenses in the financial statements at estimated fair value based on comparable rates for similar products and services.

Revenue recognition and refundable advances

A portion of the Organization's revenue is derived from cost-reimbursable and/or unit-rate federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or provided the related services in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or providing the related services are reported as refundable advances in the statements of financial position.

Grants and contracts are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which might arise as a result of these audits is not considered by management to be material.

Healthcare revenue is reported when the meal delivery services are performed.

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and contracts and other receivables

The Organization carries its receivables at the amount it expects to collect. Management provides for probable uncollectable amounts through a charge to bad debt expense and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual amounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to receivables. As of December 31, 2019 and 2018, no allowance for doubtful accounts was recorded.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll and related costs	Time and effort
Contracted services	Time and effort and consumption
Building costs and utilities	Consumption
Supplies	Consumption
Other expenses	Consumption
Meal costs	Consumption
Depreciation	Square footage and usage

Income taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC. As a not-for-profit entity, the Organization is subject to unrelated business income tax ("UBIT"), if applicable. In accordance with FASB ASC 740, *Income Taxes*, the Organization applies the "more likely than not" threshold to the recognition and derecognition of tax positions for its financial statements. Management has evaluated the Organization's tax positions and has concluded that there were no uncertain tax positions that qualified for either recognition or disclosure in these financial statements.

The Organization files an income tax return in the U.S. federal jurisdiction.

Subsequent events

The Organization has evaluated subsequent events through June 17, 2020, the date the accompanying financial statements were available to be issued. Except as disclosed in Note 11, there were no material subsequent events that required recognition or disclosure in these financial statements.

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of December 31, 2019:

Financial assets at year-end:	
Cash and restricted cash	\$ 553,852
Grants and contracts receivable	522,961
Other receivable	28,744
Investments	950,952
Beneficial interest in perpetual trust	<u>600,831</u>
Total financial assets at year-end	2,657,340
Less amounts not available to be used within one year:	
Net assets with donor restrictions	739,650
Designated net assets subject to board approval	<u>990,952</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 926,738</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$710,000).

NOTE 3. INVESTMENTS

Assets measured at fair value are based on one or more of the following valuation techniques:

- (a) *Market approach*: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach*: Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach*: Techniques to convert future amounts to single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the Organization's investments measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	December 31, 2019				Valuation Technique
	Level 1	Level 2	Level 3	Total	
Money market funds	\$ 95,247	\$ -	\$ -	\$ 95,247	(a)
Mutual funds:					
Emerging markets	106,562	-	-	106,562	(a)
Intermediate-term	90,538	-	-	90,538	(a)
Other	130,367	-	-	130,367	(a)
Exchange traded funds:					
Large-cap	276,640	-	-	276,640	(a)
Intermediate-term	93,289	-	-	93,289	(a)
Other	<u>158,309</u>	<u>-</u>	<u>-</u>	<u>158,309</u>	(a)
	<u>\$ 950,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 950,952</u>	

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3. INVESTMENTS (CONTINUED)

	December 31, 2018				Valuation Technique
	Level 1	Level 2	Level 3	Total	
Money market funds	\$ 104,807	\$ -	\$ -	\$ 104,807	(a)
Mutual funds:					
Intermediate-term	85,567	-	-	85,567	(a)
Other	154,399	-	-	154,399	(a)
Exchange traded funds:					
Large-cap	189,700	-	-	189,700	(a)
Intermediate-term	85,952	-	-	85,952	(a)
Other	185,968	-	-	185,968	(a)
	\$ 806,393	\$ -	\$ -	\$ 806,393	

Level 1 investments owned by the Organization and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date or, in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Investment fees for the years ended December 31, 2019 and 2018, totaling approximately \$4,300 and \$4,000, respectively, are presented net with interest and dividend income on the statements of activities.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 50,000	\$ 50,000
Building	305,000	305,000
Building improvements	289,882	289,882
Equipment	240,052	240,052
Motor vehicles	317,539	303,385
	1,202,473	1,188,319
Less: accumulated depreciation	735,171	715,131
	\$ 467,302	\$ 473,188

Disposals of fully depreciated fixed assets totaled \$26,984 for the years ended December 31, 2019 and 2018.

NOTE 5. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization is the sole beneficiary of a fund, the assets of which are owned and managed by the Rhode Island Foundation (the "Foundation"). Under the terms of the agreement, the Foundation directs the investment of the fund and makes annual distributions to the Organization in accordance with the Foundation's investment and distribution policies, respectively.

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5. BENEFICIAL INTEREST IN PERPETUAL TRUST (CONTINUED)

The fair value of the Organization's beneficial interest in perpetual trust is based on the Organization's proportionate share of all assets held by the Foundation and the fair value of the underlying investments, as reported by the Foundation. The fund is commingled with other Foundation assets in the Foundation's pooled endowment and is accounted for separately within the pooled endowment fund.

NOTE 6. CONCENTRATIONS

The Organization received 10% or more of its revenue and support from the following sources for the years ended December 31, 2019 and 2018:

<u>Source</u>	<u>2019</u>		<u>2018</u>	
	<u>Income received</u>	<u>% of revenue and support</u>	<u>Income received</u>	<u>% of revenue and support</u>
U.S. Department of Health and Human Services	\$ 1,231,019	40%	\$ 1,179,009	42%
Rhode Island Division of Elderly Affairs	<u>559,434</u>	<u>18%</u>	<u>510,326</u>	<u>18%</u>
	<u>\$ 1,790,453</u>	<u>58%</u>	<u>\$ 1,689,335</u>	<u>60%</u>

The Organization had 10% or more of its outstanding receivables from the following sources for the years ended December 31, 2019 and 2018:

<u>Source</u>	<u>2019</u>		<u>2018</u>	
	<u>Receivables</u>	<u>% of receivables</u>	<u>Receivables</u>	<u>% of receivables</u>
U.S. Department of Health and Human Services	\$ 182,642	35%	\$ 83,476	47%
Rhode Island Division of Elderly Affairs	266,689	51%	44,167	25%
Rhode Island Department of Health and Human Services	<u>37,002</u>	<u>7%</u>	<u>39,752</u>	<u>22%</u>
	<u>\$ 486,333</u>	<u>93%</u>	<u>\$ 167,395</u>	<u>94%</u>

MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7. NET ASSETS DESIGNATED FOR CAPITAL ASSET REPLACEMENT AND OPERATING RESERVES

The Organization had net assets designated for capital asset replacement and operating reserves as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Capital asset replacement	\$ 65,808	\$ 55,328
Capital reserves	603,344	508,690
Operating reserves	<u>321,800</u>	<u>272,375</u>
	<u>\$ 990,952</u>	<u>\$ 836,393</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Pet Food Program	\$ 3,273	\$ 3,273
Senior Wish Program	4,315	4,315
Home-Delivered Program	99,655	99,655
Volunteerism	10,000	-
IT assessment	9,850	-
Salary study	6,375	-
Development consultant	5,000	-
Restaurants	351	351
Vehicle purchase	-	40,800
Congregate Program	<u>-</u>	<u>1,667</u>
	<u>138,819</u>	<u>150,061</u>
Not subject to spending policy or appropriation:		
Beneficial interests in perpetual trust	<u>600,831</u>	<u>534,388</u>
	<u>\$ 739,650</u>	<u>\$ 684,449</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Vehicle purchase	\$ 40,800	\$ -
Newport Seniors Program	-	600
Congregate program	<u>1,667</u>	<u>-</u>
	<u>\$ 42,467</u>	<u>\$ 600</u>

**MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9. PENSION

The Organization has a 403b thrift plan that covers all employees with at least one year of service and a minimum of 1,000 hours worked during the plan year. The Organization also matches up to 4% of all eligible compensation of employees participating in the plan. Contributions to the plan charged to operations were \$23,125 and \$11,546 for 2019 and 2018, respectively.

NOTE 10. IN-KIND CONTRIBUTIONS

Certain in-kind contributions received during the year are not included in the accompanying statements of activities as they do not meet the requirements to record. Following is a summary of in-kind contributions received during the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Volunteers - home-delivered program	\$ 713,702	\$ 686,504
Volunteers - congregate program	<u>164,772</u>	<u>158,424</u>
	<u>\$ 878,474</u>	<u>\$ 844,928</u>

NOTE 11. UNCERTAINTY AND SUBSEQUENT EVENT

In March 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Disruptions to the Organization’s business operations could occur as a result from the supply and quarantine of employees, consumers, volunteers, and vendors. In an effort to minimize the operational and liquidity risks resulting from the COVID-19 state of emergency, the Organization has applied for and received additional grant funding and donations that has allowed for temporary increases in service levels and the continuation of service to existing consumers. Given the uncertainty of this situation, the financial impact to the Organization, if any, cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

**MEALS ON WHEELS OF RHODE ISLAND, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Pass-through grantor	Grant Period	Federal CFDA number	Grant/Pass- through number	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
<u>Passed through the Rhode Island Office of Healthy Aging</u>				
Aging Cluster:				
Special Programs for the Aging, Title III, Part C, Nutrition Services	01/1/19 to 12/31/19	93.045	2019-2447-1082	\$ 891,923
Special Programs for the Aging, Title III, Part C, Nutrition Services	01/1/19 to 12/31/19	93.045	2019-2447-1162	118,946
Nutrition Services Incentive Program	10/1/18 to 9/30/19	93.053	2019-2447-1192	<u>220,150</u>
	Total Aging Cluster			<u>1,231,019</u>
	Total U.S. Department of Health and Human Services			<u>1,231,019</u>
	Total expenditures of federal awards			<u><u>\$ 1,231,019</u></u>

See independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

**MEALS ON WHEELS OF RHODE ISLAND, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Meals on Wheels of Rhode Island, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Meals on Wheels of Rhode Island, Inc.
Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meals on Wheels of Rhode Island, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
June 17, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Meals on Wheels of Rhode Island, Inc.
Providence, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited Meals on Wheels of Rhode Island, Inc.'s. (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.


Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
June 17, 2020

