

Fort Bend Seniors Meals on Wheels

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2013 and 2012

Fort Bend Seniors Meals on Wheels

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of December 31, 2013 and 2012	2
Statement of Activities for the year ended December 31, 2013	3
Statement of Activities for the year ended December 31, 2012	4
Statement of Functional Expenses for the year ended December 31, 2013	5
Statement of Functional Expenses for the year ended December 31, 2012	6
Statements of Cash Flows for the years ended December 31, 2013 and 2012	7
Notes to Financial Statements for the years ended December 31, 2013 and 2012	8

Independent Auditors' Report

To the Board of Directors of
Fort Bend Seniors Meals on Wheels:

We have audited the accompanying financial statements of Fort Bend Seniors Meals on Wheels, which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities, of functional expenses, and of cash flows for the years 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.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Bend Seniors Meals on Wheels as of December 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

April 4, 2014

Fort Bend Seniors Meals on Wheels

Statements of Financial Position as of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 438,146	\$ 476,387
Receivables:		
United Way allocation	422,172	422,172
Government contracts	165,150	155,339
Other pledges	100,895	80,950
Prepaid expenses	13,955	11,491
Certificates of deposit	603,899	602,701
Property and equipment, net (<i>Note 2</i>)	<u>430,929</u>	<u>412,647</u>
TOTAL ASSETS	<u>\$ 2,175,146</u>	<u>\$ 2,161,687</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 126,503	\$ 125,911
Accrued salaries and benefits	13,561	43,147
Note payable (<i>Note 3</i>)	286,221	286,221
Deferred revenue	<u>19,368</u>	<u> </u>
Total liabilities	<u>445,653</u>	<u>455,279</u>
Net assets:		
Unrestricted (<i>Note 4</i>)	1,201,037	1,131,909
Temporarily restricted (<i>Note 5</i>)	<u>528,456</u>	<u>574,499</u>
Total net assets	<u>1,729,493</u>	<u>1,706,408</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,175,146</u>	<u>\$ 2,161,687</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Activities for the year ended December 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government contracts <i>(Note 6)</i>	\$ 1,091,594		\$ 1,091,594
Contributions	217,218	\$ 259,250	476,468
United Way allocation	13,179	422,172	435,351
In-kind contributions	359,607		359,607
Special events	166,504		166,504
Direct donor benefit costs of special events	(34,022)		(34,022)
Other income	<u>7,328</u>	<u> </u>	<u>7,328</u>
Total revenue	1,821,408	681,422	2,502,830
Net assets released from restrictions:			
Expiration of time restrictions	422,172	(422,172)	
Program expenditures	277,158	(277,158)	
Capital expenditures	<u>28,135</u>	<u>(28,135)</u>	<u> </u>
Total	<u>2,548,873</u>	<u>(46,043)</u>	<u>2,502,830</u>
EXPENSES:			
Program services:			
Meals on Wheels	1,289,290		1,289,290
Senior centers	482,346		482,346
Transportation services	<u>290,873</u>	<u> </u>	<u>290,873</u>
Total program services	2,062,509		2,062,509
Management and general	208,448		208,448
Fundraising	<u>208,788</u>	<u> </u>	<u>208,788</u>
Total expenses	<u>2,479,745</u>	<u> </u>	<u>2,479,745</u>
CHANGES IN NET ASSETS	69,128	(46,043)	23,085
Net assets, beginning of year	<u>1,131,909</u>	<u>574,499</u>	<u>1,706,408</u>
Net assets, end of year	<u>\$ 1,201,037</u>	<u>\$ 528,456</u>	<u>\$ 1,729,493</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Activities for the year ended December 31, 2012

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government contracts <i>(Note 6)</i>	\$ 1,235,386		\$ 1,235,386
Contributions	196,025	\$ 269,291	465,316
United Way allocation	10,989	422,172	433,161
In-kind contributions	301,482		301,482
Special events	172,697		172,697
Direct donor benefit costs of special events	(26,039)		(26,039)
Other income	<u>4,729</u>		<u>4,729</u>
Total revenue	1,895,269	691,463	2,586,732
Net assets released from restrictions:			
Expiration of time restrictions	482,172	(482,172)	
Program expenditures	<u>255,979</u>	<u>(255,979)</u>	
Total	<u>2,633,420</u>	<u>(46,688)</u>	<u>2,586,732</u>
EXPENSES:			
Program services:			
Meals on Wheels	1,327,021		1,327,021
Senior centers	470,835		470,835
Transportation services	<u>273,928</u>		<u>273,928</u>
Total program services	2,071,784		2,071,784
Management and general	221,388		221,388
Fundraising	<u>251,103</u>		<u>251,103</u>
Total expenses	<u>2,544,275</u>		<u>2,544,275</u>
CHANGES IN NET ASSETS	89,145	(46,688)	42,457
Net assets, beginning of year	<u>1,042,764</u>	<u>621,187</u>	<u>1,663,951</u>
Net assets, end of year	<u>\$ 1,131,909</u>	<u>\$ 574,499</u>	<u>\$ 1,706,408</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Functional Expenses for the year ended December 31, 2013

	MEALS ON WHEELS	SENIOR CENTERS	TRANSPORTATION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Food	\$ 759,321	\$ 194,662				\$ 953,983
Salaries and related expenses	300,528	117,053	\$ 34,002	\$ 149,934	\$ 162,445	763,962
Transportation			253,052			253,052
Occupancy	49,611	139,912	208	673	1,999	192,403
Professional fees and contract services	26,794	9,997	2,206	18,266	12,754	70,017
Travel	54,002	1,346	119	7,787	4,856	68,110
Depreciation	33,244	1,844	107	1,631	1,269	38,095
Insurance	16,648	1,924	504	3,174	1,595	23,845
Supplies	3,638	1,757	188	2,574	12,340	20,497
Rental and maintenance of equipment	16,690	403	92	468	556	18,209
Interest				14,788		14,788
Assistance to individuals	12,085	1,579				13,664
Communications	6,240	3,509	297	1,585	1,961	13,592
Postage and shipping	6,320	687	16	610	1,353	8,986
Conferences and meetings	475	125		1,770	25	2,395
Printing and publishing	509	122		33	1,895	2,559
Membership dues	1,319	69	4	1,380	559	3,331
Other	<u>1,866</u>	<u>7,357</u>	<u>78</u>	<u>3,775</u>	<u>5,181</u>	<u>18,257</u>
Total expenses	<u>\$ 1,289,290</u>	<u>\$ 482,346</u>	<u>\$ 290,873</u>	<u>\$ 208,448</u>	<u>\$ 208,788</u>	2,479,745
Direct donor benefit costs of special events						<u>34,022</u>
Total						<u>\$ 2,513,767</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Functional Expenses for the year ended December 31, 2012

	MEALS ON WHEELS	SENIOR CENTERS	TRANSPORTATION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Food	\$ 768,489	\$ 207,036				\$ 975,525
Salaries and related expenses	343,758	126,024	\$ 32,176	\$ 170,642	\$ 175,934	848,534
Transportation			238,717			238,717
Occupancy	44,344	116,832	165	535	2,988	164,864
Professional fees and contract services	28,864	7,775	1,791	9,258	30,580	78,268
Travel	50,401	2,520	144	7,043	6,375	66,483
Depreciation	31,568	938	105	1,398	1,248	35,257
Insurance	18,510	1,460	247	1,391	1,309	22,917
Supplies	6,325	2,109	208	2,520	17,230	28,392
Rental and maintenance of equipment	17,008	317	57	226	466	18,074
Interest				14,311		14,311
Assistance to individuals	6,306					6,306
Communications	4,952	2,926	165	1,292	1,318	10,653
Postage and shipping	3,223	15	3	613	2,860	6,714
Conferences and meetings	770	280		3,632	397	5,079
Printing and publishing	479	190	41	1,032	2,839	4,581
Membership dues	269	19	4	1,452	2,099	3,843
Other	1,755	2,394	105	6,043	5,460	15,757
Total expenses	<u>\$ 1,327,021</u>	<u>\$ 470,835</u>	<u>\$ 273,928</u>	<u>\$ 221,388</u>	<u>\$ 251,103</u>	2,544,275
Direct donor benefit costs of special events						<u>26,039</u>
Total						<u>\$ 2,570,314</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statements of Cash Flows for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 23,085	\$ 42,457
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	38,095	35,257
Contributed property and equipment	(22,364)	
Gain on sale of property and equipment	(5,485)	
Changes in operating assets and liabilities:		
Receivables	(29,756)	9,102
Prepaid expenses	(2,464)	12,952
Accounts payable	592	4,436
Accrued salaries and benefits	(29,586)	3,807
Deferred revenue	<u>19,368</u>	
Net cash provided (used) by operating activities	<u>(8,515)</u>	<u>108,011</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net purchase of certificates of deposit	(1,198)	(1,349)
Purchase of property and equipment	(34,013)	(14,828)
Proceeds from sale of property and equipment	<u>5,485</u>	
Net cash used by investing activities	<u>(29,726)</u>	<u>(16,177)</u>
NET CHANGE IN CASH	(38,241)	91,834
Cash, beginning of year	<u>476,387</u>	<u>384,553</u>
Cash, end of year	<u>\$ 438,146</u>	<u>\$ 476,387</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Notes to Financial Statements for the years ended December 31, 2013 and 2012

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Fort Bend Seniors Meals on Wheels & Much, Much More!, d.b.a. Fort Bend Seniors Meals on Wheels (Fort Bend Seniors) was organized as a Texas nonprofit corporation in 1976, and is located in Rosenberg, Texas. Fort Bend Seniors provides meals on wheels services, homemaker services, and nutritious meals to senior citizens at eight centers throughout Fort Bend and Waller counties. These programs are supported by government contracts and contributions.

Federal income tax status – Fort Bend Seniors is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). Fort Bend Seniors files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. Fort Bend Seniors believes it is no longer subject to examinations of returns for tax years ended before December 31, 2010.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts outstanding are expected to be collected within one year.

Certificates of deposit are non-negotiable, timed bank deposits reported at face value plus accrued interest.

Property and equipment are reported at cost if purchased and at estimated fair value at the date of gift if donated. Property and equipment purchases over \$500 are capitalized. Depreciation is calculated on a straight-line basis over estimated useful lives of 5 to 10 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Government contract revenue is recognized in the period in which the related services are provided. Revenue received in advance is reported as deferred revenue.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support.

In-kind contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions of services and the related expenses are recognized when services received (a)

create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In 2013 and 2012, Fort Bend Seniors received approximately \$192,000 and \$163,000, respectively, in contributed facility rent for various locations that is recorded as program service expense. In 2013 and 2012, Fort Bend Seniors received approximately \$142,000 and \$129,000, respectively, in contributed transportation services from Fort Bend County (the County) that are recorded as program service expense.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among functions. Actual results could vary from the estimates that were used.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2013</u>	<u>2012</u>
Vehicles	\$ 359,122	\$ 329,762
Land	301,982	301,982
Furniture and equipment	<u>73,333</u>	<u>67,455</u>
Total property and equipment, at cost	734,437	699,199
Accumulated depreciation	<u>(303,508)</u>	<u>(286,552)</u>
Property and equipment, net	<u>\$ 430,929</u>	<u>\$ 412,647</u>

NOTE 3 – NOTE PAYABLE

In August 2011, Fort Bend Seniors entered into a promissory note payable of \$286,221 with a bank to purchase land. The note is due in July 2014. The note bears interest at 5% and is collateralized by certificates of deposit. Interest expense totaled approximately \$15,000 in 2013 and in 2012. The Treasurer of the Board of Directors is an officer of the bank providing the loan.

NOTE 4 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Undesignated	\$ 456,329	\$ 405,483
Board-designated for emergency reserve fund	600,000	600,000
Invested in property and equipment, net of related debt	<u>144,708</u>	<u>126,426</u>
Total unrestricted net assets	<u>\$ 1,201,037</u>	<u>\$ 1,131,909</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2013</u>	<u>2012</u>
Future program services	\$ 422,172	\$ 422,172
Meals on Wheels program	50,020	55,626
Waller County meal programs	40,000	40,473
Assistance to Seniors	6,000	12,512
Senior hunger program		34,386
Other	<u>10,264</u>	<u>9,330</u>
Total temporarily restricted net assets	<u>\$ 528,456</u>	<u>\$ 574,499</u>

NOTE 6 – GOVERNMENT CONTRACTS

Government funded contracts are from the following sources:

	<u>2013</u>	<u>2012</u>
U. S. Department of Health and Human Services:		
Passed through Houston-Galveston Area Council	\$ 687,681	\$ 795,652
Passed through other local government agencies	68,866	66,773
Texas Department of Agriculture	236,500	250,686
Federal Emergency Management Administration	45,426	29,013
Texas Veterans Commission		62,579
Other	<u>53,121</u>	<u>30,683</u>
Total government contracts	<u>\$ 1,091,594</u>	<u>\$ 1,235,386</u>

Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred.

At December 31, 2013, approximately 72% of the government contract receivables are from one contract.

NOTE 7 – OCCUPANCY AGREEMENT

In December 2013, Fort Bend Seniors entered into an occupancy agreement with the County for the Bud O’Sheiles Community Center. The lease term is 10 years with an option to renew for an additional 15 years. The County will provide up to \$1,500,000 in bridge funding to construct an administration building and a kitchen expansion and Fort Bend Seniors will pay the County up to \$1,500,000 for these construction costs at an interest rate of 2% due in full by December 31, 2023. Fort Bend Seniors will pay as rent to the County an annual payment of \$1 and an additional \$100 per month upon completion of the administration building. Fort Bend Seniors will also pay a monthly maintenance fee for the administration building to the County. The lease agreement is cancelable by either party with 36-months notice.

NOTE 8 – SUBSEQUENT EVENTS

In February 2014, Fort Bend Seniors entered into a consulting services agreement for its capital campaign for \$153,000.

Management has evaluated subsequent events through April 4, 2014, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
