MEALS ON WHEELS OF ODESSA, INC.

FINANCIAL STATEMENTS
&
INDEPENDENT AUDITOR'S REPORT

AUGUST 31, 2019
(with comparative totals for August 31, 2018)

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

MEALS ON WHEELS OF ODESSA, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements
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, 2019 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, 2019, 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.

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Report on Summarized Comparative Information
I have previously audited Meal on Wheels of Odessa, Inc.'s 2018 financial statements, and my report dated April 22, 2019, 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, 2018, 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 May 5, 2020, 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.

Randy G. Hamm, CPA, CFE

Lubbock, Texas
May 5, 2020

MEALS ON WHEELS OF ODESSA, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019
(With comparative totals for 2018)

	2019	2018
A S S E T S		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,413,102	$ 1,972,137
Grants & Accounts Receivable	41,228	44,297
TOTAL CURRENT ASSETS	1,454,330	2,016,434
INVESTMENTS at fair value	639,771	-
PROPERTY & EQUIPMENT, net of accumulated depreciation	639,118	651,403
TOTAL ASSETS	$ 2,733,219	$ 2,667,837
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 27,826	$ 29,665
Accrued Liabilities	9,765	9,687
TOTAL CURRENT LIABILITIES	37,591	39,352
TOTAL LIABILITIES	37,591	39,352
NET ASSETS		
Without Donor Restrictions		
Undesignated	1,956,507	1,977,082
Board Designated Benevolence Fund	100,003	-
Invested in Property and Equipment	639,118	651,403
	2,695,628	2,628,485
With Donor Restrictions	-	-
TOTAL NET ASSETS	2,695,628	2,628,485
TOTAL LIABILITIES AND NET ASSETS	$ 2,733,219	$ 2,667,837

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, 2019
(With comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
SUPPORT & REVENUE				
Title XX passed through State of Texas DADS grant	$ 241,358	$ -	$ 241,358	$ 241,919
Texas Dept. of Agriculture State grant	82,734	-	82,734	81,466
Area Agency on Aging - PB Regional Planning Commission	39,484	-	39,484	38,550
Insurance payors - Amerigroup and Superior	63,675	-	63,675	78,258
United Way	80,001	-	80,001	83,375
CDBG passed through the City of Odessa	40,664	-	40,664	41,896
Contributions	136,787	1,044	137,831	156,486
Special events, net of expenses of $5,297	113,714	-	113,714	110,539
Need-a-Meal program revenue	26,125	-	26,125	30,037
Permian Basin Community Centers - program revenue	22,954	-	22,954	27,300
Insurance proceeds	-	-	-	58,171
Book gain (loss) on disposed assets	-	-	-	-
Investment income(loss), net of fees	35,683	-	35,683	10,904
Interest income	11,898	-	11,898	5,811
TOTAL SUPPORT & REVENUE	895,077	1,044	896,121	964,712
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of purpose restrictions	1,044	(1,044)	-	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	896,121	-	896,121	964,712
EXPENSES				
Program Services:				
Nutritional	644,587	-	644,587	635,526
TOTAL PROGRAM SERVICES	644,587	-	644,587	635,526
Supporting Services:				
Management and general	180,659	-	180,659	169,012
Fundraising	3,732	-	3,732	3,721
TOTAL SUPPORTING SERVICES	184,391	-	184,391	172,733
TOTAL EXPENSES	828,978	-	828,978	808,259
CHANGE IN NET ASSETS	67,143	-	67,143	156,453
BEGINNING NET ASSETS	2,628,485	-	2,628,485	2,469,032
ENDING NET ASSETS	$ 2,695,628	$ -	$ 2,695,628	$ 2,625,485

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, 2019
(With comparative totals for 2018)

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTALS	
	Nutritional	Management & General	Fundraising	2019	2018
Meals	$ 342,099	$ -	$ -	$ 342,099	$ 340,372
Salaries	170,995	79,107	3,100	253,202	261,132
Repairs and maintenance	30,946	30,770	-	61,716	7,152
Insurance	14,919	8,185	-	23,104	23,455
Payroll taxes	13,366	6,184	242	19,792	20,514
Meal program supplies	18,095	-	-	18,095	56,550
Employee benefits	5,850	8,285	390	14,525	13,633
Bookkeeping and professional fees	-	13,500	-	13,500	13,300
Utilities	5,285	5,285	-	10,570	10,942
Vehicle expenses	9,439	-	-	9,439	6,075
Office expense	5,520	3,001	-	8,521	6,777
Postage & printing	1,324	1,324	-	2,648	2,408
Benevolence	2,378	-	-	2,378	-
Equipment rental	937	937	-	1,874	2,150
Board meetings expense	-	1,578	-	1,578	1,606
Advertising	750	750	-	1,500	1,550
Dues and subscriptions	587	587	-	1,174	1,126
Licenses & fees	436	436	-	872	856
Volunteer expense	558	-	-	558	940
Conferences & workshops	410	-	-	410	200
Bank, credit card fees	-	38	-	38	12
Bad debt	-	-	-	-	984
Subtotal	623,894	159,967	3,732	787,593	771,734
Depreciation	20,693	20,692	-	41,385	33,158
TOTALS	$ 644,587	$ 180,659	$ 3,732	$ 828,978	$ 804,892

MEALS ON WHEELS OF ODESSA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019
(With comparative totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from support and revenue	$ 851,609	$ 943,388
Cash paid for operating expenses	(789,354)	(763,020)
Interest received	11,898	5,811
NET CASH PROVIDED BY OPERATING ACTIVITIES	74,153	186,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(604,088)	-
Proceeds from disposition of fixed assets	-	10,904
Purchases of property and equipment	(29,100)	(52,016)
NET CASH (USED) IN INVESTING ACTIVITIES	(633,188)	(41,112)
NET CHANGE IN CASH & CASH EQUIVALENTS	(559,035)	145,067
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	1,972,137	1,827,070
CASH & CASH EQUIVALENTS AT END OF YEAR	$ 1,413,102	$ 1,972,137
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 67,143	$ 159,453
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	41,385	36,525
Net investment income(loss)	(35,683)	-
Book (gain) loss on disposed assets	-	(10,904)
Change in Assets and Liabilities:		
(Increase) Decrease in receivables	3,069	(7,609)
Increase (Decrease) in accounts payable and accrued liabilities	(1,761)	8,714
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 74,153	$ 186,179

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

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.

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 in 2019 or 2018.

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 asserts that the Organization did not undergo any IRS examinations in 2019 or 2018 and none are in process through the date of this report.

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments
In accordance with FASB ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investments consist of marketable equity securities and money market funds. Net investment income (loss) consists of realized and unrealized gains and losses, interest, dividends, net of fees. Purchases and sales are recorded on a trade date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment in 2019 or 2018.

Accounts Payable
Accounts payable as of August 31, 2019 consists of amounts owed to vendors totaling $27,826 for program operating expenses.

Payroll Taxes
The Organization's payroll tax deposits were made in a timely manner for the year ended August 31, 2019.

Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a benevolence fund.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction expires, or purpose restriction is accomplished) in the reporting period in which the revenue is

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets with Donor Restrictions – continued

recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give (pledges), or notification of a beneficial interest is received Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned. Federal and state grants are recognized on a reimbursement basis where the Organization incurs expenses for grant programs and then subsequently requests reimbursement from the granting agency.

Donated Services & Materials

Volunteers and board members contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended August 31, 2019.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated using an appropriate allocation measure such as square footage occupied by program and time utilization.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 the Organization's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

Concentrations of Credit and Market Risk

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

Market risk: The Organization has a substantial amount of assets invested in various types of marketable securities in professionally managed mutual funds, exchange traded funds and money market type accounts. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Guidance

Adopted in 2019:
In August 2016, the FASB issued an accounting standard update (ASU 2016-14) that will result in significant changes to the presentation of financial statements of not-for-profit entities. The main provisions are as follows: (1) eliminate requirement to present separately amounts for temporarily restricted net assets and permanently restricted net assets, (2) eliminate requirement to present separately the transactions and other changes in each of those classes of net assets, (3) eliminate requirement to present cash flows provided by operating activities using the indirect method of reporting, (4) present two net asset classes rather than the current three by reporting net assets with donor restrictions and without donor restrictions, (5) provide enhanced disclosures for: board designations and donor-imposed restrictions, liquidity, quantitative information on the availability of an NFP to meet cash needs within one year of balance sheet date, and (6) voluntary health and welfare organizations will no longer be required to provide a statement of functional expenses; rather, they can provide such information about expenses on the face of the statement of activities, as a separate statement, or in notes to financial statements. This Update has been adopted and applied to all periods presented.

In August 2018, the FASB issued accounting standard update (ASU 2018-13), which removes and modifies several disclosure requirements on fair value measurements Topic 820. The following disclosure requirements were removed from Topic 820: 1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. 2) the policy for timing of transfers between levels. 3) the valuation processes for Level 3 fair value measurements. 4) for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. As permitted, the Organization elected to early adopt this update and has implemented for 2019 and applied to all periods presented.

Future updates
In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers,” which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date,” which deferred the effective date for one year. Accordingly, this ASU will be effective for the fiscal year beginning after December 15, 2018.

In February 2016, the FASB issued an accounting standard update (ASU 2016-02), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate and equipment. The ASU will require organizations that lease assets—referred to as “lessees”—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Guidance – continued

In June 2018, The FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Where the organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted.

The Organization is evaluating the impact of the adoption of the future updates to its financial statements. No significant impact is expected.

COVID19

Recent events escalating in March 2020 of the coronavirus outbreak are having a worldwide impact on all organizations are still evolving and its effects remain unknown. The potential effects of the coronavirus may be difficult to assess or predict with meaningful precision both generally and on an organization-specific basis. We are not expecting any declines in funding from the grants already approved. We have seen a significant increase in daily meal needs. As a conservative approach we are anticipating a decrease in general donations. We cancelled our Mudbug fundraiser for 2020.

Subsequent Events

Management has evaluated subsequent events through May 5, 2020, the date with which the financial statements were available to be issued. Other than the COVID19 disclosure above, no other significant subsequent events have occurred that would require disclosure in the notes or recognition in the financial statements.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents without donor restrictions	$1,413,102
Grants receivable	41,228
Investments	639,771
	$2,094,101

The board's intent is to maintain investments with a long-term strategy; however, they may be liquidated if deemed necessary. In 2019, the board designated a benevolence fund of $100,000 from net assets without donor restriction to for the purposes of client assistance and needs to be used at the discretion of executive management and the board.

NOTE 2: LIQUIDITY AND AVAILABILITY – continued

As part of our liquidity management plan, cash in excess of daily requirements may be invested in short-term investments, CDs, and money market funds. At their discretion, the Board may contribute a portion of any operating surplus, to the board designated benevolence fund.

NOTE 3: FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature (FASB ASC 820) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 1 or Level 2 inputs generally provide the most reliable evidence of fair value. Level 3 inputs would only be used when Level 1 or Level 2 inputs are unavailable.

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. Mutual funds and money market funds are valued at quoted market prices, which represent the NAV of shares owned at year end, which are traded in an active market.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investment from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. Management evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. There were no transfers between levels in 2019.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3: FAIR VALUE MEASUREMENTS - continued

The fair value of assets measured on a recurring basis are as follows as of August 31:

August 31, 2019	Fair Value	(Level 1)
Mutual funds	$ 509,626	$ 509,626
Exchange traded funds	28,819	28,819
Money market and cash alternatives	101,326	101,326
	$ 639,771	$ 639,771

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of August 31:

	2019
Buildings	$ 791,375
Land	15,000
Improvements	41,373
Kitchen Equipment	80,930
Office Equipment	13,481
Vehicles	143,299
Furniture and fixtures	16,119
	1,101,577
Accumulated Depreciation	(462,459)
Net Property & Equipment	$ 639,118

Depreciation expense totaled $41,385 in 2019.

NOTE 5: 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 6: 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.

NOTE 7: OPERATING LEASE

In November 2017, the Organization entered into a new 36-month non-cancelable operating lease for a new copier. Annual rental expense under this lease totaled $1,669 in, 2019.

Future minimum lease payments under this lease are as follows for the fiscal years ending August 31:

2020	$1,544
2021	1,158
	$2,702

Randy Silhan, CPA, CFE
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Certified Fraud Examiner

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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, 2019, 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 May 5, 2020.

Internal Control Over Financial Reporting
In planning and performing my audit of the financial statements, I 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*.

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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.

Randy G. Hamm, CPA, CFE

Lubbock, Texas
May 5, 2020