

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.  
(A Not-for-Profit Corporation)**

**Financial Statements and  
Independent Auditor's Report**

**December 31, 2016 and 2015**

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Meals on Wheels of Lehigh County, Inc.  
Allentown, PA

We have audited the accompanying financial statements of Meals on Wheels of Lehigh County, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels of Lehigh County, Inc. as of December 31, 2016 and 2015, 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.

***Emphasis of Matter***

As discussed in Note 13 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

*Campbell, Roppold & Yurasita LLP*

May 12, 2017

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

	2016	2015
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 127,765	\$ 160,069
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$8,000 and \$8,000)	47,363	44,846
Grants Receivable	54,531	52,132
Pledges Receivable (Note 2)	-	22,959
Investments (Note 3)	1,635,805	1,573,415
Accrued Interest	-	3,303
Prepaid Expenses	5,902	4,585
Equipment and Leasehold Improvements (Net of Accumulated Depreciation) (Note 4)	81,369	89,120
Intangible Assets (Net of Accumulated Amortization) (Note 1)	17,271	7,748
Investment in Outside Perpetual Trust (Note 6)	137,951	135,605
<b>Total Assets</b>	<b>\$ 2,107,957</b>	<b>\$ 2,093,782</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 82,457	\$ 77,375
Accrued Expenses	1,065	946
<b>Total Liabilities</b>	<b>83,522</b>	<b>78,321</b>
<i>Net Assets:</i>		
<b>Unrestricted:</b>		
Undesignated	344,183	301,312
Invested in Equipment and Leasehold Improvements	81,369	89,120
Designated by Governing Board (Note 8)	1,342,938	1,270,686
<b>Total Unrestricted</b>	<b>1,768,490</b>	<b>1,661,118</b>
Temporarily Restricted (Note 9)	81,684	182,428
Permanently Restricted (Note 9)	174,261	171,915
<b>Total Net Assets</b>	<b>2,024,435</b>	<b>2,015,461</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,107,957</b>	<b>\$ 2,093,782</b>

See independent auditor's report and notes to financial statements.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF ACTIVITIES**  
**Year Ended December 31, 2016**  
**With Summarized Totals for 2015**

	2016			Total 12/31/2016	Total 12/31/2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b><u>OPERATING</u></b>					
<i>Revenues, Gains and Other Support:</i>					
Client Fees	\$ 483,426	\$ -	\$ -	\$ 483,426	\$ 467,969
Lehigh County AAA	166,444	-	-	166,444	162,644
Waiver Program	145,220	-	-	145,220	147,450
Human Services Development Fund	18,932	-	-	18,932	13,853
Contributions	273,592	2,975	-	276,567	294,307
In-Kind Contributions	33,222	-	-	33,222	63,546
Grants	268,277	-	-	268,277	225,566
Income from Special Events (Net of Expenses of \$15,982, and \$23,209)	75,357	-	-	75,357	71,094
Miscellaneous Income	2,531	-	-	2,531	495
Net Assets Released from Restrictions	108,116	(108,116)	-	-	-
<b>Total Revenue, Gains and Other Support</b>	<b>1,575,117</b>	<b>(105,141)</b>	<b>-</b>	<b>1,469,976</b>	<b>1,446,924</b>
<i>Expenses:</i>					
Program Services	1,326,465	-	-	1,326,465	1,320,551
Management and General	139,380	-	-	139,380	136,247
Fund Raising	105,557	-	-	105,557	88,835
<b>Total Expenses</b>	<b>1,571,402</b>	<b>-</b>	<b>-</b>	<b>1,571,402</b>	<b>1,545,633</b>
<b>Change in Net Assets from Operating Activities</b>	<b>3,715</b>	<b>(105,141)</b>	<b>-</b>	<b>(101,426)</b>	<b>(98,709)</b>
<b><u>NON-OPERATING</u></b>					
Investment Income	29,138	-	-	29,138	29,864
Realized Gain on Investments	48,093	-	-	48,093	41,096
Unrealized Gain (Loss) on Investments	26,426	4,397	-	30,823	(92,260)
Change in Outside Perpetual Trust	-	-	2,346	2,346	(14,005)
<b>Change in Net Assets from Non-operating Activities</b>	<b>103,657</b>	<b>4,397</b>	<b>2,346</b>	<b>110,400</b>	<b>(35,305)</b>
<b>Change in Net Assets</b>	<b>107,372</b>	<b>(100,744)</b>	<b>2,346</b>	<b>8,974</b>	<b>(134,014)</b>
<b>Net Assets at Beginning of Year (as Restated)</b>	<b>1,661,118</b>	<b>182,428</b>	<b>171,915</b>	<b>2,015,461</b>	<b>2,149,475</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,768,490</b>	<b>\$ 81,684</b>	<b>\$ 174,261</b>	<b>\$ 2,024,435</b>	<b>\$ 2,015,461</b>

See independent auditor's report and notes to financial statements.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF ACTIVITIES**  
**Year Ended December 31, 2015**

	2015			Total 12/31/2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b><u>OPERATING</u></b>				
<b><u>Revenues, Gains and Other Support:</u></b>				
Client Fees	\$ 467,969	\$ -	\$ -	\$ 467,969
Lehigh County AAA	162,644	-	-	162,644
Waiver Program	147,450	-	-	147,450
Human Services Development Fund	13,853	-	-	13,853
Contributions	291,807	2,500	-	294,307
In-Kind Contributions	63,546	-	-	63,546
Grants	225,566	-	-	225,566
Income from Special Events (Net of Expenses of \$23,029)	71,094	-	-	71,094
Miscellaneous Income	495	-	-	495
Net Assets Released from Restrictions	100,884	(100,884)	-	-
<b>Total Revenue, Gains and Other Support</b>	<b>1,545,308</b>	<b>(98,384)</b>	<b>-</b>	<b>1,446,924</b>
<b><u>Expenses:</u></b>				
Program Services	1,320,551	-	-	1,320,551
Management and General	136,247	-	-	136,247
Fund Raising	88,835	-	-	88,835
<b>Total Expenses</b>	<b>1,545,633</b>	<b>-</b>	<b>-</b>	<b>1,545,633</b>
<b>Change in Net Assets from Operating Activities</b>	<b>(325)</b>	<b>(98,384)</b>	<b>-</b>	<b>(98,709)</b>
<b><u>NON-OPERATING</u></b>				
Investment Income	29,864	-	-	29,864
Realized Gain on Investments	41,096	-	-	41,096
Unrealized Loss on Investments	(89,347)	(2,913)	-	(92,260)
Change in Outside Perpetual Trust	-	-	(14,005)	(14,005)
<b>Change in Net Assets from Non-operating Activities</b>	<b>(18,387)</b>	<b>(2,913)</b>	<b>(14,005)</b>	<b>(35,305)</b>
<b>Change in Net Assets</b>	<b>(18,712)</b>	<b>(101,297)</b>	<b>(14,005)</b>	<b>(134,014)</b>
<b>Net Assets at Beginning of Year (as Restated)</b>	<b>1,679,830</b>	<b>283,725</b>	<b>185,920</b>	<b>2,149,475</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,661,118</b>	<b>\$ 182,428</b>	<b>\$ 171,915</b>	<b>\$ 2,015,461</b>

See independent auditor's report and notes to financial statements.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2016**  
**With Summarized Totals for 2015**

	2016				2015 Total
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 244,866	\$ 52,036	\$ 61,856	\$ 358,758	\$ 351,623
Case Workers	44,819	-	-	44,819	46,984
Employee Benefits	46,912	9,969	11,850	68,731	61,429
Payroll Taxes	19,911	4,231	5,030	29,172	28,555
Meals	871,882	-	-	871,882	845,138
Insurance	7,743	430	430	8,603	7,242
Mileage, Conferences and Meetings	2,100	1,005	764	3,869	8,138
Uncollectible Fees	6,672	-	-	6,672	10,561
Office Expenses and Supplies	15,224	2,175	4,350	21,749	20,807
Postage	7,592	567	3,173	11,332	12,217
Volunteer Mileage Supplements and Activities	17,570	-	-	17,570	9,420
Rent	17,533	3,564	-	21,097	24,270
Telephone	1,734	289	289	2,312	2,705
Maintenance Contracts	3,938	656	656	5,250	4,022
Professional Fees	700	20,859	16,182	37,741	20,274
Dues and Subscriptions	451	294	235	980	1,413
Computer Programming Services	2,006	111	111	2,228	3,142
Delivery Expense	752	-	-	752	878
Advertising and Public Relations	3,613	-	631	4,244	3,294
Building Repair	-	604	-	604	998
In-Kind Rent (Note 1)	-	24,020	-	24,020	24,020
In-Kind Advertising (Note 1)	9,202	-	-	9,202	36,961
In-Kind Expenses (Note 1)	-	-	-	-	2,565
Miscellaneous Expenses	1,245	1,245	-	2,490	1,842
Amortization	-	2,541	-	2,541	1,938
Depreciation	-	14,784	-	14,784	15,227
	<u>\$ 1,326,465</u>	<u>\$ 139,380</u>	<u>\$ 105,557</u>	<u>\$ 1,571,402</u>	<u>\$ 1,545,663</u>

See independent auditor's report and notes to financial statements.



**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2015**

	2015			Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 240,471	\$ 50,685	\$ 60,467	\$ 351,623
Case Workers	46,984	-	-	46,984
Employee Benefits	42,011	8,855	10,563	61,429
Payroll Taxes	19,528	4,117	4,910	28,555
Meals	845,138	-	-	845,138
Insurance	6,518	362	362	7,242
Mileage, Conferences and Meetings	4,331	2,232	1,575	8,138
Uncollectible Fees	10,531	-	-	10,531
Office Expenses and Supplies	14,565	2,081	4,161	20,807
Postage	8,185	611	3,421	12,217
Volunteer Mileage Supplements and Activities	9,420	-	-	9,420
Rent	21,894	2,376	-	24,270
Telephone	2,029	338	338	2,705
Maintenance Contracts	3,016	503	503	4,022
Professional Fees	-	20,274	-	20,274
Dues and Subscriptions	650	424	339	1,413
Computer Programming Services	2,828	157	157	3,142
Delivery Expense	878	-	-	878
Advertising and Public Relations	3,051	-	243	3,294
Building Repair	-	998	-	998
In-Kind Rent (Note 1)	-	24,020	-	24,020
In-Kind Advertising (Note 1)	36,961	-	-	36,961
In-Kind Expenses (Note 1)	641	128	1,796	2,565
Miscellaneous Expenses	921	921	-	1,842
Amortization	-	1,938	-	1,938
Depreciation	-	15,227	-	15,227
	<u>\$ 1,320,551</u>	<u>\$ 136,247</u>	<u>\$ 88,835</u>	<u>\$ 1,545,633</u>

See independent auditor's report and notes to financial statements.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2016 and 2015**

	2016	2015
<b>DECREASE IN CASH AND CASH EQUIVALENTS:</b>		
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ 8,974	\$ (134,014)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	17,325	17,165
Change in Value of Outside Perpetual Trust	(2,346)	14,005
Realized Gain on Investments	(48,093)	(41,096)
Unrealized (Gain) Loss on Investments	(30,823)	92,260
Decrease in Receivables, Prepaids and Accrued Interest	20,029	3,092
Increase (Decrease) in Accounts Payable and Accrued Expenses	5,201	(4,464)
Net Cash Used by Operating Activities	(29,733)	(53,052)
<i><u>Cash Flows from Investing Activities:</u></i>		
Purchase of Intangible Assets	(12,064)	-
Purchase of Equipment and Leasehold Improvements	(7,033)	(5,752)
Proceeds from Sale of Investments	177,513	182,448
Purchase of Investments	(160,987)	(204,554)
Net Cash Used by Investing Activities	(2,571)	(27,858)
Net Decrease in Cash and Cash Equivalents	(32,304)	(80,910)
Cash and Cash Equivalents at Beginning of Period	160,069	240,979
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 127,765</b>	<b>\$ 160,069</b>
<i><u>Supplemental Data:</u></i>		
In-Kind Advertising	\$ 9,202	\$ 36,961
In-Kind Rent	\$ 24,020	\$ 24,020
In-Kind Other	\$ -	\$ 2,565

See independent auditor's report and notes to financial statements.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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**1. Nature of Activities and Summary of Significant Accounting Policies**

*Nature of Activities*

Meals on Wheels of Lehigh County, Inc. is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania. Its mission is to enhance the wellness and independence of adults, who are primarily homebound, by providing nutritious meals and supportive services.

*Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. 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 they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Revenues*

Revenues are reported as increases in unrestricted net assets. Revenues relate to client fees charged for meal delivery services. Fees are charged on a sliding scale based on the client's income and ability to pay. Contributions offset the costs associated with meal delivery that are not covered by fees.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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**1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as an increase in unrestricted net assets.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment without such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and highly liquid investments held in various checking and savings accounts with initial maturity dates of less than three months, unless such funds are held as a portion of the investment portfolio.

Accounts Receivable

Accounts receivable represents client fees outstanding. Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts.

Grants Receivable

Grants receivable consist mainly of grants from state and local agencies. Management determines the allowance for doubtful accounts by identifying economic conditions and historical aging of grants. These amounts are due to the Organization in the next year and the Organization believes all grants receivable at December 31, 2016 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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**1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are reported as increases (decreases) in unrestricted net assets unless restricted by donors.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful lives of the related assets. Additions are capitalized while maintenance and repairs that do not improve or extend the original useful lives of the respective assets are expenses as incurred.

	<u>Years</u>
Leasehold Improvements	20
Furniture and Fixtures	5 - 10
Computer Equipment	5

Intangible Assets

The Organization has a video which is used to raise awareness of its programs. The video cost \$15,500 and will be amortized over eight years, the expected period of use. Additionally, \$12,063 was spent on website design and those costs will be amortized over five years. Total amortization expense was \$2,541 and \$1,938 for 2016 and 2015, respectively.

Income Taxes

Meals on Wheels of Lehigh County, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for fiscal year 2016 and 2015.

The Organization has filed income tax returns in the United States. Additionally, the Organization files various reports in multiple states where contributions are solicited. The Organization is no longer subject to U.S. tax examinations by taxing authorities for years before 2013.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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**1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

Operating Measure

Results from operations in the statement of activities reflect all transactions increasing or decreasing net assets except those items of a capital nature such as items associated with acquisition of property and improvements, and activities related to investments.

Non-operating activities principally include the following: contributions and other resources intended for investment in capital assets, contributions received for permanently restricted purposes; investment income, including realized and unrealized gains or losses on investments; and other activities considered to be of a more unusual or non-recurring nature.

Donated Services, Goods and Facilities

A substantial number of volunteers have donated numerous hours to the Organization's program services during the year; however, these donated services are not reflected in the financial statements because they do not meet the criteria for recognition.

The Organization occupies space provided by the County of Lehigh at no cost to the Organization. Based on the square footage of the space and a reasonable rate applied, the Organization has recognized an in-kind contribution related to rent expense of \$24,020 for both 2016 and 2015. The Organization also received free usage of several billboards throughout the Lehigh Valley and print advertising. In-kind contribution of advertising expense recognized was \$9,202 and \$36,961 for 2016 and 2015, respectively. Throughout the year ended December 31, 2016 and 2015, the Organization received various other in-kind contributions totaling \$-0- and \$2,565, respectively, and recognized expenses related to the donated amounts.

Concentration of Credit Risk

The Organization maintains cash balances which may exceed federally insured limits. It historically has not experienced any credit related losses.

The Organization invests in various types of marketable securities, bonds and money market funds, as well as the Lehigh Valley Community Foundation. The Organization has established guidelines relative to diversification and maturities that target certain safety and liquidity risks. These guidelines are periodically reviewed and modified. Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that the changes in the value of investment securities will occur in the near term.

Concentration of Provider

The Organization relies on Meals on Wheels of Northampton County, Inc. to provide meals for daily distribution to its various clients.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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**1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Expenses that can be identified with a specific program, fundraising, or support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated based on estimates made for time spent by key personnel between functions, space occupied by function, and other objective bases.

Advertising

Advertising costs are expensed when incurred.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

**2. Pledges Receivable**

Unconditional pledges receivable consist of the following:

	12/31/16	12/31/15
Unrestricted Promises	\$ -	\$ 24,355
Less: Unamortized Discount	-	(1,396)
	<u>\$ -</u>	<u>\$ 22,959</u>
Amounts Due In:		
Less than one year	\$ -	\$ 8,355
One to five years	-	16,000
	<u>\$ -</u>	<u>\$ 24,355</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 2%, when the donor makes an unconditional promise to give to the Organization.

**MEALS ON WHEELS OF LEHIGH COUNTY, INC.**  
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**3. Investments**

Investments are comprised of the following:

	<u>12/31/16</u>		<u>12/31/15</u>	
	Cost	Market	Cost	Market
Cash Equivalents	\$ 46,376	\$ 46,376	\$ 49,857	\$ 49,857
Equity Funds	953,174	1,182,574	919,634	1,120,856
Fixed Income	365,639	359,593	358,783	359,837
Invested with Lehigh Valley Community Foundation	<u>36,310</u>	<u>47,262</u>	<u>36,310</u>	<u>42,865</u>
	<u>\$ 1,401,499</u>	<u>\$ 1,635,805</u>	<u>\$ 1,364,584</u>	<u>\$ 1,573,415</u>

The Organization has its endowment funds deposited with Lehigh Valley Community Foundation. \$36,310 of these assets are permanently restricted as of December 31, 2016 and 2015.

A summary of earnings on investments for the year ended December 31, 2016 and 2015 are as follows:

	<u>12/31/16</u>	<u>12/31/15</u>
Interest and Dividends	\$ 29,138	\$ 29,864
Unrealized Gains (Losses)	30,823	(92,260)
Realized Gains	48,093	41,096
Investment Fees	<u>(8,911)</u>	<u>(8,845)</u>
	<u>\$ 99,143</u>	<u>\$ (30,145)</u>

**4. Equipment and Leasehold Improvements**

Equipment and Leasehold Improvements consist of:

	<u>12/31/16</u>	<u>12/31/15</u>
Furniture and Fixtures	\$ 112,637	\$ 105,604
Leasehold Improvements	67,992	67,992
Computer Equipment	<u>26,080</u>	<u>26,080</u>
	206,709	199,676
Less: Accumulated Depreciation	<u>(125,340)</u>	<u>(110,556)</u>
	<u>\$ 81,369</u>	<u>\$ 89,120</u>

Depreciation charged to expense was \$14,784 and \$15,227 for the years ended December 31, 2016 and 2015, respectively.



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**5. Fair Value Measurements**

Financial Accounting Standards Board ASC 820-10 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

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 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, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

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. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall 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 methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2016.

*Cash management funds:* Measured at cost, which approximates fair value.

*Common stocks, mutual funds, corporate bonds and U.S. government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Invested with Lehigh Valley Community Foundation:* Measured at the reported value by the Foundation, which approximates fair value. The Organization does not have discretion over investment composition of funds held with the Foundation.

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**5. Fair Value Measurements (Continued)**

*Outside Perpetual Trusts:* Measured based on the Organization's pro-rata share of the Trust assets, which approximates the expected future cash flows from the Trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016 and 2015:

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash Management Funds	\$ 46,376	\$ -	\$ -	\$ 46,376
Equity Mutual Funds				
Foreign Large Blend	66,880	-	-	66,880
Foreign Large Growth	61,646	-	-	61,646
Foreign Small Cap	44,969	-	-	44,969
Large Blend	245,605	-	-	245,605
Mid Cap Equity	115,015	-	-	115,015
Small Cap Equity	45,706	-	-	45,706
World Allocation	88,703	-	-	88,703
Common Stocks				
Consumer Discretion	72,888	-	-	72,888
Consumer Staples	70,184	-	-	70,184
Energy	13,580	-	-	13,580
Financials	74,493	-	-	74,493
Health Care	75,467	-	-	75,467
Industrials	62,095	-	-	62,095
Information Technology	118,642	-	-	118,642
Materials	12,288	-	-	12,288
Telecommunications	14,413	-	-	14,413
Corporate Bonds	159,841	-	-	159,841
U.S. Government Securities				
U.S. Government Agency	80,244	-	-	80,244
U.S. Treasury Notes	119,508	-	-	119,508
Invested with Lehigh Valley Community Foundation	-	47,262	-	47,262
	<u>\$ 1,588,543</u>	<u>\$ 47,262</u>	<u>\$ -</u>	<u>\$ 1,635,805</u>
Beneficial Interest in Outside Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,951</u>	<u>\$ 137,951</u>

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**5. Fair Value Measurements (Continued)**

Assets at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
Cash Management Funds	\$ 49,857	\$ -	\$ -	\$ 49,857
Equity Mutual Funds				
Large Blend Equity	263,167	-	-	263,167
Mid Cap Equity	103,105	-	-	103,105
Small Cap Equity	52,724	-	-	52,724
Specialty Equity	78,686	-	-	78,686
Common Stocks				
Consumer Discretion	74,181	-	-	74,181
Consumer Staples	73,745	-	-	73,745
Energy	15,078	-	-	15,078
Financials	75,428	-	-	75,428
Health Care	69,182	-	-	69,182
Industrials	62,794	-	-	62,794
Information Technology	111,680	-	-	111,680
International	122,177	-	-	122,177
Materials	18,909	-	-	18,909
Corporate Bonds	143,910	-	-	143,910
U.S. Government Securities				
U.S. Government Agency	95,521	-	-	95,521
U.S. Treasury Notes	120,406	-	-	120,406
Invested with Lehigh Valley Community Foundation	-	42,865	-	42,865
	<u>\$ 1,530,550</u>	<u>\$ 42,865</u>	<u>\$ -</u>	<u>\$ 1,573,415</u>
Beneficial Interest in Outside Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,605</u>	<u>\$ 135,605</u>

There were no transfers between Level 1, Level 2, and Level 3 investments in 2016 and 2015.

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31, 2016.

	Outside Perpetual Trust
Balance, Beginning of Year	\$ 135,605
Change in Value of Beneficial Interest	2,346
Balance, End of Year	\$ 137,951

The change in value of beneficial interest is included in revenues, gains, and other support in the statement of activities and is related to assets still held at the statement of financial position date.

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**6. Beneficial Interest in Perpetual Trust**

The Organization is a 5% beneficiary of a perpetual trust held by a corporate trustee. The amount recorded as an asset represents the pro-rata share of the Trust's net assets that provides for distribution of income to the Organization as beneficiary. Income is disbursed annually as a percentage of the value of the investment at its valuation date. The Organization's share of the asset was \$137,951 and \$135,605 at December 31, 2016 and 2015, respectively. Income distributions received from the Trust were \$5,600 and \$5,950 in 2016 and 2015, respectively.

**7. Endowment Net Assets**

The Organization's endowment consists of donor-restricted funds and a quasi-endowment fund designated by the Board of Directors. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Organization classifies as permanently restricted net assets (a) the original value of gift donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by the laws of the Commonwealth of Pennsylvania Act 141. In accordance with the laws of the Commonwealth of Pennsylvania Act 141, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters, Strategies and Spending Policy:* The Organization has deposited the permanent endowment funds with Lehigh Valley Community Foundation. The Foundation is responsible for the prudent investment of funds and determining the amount of funds distributable. The Foundation has been granted variance power therefore, the return objectives, risk parameters and strategies are removed from the Organization. The Quasi-endowment funds are under the control of the Organization. The Organization has chosen an investment objective of a 70% stocks and 30% bonds allocation with an equity emphasis.

The Organization had adopted endowment investment and spending policies which have been approved by the Board of Directors. The goal of the endowment investment policy is to preserve principal while seeking to achieve a balance between the ability to generate current income and the desire to increase further income as a result of fund growth.

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**7. Endowment Net Assets (Continued)**

The Board of Directors seeks to enhance the total return of board designated quasi-endowment investments which may be derived from capital appreciation and earnings. Annually, the Board may designate a withdrawal based on the rolling 3 year average of the returns. The Board may elect to withdraw up to 5% of the principal based on the prior calendar year-end balance, which the Directors shall select after determination that such percentage is consistent with the long term preservation of the real value of the assets. The Board may also choose not to withdraw any amount in a particular year, if cash flow is sufficient for operations of the agency.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Endowment Net Asset Composition by Type of Fund as of December 31, 2016</u></b>				
Board designated endowment funds	\$ 838,154	\$ -	\$ -	\$ 838,154
Donor-restricted endowment funds	-	10,952	36,310	47,262
	<u>\$ 838,154</u>	<u>\$ 10,952</u>	<u>\$ 36,310</u>	<u>\$ 885,416</u>

**Changes in Endowment Net Assets  
for the Year Ended December 31, 2016**

Endowment net assets, beginning of year	\$ 792,235	\$ 6,555	\$ 36,310	\$ 835,100
Designated by Board	-	-	-	-
Contributions	-	-	-	-
Investment Income	-	-	-	-
Net Appreciation	45,919	4,397	-	50,316
Net Appropriated for Expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 838,154</u>	<u>\$ 10,952</u>	<u>\$ 36,310</u>	<u>\$ 885,416</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Endowment Net Asset Composition by Type of Fund as of December 31, 2015</u></b>				
Board designated endowment funds	\$ 792,235	\$ -	\$ -	\$ 792,235
Donor-restricted endowment funds	-	6,555	36,310	42,865
	<u>\$ 792,235</u>	<u>\$ 6,555</u>	<u>\$ 36,310</u>	<u>\$ 835,100</u>

**Changes in Endowment Net Assets  
for the Year Ended December 31, 2015**

Endowment net assets, beginning of year	\$ 810,480	\$ 9,468	\$ 36,310	\$ 856,258
Designated by Board	-	-	-	-
Contributions	-	-	-	-
Investment Income	-	-	-	-
Net (Depreciation)	(18,245)	(2,913)	-	(21,158)
Net Appropriated for Expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 792,235</u>	<u>\$ 6,555</u>	<u>\$ 36,310</u>	<u>\$ 835,100</u>

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**7. Endowment Net Assets (Continued)**

*Funds with Deficiencies*

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. There was no deficiency at December 31, 2016 and 2015.

**8. Designated Net Assets**

The Organization has designated a portion of its net assets to be set aside as an operating reserve. The amount designated was \$504,784 and \$478,451 for 2016 and 2015, respectively. This amount is held in a separate investment account.

The Board has designated a portion of its net assets as quasi-endowment to support future operations. The amount designated was \$838,154 and \$792,235 for 2016 and 2015, respectively. This amount is held in a separate investment account.

**9. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Pet food distribution	\$ 912	\$ 1,530
MOW Association of America	475	-
Meal subsidy for low income clients	69,345	174,343
Endowment earnings	<u>10,952</u>	<u>6,555</u>
	<u>\$ 81,684</u>	<u>\$ 182,428</u>

Net assets were released from restrictions for the following purposes:

	<u>2016</u>	<u>2015</u>
Pet food	\$ 3,116	\$ 2,034
Outreach and education	-	1,000
Meal Subsidy for low income clients	<u>105,000</u>	<u>97,850</u>
	<u>\$ 108,116</u>	<u>\$ 100,884</u>

Permanently restricted net assets are comprised of an outside perpetual trust and donor-restricted funds. The income from the outside perpetual trust is expendable for operating purposes. The income from the donor-restricted funds will be temporarily restricted until released from restriction. The permanently restricted net asset balance was \$174,261 and \$171,915 for 2016 and 2015, respectively.

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**9. Temporarily and Permanently Restricted Net Assets (Continued)**

In 2011, the Organization established the Endowment Fund of Meals on Wheels of Lehigh County, Inc. as a permanent agency endowment fund of the Lehigh Valley Community Foundation.

The Foundation has been granted variance power in that in the event that it becomes unnecessary, undesirable, impractical, or impossible to utilize the fund for such purposes or if Meals on Wheels of Lehigh County, Inc. ceases to exist or be recognized as a tax exempt charitable organization, the Foundation shall have the right to utilize the Fund for such charitable purposes as it deems appropriate in accordance with the Foundation's governing instruments. The value of the funds was \$47,262 and \$42,865 for 2016 and 2015, respectively.

**10. Line of Credit**

The Organization obtained a line of credit for up to \$50,000 with BB&T Bank, bearing interest at 3.75%. The Organization had no principal balance outstanding as of December 31, 2016 and 2015. Interest expense incurred was \$-0- for 2016 and 2015.

**11. Retirement Plan**

The Organization contributes 5% of the employee's annual salary to a 403(b) retirement plan. Employees can contribute additional amounts. Employer contributions totaled \$16,842 and \$15,472 for 2016 and 2015, respectively.

**12. Operating Lease**

The Organization leases office space and equipment under long-term operating lease agreements. Rental expense on the leases was \$16,598 and \$12,228 for 2016 and 2015, respectively.

Future minimum lease payments are as follows:

Year ending December 31,

2017	\$ 17,100
2018	9,180
2019	3,360
2020	1,500
2021	1,000

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**13. Prior Period Adjustment**

An error resulting in the misstatement of grants receivable and grant revenue was discovered during the December 31, 2016 audit. An adjustment totaling \$45,627 for grants receivable was recorded to restate net assets at December 31, 2014. Additional adjustments were made to grants receivable and grant revenue of \$6,505 for the year ended December 31, 2015.

The following summarizes the prior period adjustment to beginning net assets referred to above:

Net Assets 12/31/2014, as Previously Stated	\$ 2,103,848
Prior Period Adjustment	<u>45,627</u>
Net Assets 12/31/2014, as Restated	<u><u>\$ 2,149,475</u></u>

**14. Subsequent Events**

Management has evaluated subsequent events through May 12, 2017, which is the date the financial statements were available to be issued. No subsequent events have occurred that required recognition or disclosure.