

MEALS ON WHEELS OF ODESSA, INC.

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

AUGUST 31, 2023

**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.

Opinion

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, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the Organization and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated September 6, 2024, 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
September 6, 2024

MEALS ON WHEELS OF ODESSA, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2023

	<u>2023</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 328,701
Grants & Accounts Receivable	<u>287,135</u>
	<u>615,836</u>
TOTAL CURRENT ASSETS	<u>615,836</u>
INVESTMENTS at fair value	
	1,850,966
PROPERTY & EQUIPMENT, net of accumulated depreciation	
	<u>547,863</u>
TOTAL ASSETS	<u>\$ 3,014,665</u>
LIABILITIES & NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 9,990
TOTAL CURRENT LIABILITIES	<u>9,990</u>
	<u>9,990</u>
TOTAL LIABILITIES	<u>9,990</u>
NET ASSETS	
<u>Without Donor Restrictions</u>	
Undesignated	2,338,392
Board Designated Benevolence Fund	118,420
Invested in Property and Equipment	<u>547,863</u>
	<u>3,004,675</u>
With Donor Restrictions	-
	<u>-</u>
TOTAL NET ASSETS	<u>3,004,675</u>
	<u>3,004,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,014,665</u>

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, 2023

	Without Donor Restrictions	With Donor Restrictions	2023
SUPPORT & REVENUE			
Government grants	\$ 456,998	\$ -	\$ 456,998
United Way	-	51,833	51,833
Contributions	217,302	46,675	263,977
Fundraising	144,056	-	144,056
Donated materials and services	4,700	-	4,700
Program revenue	42,299	-	42,299
Other income	8,356	-	8,356
Investment income, net of fees	88,141	-	88,141
Interest income	10,398	-	10,398
TOTAL SUPPORT & REVENUE	972,250	98,508	1,070,758
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	98,508	(98,508)	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	1,070,758	-	1,070,758
EXPENSES			
Program Services:			
Nutritional	1,220,766	-	1,220,766
Other Homebound	15,012	-	15,012
 TOTAL PROGRAM SERVICES	1,235,778	-	1,235,778
Supporting Services:			
Management and general	356,214	-	356,214
Fundraising	55,473	-	55,473
 TOTAL SUPPORTING SERVICES	411,687	-	411,687
TOTAL EXPENSES	1,647,465	-	1,647,465
CHANGE IN NET ASSETS	(576,707)	-	(576,707)
BEGINNING NET ASSETS	3,581,382	-	3,581,382
ENDING NET ASSETS	\$ 3,004,675	\$ -	\$ 3,004,675

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, 2023

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTALS
	Other		Management & General		2023
	Nutritional	Homebound	General	Fundraising	
Salaries	\$ 480,507	\$ -	\$ 171,139	\$ 6,582	\$ 658,228
Payroll taxes	105,968	-	37,742	1,452	145,162
Employee benefits	46,645	-	16,613	639	63,897
Meals	419,601	-	-	-	419,601
Meal program supplies	50,616	-	-	-	50,616
Occupancy	34,255	-	34,255	-	68,510
Office expense	29,154	-	19,435	-	48,589
Fundraising events	-	-	-	33,345	33,345
Professional fees	-	-	21,748	-	21,748
Conferences & meetings	9,587	-	9,587	-	19,174
Insurance	12,835	-	5,506	-	18,341
Client assistance grants	-	15,012	-	-	15,012
Advertising	-	-	-	13,455	13,455
Dues and subscriptions	6,253	-	5,478	-	11,731
Contract labor	-	-	10,875	-	10,875
Travel expenses	6,209	-	-	-	6,209
Donated materials	-	-	4,700	-	4,700
Subtotal	1,201,630	15,012	337,078	55,473	1,609,193
Depreciation	19,136	-	19,136	-	38,272
TOTALS	\$ 1,220,766	\$ 15,012	\$ 356,214	\$ 55,473	\$ 1,647,465

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, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from support and revenue	\$ 741,170
Cash paid for operating expenses	(1,338,426)
Interest received	<u>10,398</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(586,858)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investment securities	(799,065)
Purchases of property and equipment	<u>(40,033)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(839,098)</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	(1,425,956)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,754,657</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 328,701</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ (576,707)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	38,272
Net investment (income)	(88,141)
Change in Assets and Liabilities:	
(Increase) Decrease in receivables	(231,049)
Increase (Decrease) in accounts payable and accrued liabilities	<u>270,767</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (586,858)</u>

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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 Internal Revenue Service has determined the Organization 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 2023.

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 2023, 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. Cash, cash equivalents, and restricted cash reported within the statement of financial position that reconciles to the sum of the corresponding amount within the statements of cash flows consists of cash and cash equivalents without donor restrictions totaling \$328,701.

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, 2023

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 2023.

Lease Accounting

The Organization adopted FASB guidance Topic 842 effective September 1, 2022, which increases transparency and comparability among organizations by requiring (1) recognition of lease assets and lease liabilities on the balance sheet and (2) disclosure of key information about leasing arrangements. Some changes to the lessor accounting guidance were made to align both of the following: (1) the lessor accounting guidance with certain changes made to the lessee accounting guidance and (2) key aspects of the lessor accounting model with revenue recognition guidance. The Organization adopted Topic 842 using the transition method that allowed us to initially apply the guidance as of September 1, 2022 and recognize a cumulative-effect adjustment to the opening equity balance in the period of adoption. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification.

Leases with a term of 12 months or less will still be accounted for similar to prior guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. Lease expense on such leases is recognized on a straight-line basis over the lease term. The Organization had no material leases for which application of Topic 842 required recognition of right-of-use assets and lease liabilities; therefore it did not have a material impact on the financial statements of the Organization.

Accounts Payable

All accounts payable as of August 31, 2023 consists of amounts owed to vendors for program operating expenses.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Payroll Taxes

The Organization's payroll tax deposits were made in a timely manner for the year ended August 31, 2023.

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. 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 as 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.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated equipment, materials, professional services, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. We do not sell donated gifts-in-kind. Contributed goods are recorded at fair value at the date of donation. Those meeting the criteria for recognition totaled \$4,700 in 2023. These services were comprised of flooring installation costs valued using estimated principal market value of identical or similar products using pricing data under a like-kind methodology considering the condition for use at the time of the contribution. All gifts in-kind were without donor restrictions. In addition to contributed nonfinancial assets, volunteers and board members contribute significant amounts of time to 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.

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. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated on a square footage basis include occupancy and depreciation. Expenses allocated on basis of estimates of time and effort include salaries, benefits, payroll taxes, professional services, office expenses, insurance, and other.

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.

Recent Accounting Guidance

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets, including the Organization's accounts receivable and held-to-maturity debt securities, by requiring the Organization to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Organization's year ending August 31, 2024.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Guidance - continued

Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the year net assets in the year of adoption. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption for all institutions is permitted. The Organization does not expect a material impact to their financial position upon adoption of this update.

Subsequent Events

Management has evaluated subsequent events through September 6, 2024, the date with which the financial statements were available to be issued. No significant events have occurred that would require disclosure in the notes or recognition in the consolidated 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	\$328,701
Grants receivable	287,135
Investments	<u>1,850,966</u>
	<u><u>\$2,466,802</u></u>

The board's intent is to maintain investments with a long-term strategy; however, they may be liquidated if deemed necessary. 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.

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 3: FAIR VALUE MEASUREMENTS - continued

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 2023.

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>2023</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Mutual funds	\$ 940,730	\$ 940,730
Exchange traded funds	47,720	47,720
Money market and cash alternatives	862,516	862,516
	<u>\$ 1,850,966</u>	<u>\$ 1,850,966</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of August 31, 2023:

Buildings	\$ 791,375
Land	15,000
Improvements	58,073
Kitchen Equipment	80,930
Office Equipment	35,512
Vehicles	143,299
Furniture and fixtures	43,511
	<u>1,167,700</u>
Accumulated Depreciation	(619,837)
Net Property & Equipment	<u>\$ 547,863</u>

Depreciation expense totaled \$38,272 in 2023

MEALS ON WHEELS OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 5: BOARD DESIGNATED NET ASSETS

The Board of Directors designated a portion of the net assets without donor restrictions as part of 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 items and needs outside of nutrition at the board's discretion. The balance totaled \$118,420 as of August 31, 2023. The change in balance during the fiscal year ended 2023 totaled \$8,238.

NOTE 6: EMPLOYEE BENEFITS

Eligible employees of the Organization are covered by a qualified health insurance plan. The Organization pays for the employee premium based on their current group plan in effect. Employees, at their option, may authorize payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers. Employer costs totaled \$63,897 in 2023.

The Organization established a 401(k) Plan that will be effective for the subsequent fiscal year September 1, 2023 – August 31, 2024.

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.



**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, 2023, 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 September 6, 2024.

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.

Report on 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

September 6, 2024