

MEALS ON WHEELS OF ROWAN, INC.

FINANCIAL STATEMENTS

December 31, 2023 and 2022

MEALS ON WHEELS OF ROWAN, INC.

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meals on Wheels of Rowan, Inc.
Salisbury, North Carolina

Opinion

We have audited the accompanying financial statements of Meals on Wheels of Rowan, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels of Rowan, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Meals on Wheels of Rowan, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Meals on Wheels of Rowan, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Meals on Wheels of Rowan, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Meals on Wheels of Rowan, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Eddie Carrick, CPA, PC
Lexington, North Carolina
June 10, 2024

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	\$ 454,838	\$ 282,599
Accounts receivable	55,352	23,066
Sales tax refund receivable	86,906	41,152
Prepaid expenses	6,958	9,958
Unconditional promises to give, net	254,230	-
Investments	872,933	723,529
Property & equipment, net	46,916	67,573
Construction in progress	378,608	-
Right of use assets	28,584	-
	<u>\$ 2,185,325</u>	<u>\$ 1,147,877</u>
Total assets	<u>\$ 2,185,325</u>	<u>\$ 1,147,877</u>
LIABILITIES		
Accounts payable	\$ 45,684	\$ 50,123
Wages payable	-	2,625
Payroll taxes payable	2,862	1,941
Deferred event revenue	18,578	27,750
Lease obligation payable	29,395	10,369
	<u>96,519</u>	<u>92,808</u>
Total liabilities	<u>96,519</u>	<u>92,808</u>
NET ASSETS		
Without donor restriction		
Undesignated	726,265	338,402
Designated by the board	806,407	716,667
With donor restrictions	556,134	-
	<u>2,088,806</u>	<u>1,055,069</u>
Total net assets	<u>2,088,806</u>	<u>1,055,069</u>
Total liabilities and net assets	<u>\$ 2,185,325</u>	<u>\$ 1,147,877</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF ACTIVITIES
For Years Ended December 31, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Support and revenue		
Contributions & grants	\$ 1,621,901	1,087,121
Meal payments	141,593	123,449
Unrealized investments gains (losses)	93,443	(115,768)
Realized investments gains (losses)	(5,042)	(1,035)
Special events (net of expenses)	3,751	39,734
Interest & dividends	5,855	4,466
Total support and revenue without donor restrictions	1,861,501	1,137,967
Net assets released from restriction:		
Satisfaction of donor restrictions	-	-
Total net assets released from restrictions	-	-
Total support and revenue without donor restrictions	1,861,501	1,137,967
Expenses		
Program services	1,242,558	1,105,872
Supporting services		
General administration	69,257	60,996
Fundraising	72,083	67,095
Total expenses	1,383,898	1,233,963
Increase (Decrease) in net assets without donor restrictions	477,603	(95,996)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	\$ 556,134	\$ -
Net assets released from restrictions	-	-
Increase (decrease) in net assets with donor restrictions	556,134	-
Increase (decrease) in net assets	1,033,737	(95,996)
Net assets at beginning of year	1,055,069	1,151,065
Net assets at end of year	\$ 2,088,806	\$ 1,055,069

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended December 31, 2023

	Program Services	Supporting Services		Total
	Meal Service	Management and General	Fundraising	2023
Salaries	\$ 380,137	\$ 46,567	\$ 48,467	\$ 475,171
Payroll taxes	31,265	3,830	3,986	39,081
Other employee benefits	15,615	1,913	1,991	19,519
Total salaries and related expenses	<u>427,017</u>	<u>52,310</u>	<u>54,445</u>	<u>533,771</u>
Auto	9,147	1,121	1,166	11,434
Conferences, conventions, and meetings	3,312	406	422	4,140
General liability insurance	9,248	1,133	1,179	11,560
Interest expense	1,518	186	193	1,897
Meals service & supplies	648,315	-	-	648,315
Office expense	25,867	3,169	3,298	32,334
Organization dues	4,944	606	630	6,180
Other programs/projects	4,684	-	-	4,684
Pet food & supplies	24,197	-	-	24,197
Postage	2,814	345	359	3,517
Professional fees	10,260	1,257	1,308	12,825
Rent	11,692	1,432	1,491	14,615
Technology	23,096	2,829	2,945	28,870
Telephone	3,549	435	452	4,436
Transaction fees on investments	4,445	544	567	5,556
Utilities	4,839	593	617	6,049
Volunteers	5,807	711	740	7,259
Workers compensation insurance	738	90	94	922
Total expenses before depreciation	<u>1,225,488</u>	<u>67,166</u>	<u>69,907</u>	<u>1,362,561</u>
Depreciation and amortization	<u>17,070</u>	<u>2,091</u>	<u>2,176</u>	<u>21,337</u>
	<u>\$ 1,242,558</u>	<u>\$ 69,257</u>	<u>\$ 72,083</u>	<u>\$ 1,383,898</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended December 31, 2022

	Program Services	Supporting Services		Total
	Meal Service	Management and General	Fundraising	2022
Salaries	\$ 317,978	\$ 40,251	\$ 44,275	\$ 402,504
Payroll taxes	25,939	3,283	3,612	32,834
Other employee benefits	10,145	1,284	1,413	12,842
Total salaries and related expenses	<u>354,062</u>	<u>44,819</u>	<u>49,299</u>	<u>448,180</u>
Auto	9,230	1,168	1,285	11,684
Conferences, conventions, and meetings	6,164	780	858	7,802
General liability insurance	5,826	738	811	7,375
Interest expense	-	-	-	-
Meal service & supplies	596,999	-	-	596,999
Office expense	34,085	4,315	4,746	43,146
Organization dues	3,166	401	441	4,008
Other programs/projects	3,112	-	-	3,112
Pet food & Supplies	23,897	-	-	23,897
Postage	4,351	551	606	5,508
Professional fees	8,690	1,100	1,210	11,000
Rent	10,428	1,320	1,452	13,200
Technology	14,260	1,805	1,986	18,050
Telephone	3,715	470	517	4,702
Transaction fees on investments	4,479	567	624	5,669
Utilities	4,230	536	589	5,355
Volunteers	7,001	886	975	8,862
Workers compensation insurance	191	24	27	242
Total expenses before depreciation	<u>1,093,886</u>	<u>59,479</u>	<u>65,426</u>	<u>1,218,791</u>
Depreciation and amortization	<u>11,986</u>	<u>1,517</u>	<u>1,669</u>	<u>15,172</u>
	<u>\$ 1,105,872</u>	<u>\$ 60,996</u>	<u>\$ 67,095</u>	<u>\$ 1,233,963</u>

See accompanying notes to financial statements.

MEALS ON WHEELS OF ROWAN, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,033,737	\$ (95,996)
Non-cash items included in change in net assets:		
Depreciation and amortization	21,337	15,172
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized losses or (gains) on investments	(93,443)	115,768
Realized losses or (gains) on investments	5,042	1,035
Loss on disposal of fixed assets	4,085	-
(Increase) decrease in operating assets:		
Accounts receivable	(32,286)	(6,535)
Sales tax receivable	(45,754)	(19,974)
Unconditional promises to give	(254,230)	-
Prepaid expenses	3,000	5,603
Increase (decrease) in operating liabilities:		
Accounts payable	(4,439)	8,368
Wages payable	(2,625)	1,098
Accrued payroll taxes	920	1,424
Deferred event revenue	(9,172)	(23,800)
Net cash provided (used) by operating activities	626,172	2,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(43,465)
Purchase of investments	(1,816,585)	(1,078,896)
Proceeds from sale of investments	1,755,582	1,080,463
Construction in progress	(378,608)	-
Net cash provided (used) by investing activities	(439,611)	(41,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on lease obligation	(14,322)	(9,572)
Net cash provided (used) by financing activities	(14,322)	(9,572)
Net increase (decrease) in cash	172,239	(49,307)
Beginning cash	282,599	331,906
Ending cash	\$ 454,838	\$ 282,599

See accompanying notes to financial statements

MEALS ON WHEELS OF ROWAN, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 1 - Nature of Organization

Meals on Wheels of Rowan, Inc. (the Organization) is a community based non-profit organization whose mission is to deliver food and nutritious meals to Rowan County seniors and individuals who have difficulty leaving their homes and/or are challenged to prepare nutritious meals. Volunteers and staff build relationships, provide referrals and work to mitigate social isolation. Many participants are unable to pay for meals and/or groceries so the organization continually raises funds to subsidize or pay the total amount for meals and associated program expenses. Support for the Organization comes from individuals, grants, businesses, churches and civic groups.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards ASC 958, as amended by ASU 2016-14. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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, unless the investments are held for meeting restrictions for purchases of property and equipment, payment of long-term debt, or endowment.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions on their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations on how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Council reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

Many people have contributed significant amounts of time to the activities of the Organization without compensation. No amounts have been reflected in the financial statements for donated services. Under ASC 958, contributions of services are not recognized unless the services require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of operating the Organization's program and related supporting costs have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Council qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as increases and decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

Property, Equipment and Depreciation

Property and equipment are stated at their original cost. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Major renewals, betterments, and acquisitions in excess of \$2,500 are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended December 31, 2023, and 2022 was \$16,573 and \$15,172, respectively.

Unconditional Promises to Give

Unconditional promises to give are recognized as support in the period they are pledged. They are expected to be collected within the next three years and are recognized at net realizable value. No allowance for uncollectible amounts is necessary, as management believes that all recorded amounts are collectible.

Note 3 – Cash in Bank

As of December 31, 2023, and 2022, the Organization's cash deposits were held at one bank and exceeded the FDIC insurance limit by \$134,194 and \$25,746, respectively.

Note 4 - Investments

Investments consist of equity securities and are carried at fair market value. Investments as of December 31, 2023, and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Equity securities - costs	\$ 740,469	\$ 746,434
Unrealized gains (losses)	<u>132,464</u>	<u>(22,905)</u>
Fair Market Value	<u>\$ 872,933</u>	<u>\$ 723,529</u>

On October 13, 2023, the Organization executed a Control Agreement for Collateral Accounts, pledging three of its investment accounts that Fidelity Investments is custodian of, as collateral for the note payable to F&M Bank. The fair market value of these accounts as of December 31, 2023, was \$812,902.

Note 5 – Prepaid Expenses

Prepaid expenses consist of software license costs. The software license cost \$8,995 and is being amortized at \$150 per month for 60 months. Amortized software license expense for the year ended December 31, 2023, and 2022 was \$595 and \$1,800, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5 – Prepaid Expenses (Continued)

Prepaid expenses consist of leased equipment maintenance costs. The leased equipment maintenance costs \$21,566 and are amortized at \$342 per month for 63 months. Amortized equipment maintenance expenses for the year ended December 31, 2023, and 2022 totaled \$1,026 and \$4,104, respectively. The leased equipment on this contract was returned and the remaining maintenance costs were written off in the year 2023.

Prepaid expenses consist of nine months of liability insurance costs totaling \$6,958 as of December 31, 2023.

Note 6 – Unconditional promises to give

Unconditional promises to give as of December 31, 2023 are as follows:

Total	\$ 285,959
Receivable in less than one year	\$ 159,983
Receivable in one to three years	125,976
	<u>285,959</u>
Less discounts to present value	(31,729)
	<u>\$ 254,230</u>

Unconditional promises to give are pledged as collateral for the construction line of credit and are discounted at an 8% rate for amounts to be received beyond one year.

Note 7 - Property and Equipment

Property and equipment consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 48,532	\$ 77,119
Vehicles	44,776	44,776
Leasehold improvements	6,232	6,232
	<u>99,540</u>	<u>128,127</u>
Less accumulated depreciation	(52,624)	(60,554)
	<u>\$ 46,916</u>	<u>\$ 67,573</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8 – Construction in progress

On September 1, 2023, the Organization executed a construction contract for \$792,475 with a general contractor for building renovations & canopy addition at its new location. As of December 31, 2023, the project was approximately 42% complete with approximately \$459,460 remaining on the construction contract. As of December 31, 2023, construction costs on the contract totaled \$333,015.

Note 9 – Right of use assets / Lease obligation payable

On November 11, 2022, the Organization executed an operating lease for a copier repayable in sixty-three monthly payments of \$650. The present value of the total payments (\$33,348) is recorded as a Right of use asset and is being reduced by straight-line amortization (\$4,764) over the sixty-three-month lease period starting in the month the copier was put in service.

The present value of the total payments (\$33,348) is recorded as a long-term lease obligation reduced by the principal part of the lease payments. The lease obligation amortization is based on a sixty-three-month repayment with interest imputed at 8%.

Future minimum lease payments are:

Year Ending December 31:	
2024	\$ 7,800
2025	7,800
2026	7,800
2027	7,800
2028	3,900
Total minimum lease payments	35,100
Less interest included in payments	(5,705)
	<u>\$ 29,395</u>

Note 10 – Note payable – F&M Bank

On October 31, 2023, the Organization executed a loan agreement for \$965,000 to finance costs of leasehold improvements at its new location. Repayment terms consist of thirty-six monthly interests only payments at 6.35% followed by a balloon payment of all unpaid principal and interest due October 31, 2026. The loan is secured by certain investment accounts (see investment note) and the unconditional promises to give. The outstanding loan balance as of December 31, 2023, was \$0.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions related to the leasehold improvements project consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Contributions	\$ 301,904	\$ -
Unconditional promises to give	<u>254,230</u>	<u>-</u>
	<u>\$ 556,134</u>	<u>\$ -</u>

Note 12 – Building Lease

On April 15, 2017, the Organization executed a building lease to house its current offices and operations. The lease is a month-to-month lease for \$1,100 per month. On June 30, 2023, the Organization executed a new lease for \$1,300 per month for six months beginning on July 15, 2023, and ending on January 15, 2024.

On August 1, 2023, the Organization executed a building lease to house its future offices and operations. The lease is a fifteen-year lease with annual lease payments of \$1.00. The Organization has the option to renew the lease at the end of its original term for an additional five years. The Organization is renovating the building and expects getting a certificate of occupancy in 2024. The value of an in-kind contribution related to the difference between the fair lease value of the building compared to the annual lease amount is \$0 for 2023 due to the building being uninhabitable. The lessee is responsible for utilities, insurance and taxes.

Rent expenses were \$14,615 and \$13,200 for the years ended December 31, 2023, and 2022, respectively.

Note 13 – Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 13 – Availability of Financial Assets (continued)

Financial assets, at year-end	\$ 1,731,217
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions on:	
Restricted by agreement - investments	(812,902)
Restricted by time - unconditional promises to give	<u>(254,230)</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 664,085</u>

A part of the Organization's support comes from restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must keep sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. If an unanticipated liquidity need, the Organization relies on its ability to finance liquidity needs through financing of local banks.

Note 14 – Subsequent Events

Subsequent events occurring after the balance sheet date have been evaluated through June 10, 2024, which is the date the financial statements were available to be issued. No subsequent events were noted.