

Meals on Wheels – Older Adult Alternatives  
of Fairfield County, Inc.  
Fairfield County  
Regular Audit  
For the Year Ended December 31, 2018



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OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Meals on Wheels-Older Adult Alternatives of Fairfield County, Inc.  
1515 Cedar Hill Road  
Lancaster, Ohio 43130

We have reviewed the *Independent Auditor's Report* of Meals on Wheels-Older Adult Alternatives of Fairfield County, Inc., Fairfield County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Meals on Wheels-Older Adult Alternatives of Fairfield County, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

August 7, 2019

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**Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc.**  
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**Independent Auditor's Report**

Board of Directors  
Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc.  
1515 Cedar Hill Road  
Lancaster, Ohio 43130

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc., Fairfield County, Ohio (the Organization), which comprise the statement of financial position as of December 31, 2018, 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 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 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**

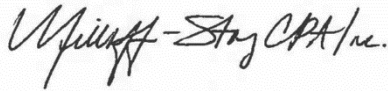
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc., Fairfield County, Ohio as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during 2018, the Organization adopted new accounting guidance in FASB ASU 2016-14, “Not for Profit Entities: Presentation of the Financial Statements of Not for Profit Entities”. The 2018 financial statements have been restated due to this implementation. We did not modify our opinion regarding this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019 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 solely 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 the effectiveness of the Organization’s 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.



Millhuff-Stang, CPA, Inc.  
Chillicothe, Ohio

June 26, 2019



**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES OF FAIRFILED COUNTY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	641,214
Tax levy receivable		62,213
Accounts receivable		51,639
Inventory		30,831
Prepaid expenses		20,610
<b>TOTAL CURRENT ASSETS</b>		<b>806,507</b>

**PROPERTY AND EQUIPMENT - NET**

1,317,717

**OTHER ASSETS**

Investments		5,298
		<u>5,298</u>

**TOTAL ASSETS** \$ 2,129,522

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable		69,371
Levy accounts payable		22,209
Accrued salaries		43,833
Compensated absences		46,748
Contracts payable		35,483
Retainage payable		87,646
Current portion of capital lease payable		17,082
<b>TOTAL CURRENT LIABILITIES</b>		<b>322,372</b>

**LONG-TERM LIABILITIES**

Capital lease payable		11,453
		<u>11,453</u>

**TOTAL LIABILITIES** 333,825

**NET ASSETS**

Without donor restrictions		1,784,722
With donor restrictions		10,975
<b>TOTAL NET ASSETS</b>		<b>1,795,697</b>

**TOTAL LIABILITIES AND NET ASSETS** \$ 2,129,522

See accompanying notes to the financial statements.

**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES OF FAIRFILED COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Levy revenue	\$ 1,887,044	\$ -	\$ 1,887,044
Grants - federal/state/local	457,530	147,103	604,633
Local contributions	128,120	1,314	129,434
Contract revenue	362,118	-	362,118
Capital campaign	-	179,296	179,296
Miscellaneous	49,071	-	49,071
In-kind revenue	46,597	-	46,597
Gain/(loss) on investments, net	(226)	(214)	(440)
Interest	2,479	-	2,479
Gain on sale of capital assets	1,275	-	1,275
Support provided by expiring time and purpose restrictions	559,814	(559,814)	-
<b>TOTAL REVENUES, GAINS, AND SUPPORT</b>	<u>3,493,822</u>	<u>(232,315)</u>	<u>3,261,507</u>
<b>EXPENSES</b>			
Program services:			
Nutrition services division	1,804,667	-	1,804,667
Aging services division	614,092	-	614,092
Service provider contracts	28,727	-	28,727
Community outreach	125,000	-	125,000
Total program services	<u>2,572,486</u>	<u>-</u>	<u>2,572,486</u>
Management and general	169,993	-	169,993
Fundraising	17,104	-	17,104
<b>TOTAL EXPENSES</b>	<u>2,759,583</u>	<u>-</u>	<u>2,759,583</u>
<b>CHANGE IN NET ASSETS</b>	734,239	(232,315)	501,924
<b>NET ASSETS, BEGINNING OF YEAR, RESTATED</b>	<u>1,050,483</u>	<u>243,290</u>	<u>1,293,773</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,784,722</u>	<u>\$ 10,975</u>	<u>\$ 1,795,697</u>

See accompanying notes to the financial statements.

**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES OF FAIRFILED COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

	<b>Nutrition Services Division</b>	<b>Aging Services Division</b>	<b>Service Provider Contracts</b>	<b>Community Outreach</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Payroll	\$ 586,172	\$ 250,095	\$ -	\$ -	\$ 836,267	\$ 109,581	\$ 14,497	\$ 960,345
Payroll tax expense	61,965	26,412	-	-	88,377	13,206	-	101,583
Professional fees	55,872	18,624	-	-	74,496	11,132	254	85,882
Raw food and related supplies	586,299	-	-	-	586,299	-	2,329	588,628
Office supplies	13,980	4,660	-	-	18,640	2,785	24	21,449
Telephone	4,756	1,586	-	-	6,342	948	-	7,290
Occupancy	38,621	12,874	-	-	51,495	7,694	-	59,189
Rental/maintenance equipment	11,470	3,823	-	-	15,293	-	-	15,293
Printing and publications	5,537	1,846	-	-	7,383	1,103	-	8,486
Vehicle expense	59,216	19,739	-	-	78,955	-	-	78,955
Conference, training and meetings	3,112	1,038	-	-	4,150	620	-	4,770
Insurance	115,064	38,353	-	-	153,417	22,924	-	176,341
Licenses	2,276	416	-	-	2,692	-	-	2,692
In-kind facilities and services	34,948	11,649	-	-	46,597	-	-	46,597
Contractual services	-	-	28,727	-	28,727	-	-	28,727
Specific assistance	112,502	185,785	-	-	298,287	-	-	298,287
Grants	-	-	-	125,000	125,000	-	-	125,000
Miscellaneous	21,752	6,817	-	-	28,569	-	-	28,569
County Auditor's levy expense	21,364	7,121	-	-	28,485	-	-	28,485
	<u>1,734,906</u>	<u>590,838</u>	<u>28,727</u>	<u>125,000</u>	<u>2,479,471</u>	<u>169,993</u>	<u>17,104</u>	<u>2,666,568</u>
Depreciation	<u>69,761</u>	<u>23,254</u>	<u>-</u>	<u>-</u>	<u>93,015</u>	<u>-</u>	<u>-</u>	<u>93,015</u>
<b>TOTAL</b>	<u><u>\$ 1,804,667</u></u>	<u><u>\$ 614,092</u></u>	<u><u>\$ 28,727</u></u>	<u><u>\$ 125,000</u></u>	<u><u>\$ 2,572,486</u></u>	<u><u>\$ 169,993</u></u>	<u><u>\$ 17,104</u></u>	<u><u>\$ 2,759,583</u></u>

See accompanying notes to the financial statements.

**MEALS ON WHEELS - OLDER ADULT ALTERNATIVES OF FAIRFILED COUNTY, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 501,924
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>	
Depreciation	93,015
Gain on sale of capital asset	(1,275)
Unrealized loss on investments	489
<b>(Increase) decrease in operating assets</b>	
Tax levy receivable	138,409
Accounts receivable	5,955
Inventory	16,651
Prepaid expenses	(3,820)
<b>Increase (decrease) in operating liabilities</b>	
Accounts payable	25,704
Levy accounts payable	(10,208)
Accrued salaries	8,431
Compensated absences	977
Contracts payable	35,483
Retainage payable	<u>87,646</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>899,381</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of equipment	(1,100,630)
Interest reinvested	(47)
Realized gains	(49)
Investment contributions	<u>(3,256)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(1,103,982)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on capital lease	<u>(16,647)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(221,248)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>862,462</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u><u>\$ 641,214</u></u></b>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Cash paid during the year for interest	<u><u>\$ 970</u></u>

See accompanying notes to the financial statements.

**Meals on Wheels-Older Adults Alternative of Fairfield County, Inc.**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**Note 1 – Description of the Organization**

Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc. (the Organization) is a nonprofit organization that provides meals, transportation and other services for the elderly. The Organization’s services are limited to Fairfield County. The Organization is supported primarily through federal and state grants and monies received from the collection of a tax levy for the purposes of providing senior services to Fairfield County Seniors.

**Note 2 – Summary of Significant Accounting Policies**

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

**Basis of Accounting**

The Organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

**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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor’s instructions.

An organization’s unspent contributions are included in this class if the donor limited their use.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions are further discussed in note 14.

**Meals on Wheels-Older Adults Alternative of Fairfield County, Inc.**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**Classification of Transactions**

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class. The Organization had no endowments.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable are shown at their net realizable value. Uncollectible accounts are charged to operations during the period in which they are determined to be uncollectible. Management believes that the direct write-off method closely approximates the reserve method of accounting for uncollectible accounts and believes that a reserve for bad debts is not required at December 31, 2018. There was no bad debt expense or write-offs for the year ended December 31, 2018.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the fiscal year in which the services are consumed.

**Property and Equipment**

Property and equipment are recorded at cost and depreciated over their estimated useful lives ranging from 3 to 40 years by the straight-line method. Repairs and maintenance are charged to operations when incurred and additions and improvements are capitalized. The Organization capitalizes assets with costs exceeding \$1,000 and useful lives in excess of one year.

**Contributions**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**In-Kind Contributions**

The Organization receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. The Organization received donated use of facilities in the amount of \$18,000 which is recorded as in-kind contributions on the statement of activities.

**Meals on Wheels-Older Adults Alternative of Fairfield County, Inc.**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets, or (b) the services would have been purchased if not provided by contribution require specialized skills, and are provided by individuals possessing those skills. Donated salaries and contributions with an estimated fair value of \$28,597 met those criteria and are included in in-kind contributions in the statement of activities. Those services were primarily unpaid volunteers assisting the organization in the preparation and delivery of meals. See Note 12 for more details.

**Grant Revenue**

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization maintains cash and cash equivalents with various financial institutions to limit exposure with any one financial institution. The Organization's receivables present virtually no risk of collection since they are due from government agencies and generally received prior to the date of the accountants' report.

**Fair Value of Financial Instruments**

The carrying value of the Organization's financial instruments, including cash, cash equivalents, accounts receivable, accounts payable and short-term debt approximates fair value due to their short-term maturities.

**Expense Recognition and Allocation**

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits and payroll taxes are allocated based on activity reports prepared by key personnel.
- In-kind contributions, county levy fees, and depreciation are allocated based on allocation percentages prepared by key personnel.
- Other expenses are allocated based on usage, typically by number of clients served.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

**Income Tax Status**

The Organization is a not-for-profit organization classified as an other-than-private foundation and is exempt from income taxes under Internal Revenue Section 501(c)(3). Accordingly, no provision for federal income tax has been made in the accompanying financial statements. The Organization is subject to tax on income from any unrelated business.

**Meals on Wheels-Older Adults Alternative of Fairfield County, Inc.**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2015.

**Change in Accounting Principles and Restatement**

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (note 3).

It was also identified that the compensated absences liability as previously stated at December 31, 2017 was understated by \$24,854. Additionally, the Pet Program balance and a portion of the Foundation Fund held with donor restrictions should have been shown as temporarily restricted.

The changes have the following effect on net assets at January 1, 2018:

Net Asset Class	As Originally Presented	Corrections of Errors	As Corrected	After Adoption of ASU 2016- 14
Unrestricted Net Assets	\$1,083,626	(\$33,143)	\$1,050,483	\$0
Temporarily Restricted Net Assets	235,001	8,289	243,290	0
Net Assets Without Donor Restrictions	0	0	0	1,050,483
Net Assets With Donor Restrictions	0	0	0	243,290
Total Net Assets	\$1,318,627	(\$24,854)	\$1,293,773	\$1,293,773

**Note 3 – Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Financial assets:	
Cash and cash equivalents	\$641,214
Tax levy receivable	62,213
Accounts receivable	51,639
Investments	5,298
Total financial assets	760,364
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 14)	(10,975)
Amount available for general expenditures within one year	\$749,389

The above table reflects donor-restricted funds as unavailable because the Organization must spend these resources in accordance with donor agreements. Note 14 provides more information about those funds.



**Meals on Wheels-Older Adults Alternative of Fairfield County, Inc.**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**Note 4 – Tax Levy Receivable**

Fairfield County has a senior services tax levy for which services are provided by and through Meals on Wheels. In 2013, the County renewed their tax levy at 0.5 mills for each one dollar of valuation, which is equal to five cents (\$.05) for every \$100 of real property valuation. The levy was renewed in November 2018 with an increase of 0.3 mills for each dollar of valuation. Collections on the new levy will not begin until 2019. The purpose of the levy is to provide services for older adult residents (aged 60 and older), including, but not limited to: home delivered meals, congregate site meals and activities, nutrition education, nutrition counseling, caregiver relief and support services, minor home repairs, transportation, and other senior citizens services.

The Organization recognizes as a receivable the difference between what was appropriated by the County for the levy and what has been released to Meals on Wheels for payment of expenditures.

As of December 31, 2018, the Organization has unappropriated funds at the County in the amount of \$2,117,601.

**Note 5 – Fair Value Measurements**

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active market;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- observable inputs other than quoted prices for the asset or liability; and
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

**Note 6 – Investments**

In 2017, Meals on Wheels established a fund with the Fairfield County Foundation. The investments are held in a pool of assets held by the Foundation for the benefit of various organizations.

An allocation of types of investments held by the Fairfield County Foundation, percentages held in each type, and approximate dollar amounts invested in each type at December 31, 2018 follows:

	Fair Value	Percentage
Government agencies	\$84	1.58
Corporate bonds	796	15.03
Stocks	878	16.58
Partnerships	28	0.52
Marketable CDs	12	0.23
Certificates of deposit	2	0.03
Mutual funds	3,254	61.42
Money market	244	4.61
Total	\$5,298	100.00

**Meals on Wheels-Older Adults Alternative of Fairfield County, Inc.**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

All investments are valued using Level 1 inputs.

**Note 7 – Inventory**

Inventory consists of food, beverages and supplies and is priced at cost on the first-in first-out basis.

**Note 8 – Property and Equipment**

Property and equipment consist of the following:

	<b>Balance</b>			<b>Balance</b>
	<u>12/31/17</u>	<b>Additions</b>	<b>Disposals</b>	<u>12/31/18</u>
Office equipment	\$150,380	\$53,085	(\$13,749)	\$189,716
Kitchen equipment	249,578	68,045	-	317,623
Vehicles	693,896	115,103	(20,000)	788,999
Buildings	108,434	-	-	108,434
Construction in Progress	-	865,897	-	865,897
	<u>1,202,288</u>	<u>1,102,130</u>	<u>(33,749)</u>	<u>2,270,669</u>
Accumulated Depreciation by Class:				
Office equipment	(92,510)	(22,747)	13,523	(101,734)
Kitchen equipment	(215,740)	(13,980)	-	(229,720)
Vehicles	(574,001)	(53,723)	20,000	(607,724)
Buildings	(11,210)	(2,564)	-	(13,774)
Total Accumulated Depreciation	<u>(893,461)</u>	<u>(93,014)</u>	<u>33,523</u>	<u>(952,952)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u><u>\$308,827</u></u>	<u><u>\$1,009,116</u></u>	<u><u>(\$226)</u></u>	<u><u>\$1,317,717</u></u>

**Note 9 – Compensated Absences**

Regular full-time employees and regular part-time employees (regularly working 15 hours or more per week) are eligible to accrue vacation and sick time credit on a bi-weekly basis beginning on the first day of work. The chart below indicates the maximum vacation accruals for employees based on years of service per 80 hours worked. Part-time employees regularly scheduled to work 15 hours or more per week earn vacation time on a pro rata basis according to the number of hours they work and the number of years of service. Sick time accrues at a rate of 4.62 every regular, bi-weekly pay period for hours actually worked and continue to accrue without limit. Upon termination, an employee is paid for accrued but unused vacation credit. Upon resignation or retirement from active service and after at least 5 years of service, an employee may elect to be paid for their accrued sick leave balance up to a maximum of 240 hours of pay. Compensated absences for the year ended December 31, 2018 were \$46,748.

Years of service	Yearly Accrual And Maximum Accrual	Accrued per 80 hours worked
Less than 8 yrs.	96 hours	3.6923
8-19 years	144 hours	5.5390
20+ years	192 hours	7.3850

**Note 10– Federal and State Grants**

Grants are made to the Organization by the U.S. Departments of Agriculture and Health, and Ohio Department of Job and Family Services and administered by the Central Ohio Area Agency on Aging. Federal and State Grant III B is for transportation of the elderly and provides home repair and supportive services. Federal and State Grant III C provides the congregate meals and home delivery meals to the elderly and the transportation to deliver the meals to those who are home bound and Grant III E is for the caregiver support program.

**Meals on Wheels-Older Adults Alternative of Fairfield County, Inc.**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**Note 11– Donations**

Donations are received from recipients of services and the general public. The donations received for the year ended December 31, 2018 totaled \$129,434.

**Note 12– In-Kind Facilities and Services**

The Organization has a lease with Lancaster Parks and Recreation Department for space occupied. The lease was renewed on December 31, 2017 for one year, expiring December 31, 2018. There is no rent paid to Lancaster Parks and Recreation, however the Organization reimburses Lancaster Parks and Recreation for a portion of utilities on the basis of area occupied and telephone usage. For the year ended December 31, 2018, in-kind revenue and expenses consisted of \$18,000 for facilities, \$28,597 for services for a total of \$46,597 in-kind contributions.

**Note 13– Capital Lease Obligation**

Capitalized lease obligation for purchase of a new copier in 2015 provides for monthly payments of \$1,468 including imputed interest at approximately 2.58% a year through 2020. The lease payment includes equipment, maintenance services, and taxes.

Future minimum lease payments under the capital lease as of December 31 are:

	2019	\$17,617
	2020	<u>11,563</u>
Total minimum lease payments		29,180
Less: amounts representing interest		<u>645</u>
Present value of net minimum lease payments		28,535
Less: current portion of capital lease		<u>17,082</u>
Long-term portion of capital lease		<u>\$11,453</u>

The copier was capitalized for \$82,557. As of December 31, 2018, the copier had accumulated depreciation of \$53,670, with a net book value of \$28,887.

**Note 14 – Net Assets With Donor Restrictions**

At December 31, 2018, net assets with donor restrictions are available for the following purpose:

Purpose restrictions, available for spending:	
Building Renovation Project	\$4,493
Pet Program	<u>6,482</u>
Total purpose-restricted net assets	<u>10,975</u>
Total net assets with donor restrictions	<u>\$10,975</u>

**Note 15 – Line of Credit and Loan**

The Organization has an unsecured line of credit established at the Vinton County National Bank. The maximum limit of credit is \$150,000 with an adjustable interest rate equal to the prevailing national rate as published in the Wall Street Journal. The outstanding balance as of December 31, 2018 was \$-0-.

On May 11, 2018, the Organization obtained a \$650,000 construction loan from Vinton County National Bank for the purpose of providing funds for the renovation of the Organization's Cedar Heights property. This loan carries a variable interest rate starting at 3.875 percent and has a maturity date of May 11, 2039. This note will be secured by the property being renovated. As of December 31, 2018, the Organization had not drawn any funds from the loan.

**Meals on Wheels-Older Adults Alternative of Fairfield County, Inc.**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**Note 16 – Subsequent Events**

The Organization has evaluated subsequent events through June 26, 2019, the date the financial statements were available to be issued.

The Organization made two draws in 2019 totaling \$376,723 from their loan at Vinton County National Bank for the purpose of providing funds for the renovation of the Organization's Cedar Heights property.

**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***

**Independent Auditor's Report**

Board of Directors  
Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc.  
1515 Cedar Hill Road  
Lancaster, Ohio 43130

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 the Meals on Wheels – Older Adult Alternatives of Fairfield County, Inc., Fairfield County, Ohio (the Organization), which comprise the statement of financial position as of December 31, 2018, 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 26, 2019, wherein we noted the Organization adopted new accounting guidance FASB ASU 2016-14, “Not for Profit Entities: Presentation of the Financial Statements for Not for Profit Entities”.

**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 Organization'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.

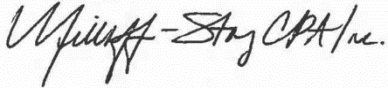
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 result of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.  
Chillicothe, Ohio

June 26, 2019

# OHIO AUDITOR OF STATE KEITH FABER



**MEALS ON WHEELS- OLDER ADULT ALTERNATIVES OF FAIRFIELD COUNTY**

**FAIRFIELD COUNTY**

## **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 20, 2019**