



Senior Meals Program, Inc.

Financial Statements
Year Ended September 30, 2011

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Senior Meals Program, Inc.

Mission Statement and Board of Directors

Mission Statement

The Senior Meals Program, Inc. (SMP) provides nutritional services to seniors in Kent County to enable them to become or remain as healthy and independent as possible in their homes.

Services Provided

The *Congregate Meals Program* provides freshly prepared and hot noon meals at 14 community or senior centers throughout Kent County to anyone over the age of 60. The centers offer seniors a meal as well as social, recreational and educational activities. All food is prepared in the SMP central kitchen and follows one-third RDA in its offerings.

The *Home Delivered Meals Program* provides a packaged, freshly prepared, dinner-type meal delivered around the noon hour to homebound seniors throughout West Michigan. A lighter second meal is available to those homebound who need it, which is also delivered around the noon hour. These meals follow one-third RDA and meet or exceed Michigan standards for senior meal programs. This program serves senior citizens who are unable to prepare nutritious meals for themselves, and who are unable to leave their homes without assistance. Seniors who are participating in this program receive semi-annual visits from an SMP nurse or social worker who assesses the client for continued eligibility, and provides information and referral about other services.

The *Pantry Program* provides food help to low-income seniors who are 60 years of age and older who live in Kent County. The food pantry is a client choice pantry where the seniors can come once every other week to shop for a variety of grocery items. The pantry offers fresh fruits and vegetables along with staple grocery items, and follows one-third RDA in its offerings.

The *Catering Program* provides both bulk and pre-plated meals that are prepared daily in our central kitchen. These meals are one-third RDA and meet or exceed Michigan standards for senior meal programs. SMP catering services are available to any group in or out of Kent County. Currently, catering is provided to Barry County Commission on Aging and Montcalm County Commission on Aging.

Senior Meals Program, Inc.

Mission Statement and Board of Directors

Board of Directors

President	Richard Rankin
Vice President	Helen Brinkman
Secretary	James Vaughn
Treasurer	Tom Postmus
Board Member	Ben Zainea
Board Member	Linda Lark
Board Member	Bill Kozak
Board Member	Al Page
Board Member	Mark McGregor
Board Member	Harold Mast

Executive Director

Paul Beebe



Independent Auditors' Report

Members of the Board of Directors
Senior Meals Program, Inc.
Grand Rapids, Michigan

We have audited the accompanying statement of financial position of Senior Meals Program, Inc. (a nonprofit organization) as of September 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Senior Meals Program, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Senior Meals Program, Inc.'s 2010 financial statements and, in our report dated January 24, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Senior Meals Program, Inc. as of September 30, 2011 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2012, on our consideration of Senior Meals Program, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BDO USA, LLP

January 21, 2012

Senior Meals Program, Inc.
Statements of Financial Position

<i>September 30,</i>	2011	2010
Assets		
Cash and cash equivalents	\$ 765,536	\$ 690,649
Grants receivable (Note 2)	223,643	305,266
Pledges receivable (Note 3)	400,000	-
Other receivables	80,811	149,329
Inventory	59,378	66,031
Prepaid expenses	10,000	13,882
Beneficial interest in assets held by the Grand Rapids Community Foundation (Note 5)	57,808	58,586
Deferred compensation investment	20,243	10,750
Fixed assets, net of depreciation (Note 4)	493,444	534,557
Total Assets	\$ 2,110,863	\$ 1,829,050
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 73,864	\$ 144,525
Accrued compensation	135,412	101,518
Deferred compensation liability	20,243	10,750
Total Liabilities	229,519	256,793
Commitments and Contingencies (Notes 6, 7 and 8)		
Net Assets		
Unrestricted (Note 7)	1,392,257	1,467,497
Temporarily restricted	489,087	104,760
Total Net Assets	1,881,344	1,572,257
	\$ 2,110,863	\$ 1,829,050

See accompanying notes to financial statements.

Senior Meals Program, Inc.

Statements of Activities

<i>Year ended September 30,</i>	2011			2010 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue				
Federal and state grants (Note 2)	\$ 1,430,100	\$ 27,337	\$ 1,457,437	\$ 1,607,584
Medicaid waiver	267,870	-	267,870	287,875
Program income	805,037	-	805,037	929,035
Kent County Senior Millage	775,113	-	775,113	712,292
United Way	118,815	-	118,815	122,467
Investment income	5,148	-	5,148	8,189
Local income	-	-	-	75,000
Gain (loss) on beneficial interest in assets held by the Grand Rapids Community Foundation	(778)	-	(778)	5,102
Capital campaign contributions	-	405,000	405,000	-
Contributions	37,984	-	37,984	97,406
Net assets released from restrictions	48,010	(48,010)	-	-
Total support and revenue	3,487,299	384,327	3,871,626	3,844,950
Expenses				
Program services:				
Congregate meals	628,093	-	628,093	368,259
Home delivered meals	1,803,796	-	1,803,796	1,977,291
Pantry	308,159	-	308,159	341,871
Catering and other	228,506	-	228,506	678,977
Fundraising	190,003	-	190,003	114,385
Administrative support	403,982	-	403,982	362,645
Total expenses	3,562,539	-	3,562,539	3,843,428
Change in Net Assets	(75,240)	384,327	309,087	1,522
Net Assets, beginning of year	1,467,497	104,760	1,572,257	1,570,735
Net Assets, end of year	\$ 1,392,257	\$ 489,087	\$ 1,881,344	\$ 1,572,257

See accompanying notes to financial statements.

Senior Meals Program, Inc.
Statements of Functional Expenses

<i>Year ended September 30,</i>	Congregate Meals	Home Delivered Meals	Pantry	Catering and Other
Salaries and wages	\$ 60,283	\$ 426,412	\$ 76,628	\$ 18,194
Employee benefits	10,993	77,049	23,592	2,707
Travel and trucking	685	89,104	2,432	-
Food and supplies	276,047	720,164	144,884	88,030
Occupancy	-	-	41,218	-
Subcontractors	163,904	66,920	5,175	-
Communications	132	2,023	3,198	-
Insurance	48	391	-	-
Consultants	-	43	-	-
Other	6,896	3,881	4,139	-
Depreciation	-	-	6,893	-
Cost allocations	109,105	417,809	-	119,575
	\$ 628,093	\$ 1,803,796	\$ 308,159	\$228,506

Senior Meals Program, Inc.
Statements of Functional Expenses

2011

	Central Kitchen	Fundraising	Administrative Support	Total	2010 Total
\$	311,459	\$ 106,977	\$ 154,806	\$ 1,154,759	\$ 1,206,777
	70,850	18,451	29,879	233,521	277,734
	11,695	-	3,372	107,288	103,730
	97,002	-	8,062	1,334,189	1,571,178
	59,305	-	45,668	146,191	120,912
	-	-	-	235,999	251,773
	4,825	-	15,576	25,754	28,086
	2,779	-	52,482	55,700	44,980
	683	63,250	49,714	113,690	56,977
	13,438	1,325	44,423	74,102	111,824
	74,453	-	-	81,346	69,457
	(646,489)	-	-	-	-
\$	-	\$ 190,003	\$ 403,982	\$ 3,562,539	\$ 3,843,428

See accompanying notes to financial statements.

Senior Meals Program, Inc.

Statements of Cash Flows

<i>Year ended September 30,</i>	2011	2010
Operating Activities		
Change in net assets	\$ 309,087	\$ 1,522
Adjustments to reconcile change in net assets to net cash from (for) operating activities:		
Depreciation	81,346	69,457
Loss (gain) on asset disposal	(425)	7,633
Pledges receivable	(400,000)	-
Decrease (increase) in assets:		
Grants receivable	81,623	67,483
Other receivables	68,518	(195,834)
Inventory	6,653	9,391
Prepaid expenses	3,882	(13,882)
Increase (decrease) in liabilities:		
Accounts payable	(70,661)	38,200
Accrued compensation	33,894	15,930
Net cash from (for) operating activities	113,917	(100)
Investing Activities		
Beneficial interest in the Grand Rapids Community Foundation	778	(5,102)
Purchases of equipment/improvements	(40,233)	(291,766)
Proceeds from asset disposal	425	1,200
Net cash for investing activities	(39,030)	(295,668)
Net Increase (Decrease) in Cash and Cash Equivalents	74,887	(295,768)
Cash and Cash Equivalents, beginning of year	690,649	986,417
Cash and Cash Equivalents, end of year	\$ 765,536	\$ 690,649

See accompanying notes to financial statements.

Senior Meals Program, Inc.

Notes to Financial Statements

1. Significant Accounting Policies

Organization and Purpose

Senior Meals Program, Inc. (SMP) was founded in Michigan as a nonprofit organization to plan and coordinate the nutrition program for older citizens in Kent County. In addition, SMP prepares and distributes meals to senior citizens and nonprofit organizations.

Financial Statement Presentation

Following the recommendations of the Financial Accounting Standards Board (FASB), SMP is required 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. SMP has no permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets consist of net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of property and equipment acquired with grant proceeds, and unspent donor contributions restricted for various purposes.

Cash and Cash Equivalents

For purposes of the statements of cash flows, SMP considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Other Receivables

Other receivables represent obligations due from subcontractors and others through the normal course of business. Management reviews other receivables periodically to determine if any amounts will be potentially uncollectible. Any amounts that are determined to be uncollectible are included in the allowance for losses on other receivables. Although the allowance for losses on other receivables is based on management's knowledge of current events and actions it may undertake in the future, the allowance may ultimately differ from actual results. There was no allowance for losses on other receivables at September 30, 2011 or 2010.

Inventory

Inventory consists primarily of food supplies. Inventory is valued at current market value using the first-in, first-out method. This method is not in compliance with U.S. generally accepted accounting principles (GAAP), but the difference in methods is immaterial to the financial statements.

Property, Equipment and Depreciation

Tangible assets having a useful life in excess of one year, with cost in excess of \$500, are capitalized.

Senior Meals Program, Inc.

Notes to Financial Statements

Property and equipment are stated at cost or, in the case of donated property, at estimated fair value at the date of donation. It is the SMP's policy to impose a time restriction, based on the assets' estimated useful lives, on property and equipment purchased with grantor funds. Accordingly, assets purchased with grantor funds are recorded as temporarily restricted assets. Depreciation is computed over the estimated useful lives of the assets by the straight-line method.

Estimated useful lives of the related assets by asset category are as follows:

	Years
Automobiles	3 - 7
Leasehold improvements	15
Food service equipment	10
Office equipment	5
Computer equipment	3

Fair Value Measurements

SMP classifies certain financial and nonfinancial assets and liabilities at fair value in accordance with the provisions of FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standard establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 - quoted prices from active markets for identical assets.

Level 2 - not traded on an active market but for which observable market inputs are readily available.

Level 3 - significant unobservable inputs.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

SMP's only investment is the beneficial interest in assets held by the Grand Rapids Community Foundation, and it is classified as Level 3. The changes between years are due to investment income or loss offset by investment fees.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are

Senior Meals Program, Inc.

Notes to Financial Statements

reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due and, therefore, are reported as temporarily restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Comparative Totals

The financial statements include certain prior year summarized comparative totals in the accompanying statements of activities and functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SMP's financial statements for the year ended September 30, 2010, from which the summarized information was derived.

Income Taxes

SMP is exempt from federal income taxes due to its status as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3). SMP adopted FASB ASC Topic 740, *Income Taxes*, on October 1, 2009. Adoption of this standard did not impact the financial statements for the years ended September 30, 2011 or 2010.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through January 21, 2012, the date the financial statements were available to be issued. Based on that evaluation, there were no matters identified that required disclosure.

2. Grants Receivable and Revenue

At September 30, 2011, SMP had grants receivable of \$128,159 from the Area Agency on Aging of Western Michigan (AAAWM). SMP also had \$66,882 receivable from the Kent County Senior Millage, a \$25,000 receivable from Heart of West Michigan United Way, and \$3,602 receivable from Kent County Community Development.

Senior Meals Program, Inc.

Notes to Financial Statements

During the year ended September 30, 2011, SMP received 56.4% of its revenues from AAAMM.

3. Pledges Receivable and Capital Campaign

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable are reported at net realizable value. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of individual promises. There was no allowance at September 30, 2011, based on management's evaluation.

In 2011, SMP began a capital campaign to raise funds; as such, all pledges receivable are restricted for purchase of plant, property and equipment.

Pledges receivable related to the capital campaign are due as follows:

September 30, 2011

Due within one year	\$	97,500
Due in one to five years		302,500
	\$	400,000

4. Fixed Assets

Fixed assets are comprised of the following:

<i>September 30,</i>	2011	2010
Computer equipment	\$ 124,615	\$ 119,128
Food service equipment	701,205	697,640
Pantry equipment	41,996	20,781
Office equipment	66,146	65,048
Building improvements	416,263	416,263
Automobiles	154,500	154,500
Construction in progress	8,244	-
Accumulated depreciation	(1,019,525)	(938,803)
Fixed Assets, net of depreciation	\$ 493,444	\$ 534,557

Estimated costs to complete the construction in progress are approximately \$2,400,000.

5. Beneficial Interest in Assets Held by a Community Foundation

GAAP established standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. GAAP requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and is specified as the beneficiary of that fund, the organization must account for the transfer of such

Senior Meals Program, Inc.

Notes to Financial Statements

assets as a beneficial interest in funds held by the community foundation. The community foundation refers to such funds as agency fund endowments.

SMP has established a fund at the Grand Rapids Community Foundation (Foundation), a Michigan nonprofit corporation, which is known as the Senior Meals on Wheels of Western Michigan Fund (Fund). The Fund shall be used for support of the charitable or educational purposes of SMP upon the written request of SMP. Any unrequested or undistributed income shall be carried forward for future years, unless otherwise specified by SMP in writing. The balance at September 30, 2011 and 2010, respectively, was \$57,808 and \$58,586.

The Board of Trustees of the Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served.

The variance power granted to the Foundation allows SMP a 30-day period during which it may advise the Foundation of its views regarding the proposed exercise of the power and take such other action, as it deems appropriate. The Foundation agrees that if its Board of Trustees proposes to exercise the variance power, the exercise of such power shall not be effective earlier than at least 30 days after the written notice to the SMP.

The Foundation's investment objective is to preserve the real purchasing power of the assets after all withdrawals by earning a total rate of return over full market cycles (net of fees), which will support the spending policy. The Foundation invests assets in order to maximize the long-term return while assuming a reasonable level of risk.

The Foundation's spending rule is set at 5% of a 16-quarter rolling average market value. The level of spending will always be between 4.00% and 5.75% of the current market value.

The Foundation also maintains a fund on SMP's behalf that contains individual donations. The Foundation has variance powers and legal ownership over this fund and, as such, reports these funds as assets of the Foundation. Therefore, SMP does not record these funds as an asset, but records any grants received as revenue in the statements of activities. This balance was approximately \$15,900 and \$10,300 at September 30, 2011 and 2010, respectively. There were no grants from either fund in 2011 or 2010.

6. Leases

SMP has lease agreements for its operating facilities. Rental expense charged directly to expenses and administration approximated \$93,600 and \$73,100 for the years ended September 30, 2011 and 2010, respectively.

In December 2009, SMP entered into a new lease agreement for space and moved operations to the new facility in early 2010. SMP continues to lease space at the Cedar Street location on a month-to-month basis.

Senior Meals Program, Inc.

Notes to Financial Statements

The annual lease commitments for noncancelable operating leases are as follows:

Year ending September 30,

2012	\$	65,278
2013		66,634
2014		68,020
2015		69,436
2016		41,923
Thereafter		177,164
	\$	488,455

7. Unrestricted Net Assets

Unrestricted net assets consist of the following:

<i>September 30,</i>	2011	2010
Undesignated net assets	\$ 1,347,631	\$ 1,422,871
Designated for capital improvements	44,626	44,626
Total Unrestricted Net Assets	\$ 1,392,257	\$ 1,467,497

8. Tax-Deferred Annuity Plan

SMP maintains a Section 403(b) annuity plan for employees. Under the plan, SMP contributes 6% of each employee's regular earnings, provided they are employed by SMP at year-end. Also, employees may elect to contribute a portion of their salary to the plan. Total cost of the plan was \$48,644 and \$47,840 for the years ended September 30, 2011 and 2010, respectively.

9. Donated Services

Numerous volunteers have donated time to SMP. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$209,000 and \$240,000 for the years ended September 30, 2011 and 2010, respectively.