

MEALS ON WHEELS OF ODESSA, INC.

**FINANCIAL STATEMENTS
&
INDEPENDENT AUDITOR'S REPORT**

**AUGUST 31, 2016
(with comparative totals for August 31, 2015)**

**Randy Silhan, CPA, CFE
Certified Public Accountant
Certified Fraud Examiner**

MEALS ON WHEELS OF ODESSA, INC.

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Randy Silhan, CPA, CFE
Certified Public Accountant
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Executive Director of Meals on Wheels of Odessa, Inc.

I have audited the accompanying financial statements of Meals on Wheels of Odessa, Inc. (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2016 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels of Odessa, Inc. as of August 31, 2016, and the change in its net assets, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Meal on Wheels of Odessa, Inc.'s 2015 financial statements, and my report dated February 17, 2016, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, 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*, I have also issued a report dated March 8, 2017, on my consideration of the Organization's internal control over financial reporting and on my 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 my 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* in considering the Organization's internal control over financial reporting and compliance.



Lubbock, Texas

March 8, 2017

MEALS ON WHEELS OF ODESSA, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - unrestricted	\$ 1,716,155	\$ 1,669,628
Grants & Accounts Receivable	31,071	26,535
TOTAL CURRENT ASSETS	1,747,226	1,696,163
PROPERTY & EQUIPMENT, net of accumulated depreciation	668,400	680,898
TOTAL ASSETS	\$ 2,415,626	\$ 2,377,061
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 26,602	\$ 23,875
Accrued Expenses	2,588	248
TOTAL CURRENT LIABILITIES	29,190	24,123
TOTAL LIABILITIES	29,190	24,123
NET ASSETS		
Unrestricted	2,386,436	2,352,938
TOTAL NET ASSETS	2,386,436	2,352,938
TOTAL LIABILITIES AND NET ASSETS	\$ 2,415,626	\$ 2,377,061

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS OF ODESSA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016
(With comparative totals for 2015)

	Unrestricted	Temporarily Restricted	2016	2015
REVENUES & SUPPORT				
State of Texas DADS grant	\$ 259,163	\$ -	\$ 259,163	\$ 236,912
Texas Dept. of Agriculture State grant	-	-	-	44,772
Insurance payors - Amerigroup and Superior	87,454	-	87,454	65,406
United Way	99,679	-	99,679	98,558
CDBG local grant	29,570	-	29,570	25,000
Contributions	124,259	-	124,259	139,650
Special events, net of expenses of \$10,404	71,913	-	71,913	103,838
Need-A-Meal program	16,832	-	16,832	17,643
Interest income	4,253	-	4,253	5,835
TOTAL REVENUES & SUPPORT	693,123	-	693,123	737,614
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of purpose restrictions	-	-	-	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	693,123	-	693,123	737,614
EXPENSES				
Program Services:				
Nutritional	506,021	-	506,021	472,931
TOTAL PROGRAM SERVICES	506,021	-	506,021	472,931
Supporting Services:				
Management and general	150,533	-	150,533	133,119
Fundraising	3,071	-	3,071	3,152
TOTAL SUPPORTING SERVICES	153,604	-	153,604	136,271
TOTAL EXPENSES	659,625	-	659,625	609,202
CHANGE IN NET ASSETS	33,498	-	33,498	128,412
BEGINNING NET ASSETS	2,352,938	-	2,352,938	2,224,526
ENDING NET ASSETS	\$ 2,386,436	\$ -	\$2,386,436	\$2,352,938

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS OF ODESSA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016
(With comparative totals for 2015)

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTALS</u>	
	Nutritional	Management & General	Fundraising	2016	2015
Meals	\$ 310,460	\$ -	\$ -	\$ 310,460	\$ 280,100
Salaries	109,922	80,768	2,843	193,533	184,566
Insurance	11,119	8,883	-	20,002	22,343
Meal program supplies	17,487	-	-	17,487	16,971
Payroll taxes	8,832	6,490	228	15,550	15,882
Bookkeeping and professional fees	4,285	9,285	-	13,570	13,550
Employee benefits	-	12,873	-	12,873	5,500
Utilities	6,144	6,144	-	12,288	11,158
Volunteer expense	7,575	-	-	7,575	702
Vehicle expenses	5,082	-	-	5,082	5,634
Office Supplies	2,142	2,142	-	4,284	4,059
Repairs and maintenance	2,008	2,008	-	4,016	6,377
Equipment rental	1,435	1,435	-	2,870	2,510
Board meetings expense	-	951	-	951	1,201
Postage & printing	284	284	-	568	770
Dues and subscriptions	278	278	-	556	580
Licenses & fees	201	201	-	402	251
Bank charges	-	25	-	25	147
Advertising	-	-	-	-	308
Subtotal	<u>487,254</u>	<u>131,767</u>	<u>3,071</u>	<u>622,092</u>	<u>572,609</u>
Depreciation	<u>18,767</u>	<u>18,766</u>	<u>-</u>	<u>37,533</u>	<u>36,593</u>
TOTALS	<u>\$ 506,021</u>	<u>\$ 150,533</u>	<u>\$ 3,071</u>	<u>\$ 659,625</u>	<u>\$ 609,202</u>

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS OF ODESSA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016
(With comparative totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash collected from support and revenue	\$ 684,334	\$ 770,209
Cash paid for operating expenses	(617,025)	(550,721)
Interest received	4,253	5,835
	<u>71,562</u>	<u>225,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of donated assets	-	16,800
Purchases of property and equipment	(25,035)	(26,535)
	<u>(25,035)</u>	<u>(9,735)</u>
NET CASH (USED) IN INVESTING ACTIVITIES		
	<u>46,527</u>	<u>215,588</u>
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,669,628</u>	<u>1,454,040</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,716,155</u>	<u>\$ 1,669,628</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 33,498	\$ 128,412
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	37,533	36,593
Change in Assets and Liabilities:		
(Increase) Decrease in receivables	(4,536)	38,430
(Increase) Decrease in prepaid expenses	-	1,586
Increase (Decrease) in accounts payable and accrued expenses	5,067	20,302
	<u>71,562</u>	<u>225,323</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 71,562</u>	<u>\$ 225,323</u>

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Meals on Wheels of Odessa, Inc. (the Organization) is a non-profit corporation originally organized in the State of Texas in 1977. The Organization's purpose is to provide nutritional services for the elderly, disabled, and homebound citizens within Ector County. Support is provided from state and federal grants, United Way allocations, private and corporate contributions, and special event fundraising activities.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting consistent with generally accepted accounting principles applicable to voluntary health and welfare organizations in the United States of America.

Financial Statement Presentation

The Organization has adopted FASB ASC 958, whereby the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2016.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed. Management believes it is no longer subject to income tax examinations for years prior to 2013. Management asserts that no current examinations are in progress.

Cash & Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash in demand accounts, certificates of deposits, and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants & Accounts Receivable

Grants and accounts receivable are stated at net realizable value which is the amount management expects to collect from outstanding balances. Revenues and support under the grants and contracts are on a reimbursement basis where the Organization incurs expenses for meal programs and then subsequently bills and requests reimbursements from the granting agency or insurance company based on the rate approved in their respective contracts. Management considers all receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is necessary. Accounts will be charged to operations if they become uncollectible. Certain state and federal grant revenues are generally received and recognized on a cost-reimbursement basis. These are remitted monthly and are generally collected within a month of the request for reimbursement. Current receivables are reported in the statement of financial position.

Property and Equipment

Property and equipment of more than \$500 is recorded at cost for purchased property and fair market value at the date of acquisition for donated property. Property and equipment are depreciated using the straight-line method over the asset's estimated useful lives that range from 3 to 40 years. The cost of repairs and maintenance is charged to expense as incurred.

Donated Services & Materials

The Organization receives substantial amounts of donated materials and services from unpaid volunteers for fundraising events and program services. Only those that meet the criteria for recognition under FASB ASC 958, are recognized in the financial statements. No amounts have been reflected in the financial statements for materials and services for which no value has been assigned by the donor as those do not meet the criteria for recognition under FASB ASC 958.

Support & Revenue Recognition

The Organization has adopted FASB ASC 958, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under FASB ASC 958, all contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Functional Allocation of Expenses

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

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Comparative Information

The financial statements include summarized comparative information from the prior year, which is not presented by net asset class and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Organization's 2015 financial statements from which the comparative information was derived.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of August 31, 2016:				
Land		\$ 15,000		
Building		791,375		
Furniture and fixtures		16,119		
Office equipment		12,811		
Machinery and equipment		76,519		
Vehicles		90,613		
Improvements		41,373		
Total fixed assets		<u>1,043,810</u>		
Less accumulated depreciation		<u>(375,410)</u>		
Net fixed assets		<u>\$ 668,400</u>		
Depreciation expense totaled \$37,533 in 2016				

NOTE 3: COMMITMENTS AND CONTINGENCIES

The Organization participates in government funded programs. In connection with contracts under these programs, the Organization is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the Organization has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. The Organization does not anticipate any such disallowances.

NOTE 4: RELATED PARTY TRANSACTIONS

The Organization may periodically conduct ordinary business with volunteers and board members. Management asserts that these transactions were consummated on terms equivalent to those in an arms-length transaction.

**MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 5: AGENCY AFFILIATION AGREEMENT

Pursuant to the agency affiliation agreement with the United Way of Odessa, the Organization must report their accounts payable balance and make representations on the status of their payroll tax deposits. Accounts payable consisted of the following as of August 31, 2016:

Odessa Regional Medical Center – Meals for program services \$26,602

The Organization’s payroll tax deposits were current as of August 31, 2016.

NOTE 6: OPERATING LEASE

In November 2014, the Organization entered into a 36-month non-cancelable operating lease for a new copier machine. The annual rental expense under this lease totaled \$1,800 for the fiscal year ended August 31, 2016. Future minimum lease payments under this lease are as follows for the years ended August 31:

	2017	1,800				
	2018	300				
		\$ 2,100				

NOTE 7: CONCENTRATIONS

Credit Risk: The Organization’s cash balances in financial institutions at times may exceed federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Vendors: The Organization purchases 100% of the daily regular meals from Odessa Regional Medical Center’s dietary department through an annual agreement between the parties.

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2017, the date with which the financial statements were available to be issued. No significant subsequent events have occurred that would require disclosure in the notes or recognition in the financial statements.

**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 of Meals on Wheels of Odessa, Inc.

I 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 of Odessa, Inc. (the Organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated March 8, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 the Organization's financial statements are free from material misstatement, I 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, I do not express such an opinion. The results of my 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.



Lubbock, Texas
March 8, 2017