



**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2015**

**with**

**Independent Auditors' Report**

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**MEALS ON WHEELS PEOPLE, INC.**

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## **Independent Auditors' Report**

The Board of Directors  
Meals on Wheels People, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Meals on Wheels People, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2015, 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.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, 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.

## **Other Matter**

### *Report on Summarized Comparative Information*

We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon  
October 7, 2015

**MEALS ON WHEELS PEOPLE, INC.**

**Statement of Financial Position**

<b>June 30, 2015</b> <i>(With Comparative Amounts for 2014)</i>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,589,126	\$ 1,338,841
Investments <i>(Notes 3 and 17)</i>	2,546,779	1,794,237
Accounts receivable - net:		
Medicaid	57,078	54,892
Older Americans Act	254,100	191,323
Nutrition Services Incentive Program	86,688	126,321
Contract meals <i>(Note 15)</i>	159,474	32,635
Other	<u>38,489</u>	<u>21,563</u>
Total accounts receivable - net	595,829	426,734
Prepaid expenses and deposits	163,037	115,173
Inventory	84,551	78,439
Bequests and contributions receivable <i>(Note 4)</i>	820,755	2,087,158
Beneficial interest in charitable remainder trusts <i>(Notes 5 and 17)</i>	171,050	196,096
Investments held related to charitable gift annuities <i>(Notes 6 and 17)</i>	32,502	34,254
Investments held at community foundations <i>(Notes 7, 17 and 18)</i>	6,345,695	6,607,842
Property, equipment, and leasehold improvements - net <i>(Note 8)</i>	<u>6,143,365</u>	<u>6,285,358</u>
	<b><u>\$ 19,492,689</u></b>	<b><u>\$ 18,964,132</u></b>

*The accompanying notes are an integral part of the financial statements.*

	2015	2014
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 255,533	\$ 194,459
Accrued payroll and compensated absences	213,311	225,048
Other accrued liabilities	106,761	128,327
Liability for charitable gift annuities ( <i>Note 6</i> )	27,085	28,545
<b>Total liabilities</b>	<b>602,690</b>	<b>576,379</b>
Commitments ( <i>Notes 9 and 13</i> )		
<b>Net assets:</b>		
Unrestricted:		
Available for operations	2,821,814	3,475,593
Board designated for advertising initiative	150,000	-
Board designated for technology initiative	100,000	-
Board designated for the Joan Smith Executive Director Fund	104,197	-
Board designated for financial reserve	6,007,377	6,269,524
Board designated for capital reserve and maintenance	2,357,481	1,695,922
Net investment in property, equipment, and leasehold improvements	6,143,365	6,285,358
Total unrestricted net assets	17,684,234	17,726,397
Temporarily restricted ( <i>Note 10</i> )	702,396	156,872
Permanently restricted ( <i>Notes 11 and 18</i> )	503,369	504,484
<b>Total net assets</b>	<b>18,889,999</b>	<b>18,387,753</b>
	<b>\$ 19,492,689</b>	<b>\$ 18,964,132</b>

# MEALS ON WHEELS PEOPLE, INC.

## Statement of Activities

**Year Ended June 30, 2015** (With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
<b>Revenue, gains, and other support:</b>					
Charges for services (Note 15) :					
Older Americans Act	\$ 2,269,565	\$ -	\$ -	\$ 2,269,565	\$ 1,784,550
Nutrition Services Incentive Program	674,242	-	-	674,242	648,279
Medicaid and other	608,018	-	-	608,018	584,456
Local government	255,892	-	-	255,892	229,266
Contributions:					
Participants for meals	790,952	-	-	790,952	751,122
Center and Board fundraising	3,030,827	571,584	-	3,602,411	5,049,210
Special events:					
Gross revenue	866,673	-	-	866,673	825,816
Less direct cost of donor benefits	(42,316)	-	-	(42,316)	(57,068)
	824,357	-	-	824,357	768,748
Contracts and sales (Note 15)	575,552	-	-	575,552	282,572
Interest and dividends	101,315	-	-	101,315	126,490
In-kind space	611,628	-	-	611,628	596,478
Other in-kind contributions	170,020	-	-	170,020	198,208
Miscellaneous	32,633	-	-	32,633	76,645
Net assets released from restrictions (Note 12) :					
Satisfaction of program or time restrictions	22,875	(22,875)	-	-	-
<b>Total revenue, gains, and other support</b>	<b>9,967,876</b>	<b>548,709</b>	<b>-</b>	<b>10,516,585</b>	<b>11,096,024</b>
<b>Operating expenses:</b>					
Program services:					
Center operations	4,816,920	-	-	4,816,920	4,408,491
Kitchen operations	3,645,305	-	-	3,645,305	3,612,109
Supporting services:					
General and administrative	703,238	-	-	703,238	671,680
Fundraising	792,802	-	-	792,802	816,682
<b>Total operating expenses</b>	<b>9,958,265</b>	<b>-</b>	<b>-</b>	<b>9,958,265</b>	<b>9,508,962</b>
<b>Increase (decrease) in net assets from operations</b>	<b>9,611</b>	<b>548,709</b>	<b>-</b>	<b>558,320</b>	<b>1,587,062</b>
Gain (loss) on investments, net of investment fees of \$39,137 in 2015 and \$34,644 in 2014					
	(36,660)	-	-	(36,660)	1,063,348
Loss on disposition of property and equipment					
	(15,114)	-	-	(15,114)	(1,222)
Change in value of beneficial interest in trusts					
	-	(3,185)	(1,115)	(4,300)	31,366
<b>Increase (decrease) in net assets</b>	<b>(42,163)</b>	<b>545,524</b>	<b>(1,115)</b>	<b>502,246</b>	<b>2,680,554</b>
Net assets, beginning of year	17,726,397	156,872	504,484	18,387,753	15,707,199
<b>Net assets, end of year</b>	<b>\$ 17,684,234</b>	<b>\$ 702,396</b>	<b>\$ 503,369</b>	<b>\$ 18,889,999</b>	<b>\$ 18,387,753</b>

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

**MEALS ON WHEELS PEOPLE, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2015** (With Comparative Totals for 2014)

	Program Services			Supporting Services			Total	
	Center Operations	Kitchen Operations	Total	General and Administrative	Fundraising	Total	2015	2014
<b>Salaries and related expenses:</b>								
Salaries	\$ 2,239,685	\$ 833,535	\$ 3,073,220	\$ 414,511	\$ 356,481	\$ 770,992	\$ 3,844,212	\$ 3,697,129
Employee benefits and payroll taxes	709,285	318,056	1,027,341	77,366	79,513	156,879	1,184,220	1,090,937
<b>Total salaries and related expenses</b>	<b>2,948,970</b>	<b>1,151,591</b>	<b>4,100,561</b>	<b>491,877</b>	<b>435,994</b>	<b>927,871</b>	<b>5,028,432</b>	<b>4,788,066</b>
<b>Other expenses:</b>								
Food and related costs:								
Paid	236,493	1,888,088	2,124,581	508	1,336	1,844	2,126,425	2,003,387
In-kind	26,920	38,573	65,493	-	7,575	7,575	73,068	41,977
Small equipment	29,180	7,677	36,857	13,694	80	13,774	50,631	29,944
Mileage and travel	54,033	271	54,304	2,974	7,246	10,220	64,524	56,629
Insurance	58,463	16,023	74,486	5,415	699	6,114	80,600	72,163
Vehicle costs	1,173	113,214	114,387	-	-	-	114,387	103,445
Repairs and maintenance	65,459	22,865	88,324	-	-	-	88,324	87,810
Janitorial services and supplies	44,278	33,594	77,872	-	-	-	77,872	73,347
Subscriptions and memberships	6,874	400	7,274	3,660	8,071	11,731	19,005	14,807
Professional fees								
Paid	84,190	5,960	90,150	118,638	137,203	255,841	345,991	341,809
In-kind	1,000	-	1,000	4,836	-	4,836	5,836	35,000
Rent and utilities:								
Paid	248,748	255,896	504,644	25,316	18,630	43,946	548,590	519,841
In-kind	611,628	-	611,628	-	-	-	611,628	596,478
Office supplies, postage, and printing	57,226	3,527	60,753	8,980	71,050	80,030	140,783	166,642
Bank charges and credit card fees	-	-	-	14,201	22,459	36,660	36,660	32,323
Other miscellaneous:								
Paid	13,606	16,496	30,102	7,205	78,796	86,001	116,103	101,464
In-kind	87,429	1,260	88,689	87	2,340	2,427	91,116	121,231
<b>Total other expenses</b>	<b>1,626,700</b>	<b>2,403,844</b>	<b>4,030,544</b>	<b>205,514</b>	<b>355,485</b>	<b>560,999</b>	<b>4,591,543</b>	<b>4,398,297</b>
Depreciation and amortization	241,250	89,870	331,120	5,847	1,323	7,170	338,290	322,599
<b>Total expenses</b>	<b>\$ 4,816,920</b>	<b>\$ 3,645,305</b>	<b>\$ 8,462,225</b>	<b>\$ 703,238</b>	<b>\$ 792,802</b>	<b>\$ 1,496,040</b>	<b>\$ 9,958,265</b>	<b>\$ 9,508,962</b>

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



**MEALS ON WHEELS PEOPLE, INC.**

**Statement of Cash Flows**

<b>Year Ended June 30, 2015</b> <i>(With Comparative Totals for 2014)</i>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 502,246	\$ 2,680,554
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	338,290	322,599
(Gain) loss on investments	36,660	(1,063,348)
Loss on disposition of property and equipment	15,114	1,222
Reinvestment of interest and dividends held at community foundations	(60,712)	(70,879)
Change in value of beneficial interest in trusts	4,300	(31,366)
Change in liability for charitable gift annuities	4,070	4,021
Distribution from beneficial interest in charitable remainder trust	20,746	-
Payments for charitable gift annuities	(5,530)	(5,530)
(Increase) decrease in:		
Accounts receivable - net	(169,095)	1,034
Prepaid expenses and deposits	(47,864)	18,814
Inventory	(6,112)	(3,214)
Bequests and contributions receivable	1,266,403	(1,803,892)
Increase (decrease) in:		
Accounts payable	61,074	(9,397)
Accrued payroll and compensated absences	(11,737)	(21,745)
Other accrued liabilities	(21,566)	(14,854)
<b>Net cash provided by operating activities</b>	<b>1,926,287</b>	<b>4,019</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	25,100	-
Purchases of investments	(755,455)	(298,509)
Distributions from amounts held at Oregon Community Foundation	265,764	258,604
Deposits to amounts held at Oregon Community Foundation	-	(25,000)
Purchases of property, equipment, and leasehold improvements	(216,411)	(190,246)
Proceeds from sale of property and equipment	5,000	5,929
<b>Net cash used by investing activities</b>	<b>(676,002)</b>	<b>(249,222)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,250,285</b>	<b>(245,203)</b>
Cash and cash equivalents, beginning of year	1,338,841	1,584,044
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,589,126</b>	<b>\$ 1,338,841</b>

*The accompanying notes are an integral part of the financial statements.*

# MEALS ON WHEELS PEOPLE, INC.

## Notes to Financial Statements

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

**Nature of Activities** - Meals on Wheels People, Inc. (the Organization) is a nonprofit organization, organized under the laws of the State of Oregon, the primary purpose of which is to provide older Americans with nutritionally balanced meals, socialization, and other needed social services. The Organization is funded by private and governmental grants, charges for services and contributions from participants and the general public. Food is prepared in a central kitchen and delivered to 34 service centers, including 12 satellite locations, in Multnomah and Washington Counties in Oregon and Clark County in Washington. Meals are also delivered to homebound seniors by volunteers.

The mission of Meals on Wheels People, Inc. is to enrich the lives of seniors and assist them in maintaining independence by making nutritious food, social contacts, and other resources easily accessible. To the extent possible, the Organization will also serve disabled, institutionalized, and other nutritionally at-risk populations. This is accomplished through an organization that is community based, emphasizes volunteer involvement, and is financially sound. Included are connecting people to services such as transportation, health and welfare counseling, nutrition education, shopping assistance, information and referral services, outreach, case management, case monitoring, and leisure and recreation opportunities. Each center conducts fundraising activities and some centers receive grants from cities to help support local operations.

The Board of Directors of the Organization is composed of 28 members, two of whom represent the Organization's Centers Council. The Board establishes general standards and policies and provides a central office and kitchen to provide support services to the centers. The Board also raises funds on a community-wide basis for operations and administrative support to the centers.

**Summary of Significant Accounting Policies** - The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

***Basis of Presentation*** - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

*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 related investments for general or specific purposes.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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

***Basis of Presentation - Continued*** - Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

***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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, depreciation and amortization expense (based on the estimated useful lives of the underlying assets), bequests receivable, the Organization's beneficial interest in charitable remainder trusts, liabilities under charitable gift annuities, and certain investments held at community foundations.

***Cash and Cash Equivalents*** - The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. On occasion throughout the year, cash and cash equivalent balances exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC).

***Investments*** - Investments are reported at fair value based on quoted market prices and consist of bond funds and equity mutual funds.

***Accounts Receivable*** - Accounts receivable are recognized as meals and services are provided. Interest is not charged on past due accounts.

The Organization uses the allowance method to account for uncollectible accounts. The allowance for doubtful accounts is estimated by management based on various factors, including past history and current economic conditions. Receivables are written off when they are determined to be uncollectible and management has exhausted all reasonable collection efforts. At June 30, 2015 and 2014, the allowance for doubtful accounts was \$2,000.

Total accounts receivable includes balances outstanding for greater than 90 days of \$13,964 and \$4,713 at June 30, 2015 and 2014, respectively.

***Inventory*** - Inventory consists of food and related supplies and is valued at the lower of cost (average cost basis) or market.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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

***Property, Equipment and Leasehold Improvements, and Depreciation and Amortization*** - The Organization follows the policy of capitalizing, at cost, all expenditures for equipment and leasehold improvements in excess of \$1,500.

Equipment and leasehold improvements received through donation are recorded at estimated fair value at date of donation. Depreciation and amortization have been computed using the straight-line method over the following estimated useful lives:

Equipment	2 - 20 years
Leasehold improvements	10 - 20 years
Building	50 years

***Income Taxes*** - The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

Accounting principles generally accepted in the United States of America prescribe a recognition threshold and measurement process for accounting for uncertain tax positions and provide guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Organization has any uncertain tax positions. The Organization files informational returns. Generally, these returns are subject to examination by income tax authorities for three years from the filing of a return. The Organization has not paid any interest or penalties related to its income tax positions, and there are currently no audits for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with general and administrative expenses.

***Contribution Recognition*** - Contributions, which include 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, when the conditions on which they depend are substantially met. Temporarily restricted contributions are classified as unrestricted when the restriction is satisfied in the same fiscal year the contribution is received.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service or the expenditure for those assets has occurred. During the year ended June 30, 2015, the Organization received a \$100,000 conditional promise to give to fund technology enhancements. This contribution will be recognized as revenue once certain conditions imposed by the donor are satisfied by the Organization.

## MEALS ON WHEELS PEOPLE, INC.

### Notes to Financial Statements - Continued

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#### 1. Nature of Activities and Summary of Significant Accounting Policies - Continued Summary of Significant Accounting Policies - Continued

***In-Kind Space*** - Donated space is recorded as a contribution at estimated fair rental value with an equivalent amount charged to expense.

***Donated Services and Inventory*** - Numerous volunteers have donated significant amounts of time to the Organization's program services. Although no amounts have been reflected in the accompanying financial statements, management estimates the fair value of those services (based on \$18.89 per hour) to be \$5,821,000 and \$6,105,000 for the years ended June 30, 2015 and 2014, respectively. Donated food, supplies, and other miscellaneous items in the amount of \$164,184 and \$163,208 have been reflected in the accompanying financial statements for the years ended June 30, 2015 and 2014, respectively. Donated professional services in the amount of \$5,836 and \$35,000 have been reflected in the accompanying financial statements for the years ended June 30, 2015 and 2014, respectively.

***Advertising*** - Advertising, which is primarily for employment and center promotion, is expensed when incurred. Advertising costs totaled \$41,215 and \$33,640 for the years ended June 30, 2015 and 2014, respectively.

***Functional Allocation of Expenses*** - Costs of providing the various programs and other activities 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.

***Summarized Financial Information for 2014*** - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

***Reclassifications*** - Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation. Such reclassifications had no effect on the change in net assets as previously reported.

#### 2. Program and Supporting Services

***Center Operations*** - The Organization's meal sites have the responsibility of providing a hot noon meal and programming for socialization for seniors living within their geographic area. Nutrition services include group dining on site and meals delivered to homebound clients (Meals-on-Wheels). Congregate meals provided totaled approximately 367,000 and 369,000 for the years ended June 30, 2015 and 2014, respectively.

Centers are located in a variety of settings, including senior centers, multicultural centers, housing authority buildings, parks and recreation buildings, and churches.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**2. Program and Supporting Services - Continued**

**Center Operations - Continued** - In addition to providing meals, centers cooperate with other community agencies to provide opportunities for enrichment to the lives of seniors through activities, speakers, field trips, and health-related issues including clinics for foot care and blood pressure monitoring.

All new Meals-on-Wheels clients are visited by an outreach worker who works with the client to determine how the Organization can meet their nutritional needs and make referrals to other community resources as needed. Clients are revisited on an annual basis. Home-delivered meals totaled approximately 791,000 and 740,000 for the years ended June 30, 2015 and 2014, respectively.

**Kitchen Operations** - The central kitchen provides meals for 22 anchor centers and 12 satellite locations. The meals are prepared in bulk, divided, and shipped to each center. Menus for these meals are prepared on a six-week cycle. Approximately 5,000 meals are prepared daily.

Meals are also provided to non-Meals on Wheels People, Inc. Centers at five contract sites. Contract meals prepared for other organizations totaled approximately 143,000 and 68,000 for the years ended June 30, 2015 and 2014, respectively.

**Support Services** - General and administrative activities include business management, recordkeeping, budgeting, financing, information technology, and related administrative activities. These services provide the necessary developmental, organizational, and management support for the effective operation of programs.

Fundraising activities include conducting fundraising campaigns, preparing and distributing fundraising materials, and conducting other activities involving soliciting contributions from individuals, foundations, and others.

**3. Investments**

Investments consist of the following at June 30:

	<b>2015</b>	<b>2014</b>
Domestic equity mutual funds	\$ 1,091,142	\$ 966,396
International equity mutual funds	265,436	257,791
Bond funds	1,190,201	570,050
	<u>\$ 2,546,779</u>	<u>\$ 1,794,237</u>

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**4. Bequests and Contributions Receivable**

The Organization had unconditional promises to give representing the following at June 30:

	<b>2015</b>	<b>2014</b>
Bequests receivable	\$ 625,100	\$ 2,002,000
Other contributions receivable	195,655	85,158
	<u>\$ 820,755</u>	<u>\$ 2,087,158</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 810,255	\$ 2,066,158
One to five years	10,500	21,000
	<u>\$ 820,755</u>	<u>\$ 2,087,158</u>

Management has elected not to calculate any discount to present value on pledges due beyond one year as such amount would not be significant.

**5. Beneficial Interest in Charitable Remainder Trusts**

The Organization is the beneficiary of four charitable remainder trusts. All or a portion of the remaining principal and income of the trusts is to be distributed to the Organization upon termination. The estimated fair value of the charitable remainder trusts at June 30, using a discount rate of 5 percent, is as follows:

	<b>2015</b>	<b>2014</b>
Temporarily restricted	\$ 5,999	\$ 29,930
Permanently restricted	165,051	166,166
	<u>\$ 171,050</u>	<u>\$ 196,096</u>

The beneficial interest of certain trusts has been restricted by the donors as a permanent endowment. As such, these amounts have been classified as permanently restricted.

## MEALS ON WHEELS PEOPLE, INC.

### Notes to Financial Statements - Continued

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#### 6. Charitable Gift Annuities

It is the Organization's policy to separately maintain amounts received upon the issuance of charitable gift annuities until the annuity obligations have been fully satisfied.

Investments held related to charitable gift annuities are carried at fair value and consist of bond funds totaling \$32,502.

The liability for charitable gift annuities represents the present value of total expected payments that will be made to the donors. The Organization estimated the liability based on actuarial assumptions at the time the annuities were issued. The present value of each annuity is calculated based on applicable mortality tables using discount rates ranging from 3 to 5 percent.

#### 7. Investments Held at Community Foundations

**Oregon Community Foundation:** The Organization has an agreement with Oregon Community Foundation (OCF) in order to achieve improved performance results with respect to investments and enhance long-term planned giving goals. Under the terms of the agreement, OCF will distribute annually 4.5 percent of the fair market value of the fund based on the preceding 12-quarter average balance to the Organization. Income distributions of \$265,764 and \$258,604 were received from OCF during the years ended June 30, 2015 and 2014, respectively. Additional distributions up to the entire balance of the fund may be made on a resolution of both of the organizations' Boards of Directors. Investments held at OCF totaled \$6,283,605 and \$6,546,372 at June 30, 2015 and 2014, respectively. Investments held at OCF are valued at estimated fair value (*Note 17*).

A portion of the investments held at OCF consists of investments in limited partnerships and real estate whose fair values have been estimated by OCF management in the absence of readily determinable market values. These estimates are based on information provided by the fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used had a quoted market price existed.

Investments held at OCF also include permanently restricted donor contributions of \$338,318 at June 30, 2015 and 2014. Earnings on these funds must be used in support of center operations. The remainder of the funds has been classified as Board designated for financial reserve in the accompanying statement of financial position.



**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**7. Investments Held at Community Foundations - Continued**

**Community Foundation for Southwest Washington:** The Organization has an agreement with the Community Foundation for Southwest Washington (CFSWW) in order to establish a fund whereby donors can contribute monies to be used to serve the elderly in the State of Washington.

Under the terms of the agreement, CFSWW shall make charitable distributions from the fund for the benefit of the Organization. Investments held at CFSWW totaled \$62,090 and \$61,470 at June 30, 2015 and 2014, respectively. Investments held at CFSWW are valued at estimated fair value (*Note 17*). These funds have been classified as Board designated for financial reserve in the accompanying statement of financial position.

A portion of the investments held at CFSWW consists of investments in limited partnerships and real estate whose fair values have been estimated by CFSWW's management in the absence of readily determinable market values. These estimates are based on information provided by the fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used had a quoted market price existed.

**8. Property, Equipment, and Leasehold Improvements**

Property, equipment, and leasehold improvements consist of the following at June 30:

	<b>2015</b>	<b>2014</b>
Land	\$ 929,566	\$ 929,566
Building	5,728,271	5,728,271
Kitchen equipment	1,182,268	1,146,465
Service center equipment	572,627	516,405
Office equipment	537,337	534,316
Vehicles	65,194	65,194
Leasehold improvements	<u>957,079</u>	<u>918,687</u>
	9,972,342	9,838,904
Less accumulated depreciation and amortization	<u>(3,828,977)</u>	<u>(3,553,546)</u>
	<u><u>\$ 6,143,365</u></u>	<u><u>\$ 6,285,358</u></u>

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

**9. Commitments**

The Organization leases certain space, vehicles, and equipment under various non-cancelable operating lease agreements expiring through May 2020. Minimum payments remaining under the non-cancelable operating leases are as follows at June 30, 2015:

<b>Years Ending June 30,</b>	<b>Amount</b>
2016	\$ 349,100
2017	266,800
2018	130,200
2019	77,300
2020	20,800
	<u>844,200</u>
	<u>\$ 844,200</u>

The Organization also leases other facilities and equipment under various month-to-month operating lease agreements. Total expense under all operating lease agreements (including donated space) was \$1,035,778 and \$997,377 for the years ended June 30, 2015 and 2014, respectively.

**10. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following as of June 30:

	<b>2015</b>	<b>2014</b>
Center projects	\$ 126,118	\$ 3,356
Beneficial interest in charitable remainder trusts held by others	5,999	29,930
Joan Smith Executive Director Fund	48,928	38,428
Time restrictions	125,000	-
Bequest restricted for Clark County Centers	150,696	-
Bequest restricted for Ambleside Center	125,000	-
Other contributions receivable	120,655	85,158
	<u>702,396</u>	<u>156,872</u>
	<u>\$ 702,396</u>	<u>\$ 156,872</u>

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**11. Permanently Restricted Net Assets**

Permanently restricted net assets consist of the following at June 30:

	<b>2015</b>	<b>2014</b>
Center programs	\$ 338,318	\$ 338,318
Beneficial interest in charitable remainder trust held by others	165,051	166,166
	<u>\$ 503,369</u>	<u>\$ 504,484</u>

**12. Net Assets Released from Restrictions**

During the year ended June 30, 2015, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

Satisfaction of program or time restrictions:		
Center projects	\$	2,129
Charitable remainder trust		<u>20,746</u>
	<u>\$</u>	<u>22,875</u>

**13. Retirement Plan**

The Organization maintains a defined contribution retirement plan (the Plan) that covers all employees after they have completed one year of service and have attained age 21. The Organization makes a matching contribution of employee salary deferrals equal to 100 percent of the deferrals, not to exceed 2 percent of eligible compensation. Employer matching contributions become fully vested after an employee completes five years of service. In addition, the Organization makes an additional contribution equal to 3 percent of an employee's eligible compensation that vests immediately. Employer contributions to the Plan during the years ended June 30, 2015 and 2014, totaled \$151,830 and \$148,751, respectively.

**14. Joint Costs**

The Organization conducts certain activities that include requests for contributions, as well as program and management and general components. These activities include the distribution of the Organization's annual report and publication of newsletters. Management feels that the costs of conducting these activities are immaterial, and has accounted for these costs as fundraising expenditures in the statement of functional expenses.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**15. Concentrations**

The Organization received approximately 36 and 29 percent of its funding from governmental agencies during the years ended June 30, 2015 and 2014, respectively. If a significant reduction in the level of this funding were to occur, it would affect the Organization's ability to provide programs and services.

Substantially all of the Organization's contract and sales revenue reported in the accompanying statement of activities was derived from four and three customers in 2015 and 2014, respectively. Sales to these customers accounted for 91 and 82 percent of total contract and sales revenue for the years ended June 30, 2015 and 2014, respectively. Included in contract meals receivable in the accompanying statement of financial position were amounts due from these customers totaling \$140,164 and \$12,489 at June 30, 2015 and 2014, respectively.

**16. Financial Instruments with Concentrations of Risk**

Financial instruments that potentially subject the Organization to concentrations of risk consist principally of: accounts receivable; investments (*Note 3*); bequests and contributions receivable (*Note 4*); beneficial interest in charitable remainder trusts (*Note 5*); and investments held at community foundations (*Note 7*).

The Organization's investments, including those held related to charitable gift annuities and those held by community foundations, as well as its beneficial interest in charitable remainder trusts, are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

**17. Fair Value Measurements**

The classification of assets and liabilities within the fair value hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

**17. Fair Value Measurements - Continued**

The three levels of the fair value hierarchy under the valuation methodologies used for assets are described below:

*Level 1* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets 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 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* Fair value is based on significant unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2015:

	<b>Total</b>	<b>Level 1</b>	<b>Level 3</b>
Investments:			
Domestic equity mutual funds	\$ 1,091,142	\$ 1,091,142	\$ -
International equity mutual funds	265,436	265,436	-
Bond funds	1,190,201	1,190,201	-
Total investments	2,546,779	2,546,779	-
Beneficial interest in charitable remainder trusts	171,050	-	171,050
Investments held related to charitable gift annuities	32,502	32,502	-
Investments held at community foundations	6,345,695	-	6,345,695
Total assets at fair value	\$ 9,096,026	\$ 2,579,281	\$ 6,516,745

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

**17. Fair Value Measurements - Continued**

Following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds, bond funds and investments held related to charitable gift annuities:* Valued based on quoted market prices of shares held by the Organization at year end, and are classified as Level 1.

*Beneficial interest in charitable remainder trusts:* The expected future inflows from the trusts are based on the fair value of the underlying investments and the life expectancy of the donor, and have been discounted using a discount rate of 5 percent. Since there are unobservable inputs that are significant in determining the fair value, this asset is classified as Level 3.

*Investments held at community foundations:* Assets held at community foundations (the foundations) represent the Organization's share of a pooled investment portfolio managed by the foundations. The Organization's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, as described in *Note 7*, the underlying investments of the foundations are measured by management of the foundations using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. As such, this asset is classified as Level 3.

A summary of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2015, is as follows:

	<b>Beneficial Interest in Charitable Trusts</b>	<b>Investments Held at Community Foundations</b>	<b>Total</b>
<b>Balance, June 30, 2014</b>	<b>\$ 196,096</b>	<b>\$ 6,607,842</b>	<b>\$ 6,803,938</b>
Change in value	(4,300)	-	(4,300)
Interest and dividends	-	60,712	60,712
Realized and unrealized losses	-	(17,958)	(17,958)
Fees paid	-	(39,137)	(39,137)
Distributions	-	(265,764)	(265,764)
Proceeds	(20,746)	-	(20,746)
<b>Balance, June 30, 2015</b>	<b><u>\$ 171,050</u></b>	<b><u>\$ 6,345,695</u></b>	<b><u>\$ 6,516,745</u></b>

## MEALS ON WHEELS PEOPLE, INC.

### Notes to Financial Statements - Continued

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#### 18. Endowment Funds

The Organization's endowment consists of funds held at OCF (*Note 7*) and a beneficial interest in a charitable remainder trust (*Note 5*). As required by accounting principles generally accepted in the United States of America, 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 Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, 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 expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

##### *Investment Strategy and Endowment Spending Policies*

The Organization has an agreement with OCF to distribute annually 4.5 percent of the fair market value of the fund based on the preceding 12-quarter average balance to the Organization.

OCF follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the investment portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Funds held with OCF are invested in a mixture of equities, fixed-income instruments, alternative investment classes, such as hedge funds, distressed debt, private investments, and cash. The Organization believes the investment and spending policy is consistent with the Organization's objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**MEALS ON WHEELS PEOPLE, INC.**

**Notes to Financial Statements - Continued**

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**18. Endowment Funds - Continued**

*Endowment net asset composition at June 30, 2015:*

	<b>Permanently Restricted</b>
Donor restricted endowment funds	\$ 338,318
Interest in charitable remainder trust	165,051
	<u>\$ 503,369</u>

*Changes in endowment net assets for the year ended June 30, 2015:*

	<b>Permanently Restricted</b>
Endowment net assets, beginning of year	\$ 504,484
Change in value of beneficial interest in charitable remainder trust	<u>(1,115)</u>
	<u>\$ 503,369</u>

Management believes the amount of unspent accumulated earnings in excess of this historic dollar value, if any, is immaterial and has, therefore, classified all endowment related activity (other than new principal contributions and change in value of the beneficial interest in the charitable remainder trust) as a component of unrestricted net assets in the accompanying statement of activities.

**19. Subsequent Events**

Management has evaluated subsequent events through October 7, 2015, the date the financial statements were available to be issued.