

MEALS ON WHEELS OF ODESSA, INC.

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

**AUGUST 31, 2021
(with comparative totals for August 31, 2020)**

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

MEALS ON WHEELS OF ODESSA, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
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 <i>Governmental Auditing Standards</i>	14



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



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, 2021 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, 2021, 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 2020 financial statements, and my report dated April 7, 2021, 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, 2020, 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 July 1, 2022, 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
July 1, 2022

MEALS ON WHEELS OF ODESSA, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021
(With comparative totals for 2020)

	2021	2020
A S S E T S		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,571,871	\$ 1,539,383
Grants & Accounts Receivable	72,558	52,400
	1,644,429	1,591,783
INVESTMENTS at fair value	1,032,339	795,100
PROPERTY & EQUIPMENT, net of accumulated depreciation	583,167	599,144
TOTAL ASSETS	\$ 3,259,935	\$ 2,986,027
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 28,463	\$ 61,574
Accrued Liabilities	5,087	2,370
Paycheck Protection Program Loan	-	52,700
TOTAL CURRENT LIABILITIES	33,550	116,644
TOTAL LIABILITIES	33,550	116,644
NET ASSETS		
<u>Without Donor Restrictions</u>		
Undesignated	2,516,396	2,160,057
Board Designated Benevolence Fund	126,822	110,182
Invested in Property and Equipment	583,167	599,144
	3,226,385	2,869,383
With Donor Restrictions	-	-
TOTAL NET ASSETS	3,226,385	2,869,383
TOTAL LIABILITIES AND NET ASSETS	\$ 3,259,935	\$ 2,986,027

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, 2021
(With comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
SUPPORT & REVENUE				
Title XX passed through Texas Health & Human Services	\$ 259,292	\$ -	\$ 259,292	\$ 257,663
Texas Dept. of Agriculture State grant	88,554	-	88,554	96,683
Area Agency on Aging - PB Regional Planning Commission	57,183	-	57,183	43,138
Insurance payors - Amerigroup and Superior	55,828	-	55,828	56,620
United Way	73,997	-	73,997	79,800
City of Odessa - CDBG & COVID relief	194,574	-	194,574	48,162
Contributions	186,370	-	186,370	220,868
Fundraising	50,447	-	50,447	3,200
Donated materials and services	14,750	-	14,750	-
Program revenue	51,772	-	51,772	53,390
PPP Loan forgiveness	52,700	-	52,700	-
Investment income(loss), net of fees	137,240	-	137,240	95,329
Interest income	4,135	-	4,135	4,691
TOTAL SUPPORT & REVENUE	1,226,842	-	1,226,842	959,544
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of purpose restrictions	-	-	-	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	1,226,842	-	1,226,842	959,544
EXPENSES				
Program Services:				
Nutritional	713,694	-	713,694	651,561
TOTAL PROGRAM SERVICES	713,694	-	713,694	651,561
Supporting Services:				
Management and general	135,460	-	135,460	130,622
Fundraising	20,686	-	20,686	3,606
TOTAL SUPPORTING SERVICES	156,146	-	156,146	134,228
TOTAL EXPENSES	869,840	-	869,840	785,789
CHANGE IN NET ASSETS	357,002	-	357,002	173,755
BEGINNING NET ASSETS	2,869,383	-	2,869,383	2,695,628
ENDING NET ASSETS	\$ 3,226,385	\$ -	\$ 3,226,385	\$ 2,869,383

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, 2021
(With comparative totals for 2020)

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTALS</u>	
	Nutritional	Management & General	Fundraising	2021	2020
Meals	\$ 371,488	\$ -	\$ -	\$ 371,488	\$ 359,858
Salaries	187,737	67,873	3,100	258,710	248,802
Meal program supplies	68,855	-	-	68,855	30,080
Payroll taxes	17,384	6,192	238	23,814	19,227
Insurance	11,038	5,090	-	16,128	22,277
Repairs and maintenance	9,557	6,155	-	15,712	7,225
Donated fundraising materials	-	-	14,750	14,750	-
Professional fees	-	14,344	-	14,344	14,471
Utilities	6,951	6,950	-	13,901	9,996
Office expense	7,591	4,312	-	11,903	8,300
Employee benefits	5,795	2,064	79	7,938	10,135
Vehicle expenses	4,801	-	-	4,801	4,124
Fundraising	-	-	2,519	2,519	-
Postage & printing	981	981	-	1,962	3,326
Conferences & meetings	300	783	-	1,083	1,648
Licenses & fees	438	438	-	876	1,036
Dues and subscriptions	395	395	-	790	840
Advertising	328	328	-	656	-
Benevolence	427	-	-	427	319
Equipment rental	194	193	-	387	1,922
Volunteer expense	108	-	-	108	1,239
Bank, credit card fees	-	36	-	36	85
Subtotal	<u>694,368</u>	<u>116,134</u>	<u>20,686</u>	<u>831,188</u>	<u>744,910</u>
Depreciation	<u>19,326</u>	<u>19,326</u>	<u>-</u>	<u>38,652</u>	<u>40,879</u>
TOTALS	<u>\$ 713,694</u>	<u>\$ 135,460</u>	<u>\$ 20,686</u>	<u>\$ 869,840</u>	<u>\$ 785,789</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, 2021
(With comparative totals for 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from support and revenue	\$ 1,012,609	\$ 848,352
Cash paid for operating expenses	(861,582)	(718,557)
Interest received	4,135	4,691
	<u>155,162</u>	<u>134,486</u>
NET CASH FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(100,000)	(60,000)
Purchases of property and equipment	(22,674)	(905)
	<u>(122,674)</u>	<u>(60,905)</u>
NET CASH FOR INVESTING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	52,700
	<u>-</u>	<u>52,700</u>
NET CASH FROM INVESTING ACTIVITIES		
NET CHANGE IN CASH & CASH EQUIVALENTS	32,488	126,281
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,539,383</u>	<u>1,413,102</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,571,871</u>	<u>\$ 1,539,383</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 357,002	\$ 173,755
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	38,652	40,879
PPP Loan forgiveness	(52,700)	-
Net investment income(loss)	(137,240)	(95,329)
Change in Assets and Liabilities:		
(Increase) Decrease in receivables	(20,158)	(11,172)
Increase (Decrease) in accounts payable and accrued liabilities	(30,394)	26,353
	<u>(150,840)</u>	<u>(150,840)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 155,162</u>	<u>\$ 134,486</u>

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

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 2021 or 2020.

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 2021 or 2020 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. Support and revenue from grants and payors are on a cost 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. 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.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

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.

Carrying values of property and equipment are reviewed 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 2021 or 2020.

Accounts Payable

All accounts payable as of August 31, 2021 consists of amounts owed to vendors for program operating expenses.

Payroll Taxes

The Organization's payroll tax deposits were made in a timely manner for the year ended August 31, 2021.

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. 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 recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets with Donor Restrictions – continued

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.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Special events revenue is recognized equal to the fair value of direct benefits to donors when the special event takes place. The contribution element of special event revenue is recognized immediately, unless there is a right of return if the special event does not take place.

Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. No amounts have been received in advance under our federal and state contracts and grants. None of the grants or contracts involve an exchange portion. Disallowed costs due to oversight agency audits are recognized in the period the funds are repaid after the oversight agency has made its determination and issued a final correction action plan requiring repayment of such costs.

Donated Services & Materials

Volunteers and board members contribute significant amounts of time to program services, administration, 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 and services meeting the recognition criteria are recorded at fair value at the date of donation. Contributions of such goods and services received and recognized during the years ended August 31, 2021 totaled \$14,750 for a fundraising event.

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.

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, 2020, from which the summarized information was derived.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments, 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.

New Accounting Pronouncements

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, 2021, and interim periods within fiscal years beginning after December 15, 2022.

In September 2020, the FASB issued an accounting standard update (ASU 2020-07), requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted.

The Organization does not expect a material impact on their financial statements for either of these updates.

COVID19

The COVID-19 pandemic, whose effects first became known in January 2020, has and is having a broad and negative impact on nonprofits, businesses, and financial markets around the world. The United States and global markets experienced significant uncertainty caused by the pandemic. Although cases have decline significantly, the financial, social, and medical effects of the virus continue to have an impact on society. The Organization follows federal, state, local, and self-imposed guidelines regarding health and safety protocols. The Annual Mudbug fundraiser event was canceled in 2020 and 2021 but did take place in April 2022. Federal governmental grants totaling approximately \$195,000 was received for fiscal year 2020-21 passed through the City of Odessa for COVID relief. The Paycheck Protection Program loan was officially forgiven December 10, 2020.

Subsequent Events

Management has evaluated subsequent events through July 1, 2022, the date with which the financial statements were available to be issued. Other than the subsequent events described in the COVID19 disclosure above, no other significant subsequent events have occurred that would require disclosure in the notes or recognition in the financial statements.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

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	\$1,571,871
Grants receivable	72,458
Investments	<u>1,032,339</u>
	<u>\$2,676,668</u>

The board's intent is to maintain investments with a long-term strategy; however, they may be liquidated if deemed necessary. The board designated benevolence fund of \$126,822 from net assets without donor restriction for the purposes of client assistance and needs to be used at the discretion of executive management and the board.

As part of the liquidity management plan, cash exceeding 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.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 3: FAIR VALUE MEASUREMENTS - continued

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 2021.

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

<u>August 31, 2021</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Mutual funds	\$ 914,673	\$ 914,673
Exchange traded funds	21,000	21,000
Money market and cash alternatives	96,666	96,666
	<u>\$ 1,032,339</u>	<u>\$ 1,032,339</u>

<u>August 31, 2020</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Mutual funds	\$ 730,811	\$ 730,811
Exchange traded funds	33,357	33,357
Money market and cash alternatives	30,932	30,932
	<u>\$ 795,100</u>	<u>\$ 795,100</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of August 31, 2021:

Buildings	\$ 791,375
Land	15,000
Improvements	58,073
Kitchen Equipment	80,930
Office Equipment	20,361
Vehicles	143,299
Furniture and fixtures	16,119
	<u>1,125,157</u>
Accumulated Depreciation	<u>(541,990)</u>
Net Property & Equipment	<u>\$ 583,167</u>

Depreciation expense totaled \$38,652 in 2021.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 5: PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Organization received loan proceeds in the amount of \$52,700 under the Paycheck Protection Program (“PPP”). The PPP provides for loans to qualifying businesses and organizations in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks), if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Food Bank used loan proceeds for purposes consistent with the program and applied for forgiveness. The SBA officially notified the Organization that the loan was forgiven in full on December 10, 2020, at which time the loan forgiveness income was recognized in the statement of activities.

NOTE 6: BOARD DESIGNATED RESTRICTIONS

The Board of Directors designated a portion of the net assets without donor restrictions net assets to a benevolence fund that is invested in marketable securities with professionally managed advisors. The purpose of this fund is to assist clients of the organization with meals and other items at the board’s discretion. The balance totaled \$126,822 as of August 31, 2021.

NOTE 7: 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. Although the Organization does not anticipate any such disallowances, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists.

NOTE 8: RELATED PARTY TRANSACTIONS

The Organization may periodically conduct ordinary business with volunteers and board members. Management asserts these transactions were made on terms equal to those in any arms-length transaction.



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



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, 2021, 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 July 1, 2022.

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.

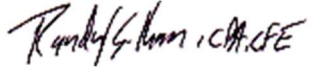
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify 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*.

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.

A handwritten signature in black ink that reads "Randy G. Hoover, CPA, CFE". The signature is written in a cursive style.

Lubbock, Texas
July 1, 2022