

Fort Bend Seniors Meals on Wheels

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2014 and 2013

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, 2014 and 2013 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.

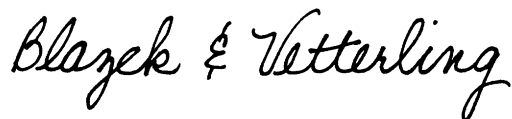
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2014 and 2013 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.



April 27, 2015

Fort Bend Seniors Meals on Wheels

Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 289,182	\$ 438,146
Government contracts receivable	220,601	165,150
Pledges receivable (Note 2):		
United Way allocation	422,172	422,172
Other	157,250	100,895
Prepaid expenses	14,632	13,955
Certificates of deposit	604,866	603,899
Cash restricted for property expansion	150,000	
Pledges receivable for property expansion (Note 2)	1,532,335	
Property and equipment, net (Note 3)	<u>534,992</u>	<u>430,929</u>
TOTAL ASSETS	<u>\$ 3,926,030</u>	<u>\$ 2,175,146</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 139,315	\$ 126,503
Accrued salaries and benefits	13,318	13,561
Deferred revenue	17,055	19,368
Note payable (Note 4)	286,221	286,221
Note payable to Fort Bend County (Note 5)	<u>143,105</u>	<u> </u>
Total liabilities	<u>599,014</u>	<u>445,653</u>
Commitments (Note 5)		
Net assets:		
Unrestricted (Note 6)	976,200	1,201,037
Temporarily restricted (Note 7)	<u>2,350,816</u>	<u>528,456</u>
Total net assets	<u>3,327,016</u>	<u>1,729,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,926,030</u>	<u>\$ 2,175,146</u>

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Statement of Activities for the year ended December 31, 2014

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government contracts <i>(Note 8)</i>	\$ 1,150,499		\$ 1,150,499
Contributions	11,147	\$ 2,222,186	2,233,333
United Way allocation	20,188	422,172	442,360
In-kind contributions	341,389		341,389
Special events	187,798		187,798
Direct donor benefit costs of special events	(25,822)		(25,822)
Other income	<u>1,618</u>		<u>1,618</u>
Total revenue	1,686,817	2,644,358	4,331,175
Net assets released from restrictions:			
Expiration of time restrictions	482,172	(482,172)	
Program expenditures	326,076	(326,076)	
Capital expenditures	<u>13,750</u>	<u>(13,750)</u>	
Total	<u>2,508,815</u>	<u>1,822,360</u>	<u>4,331,175</u>
EXPENSES:			
Program services:			
Meals on Wheels	1,390,845		1,390,845
Senior centers	505,575		505,575
Transportation services	<u>282,746</u>		<u>282,746</u>
Total program services	2,179,166		2,179,166
Management and general	229,239		229,239
Fundraising	<u>325,247</u>		<u>325,247</u>
Total expenses	<u>2,733,652</u>		<u>2,733,652</u>
CHANGES IN NET ASSETS	(224,837)	1,822,360	1,597,523
Net assets, beginning of year	<u>1,201,037</u>	<u>528,456</u>	<u>1,729,493</u>
Net assets, end of year	<u>\$ 976,200</u>	<u>\$ 2,350,816</u>	<u>\$ 3,327,016</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>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government contracts <i>(Note 8)</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>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>	
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>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>208,788</u>
Total expenses	<u>2,479,745</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 Functional Expenses for the year ended December 31, 2014

	MEALS ON WHEELS	SENIOR CENTERS	TRANSPORTATION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Food	\$ 816,308	\$ 220,629				\$ 1,036,937
Salaries and related expenses	325,330	114,546	\$ 28,702	\$ 156,571	\$ 73,660	698,809
Professional fees and contract services	29,228	8,879	2,171	21,770	214,760	276,808
Transportation			250,353			250,353
Occupancy	50,245	134,509		673	2,299	187,726
Travel	54,035	3,447	119	9,145	2,020	68,766
Depreciation	36,505	2,358	90	1,697	1,199	41,849
Insurance	19,823	1,893	456	3,369	1,357	26,898
Supplies	5,761	1,327	248	2,986	15,905	26,227
Rental and maintenance of equipment	22,760	563	157	1,076	762	25,318
Interest				14,551		14,551
Communications	6,486	3,723	342	1,595	1,868	14,014
Postage and shipping	7,836	38	11	892	1,819	10,596
Assistance to individuals	10,479	100				10,579
Conferences and meetings	280	291		3,757	40	4,368
Printing and publishing	1,302			993	1,272	3,567
Membership dues	1,516	22	6	1,619	225	3,388
Other	2,951	13,250	91	8,545	8,061	32,898
Total expenses	<u>\$ 1,390,845</u>	<u>\$ 505,575</u>	<u>\$ 282,746</u>	<u>\$ 229,239</u>	<u>\$ 325,247</u>	2,733,652
Direct donor benefit costs of special events						<u>25,822</u>
Total						<u>\$ 2,759,474</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
Professional fees and contract services	26,794	9,997	2,206	18,266	12,754	70,017
Transportation			253,052			253,052
Occupancy	49,611	139,912	208	673	1,999	192,403
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
Communications	6,240	3,509	297	1,585	1,961	13,592
Postage and shipping	6,320	687	16	610	1,353	8,986
Assistance to individuals	12,085	1,579				13,664
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	1,866	7,357	78	3,775	5,181	18,257
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

Statements of Cash Flows for the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,597,523	\$ 23,085
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	41,849	38,095
Contributions restricted for property expansion	(1,719,000)	
Contributed property and equipment		(22,364)
Gain on sale of property and equipment		(5,485)
Changes in operating assets and liabilities:		
Government contracts receivable	(55,451)	(29,756)
Pledges receivable (operating only)	(32,440)	
Prepaid expenses	(677)	(2,464)
Accounts payable	12,812	592
Accrued salaries and benefits	(243)	(29,586)
Deferred revenue	<u>(2,313)</u>	<u>19,368</u>
Net cash used by operating activities	<u>(157,940)</u>	<u>(8,515)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in cash restricted for property expansion	(150,000)	
Net purchase of certificates of deposit	(967)	(1,198)
Purchase of property and equipment	(2,807)	(34,013)
Proceeds from sale of property and equipment	<u> </u>	<u>5,485</u>
Net cash used by investing activities	<u>(153,774)</u>	<u>(29,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for property expansion	<u>162,750</u>	
NET CHANGE IN CASH	(148,964)	(38,241)
Cash, beginning of year	<u>438,146</u>	<u>476,387</u>
Cash, end of year	<u>\$ 289,182</u>	<u>\$ 438,146</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$14,551	\$14,788
Construction in progress financed by Fort Bend County	\$143,105	

See accompanying notes to financial statements.

Fort Bend Seniors Meals on Wheels

Notes to Financial Statements for the years ended December 31, 2014 and 2013

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, 2011.

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, 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 2014 and 2013, Fort Bend Seniors received approximately \$187,000 and \$192,000, respectively, in contributed facility rent for various locations that is recorded as program service expense. In 2014 and 2013, Fort Bend Seniors received approximately \$141,000 and \$142,000, 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 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2014</u>	<u>2013</u>
Pledges receivable for property expansion	\$ 1,556,250	
Pledges receivable for operations	579,422	\$ 523,067
Discount to net present value at approximately 2%	<u>(23,915)</u>	<u> </u>
Pledges receivable, net	<u>\$ 2,111,757</u>	<u>\$ 523,067</u>

Pledges receivable at December 31, 2014 are expected to be collected as follows:

2015	\$ 1,007,672
2016	209,833
2017	209,833
2018	208,334
2019	100,000
Thereafter	<u>400,000</u>
Total pledges receivable	<u>\$ 2,135,672</u>

Concentration – In 2014, \$1,650,000 or approximately 75% of contributions was from two donors. At December 31, 2014, approximately 90% of pledges receivable are due from two contributors. At December 31, 2013, approximately 89% of pledges receivable are due from two contributors.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Vehicles	\$ 312,607	\$ 359,122
Land	301,982	301,982
Construction in progress	143,105	
Furniture and equipment	<u>70,769</u>	<u>73,333</u>
Total property and equipment, at cost	828,463	734,437
Accumulated depreciation	<u>(293,471)</u>	<u>(303,508)</u>
Property and equipment, net	<u>\$ 534,992</u>	<u>\$ 430,929</u>

NOTE 4 – 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 2015. The note bears interest at 5% and is collateralized by certificates of deposit. Interest expense totaled approximately \$15,000 in 2014 and 2013. The Treasurer of the Board of Directors is an officer of the bank providing the loan.

NOTE 5 – 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. As of December 31, 2014, \$143,105 is payable to the County under this agreement.

NOTE 6 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Undesignated	\$ 270,534	\$ 456,329
Board-designated for emergency reserve fund	600,000	600,000
Invested in property and equipment, net of related debt	<u>105,666</u>	<u>144,708</u>
Total unrestricted net assets	<u>\$ 976,200</u>	<u>\$ 1,201,037</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Building Expansion	\$ 1,705,250	
Future program services	489,422	\$ 422,172
Meals on Wheels program	108,455	50,020
Waller County meal programs	40,000	40,000
Assistance to Seniors		6,000
Other	<u>7,689</u>	<u>10,264</u>
Total temporarily restricted net assets	<u>\$ 2,350,816</u>	<u>\$ 528,456</u>

NOTE 8 – GOVERNMENT CONTRACTS

Government funded contracts are from the following sources:

	<u>2014</u>	<u>2013</u>
U. S. Department of Health and Human Services:		
Passed through Houston-Galveston Area Council	\$ 779,731	\$ 687,681
Passed through other local government agencies	74,229	68,866
Texas Department of Agriculture	228,987	236,500
Federal Emergency Management Administration	15,000	45,426
Other	<u>52,552</u>	<u>53,121</u>
Total government contracts	<u>\$ 1,150,499</u>	<u>\$ 1,091,594</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.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2015, 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.