

MOBILE MEALS, INC.
FINANCIAL REPORT
SEPTEMBER 30, 2015

MOBILE MEALS, INC.

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Independent Auditors' Report

Board of Directors
Mobile Meals, Inc.
Akron, Ohio

We have audited the accompanying financial statements of Mobile Meals, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 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. 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 auditors consider 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 Mobile Meals, Inc. as of September 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

As more fully described in Note 2, Mobile Meals, Inc. is dependent on Mobile Meals, Inc. Foundation of Northeast Ohio to provide cash for operations.

Report on Summarized Comparative Information

We have previously audited Mobile Meals, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Meloney + Novotny LLC

Canton, Ohio
May 23, 2016

MOBILE MEALS, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2015

(With Comparative Totals as of September 30, 2014)

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 162,147	\$ 129,390
Accounts receivable, net	467,129	569,530
Inventory, at cost	51,301	40,540
Prepaid expenses and other assets	753	2,862
Total current assets	<u>681,330</u>	<u>742,322</u>
Furniture and equipment, net of accumulated depreciation of \$362,491 and \$404,226 in 2015 and 2014, respectively	<u>45,765</u>	<u>83,929</u>
Total Assets	<u>\$ 727,095</u>	<u>\$ 826,251</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 386,036	\$ 410,016
Accounts payable - related party	261,583	261,583
Accrued payroll and related taxes	77,568	88,331
Total current liabilities	<u>725,187</u>	<u>759,930</u>
NET ASSETS		
Unrestricted	(96,251)	66,321
Temporarily restricted	98,159	-
	<u>1,908</u>	<u>66,321</u>
Total Liabilities and Net Assets	<u>\$ 727,095</u>	<u>\$ 826,251</u>

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

MOBILE MEALS, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

(With Comparative Totals for the Year Ended September 30, 2014)

PUBLIC SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Public support:				
Title IIIC1	\$ 119,000	\$ -	\$ 119,000	\$ 84,786
Title IIIC2	107,624	-	107,624	113,889
PASSPORT	489,798	-	489,798	1,558,922
USDA	41,140	-	41,140	54,939
Title XIX	46,589	-	46,589	67,389
Title XX/TANF	7,227	-	7,227	2,791
Care Coordination	64,240	-	64,240	73,034
Veterans' Service Commission	3,219	-	3,219	4,868
In-kind income	52,000	-	52,000	68,500
Options	273,593	-	273,593	309,578
Distributor sales	195,546	-	195,546	176,035
Care Source	594,706	-	594,706	251,905
Buckeye	169,325	-	169,325	71,430
United	702,056	-	702,056	205,672
Miscellaneous	10,571	-	10,571	10,121
Total public support	<u>2,876,634</u>	<u>-</u>	<u>2,876,634</u>	<u>3,053,859</u>
Revenue:				
Donations - organizations	280,556	92,892	373,448	-
Donations - individuals	105,648	-	105,648	-
Donations - fundraising	104,069	-	104,069	-
Client meals and donations	156,354	-	156,354	234,164
Gain on sale of furniture and equipment	32,791	-	32,791	8,305
Support from Mobile Meals, Inc.				
Foundation of Northeast Ohio	82,001	-	82,001	497,826
Other revenue - BWC refund	13,679	-	13,679	25,665
Total revenue	<u>775,098</u>	<u>92,892</u>	<u>867,990</u>	<u>765,960</u>
Net assets released from restrictions	55,190	(55,190)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>3,706,922</u>	<u>37,702</u>	<u>3,744,624</u>	<u>3,819,819</u>

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

MOBILE MEALS, INC.

STATEMENT OF ACTIVITIES (CONTINUED)

Year Ended September 30, 2015

(With Comparative Totals for the Year Ended September 30, 2014)

EXPENSES	Temporarily		2015	2014
	Unrestricted	Restricted	Total	Total
Program	\$ 3,324,943	\$ -	\$ 3,324,943	\$ 3,486,230
Cost of direct benefits to donors	15,170	-	15,170	-
Management and general	381,120	-	381,120	371,550
Fundraising	148,261	-	148,261	-
TOTAL EXPENSES	<u>3,869,494</u>	<u>-</u>	<u>3,869,494</u>	<u>3,857,780</u>
CHANGE IN NET ASSETS	(162,572)	37,702	(124,870)	(37,961)
NET ASSETS - BEGINNING OF YEAR	<u>66,321</u>	<u>-</u>	<u>66,321</u>	<u>104,282</u>
Transfer of Net Assets from Mobile Meals, Inc. Foundation of Northeast Ohio	<u>-</u>	<u>60,457</u>	<u>60,457</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ (96,251)</u>	<u>\$ 98,159</u>	<u>\$ 1,908</u>	<u>\$ 66,321</u>

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

MOBILE MEALS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2015

(With Comparative Totals for the Year Ended September 30, 2014)

	Program	Direct Benefits to Donors	Management and General	Fundraising	2015 Total	2014 Total
Salaries	\$ 891,001	\$ -	\$ 193,534	\$ 75,740	\$ 1,160,275	\$ 1,086,680
Employee fringe benefits	86,399	-	24,807	9,350	120,556	125,422
Payroll taxes	93,368	-	21,321	6,521	121,210	163,307
Total salaries and related expenses	1,070,768	-	239,662	91,611	1,402,041	1,375,409
Food	1,661,463	-	-	-	1,661,463	1,811,062
Nutrition supplements	36,069	-	-	-	36,069	39,982
Food base supplies	10,776	-	-	-	10,776	5,258
Food base rent	8,958	-	-	-	8,958	12,661
Telephone	27,720	-	7,263	-	34,983	28,245
Postage	4,687	-	4,688	1,085	10,460	9,525
Office maintenance	9,773	-	3,259	-	13,032	20,105
Office supplies	11,796	-	4,564	1,893	18,253	18,430
Equipment rental	8,218	-	8,243	-	16,461	9,023
Equipment maintenance	23,583	-	10,769	3,452	37,804	41,971
Rent	56,043	-	17,157	-	73,200	60,000
Utilities	23,629	-	7,877	-	31,506	29,997
Travel - local	64,134	-	-	1,120	65,254	79,376
Staff training and conferences	4,886	-	1,894	784	7,564	7,251
Volunteer training and travel	1,872	-	-	-	1,872	841
Insurance	9,016	-	4,881	-	13,897	18,243
Printing and publications	5,607	-	11,678	2,000	19,285	558
Professional fees	43,098	-	13,620	6,562	63,280	16,918
Accounting fees	9,642	-	5,192	1,716	16,550	18,155
Miscellaneous	6,732	-	16,265	1,802	24,799	10,065
Depreciation	29,030	-	24,108	-	53,138	72,548
In-kind rent	52,000	-	-	-	52,000	68,500
Truck	101,354	-	-	-	101,354	96,092
Interest	-	-	-	-	-	2,065
Entertainment	-	15,170	-	-	15,170	-
Fundraising	-	-	-	36,236	36,236	-
Bad debt expense	44,089	-	-	-	44,089	5,500
TOTAL EXPENSES	\$ 3,324,943	\$ 15,170	\$ 381,120	\$ 148,261	\$ 3,869,494	\$ 3,857,780

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

MOBILE MEALS, INC.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2015

(With Comparative Totals for the Year Ended September 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (64,413)	\$ (37,961)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,138	72,548
(Gain) on sale of furniture and equipment	(32,791)	(8,305)
Decrease (increase) in:		
Accounts receivable	102,401	67,699
Inventory	(10,761)	47,731
Prepaid expenses and other assets	2,109	4,158
Increase (decrease) in:		
Accounts payable - trade	(23,980)	(64,510)
Accrued payroll and related taxes	(10,763)	(40,053)
Net cash provided by operating activities	<u>14,940</u>	<u>41,307</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of furniture and equipment	32,791	25,492
Purchase of furniture and equipment	<u>(14,974)</u>	<u>(66,479)</u>
Net cash provided (used) by investing activities	<u>17,817</u>	<u>(40,987)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in accounts payable - related party	<u>-</u>	<u>2,065</u>
Net cash provided by financing activities	<u>-</u>	<u>2,065</u>
INCREASE IN CASH	32,757	2,385
CASH - BEGINNING	<u>129,390</u>	<u>127,005</u>
CASH - ENDING	<u>\$ 162,147</u>	<u>\$ 129,390</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 2,065</u>

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

MOBILE MEALS, INC.

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Nature of Activities – Mobile Meals, Inc. (the Organization) is a not-for-profit organization whose purpose is to provide congregate and home-delivered meals and supplements to the elderly, vulnerable and disabled individuals of all ages. Counties served include Summit, Portage, Medina, Cuyahoga, Lorain, Mahoning, Trumbull, Stark, and Tuscarawas.
- B. Basis of Presentation – The financial statement presentation follows accounting principles generally accepted in the United States of America which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are assets available for current operations. The Organization has no permanently restricted net assets.
- C. Net Asset Accounting – The Organization reports gifts and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires or the cash is expended in accordance with the limitations stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Organization records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.
- D. Accounts Receivable – The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's estimate of the amounts that will not be collected. Management estimates an allowance for the aggregate accounts receivable based on historical collection data. The allowance for doubtful accounts was \$4,250 and \$12,000 as of September 30, 2015 and 2014, respectively.
- E. Inventory – Inventory is stated at cost, determined on a first-in, first-out basis, which approximates market value. Inventory consists of frozen meals and dietary supplements to be provided to clients.
- F. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MOBILE MEALS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- G. Furniture and Equipment – Furniture and equipment are stated at cost. Donated equipment is recorded at fair value at the date of donation. Depreciation is provided over the estimated useful lives, ranging from 3 to 10 years, of the respective assets on a straight-line basis.
- H. Tax Status – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal exempt organization information returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

- I. Allocation of Expenses – All program and management functional expenses of the Organization, except payroll, are allocated based on the number of meals served by funding source. Payroll expenses are allocated based on time studies.
- J. Comparative Information – The financial statements include certain prior-year summarized comparative information in total but not by functional expense category. 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 September 30, 2014, from which the summarized information was derived.
- K. Cash – Cash includes deposits which are maintained at financial institutions and may at times exceed Federally-insured amounts.
- L. Subsequent Events – The Organization has evaluated subsequent events through May 23, 2016, which is the date the financial statements were available to be issued.

MOBILE MEALS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – EMPLOYEE BENEFIT PLAN

The Organization has a SIMPLE IRA plan for the benefit of its employees. The plan maintains funds held by American Funds. The Organization matches employee contributions up to 3% of the employee's compensation. Employees are immediately vested in employee and employer contributions. The Organization contributed \$15,687 and \$16,347 for the years ended September 30, 2015 and 2014, respectively.

NOTE 2 – RELATED PARTY TRANSACTIONS

Mobile Meals, Inc. Foundation of Northeast Ohio (the "Foundation"), an affiliated organization, raises funds to support the activities of Mobile Meals, Inc. The Foundation made contributions of \$82,001 and \$497,826 to Mobile Meals, Inc. during the years ended September 30, 2015 and 2014, respectively.

The Organization leases office space from the Foundation. The lease was effective through September 2014. Rental expense was \$5,000 per month. The Organization entered into a new lease with the Foundation effective through September 2016, with a monthly rental expense of \$6,100. Related rental expense was \$73,200 and \$60,000 for the years ended September 30, 2015 and 2014, respectively. The lease is classified as an operating lease.

The Organization has a receivable from the Foundation of \$16,933 and \$66,468 as of September 30, 2015 and 2014, respectively, which is included in accounts receivable. The amounts receivable from the Foundation are a result of administrative expenses allocated to the Foundation and contributions which are due to Mobile Meals, Inc.

The Organization owes the Foundation \$261,583 as of September 30, 2015 and 2014. This amount was borrowed from the Foundation to fund operations.

NOTE 3 – IN-KIND SUPPORT

The Organization receives volunteer services for delivering meals to clients. In accordance with accounting principles generally accepted in the United States of America, these volunteer services are not recognized in the Statement of Activities. The fair value of these services was \$109,433 and \$89,031 for the years ended September 30, 2015 and 2014, respectively.

In addition, the Organization uses various food bases in Summit, Cuyahoga and Portage counties without rental charge. The estimated fair rental value of these food bases is reported as support and expense and amounted to \$52,000 and \$68,500 for the years ended September 30, 2015 and 2014, respectively.

MOBILE MEALS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – CONCENTRATION OF REVENUE RISK

The Organization receives most of its revenues from governmental programs, as shown on the Statement of Activities. Further, the majority of accounts receivable are for these programs. For the year ended September 30, 2015, revenue from three programs represented approximately 48% of total public support and revenue. For the year ended September 30, 2014, revenue from one program represented approximately 41% of total public support and revenue.

NOTE 5 – LEASES

The Organization leases a building and office equipment under terms of noncancellable operating leases. Rental expense was \$89,661 and \$69,023 for the years ended September 30, 2015 and 2014, respectively. The following is a schedule of future minimum rental payments due under these leases at September 30, 2015:

2016	\$ 89,800
2017	15,700
2018	14,000
2019	14,000
2020	2,400

NOTE 6 – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2015</u>	<u>2014</u>
Capital improvements	\$ 58,049	\$ -
Program expenses	<u>40,110</u>	<u>-</u>
	\$ <u>98,159</u>	\$ <u>-</u>

NOTE 7 – RELEASE OF NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors:

	<u>2015</u>	<u>2014</u>
Capital improvements	\$ 10,017	\$ -
Program expenses	<u>45,173</u>	<u>-</u>
	\$ <u>55,190</u>	\$ <u>-</u>

MOBILE MEALS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – RELEASE OF NET ASSETS (continued)

On October 1, 2014, net assets temporarily restricted for program expenses and special gift purposes of Mobile Meals, Inc. were transferred from Mobile Meals Inc. Foundation of Northeast Ohio in the amount of \$60,457. Additionally, revenue for program and operational support formerly received by Mobile Meals Inc. Foundation of Northeast Ohio was received by Mobile Meals, Inc. starting October 1, 2014.

NOTE 8 – SUBSEQUENT EVENT

On March 10, 2016, the directors of Mobile Meals, Inc. announced that they have entered into an agreement with Family & Community Services, Inc. to merge their operations effective May 1, 2016. Mobile Meals, Inc. will remain in Akron and continue to provide meals and nutritional services to clients located throughout Northeast Ohio.