

**MEALS ON WHEELS  
DIABLO REGION**

**Financial Statements,  
Years Ended June 30, 2018  
With Independent Auditor's Report**

**MEALS ON WHEELS**  
**DIABLO REGION**

**FOR THE YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

Independent Auditor's Report.....	1-2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net assets.....	4
Statement of Functional Expenses.....	5-6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8-16
Additional Information:	
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Audit Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	17

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Meals on Wheels Diablo Region

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

We have audited the accompanying financial statements of Meals on Wheels Diablo Region (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 Meals on Wheels Diablo Region as of June 30, 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.

***Report on Summarized Comparative Information***

We have previously audited the Meals on Wheels Diablo Region's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 May 6, 2019, on our consideration of Meals on Wheels Diablo Region'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 Meals on Wheels Diablo Region's internal control over financial reporting and compliance.



Orinda, California

May 6, 2019

**MEALS ON WHEELS  
DIABLO REGION  
STATEMENT OF FINANCIAL POSITION  
For The Year Ended June 30, 2018  
(With Comparative Statements For The Year Ended June 30, 2017)**

	2018	2017
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash & cash equivalents	\$ 1,212,418	\$ 704,593
Contracts receivable	300,475	380,738
Prepaid expenses/deposits	22,345	33,992
Total Current Assets	1,535,238	1,119,323
<b>PROPERTY AND EQUIPMENT, net (Note 5)</b>	588,234	609,394
<b>OTHER ASSETS:</b>		
Investments (Note 4)	609,855	566,822
Loan fees	5,863	6,105
Total Other Assets	615,718	572,927
<b>TOTAL ASSETS</b>	<b>\$ 2,739,190</b>	<b>\$ 2,301,644</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 13,835	\$ 17,908
Accrued liabilities	126,874	123,099
Deposits	-	1,900
Total Current Liabilities	140,709	142,907
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt (Note 7)	667,382	689,551
Total Liabilities	808,091	832,458
<b>NET ASSETS:</b>		
Unrestricted (Note 14)	1,704,086	1,228,973
Temporarily restricted (Note 6)	227,013	240,213
Total Net Assets	1,931,099	1,469,186
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,739,190</b>	<b>\$ 2,301,644</b>

See notes to financial statements

**MEALS ON WHEELS DIABLO REGION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2018**  
(With Comparative Statements For The Year Ended June 30, 2017)

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND SUPPORT</b>						
Program revenues	\$ 1,793,396	\$ -	\$ 1,793,396	\$ 1,690,113	\$ 83,600	\$1,773,713
Donations	643,447	-	643,447	537,263	-	537,263
Rental revenues (Note 10)	16,100	-	16,100	24,150	-	24,150
Special events (Note 8)	130,349	-	130,349	2,232	-	2,232
Investment income (Note 4)	18,890	-	18,890	47,795	-	47,795
Net assets released from restrictions	13,200	(13,200)	-	14,667	(14,667)	-
Total Revenues and Support	<u>2,615,382</u>	<u>(13,200)</u>	<u>2,602,182</u>	<u>2,316,220</u>	<u>68,933</u>	<u>2,385,153</u>
<b>EXPENSES</b>						
Program services	1,906,545	-	1,906,545	1,877,362	-	1,877,362
Support services						
Management and general	168,261	-	168,261	178,995	-	178,995
Fundraising	65,463	-	65,463	58,312	-	58,312
Total Support Services	<u>233,724</u>	<u>-</u>	<u>233,724</u>	<u>237,307</u>	<u>-</u>	<u>237,307</u>
Total Expenses	<u>2,140,269</u>	<u>-</u>	<u>2,140,269</u>	<u>2,114,669</u>	<u>-</u>	<u>2,114,669</u>
<b>CHANGE IN NET ASSETS</b>	475,113	(13,200)	461,913	201,551	68,933	270,484
Net assets, beginning of year (Note 14)	<u>1,228,973</u>	<u>240,213</u>	<u>1,469,186</u>	<u>1,027,422</u>	<u>171,280</u>	<u>1,198,702</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,704,086</u>	<u>\$ 227,013</u>	<u>\$ 1,931,099</u>	<u>\$ 1,228,973</u>	<u>\$ 240,213</u>	<u>\$1,469,186</u>

See notes to financial statements.

**MEALS ON WHEELS  
DIABLO REGION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

2018

Expenses	PROGRAM SERVICES					SUPPORTING SERVICES				
	Contra Costa Co. Café	Care Management	Fall Prevention	MOW	Other Program Services	Total Program Services	Management & General	Fundraising	Total Supporting Services	Totals
Salaries and related	\$ 260,749	\$ 287,754	\$ 142,046	\$ 406,917	\$ 122,407	\$ 1,219,873	\$ 124,590	\$ 56,367	\$ 180,957	\$ 1,400,830
Interest	6,206	6,532	3,266	12,088	2,940	31,032	978	653	1,631	32,663
Volunteer and travel	4,549	5,984	1,313	18,197	5,071	35,114	5,361	641	6,002	41,116
Printing and publication	11,310	10,816	7,735	22,758	5,770	58,389	1,624	1,083	2,707	61,096
Depreciation and amortization	10,559	11,115	5,557	20,562	5,001	52,794	1,909	1,111	3,020	55,814
Repairs and maintenance	8,204	8,443	4,318	15,974	3,886	40,825	2,339	864	3,203	44,028
Professional/outside services	15,044	15,835	7,918	29,295	7,128	75,220	12,580	1,584	14,164	89,384
Utilities	2,145	2,258	1,129	4,177	1,016	10,725	339	226	565	11,290
Insurance	5,739	5,554	2,768	10,273	2,503	26,837	2,578	560	3,138	29,975
Worker's Comp. Insurance	6,921	7,286	3,643	13,478	3,279	34,607	1,255	728	1,983	36,590
Telephone	5,378	6,185	2,567	10,599	2,811	27,540	2,424	514	2,938	30,478
Information technology	3,420	3,600	1,704	6,661	1,756	17,141	601	360	961	18,102
Office	4,116	3,267	2,022	7,195	3,185	19,785	2,244	293	2,537	22,322
Postage	4,281	4,332	2,160	7,992	1,944	20,709	695	421	1,116	21,825
Property tax	245	258	129	476	116	1,224	419	26	445	1,669
Program expenses-other	22,007	38,514	119,158	52,489	2,562	234,730	8,325	32	8,357	243,087
<b>Total Expenses</b>	<b>\$ 370,873</b>	<b>\$ 417,733</b>	<b>\$ 307,433</b>	<b>\$ 639,131</b>	<b>\$ 171,375</b>	<b>\$ 1,906,545</b>	<b>\$ 168,261</b>	<b>\$ 65,463</b>	<b>\$ 233,724</b>	<b>\$ 2,140,269</b>

See notes to financial statements

**MEALS ON WHEELS  
DIABLO REGION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**2017-Format**

Expenses	PROGRAM SERVICES					SUPPORTING SERVICES				
	In Home Service*	Meals on Wheels	Senior Nutrition Program	Fall Prevention	Care Management	Total Program Services	Management & General	Fundraising	Total Supporting Services	Totals
Salaries and related	\$ 109,877	\$ 354,349	\$ 228,776	\$ 134,475	\$ 260,478	\$ 1,087,955	\$ 114,455	\$ 44,187	\$ 158,642	\$ 1,246,597
Interest	2,960	12,456	6,411	3,297	6,777	31,901	1,443	671	2,114	34,015
Volunteer and travel	7,940	18,517	9,232	4,646	7,195	47,530	802	214	1,016	48,546
Printing and publication	3,420	22,140	7,219	4,640	7,599	45,018	3,552	760	4,312	49,330
Depreciation and amortization	5,003	20,562	10,559	5,557	11,115	52,796	1,909	1,111	3,020	55,816
Repairs and maintenance	1,551	6,756	4,989	1,931	3,713	18,940	5,935	363	6,298	25,238
Professional/outside services	10,904	53,330	22,401	14,033	27,678	128,346	10,643	2,180	12,823	141,169
Utilities	713	3,151	1,630	797	1,738	8,029	254	169	423	8,452
Insurance	2,526	10,373	5,327	2,803	5,607	26,636	842	561	1,403	28,039
Workers' Comp. Insurance	1,281	20,908	2,702	1,422	2,844	29,157	427	284	711	29,868
Telephone	2,224	9,933	5,272	2,147	5,742	25,318	1,040	593	1,633	26,951
Information technology	1,979	12,923	6,285	3,261	6,658	31,106	2,640	659	3,299	34,405
Office	5,508	12,856	15,109	5,756	14,576	53,805	5,118	818	5,936	59,741
Postage	2,118	9,714	4,876	2,356	4,794	23,858	2,533	468	3,001	26,859
Program expenses-other	6,603	77,684	14,939	124,429	42,143	265,798	9,365	5,249	14,614	280,412
Bad debt expense	-	-	-	-	-	-	18,000	-	18,000	18,000
Property tax	111	455	234	123	246	1,169	37	25	62	1,231
<b>Total Expenses</b>	<b>\$ 164,718</b>	<b>\$ 646,107</b>	<b>\$ 345,961</b>	<b>\$ 311,673</b>	<b>\$ 408,903</b>	<b>\$ 1,877,362</b>	<b>\$ 178,995</b>	<b>\$ 58,312</b>	<b>\$ 237,307</b>	<b>\$ 2,114,669</b>

\* Includes the Home Care & Friendly Visitor programs.

See notes to financial statements



**MEALS ON WHEELS  
DIABLO REGION  
STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2018  
(With Comparative Statements For The Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 461,913	\$ 270,484
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	55,814	55,816
Net unrealized (gain) loss investments	3,727	(13,279)
(Increase) decrease in contracts receivable	80,263	(263,375)
(Increase) decrease in prepaid expenses	11,649	(14,740)
(Increase) decrease in accounts payable	(4,073)	12,598
(Increase) decrease in accrued liabilities	3,775	16,907
Net cash provided (used) by operating activities	<u>613,068</u>	<u>64,411</u>
<b>CASH FLOWS FROM INVESTING :</b>		
Cash payments for the purchase of property	(34,126)	(83,000)
Cash payments for the purchase of investments	(48,948)	(53,669)
Net cash provided (used) by investing activities	<u>(83,074)</u>	<u>(136,669)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(22,169)	(21,310)
Net cash provided (used) by financing activities	<u>(22,169)</u>	<u>(21,310)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS:</b>	507,825	(93,568)
Cash and cash equivalents, beginning of year	<u>704,593</u>	<u>798,161</u>
Cash and cash equivalents, end of year	<u>\$ 1,212,418</u>	<u>\$ 704,593</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash payments for interest	<u>\$ 32,663</u>	<u>\$ 34,015</u>

See notes to financial statements

**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 1- ORGANIZATION**

Meals on Wheels Diablo Region, a California nonprofit organization, provides supportive services at no charge to seniors residing in Contra Costa County affordable services to seniors residing in Contra Costa County. The Organization's mission is to enhance the quality of life for older adults through an umbrella of vital services. The Organization provides the following programs:

**Meals on Wheels –**

Delivers meals to the homebound, frail individuals unable to shop or cook for themselves.

**Contra Costa County Cafes –**

Provides lunch in a social setting at six Contra Costa County sites.

**Fall Prevention –**

Provides seniors with assistance in reducing preventable injuries, loss of independence, costs and deaths associated with falls through a variety of home modifications and balance-focused exercise programs.

**Care Management –**

Provides services to help older adults and their families meet long-term care needs and promote improved quality of life and the independence of older persons.

**Other Program Services –**

Includes companionships to isolated, primarily frail and elderly Contra Costa County residents provided by Friendly Visitors volunteers and Supplemental Nutrition Assistance Program Education to seniors.

**NOTE 2- SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Financial Statement Presentation** – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 2- SIGNIFICANT ACCOUNTING POLICIES (continued)**

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or a part of the income earned on any related investments for general or specific purposes.

Program revenues and donations - The Organization receives grant and contract support primarily from the U.S. Departments of Health and Human Services and Housing and Urban Development which are passed through Contra Costa County, CA. Additionally, the Organization receives client fees for services as well as other various contributions, including unconditional promises to give, which are recognized when received. All contributions are available for unrestricted use unless specifically restricted by donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In addition Contra Costa County provides meals, passed through the Meal on Wheels of Contra Costa County, for the Organization's Meals on Wheels and CC Café programs. The value of the meals provided during the year ended June 30, 2018 were approximately \$1,077,000 in meal donations.

Contracts Receivable - Contract receivables includes amounts due from public service grantors. All amounts are considered by management to be collected within one year.

Bad Debts

The organization uses the direct write-off method to recognize bad debt expense.

Functional Expenses and Allocation of Support Services - Expenses are charged to program expenses based on direct expenditures incurred. The Organization's policy is to allocate the indirect expenses of supporting services to program services based upon various direct costs related to program services.

Income Tax Status - The Organization has been granted tax exempt status by the Internal Revenue Service and the California Franchise Tax Board under sections 501(c)(3) and 23701 of the respective income tax codes and regulations, and is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2018, it does not have any significant uncertain tax positions for which a reserve would be necessary.

**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 2- SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment** - Property and equipment are recorded at cost and contributed assets are carried at fair value at the date of the donation. Depreciation is provided on the straight-line method over estimated useful lives ranging from 3 to 30 years. Major additions and improvements are capitalized at cost; replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed when incurred. When assets are disposed of, the related cost and accumulated depreciation are removed from the respective accounts. Any gain or loss on an item disposed of is reflected in operating results.

**Cash and Cash Equivalents** – Cash and cash equivalents include all cash balances and highly liquid investments which are not managed as part of long-term investment strategies. Separate bank accounts are maintained for the Meals on Wheels and Senior Nutrition Program as specified in the contract.

**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 certain reported amounts of assets, liabilities, revenues and other support and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Donated Services** – The Organization is dependent upon volunteer services. For the year ended June 30, 2018 an estimated 1,120 volunteers donated approximately 43,544 hours of service, respectively, to sustain program activities. These donated services are not reflected in the financial statements since the services do not require specialized skills.

**Investments** - Investments are reported at their fair market values in the statement of financial position. Investment income consists of interest income, dividend income and investment gains and losses. Unrealized gains and losses are included in the change in net assets.

**Reclassifications** – Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. In addition there was an adjustment to the prior year statements (see Note 14).

**NOTE 3- CONCENTRATIONS OF RISK**

The Organization receives a significant portion of its public support from governmental agencies and is subject to potential reduction inherent in governmental budgetary processes.

**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 4- INVESTMENTS**

Investments, at June 30, consist of the following:

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Mutual funds	\$ 259,791	\$ 283,841
Equity securities	158,462	110,758
Money market fund	20,322	943
Total Unrestricted	<u>438,575</u>	<u>395,542</u>
Temporarily Restricted Funds	<u>171,280</u>	<u>171,280</u>
	<u><u>\$ 609,855</u></u>	<u><u>\$ 566,822</u></u>

Investment income for the years ended June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 19,954	\$ 18,957
Realized gains (losses)	4,319	15,559
Unrealized gains (losses)	(3,727)	13,279
Investment expense	(1,656)	-
	<u><u>\$ 18,890</u></u>	<u><u>\$ 47,795</u></u>

**NOTE 5- PROPERTY AND EQUIPMENT**

Property and equipment, at June 30, consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 213,624	\$ 213,624
Building	915,884	915,884
Office furniture and equipment	146,349	146,061
Vehicles	77,288	43,162
	<u>\$ 1,353,145</u>	<u>1,318,731</u>
Less: Accumulated depreciation	<u>(764,911)</u>	<u>(709,337)</u>
Net Property & Equipment	<u><u>\$ 588,234</u></u>	<u><u>\$ 609,394</u></u>

Depreciation expense amounted to \$55,574 for the year ended June 30, 2018.

**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 6- TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets balance as of June 30, 2018 and 2017 are as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Board Designated Funds*	\$ 171,280	\$ 171,280
Solar Project Funds	55,733	68,933
Total	<u>\$ 227,013</u>	<u>\$ 240,213</u>

\*The Organization's Board of Directors has designated the released endowment funds for specific use in the spirit of the funds original intent and may not be released without board approval. The income generated by these funds continues to be unrestricted and available for operations. There are no permanently restricted net assets for the years ended June 30, 2018 and 2017.

**NOTE 7- LONG-TERM DEBT**

On August 30, 2012 the organization refinanced the existing mortgage loan in the amount of \$800,000. The mortgage is amortized over a 25 year period payable in monthly installments of principal and interest at 4.7% in the amount of \$4,569.33. The note is due in full on August 16, 2022. The note is secured by the Organization's headquarters.

Future schedule maturities of mortgage payable for year ended June 30:

<u>Year</u>	<u>Amount</u>
2019	\$ 23,150
2020	24,262
2021	25,428
2022	594,542
	<u>\$ 667,382</u>

**NOTE 8- SPECIAL EVENTS**

The Organization holds various fundraising events during the year. The results of these events held in 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Income	\$ 186,646	\$ 18,124
Direct expenses	(56,297)	(15,892)
Total	<u>\$ 130,349</u>	<u>\$ 2,232</u>

**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 9- LEASE OBLIGATIONS**

The organization has one operating lease which terminates on November 2019.

The future minimum lease payments required under the lease as of June 30, 2018 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 7,992
2019	330
	<u>\$ 8,322</u>

**NOTE 10- RENTAL ACTIVITY**

Rental income is derived from leasing office space to tenants. The Organization entered into a lease agreement dated April 24, 2015 for a period of three years. The lease ended on May 31, 2018.

**NOTE 11- RETIREMENT PLAN**

The Organization has adopted a 401(k) Retirement Plan in which all employees are eligible for salary deferrals (minimum age requirement of 18 years). The Organization provides a matching contribution of 100% of employee elective deferrals (not to exceed 3% of total compensation) for employees who are at least 18 years of age, have worked for the Organization for more than three months, and who worked a minimum of 1,000 hours per year. Matching contributions begin to vest after two years and are 100% vested at six years.

**NOTE 12- FAIR VALUE MEASUREMENT OF INVESTMENTS**

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820-10 are described as follows:

**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 12- FAIR VALUE MEASUREMENT OF INVESTMENTS-continued**

The three levels of fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly including inputs in markets that are considered to be active.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2018 and 2017.

Description	Fair Values as of 6/30/2018	Recurring Fair Value Measurements as of Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Money Market Funds	\$ 20,322	\$ 20,322	\$ -	\$ -
Mutual Funds	431,071	431,071	-	-
Equity Securities	158,462	158,462		
	<u>\$ 609,855</u>	<u>\$ 609,855</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Assets</b>				
	<u>6/30/2017</u>			
Money Market Funds	\$ 943	\$ 943	\$ -	\$ -
Mutual Funds	455,121	455,121	-	-
Equity Securities	110,758	110,758		
	<u>\$ 566,822</u>	<u>\$ 566,822</u>	<u>\$ -</u>	<u>\$ -</u>



**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 13- GOVERNMENTAL FINANCIAL ASSISTANCE**

Grant revenues for the year ended June 30, 2018 are as follows:

**U.S Department of Health and Human Services**

Passed through CA Department of Aging:

Friendly Visitors Program	
Contract #40-392	\$ 62,596
Congregate Nutrition	
Contract #22-033	92,423
Contract #22-137	155,079
Fall Prevention	
Contract #40-360	58,382
Contract #40-371	53,957
Contract #40-372	34,158
Elder Abuse Contract #40-388	75,011
Subtotal	<u>531,606</u>

**U.S Department of Housing and Urban Development**

Passed through:

City of Antioch-CDBG	19,998
City of Concord-CDBG	20,000
City of Walnut Creek-CDBG	25,000
Contra Costa County-CDBG	29,999
Concord/Pleasant Hill Helath Care District	15,200
Subtotal	<u>110,197</u>
Total	<u>\$ 641,803</u>

**MEALS ON WHEELS  
DIABLO REGION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 14- PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2018, it was found that program revenues (relating to the Contract for Elder Abuse) in the amount of \$75,000 were not invoiced for expenses incurred during the year ended June 30, 2017. As a result the June 30, 2017 statements were restated. Program revenues were increased by \$75,000 (Statement of Activities and Changes in Net Assets) with a corresponding increase to accounts receivable in the amount of \$75,000 which resulted in an increase to unrestricted net assets from \$1,153,973 to \$1,228,973 for the year ended June 30, 2017 (Statement of Financial Position).

**NOTE 15- EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 6, 2019, the date to which the financial statements were available to be issued. No significant subsequent events requiring disclosure or reporting were identified by management.

INDEPENDENT AUDITOR'S 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*

To the Board of Directors  
Meals on Wheels Diablo Region

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 Meals on Wheels Diablo Region (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Meals on Wheels Diablo Region'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 Meals on Wheels Diablo Region'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 entity'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 Meals on Wheels Diablo Region'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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Orinda, California  
May 6, 2019