



MEALS AT HOME
FINANCIAL STATEMENTS
JUNE 30, 2019

MEALS AT HOME
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Meals at Home:

We have audited the accompanying financial statements of Meals at Home (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 at Home as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CJBS, LLC
Northbrook, IL

March 10, 2020

MEALS AT HOME

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 58,599
Accounts receivable	17,717
Contributions and grants receivables	16,378
Investments	<u>148,567</u>

TOTAL CURRENT ASSETS 241,261

FIXED ASSETS

Leasehold improvements	12,992
Equipment and furniture	6,754
Less: Accumulated depreciation	<u>(6,767)</u>

12,979

TOTAL ASSETS \$ 254,240

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 82,294
Deferred revenue	<u>7,500</u>

TOTAL CURRENT LIABILITIES 89,794

LONG TERM LIABILITIES

Accounts payable	<u>70,565</u>
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TOTAL LIABILITIES 160,359

NET ASSETS

Without donor restrictions	36,980
With donor restrictions	<u>56,901</u>

TOTAL NET ASSETS 93,881

TOTAL LIABILITIES NET ASSETS \$ 254,240

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

MEALS AT HOME

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Program service fees	\$ 125,878	\$ -	\$ 125,878
Government grants and contracts	46,000	-	46,000
Contributions	160,262	78,378	238,640
Special Events	38,490	-	38,490
Less cost of direct benefits to donors	<u>(16,323)</u>	<u>-</u>	<u>(16,323)</u>
	22,167	-	22,167
Net investment return	11,984	-	11,984
Net assets released from restrictions	<u>21,477</u>	<u>(21,477)</u>	<u>-</u>
Total revenue, gains and other support	<u>387,768</u>	<u>56,901</u>	<u>444,669</u>
EXPENSES			
Program services	314,893	-	314,893
Management and general	233,806	-	233,806
Fundraising	<u>23,423</u>	<u>-</u>	<u>23,423</u>
Total program and supporting services expenses	<u>572,122</u>	<u>-</u>	<u>572,122</u>
CHANGE IN NET ASSETS	(184,354)	56,901	(127,453)
NET ASSETS, BEGINNING OF YEAR	<u>221,334</u>	<u>-</u>	<u>221,334</u>
NET ASSETS, END OF YEAR	<u>\$ 36,980</u>	<u>\$ 56,901</u>	<u>\$ 93,881</u>

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

MEALS AT HOME

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 122,983	\$ 65,590	\$ 16,398	\$ 204,971
Payroll taxes	9,389	5,007	1,252	15,648
Other employee benefits	372	198	50	620
Volunteer relations	1,965	-	-	1,965
Professional fees	-	42,574	-	42,574
Development and marketing	-	18,785	-	18,785
Supplies	2,303	1,229	307	3,839
Computer expenses	10,372	5,531	1,383	17,286
Rent	17,074	9,106	2,277	28,457
Telephone	1,272	678	170	2,120
Travel	-	331	-	331
Insurance	2,836	1,513	378	4,727
Dues and memberships	-	613	-	613
Printing and postage	8,255	4,403	1,101	13,759
Miscellaneous	-	5,285	-	5,285
Depreciation	800	426	107	1,333
Bad debt	-	72,537	-	72,537
Meals cost, net of discounts	<u>137,272</u>	<u>-</u>	<u>-</u>	<u>137,272</u>
 Total Functional Expenses	 <u>\$ 314,893</u>	 <u>\$ 233,806</u>	 <u>\$ 23,423</u>	 <u>\$ 572,122</u>

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

MEALS AT HOME

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$ 127,453)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	1,333
Realized (gain) loss on investments	28,572
Unrealized (gain) loss on investments	(18,024)
Donated investments	(4,734)
(Increase) decrease in assets:	
Accounts receivable	37,999
Contributions and grants receivable	(6,878)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	52,844
Deferred revenue	7,500

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (28,841)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	82,984
Net change in cash equivalents included in investments	<u>(8,475)</u>

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES 74,509

NET CHANGE IN CASH AND CASH EQUIVALENTS 45,668

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 12,931

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 58,599

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

MEALS AT HOME

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Meals at Home (the Organization), also known as Meals on Wheels Northeastern Illinois, a not-for-profit corporation, was incorporated under the laws of the State of Illinois in October 1974. The Organization fosters health and contributes to individual well-being and independence by delivering nutritious meals, medically prescribed diets, and providing other support services to the homebound, elderly, disabled, and others temporarily unable to care for their nutritional needs.

The following is a summary of significant accounting policies:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Recent Accounting Pronouncements

August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes includes: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, requiring the disclosure of quantitative and qualitative information regarding the liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The Organization adopted ASU No. 2016-14 during 2019 and has adjusted the presentation of its financial statements accordingly. The investment expenses are netted against investment return in the statement of activities. The Organization changed its presentation of its net asset classes and expanded the note disclosures as required by the ASU. The unrestricted net assets as of June 30, 2018, is currently presented as net assets without donor restrictions and the temporarily restricted net assets as of June 30, 2018, is currently presented as net assets with donor restrictions.

MEALS AT HOME

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are resources available to support operations and are not subject to grantor or donor-imposed restrictions. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue from Grants and Contracts

Revenue from government and private grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreements. Any funding received in advance of expenditure is recorded as deferred revenue until expended.

Revenue from Program Service Fees

Program fee revenue is recognized when earned. The Organization's program fees consist of meal support for seniors on fixed incomes who are struggling to pay for housing, medicine, and food.

Revenue from Contributions

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue from Donated Services and In-Kind Contributions

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

MEALS AT HOME

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(Continued)**

The Organization annually receives a significant amount of donated services from volunteers. Because the majority of these donated services do not meet the U.S. GAAP requirements for recognition of professional services or creation or enhancement of non-financial assets, no value has been reflected in the accompanying financial statements. During year ended June 30, 2019, the Organization received volunteer hours estimated at \$99,500. These donated services do not meet the U.S. GAAP requirements for recognition in the financial statements.

Advertising Expenses

Advertising costs are expensed as incurred.

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 statement of functional expenses presents the natural classification detail of expenses by function. Natural expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated among various functional areas using a variety of cost allocation techniques such as square footage and time and effort.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those held for long-term investment.

Financial Instruments and Credit Risk

The Organization places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits from time to time.

The Organization's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Investments

Investments are stated at fair value. Investment income is recognized when earned. The change in unrealized gains and losses is included in the changes in net assets in the accompanying statements of activities.

MEALS AT HOME

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(Continued)**

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions and unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Property and Equipment

Acquisitions of property and equipment over \$500 are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of fixed assets are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful lives using the straight-line method.

Use of Estimates

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

Income Taxes

Meals at Home has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Organization follows the guidance of Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the year ended June 30, 2019. The Organization's federal and state information returns are subject to examination, generally for three years after the filing date.

MEALS AT HOME

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity to be able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets:		
Cash and cash equivalents	\$	58,599
Investments		105,044
Accounts receivable collected in less than one year		<u>20,717</u>
Total financial assets and liquidity resources		
Available within one year	\$	<u><u>184,360</u></u>

NOTE C – INVESTMENTS AND CLASSIFICATION IN THE FAIR VALUE HIERARCHY

All investments are valued at fair market under the provisions of FASB ASC 958. The following is a summary of the Organization's investments and investment income as of June 30, 2019:

	<u>Fair Value</u>	<u>Cost</u>
Cash/Money Market Funds	\$ 16,104	\$ 16,104
Fixed income – corporate bonds	40,306	40,141
Equities	7,172	4,734
Exchange traded products	<u>84,985</u>	<u>71,340</u>
Total Investments	<u><u>\$ 148,567</u></u>	<u><u>\$ 132,319</u></u>

The Accounting Standards Codification for *Fair Value Measurements* (ASC 820) 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). 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.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; 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.

MEALS AT HOME

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE C – INVESTMENTS AND CLASSIFICATION IN THE FAIR VALUE HIERARCHY (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the closing price reported on the active market on which the individual funds are traded.

Corporate and government bonds: Valued at the market quotations provided by brokers and dealers who used quotations for similar securities in active markets, which represents a market approach.

The preceding approach described might produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, The Organization's investment assets at fair value at June 30, 2019:

	<u>Assets at Fair Value at June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Common Stock	\$ 7,172	\$ -	\$ -	\$ 7,172
Fixed income – corporate bonds	40,306	-	-	40,306
Exchange traded products	84,985	-	-	84,985
Total Assets at Fair Value	<u>\$ 132,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>132,463</u>
Cash/Money Market Funds				<u>16,104</u>
Total Investments				<u>\$ 148,567</u>

MEALS AT HOME

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE D- COMMITMENTS

Operating lease

The Organization had a two-year lease agreement for an office space in Evanston, Illinois expiring in September 30, 2019. Subsequent year-end, the Organization moved into a new space and signed a 10-year lease expiring on September 30, 2029. Monthly rental invoices under the new lease agreement will include amounts for real estate taxes and maintenance. The Organization records rent on a straight-line basis, which does not necessarily equal the amounts of rent payments made to the lessor.

Lease expense for the year ended June 30, 2019, was \$28,457. Future minimum rental payments for the lease expiring on September 30, 2019 is \$7,900. Future minimum rental payments required under the lease expiring on September 30, 2029, are as follows:

<u>Fiscal June 30,</u>		
2020	\$	15,514
2021		23,271
2022		31,028
2023		31,028
2024		32,439
Thereafter		<u>176,532</u>
Total	\$	<u>309,812</u>

Other commitments

In April 2019, the Organization signed a \$15,000 consulting contract for the execution of a food production and supply plan over a seven-month term.

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

The Organization receives restricted contributions for subsidized meals, used in the same year as received. During the fiscal year ended June 30, 2018, the Organization started a capital campaign for leasing a new facility and construction of a kitchen. The in-house kitchen will allow the Organization to produce meals at a lower cost than purchasing from local vendors for delivery to their clients, most of whom are seniors. As of June 30, 2019, the Organization had \$56,901 of capital campaign funds classified as net assets with donor restrictions.

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.

NOTE F – CONCENTRATIONS

The Organization had approximately 15% of grant and contribution revenue from one donor for year ended June 30, 2019.

MEALS AT HOME

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE G – RISKS AND UNCERTANTIES

A substantial amount of the Organizations total revenue is derived from government grants and service contracts. Program revenue in excess of program expenses is typically subject to recapture under various provisions. Additionally, the disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the Organization. Also, a change in the funding levels could have a significant effect on operations.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and statements of activities. Because a significant portion of the Organization's assets are marketable securities, there is an inherent concentration of risk for associated income and loss tied to market performance. However, the Organization's board of directors seeks to mitigate this risk through diversification of the investment portfolio, ongoing monitoring, and consultation with third-party investment professionals.

NOTE H –CONDITIONAL PROMISES TO GIVE

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met, or the donor has explicitly released the restriction. The approximate conditional promises to give as of June 30, 2019, available for spending in the next following year when the conditions are expected to be met:

Municipalities and Townships grants	\$ 12,000
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NOTE I – RELATED PARTY

During the year ended June 30, 2019, the Organization received approximately \$29,000 contributions from board members.

NOTE J – SUBSEQUENT EVENTS

Subsequent year-end, the Organization signed a 10-year lease agreement for the period October 2020 to September 2029 for new office space as detailed on Note D. The Organization has evaluated subsequent events through March 10, 2020, the date which the financial statements were available to be issued. No other events have occurred, which would have a material effect on the financial statements of the Organization as of that date.