

Fort Bend Seniors Meals on Wheels

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2016 and 2015

Fort Bend Seniors Meals on Wheels

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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, 2016 and 2015 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, 2016 and 2015 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 25, 2017

Fort Bend Seniors Meals on Wheels

Statements of Financial Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 1,172,576	\$ 370,246
Government contracts receivable	195,533	180,258
Pledges receivable for operations (<i>Note 2</i>):		
United Way allocation	397,346	413,728
Other	113,658	95,450
Prepaid expenses	20,697	19,753
Certificates of deposit	811,415	807,057
Cash restricted for capital campaign		706,883
Pledges receivable for capital campaign (<i>Note 2</i>)	743,291	1,050,252
Property and equipment, net (<i>Note 3</i>)	<u>1,771,842</u>	<u>1,321,217</u>
TOTAL ASSETS	<u>\$ 5,226,358</u>	<u>\$ 4,964,844</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 124,736	\$ 154,598
Accrued salaries and benefits	17,446	15,780
Deferred revenue	18,084	18,189
Note payable to Fort Bend County (<i>Note 4</i>)	<u>1,439,443</u>	<u>1,143,629</u>
Total liabilities	<u>1,599,709</u>	<u>1,332,196</u>
Net assets:		
Unrestricted (<i>Note 5</i>)	2,779,262	1,313,369
Temporarily restricted (<i>Note 6</i>)	<u>847,387</u>	<u>2,319,279</u>
Total net assets	<u>3,626,649</u>	<u>3,632,648</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,226,358</u>	<u>\$ 4,964,844</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Activities for the year ended December 31, 2016

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government contracts <i>(Note 7)</i>	\$ 1,332,360		\$ 1,332,360
Contributions	286,901	\$ 352,096	638,997
Capital campaign contributions		323,915	323,915
United Way allocation	11,897	397,342	409,239
In-kind contributions	364,565		364,565
Special events	169,484		169,484
Direct donor benefit costs of special events	(22,178)		(22,178)
Other income	<u>6,716</u>		<u>6,716</u>
Total revenue	2,149,745	1,073,353	3,223,098
Net assets released from restrictions:			
Expiration of time restrictions	415,478	(415,478)	
Program expenditures	293,942	(293,942)	
Capital campaign expenditures	<u>1,835,825</u>	<u>(1,835,825)</u>	
Total	<u>4,694,990</u>	<u>(1,471,892)</u>	<u>3,223,098</u>
EXPENSES:			
Program services:			
Meals on Wheels	1,615,758		1,615,758
Senior centers	727,817		727,817
Transportation services	<u>296,377</u>		<u>296,377</u>
Total program services	2,639,952		2,639,952
Management and general	340,931		340,931
Fundraising	<u>248,214</u>		<u>248,214</u>
Total expenses	<u>3,229,097</u>		<u>3,229,097</u>
CHANGES IN NET ASSETS	1,465,893	(1,471,892)	(5,999)
Net assets, beginning of year	<u>1,313,369</u>	<u>2,319,279</u>	<u>3,632,648</u>
Net assets, end of year	<u>\$ 2,779,262</u>	<u>\$ 847,387</u>	<u>\$ 3,626,649</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Activities for the year ended December 31, 2015

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government contracts (<i>Note 7</i>)	\$ 1,346,764		\$ 1,346,764
Contributions	96,848	\$ 348,772	445,620
Capital campaign contributions		392,050	392,050
United Way allocation	30,700	413,728	444,428
In-kind contributions	352,388		352,388
Special events	147,374		147,374
Direct donor benefit costs of special events	(24,267)		(24,267)
Other income	<u>10,175</u>		<u>10,175</u>
Total revenue	1,959,982	1,154,550	3,114,532
Net assets released from restrictions:			
Expiration of time restrictions	488,422	(488,422)	
Program expenditures	407,591	(407,591)	
Capital campaign expenditures	<u>290,074</u>	<u>(290,074)</u>	
Total	<u>3,146,069</u>	<u>(31,537)</u>	<u>3,114,532</u>
EXPENSES:			
Program services:			
Meals on Wheels	1,416,749		1,416,749
Senior centers	596,121		596,121
Transportation services	<u>292,620</u>		<u>292,620</u>
Total program services	2,305,490		2,305,490
Management and general	272,919		272,919
Fundraising	<u>230,491</u>		<u>230,491</u>
Total expenses	<u>2,808,900</u>		<u>2,808,900</u>
CHANGES IN NET ASSETS	337,169	(31,537)	305,632
Net assets, beginning of year	<u>976,200</u>	<u>2,350,816</u>	<u>3,327,016</u>
Net assets, end of year	<u>\$ 1,313,369</u>	<u>\$ 2,319,279</u>	<u>\$ 3,632,648</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Functional Expenses for the year ended December 31, 2016

	MEALS ON WHEELS	SENIOR CENTERS	TRANSPORTATION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Food	\$ 891,177	\$ 255,177				\$ 1,146,354
Salaries and related expenses	454,246	171,322	\$ 27,858	\$ 232,098	\$ 157,709	1,043,233
Transportation			264,067			264,067
Occupancy	32,243	196,342				228,585
Depreciation	80,533	28,444	1,509	31,197	15,498	157,181
Professional fees and contract services	33,079	11,445	1,332	28,445	14,854	89,155
Supplies	7,268	17,980	215	6,089	39,603	71,155
Travel	35,799	3,421	8	10,076	5,541	54,845
Insurance	21,524	3,086	529	5,141	2,372	32,652
Rental and maintenance of equipment	22,555	1,188	169	1,949	1,190	27,051
Interest	9,492	2,738	326	9,043		21,599
Communications	9,332	4,007	268	3,535	2,618	19,760
Postage and shipping	8,765	126		338	1,088	10,317
Conferences and meetings	1,118	604		4,275	1,068	7,065
Membership dues	791	46	8	3,628	512	4,985
Assistance to individuals	4,280					4,280
Printing and publishing	227	124		344	842	1,537
Other	3,329	31,767	88	4,773	5,319	45,276
Total expenses	<u>\$ 1,615,758</u>	<u>\$ 727,817</u>	<u>\$ 296,377</u>	<u>\$ 340,931</u>	<u>\$ 248,214</u>	3,229,097
Direct donor benefit costs of special events						<u>22,178</u>
Total						<u>\$ 3,251,275</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Functional Expenses for the year ended December 31, 2015

	MEALS ON WHEELS	SENIOR CENTERS	TRANSPORTATION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Food	\$ 864,117	\$ 261,644				\$ 1,125,761
Salaries and related expenses	333,724	124,147	\$ 24,043	\$ 185,412	\$ 144,831	812,157
Transportation			265,497			265,497
Occupancy	38,481	162,946	221	3,431	3,145	208,224
Depreciation	28,293	1,995	16	2,188	870	33,362
Professional fees and contract services	30,530	10,801	1,661	36,396	50,254	129,642
Supplies	4,489	7,271	145	3,739	9,131	24,775
Travel	38,702	2,848	37	11,214	5,395	58,196
Insurance	19,635	2,127	385	3,861	1,486	27,494
Rental and maintenance of equipment	30,262	662	161	947	425	32,457
Communications	6,551	4,062	318	1,797	1,335	14,063
Postage and shipping	7,994	158	3	770	676	9,601
Conferences and meetings	1,030	210		1,359	1,055	3,654
Membership dues	1,315	24	5	1,643	409	3,396
Assistance to individuals	7,764					7,764
Printing and publishing	107	76		557	3,043	3,783
Other	3,755	17,150	128	19,605	8,436	49,074
Total expenses	<u>\$ 1,416,749</u>	<u>\$ 596,121</u>	<u>\$ 292,620</u>	<u>\$ 272,919</u>	<u>\$ 230,491</u>	2,808,900
Direct donor benefit costs of special events						<u>24,267</u>
Total						<u>\$ 2,833,167</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statements of Cash Flows for the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (5,999)	\$ 305,632
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	156,883	33,362
Contributions restricted for capital campaign		(392,050)
Gain on sale of property and equipment		(5,289)
Changes in operating assets and liabilities:		
Government contracts receivable	(15,275)	40,343
Pledges receivable for operations	(1,826)	70,244
Prepaid expenses	(944)	(5,121)
Accounts payable	(29,862)	15,283
Accrued salaries and benefits	1,666	2,462
Deferred revenue	(105)	1,134
Net cash provided by operating activities	<u>104,538</u>	<u>66,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in cash restricted for capital improvements and program expansion	706,883	(556,883)
Net purchase of certificates of deposit	(4,358)	(202,191)
Purchase of property and equipment and capitalized interest	(311,694)	(121,045)
Proceeds from sale of property and equipment	<u> </u>	<u>307,271</u>
Net cash provided (used) by investing activities	<u>390,831</u>	<u>(572,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital campaign	306,961	874,133
Repayment of note payable	<u> </u>	<u>(286,221)</u>
Net cash provided by financing activities	<u>306,961</u>	<u>587,912</u>
NET CHANGE IN CASH	802,330	81,064
Cash, beginning of year	<u>370,246</u>	<u>289,182</u>
Cash, end of year	<u>\$ 1,172,576</u>	<u>\$ 370,246</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$36,910	\$15,504
Construction financed by Fort Bend County	\$295,814	\$1,000,524

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Notes to Financial Statements for the years ended December 31, 2016 and 2015

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 and nutritious meals to senior citizens at eleven 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).

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. Pledges receivable that are expected to be collected after one year are discounted to estimate the present value of future cash flows.

Certificates of deposit are non-negotiable, bank timed 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 15 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 2016 and 2015, Fort Bend Seniors received approximately \$226,000 and \$208,000, respectively, in contributed facility rent for various locations that is reflected as program service expense. In 2016 and 2015, Fort Bend Seniors recognized approximately \$135,000 and \$144,000, respectively, in contributed transportation services from Fort Bend County (the County) that are reflected 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.

Special events revenue is recognized when the event occurs. Amounts received in advance are reported as deferred revenue until earned. Direct donor benefit costs represent the expenses recognized for food, beverages, facility rental, entertainment, and decorations.

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.

Recent financial accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Qualitative and quantitative disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. Fort Bend Seniors has not yet determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – PLEDGES RECEIVABLE

In 2014, Fort Bend Seniors initiated a capital campaign, *A New Era of Serving Our Seniors*. The campaign seeks to raise \$3 million to renovate the Bud O’Shieles Community Center, construct a new administrative building, add a dedicated kitchen for Meals on Wheels, and expand the program.

Pledges receivable are as follows:

	<u>2016</u>	<u>2015</u>
Pledges receivable for capital campaign	\$ 800,300	\$ 1,074,167
Pledges receivable for operations	<u>511,004</u>	<u>509,178</u>
Total	1,311,304	1,583,345
Discount to net present value at approximately 2% (capital campaign)	<u>(57,009)</u>	<u>(23,915)</u>
Pledges receivable, net	<u>\$ 1,254,295</u>	<u>\$ 1,559,430</u>

Pledges receivable at December 31, 2016 are expected to be collected as follows:

2017	\$ 611,304
2018	100,000
2019	100,000
2020	100,000
2021	100,000
Thereafter	<u>300,000</u>
Total pledges receivable	<u>\$ 1,311,304</u>

Concentration – In fiscal year 2016, \$187,500 or approximately 20% of contributions, excluding the United Way allocation, was from one donor. At December 31, 2016, approximately 92% of pledges receivable are due from two donors. At December 31, 2015, approximately 97% of pledges receivable are due from three donors.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Vehicles	\$ 266,092	\$ 266,092
Furniture and equipment	292,598	191,813
Construction in progress		1,143,629
Leasehold improvement	<u>1,650,352</u>	<u> </u>
Total property and equipment, at cost	2,209,042	1,601,534
Accumulated depreciation	<u>(437,200)</u>	<u>(280,317)</u>
Property and equipment, net	<u>\$ 1,771,842</u>	<u>\$ 1,321,217</u>

NOTE 4 – 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. Fort Bend Seniors pays annual rent to the County of \$1 for the Bud O'Sheiles Community Center and an additional annual rent of \$1,200 upon completion of the administration building. Fort Bend Seniors pays a monthly maintenance fee to the County for the administration building. The lease agreement is cancelable by either party with 36-months notice. Additionally, the County provided up to

\$1,500,000 in a bridge loan to construct an administration building and a kitchen expansion at an interest rate of 2% due in full by December 31, 2023. The outstanding balance on the loan was \$1,439,443 at December 31, 2016 and \$1,143,629 at December 31, 2015. Interest expense of approximately \$21,600 was recognized in fiscal year 2016. Interest expense of approximately \$11,000 was capitalized in fiscal year 2015.

NOTE 5 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Undesignated	\$ 1,846,863	\$ 535,781
Board-designated for emergency reserve fund	600,000	600,000
Invested in property and equipment, net of related debt	<u>332,399</u>	<u>177,588</u>
Total unrestricted net assets	<u>\$ 2,779,262</u>	<u>\$ 1,313,369</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Future program services	\$ 427,343	\$ 415,478
Capital campaign expansion	295,315	1,807,226
Meals on Wheels program	73,631	52,644
Waller County meal programs	40,000	40,000
Other	<u>11,098</u>	<u>3,931</u>
Total temporarily restricted net assets	<u>\$ 847,387</u>	<u>\$ 2,319,279</u>

NOTE 7 – GOVERNMENT CONTRACTS

Fort Bend Seniors is party to agreements with government agencies. Should these agreements not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant government revenue recognized during the years ended December 31, 2016 and 2015 include the following:

	<u>2016</u>	<u>2015</u>
U. S. Department of Health and Human Services:		
Passed through Houston-Galveston Area Council	\$ 888,440	\$ 933,431
Passed through other local government agencies	77,562	62,922
Texas Department of Agriculture	237,728	240,172
Texas Veterans Commission	50,000	
Federal Emergency Management Administration	48,013	30,918
Other	<u>30,617</u>	<u>79,321</u>
Total government contracts	<u>\$ 1,332,360</u>	<u>\$ 1,346,764</u>

Grants from governmental funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by Fort Bend Seniors with the terms of the contracts. Management believes such disallowances, if any, would not be material to Fort Bend Seniors' financial position or changes in net assets.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 25, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
