

**Fort Bend Seniors Meals on Wheels**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2017 and 2016

# 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:

### Report on the Financial Statements

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, 2017 and 2016 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. Our audit as of and for the year ended December 31, 2017 was also conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017 and 2016 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.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018 on our consideration of Fort Bend Seniors Meals on Wheels' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fort Bend Seniors Meals on Wheels' 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 Fort Bend Seniors Meals on Wheels' internal control over financial reporting and compliance.

*Blazek & Vetterling*

April 23, 2018

## Fort Bend Seniors Meals on Wheels

Statements of Financial Position as of December 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 613,697	\$ 1,172,576
Government awards receivable	198,321	195,533
Pledges receivable for operations ( <i>Note 2</i> ):		
United Way allocation	389,395	397,346
Other	43,622	113,658
Prepaid expenses	25,794	20,697
Certificates of deposit	612,898	811,415
Pledges receivable for capital campaign ( <i>Note 2</i> )	681,944	743,291
Property and equipment, net ( <i>Note 3</i> )	<u>1,725,810</u>	<u>1,771,842</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,291,481</u></b>	<b><u>\$ 5,226,358</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 132,818	\$ 124,736
Accrued salaries and benefits	18,790	17,446
Deferred revenue	20,416	18,084
Accrued interest on note payable	47,901	36,910
Note payable to Fort Bend County ( <i>Note 4</i> )	<u>718,753</u>	<u>1,402,533</u>
Total liabilities	<u>938,678</u>	<u>1,599,709</u>
Net assets:		
Unrestricted ( <i>Note 5</i> )	2,709,156	2,779,262
Temporarily restricted ( <i>Note 6</i> )	<u>643,647</u>	<u>847,387</u>
Total net assets	<u>3,352,803</u>	<u>3,626,649</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,291,481</u></b>	<b><u>\$ 5,226,358</u></b>

*See accompanying notes to financial statements.*

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## Fort Bend Seniors Meals on Wheels

Statement of Activities for the year ended December 31, 2017

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	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government awards ( <i>Note 7</i> )	\$ 1,330,884		\$ 1,330,884
Contributions	421,516	\$ 503,490	925,006
Capital campaign contributions		66,497	66,497
United Way allocation	15,948	389,393	405,341
In-kind contributions	334,485		334,485
Other income	<u>9,181</u>		<u>9,181</u>
Total revenue	2,112,014	959,380	3,071,394
Net assets released from restrictions:			
Expiration of time restrictions	427,342	(427,342)	
Program expenditures	422,861	(422,861)	
Capital campaign expenditures	<u>312,917</u>	<u>(312,917)</u>	
Total	<u>3,275,134</u>	<u>(203,740)</u>	<u>3,071,394</u>
EXPENSES:			
Program services:			
Meals on Wheels	1,632,169		1,632,169
Senior centers	735,601		735,601
Transportation services	<u>265,754</u>		<u>265,754</u>
Total program services	2,633,524		2,633,524
Management and general	399,950		399,950
Fundraising	<u>311,766</u>		<u>311,766</u>
Total expenses	<u>3,345,240</u>		<u>3,345,240</u>
CHANGES IN NET ASSETS	(70,106)	(203,740)	(273,846)
Net assets, beginning of year	<u>2,779,262</u>	<u>847,387</u>	<u>3,626,649</u>
Net assets, end of year	<u>\$ 2,709,156</u>	<u>\$ 643,647</u>	<u>\$ 3,352,803</u>

*See accompanying notes to financial statements.*

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## Fort Bend Seniors Meals on Wheels

Statement of Activities for the year ended December 31, 2016

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	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government awards ( <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.*

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## Fort Bend Seniors Meals on Wheels

Statement of Functional Expenses for the year ended December 31, 2017

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	MEALS ON WHEELS	SENIOR CENTERS	TRANSPORTATION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 490,688	\$ 197,768	\$ 21,383	\$ 279,320	\$ 151,915	\$ 1,141,074
Food	822,913	230,216				1,053,129
Occupancy	35,039	200,449		6,729	154	242,371
Depreciation	94,922	20,298	2,001	36,694	20,071	173,986
Transportation			239,270			239,270
Professional fees and contract services	38,647	18,028	1,587	31,114	48,765	138,141
Supplies	8,349	3,042	165	5,610	66,245	83,411
Travel	40,066	5,056	12	9,444	3,356	57,934
Rental and maintenance of equipment	37,467	1,299	182	2,829	1,394	43,171
Insurance	23,968	3,227	499	5,865	2,297	35,856
Interest	11,315	2,392	285	5,082	2,917	21,991
Communications	10,095	4,449	266	3,933	2,969	21,712
Postage and shipping	5,165	123	2	299	1,195	6,784
Conferences and meetings	3,453	999		1,502	392	6,346
Printing and publishing	734	76		1,125	3,212	5,147
Assistance to individuals	4,782					4,782
Membership dues	1,366	46	8	1,926	552	3,898
Other	3,200	48,133	94	8,478	6,332	66,237
Total	<u>\$ 1,632,169</u>	<u>\$ 735,601</u>	<u>\$ 265,754</u>	<u>\$ 399,950</u>	<u>\$ 311,766</u>	<u>\$ 3,345,240</u>

*See accompanying notes to financial statements.*

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## 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
Salaries and related expenses	\$ 454,246	\$ 171,322	\$ 27,858	\$ 232,098	\$ 157,709	\$ 1,043,233
Food	891,177	255,177				1,146,354
Occupancy	32,243	196,342				228,585
Depreciation	80,533	28,444	1,509	31,197	15,498	157,181
Transportation			264,067			264,067
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
Rental and maintenance of equipment	22,555	1,188	169	1,949	1,190	27,051
Insurance	21,524	3,086	529	5,141	2,372	32,652
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
Printing and publishing	227	124		344	842	1,537
Assistance to individuals	4,280					4,280
Membership dues	791	46	8	3,628	512	4,985
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

Statements of Cash Flows for the years ended December 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (273,846)	\$ (5,999)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Capital campaign contributions	(66,497)	
Depreciation	173,986	156,883
Changes in operating assets and liabilities:		
Government awards receivable	(2,788)	(15,275)
Pledges receivable for operations	77,987	(1,826)
Prepaid expenses	(5,097)	(944)
Accounts payable and accrued interest	19,073	(29,862)
Accrued salaries and benefits	1,344	1,666
Deferred revenue	<u>2,332</u>	<u>(105)</u>
Net cash provided (used) by operating activities	<u>(73,506)</u>	<u>104,538</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in certificates of deposit	198,517	(4,358)
Purchase of property and equipment and capitalized interest	(109,201)	(311,694)
Change in cash restricted for capital improvements and program expansion	<u>          </u>	<u>706,883</u>
Net cash provided by investing activities	<u>89,316</u>	<u>390,831</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from capital campaign contributions	127,844	306,961
Repayment of note payable to Fort Bend County	<u>(702,533)</u>	<u>          </u>
Net cash provided (used) by financing activities	<u>(574,689)</u>	<u>306,961</u>
<b>NET CHANGE IN CASH</b>	<b>(558,879)</b>	<b>802,330</b>
Cash, beginning of year	<u>1,172,576</u>	<u>370,246</u>
Cash, end of year	<u>\$ 613,697</u>	<u>\$ 1,172,576</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$11,000	\$36,910
Construction financed by Fort Bend County	\$18,753	\$295,814

*See accompanying notes to financial statements.*

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## Fort Bend Seniors Meals on Wheels

Notes to Financial Statements for the years ended December 31, 2017 and 2016

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### 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 delivered meals through its Meals on Wheels program and also serves 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).

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 awards 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 2017 and 2016, Fort Bend Seniors received approximately \$235,000 and \$226,000, respectively, in contributed facility rent for various locations that is reflected as program service expense. In 2017 and 2016, Fort Bend Seniors recognized approximately \$89,000 and \$135,000, 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 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 Fort Bend Seniors in fiscal year 2018. 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. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for Fort Bend Seniors for fiscal year 2020.

## **NOTE 2 – PLEDGES RECEIVABLE**

In 2014, Fort Bend Seniors initiated a capital campaign, *A New Era of Serving Our Seniors*, to raise \$3 million for renovation of the Bud O’Shieles Community Center, construction of a new administrative building and a dedicated kitchen for Meals on Wheels, and for expansion of the program. The capital campaign ended in October 2017.

Pledges receivable are as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable for capital campaign	\$ 725,000	\$ 800,300
Pledges receivable for operations	<u>433,017</u>	<u>511,004</u>
Total	1,158,017	1,311,304
Discount to net present value at approximately 2% (capital campaign)	<u>(43,056)</u>	<u>(57,009)</u>
Pledges receivable, net	<u>\$ 1,114,961</u>	<u>\$ 1,254,295</u>

Pledges receivable at December 31, 2017 are expected to be collected as follows:

2018	\$ 558,017
2019	100,000
2020	100,000
2021	100,000
2022	100,000
Thereafter	<u>200,000</u>
Total pledges receivable	<u>\$ 1,158,017</u>

*Concentration* – In fiscal year 2017, \$175,000 or approximately 18% of contributions, excluding the United Way allocation, was from one donor. In fiscal year 2016, \$187,500 or approximately 20% of contributions, excluding the United Way allocation, was from one donor. At December 31, 2017, approximately 94% of pledges receivable are due from two donors. At December 31, 2016, approximately 92% of pledges receivable are due from two donors.

### **NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 267,208	\$ 266,092
Furniture and equipment	307,091	292,598
Leasehold improvement	<u>1,669,105</u>	<u>1,650,352</u>
Total property and equipment, at cost	2,243,404	2,209,042
Accumulated depreciation	<u>(517,594)</u>	<u>(437,200)</u>
Property and equipment, net	<u>\$ 1,725,810</u>	<u>\$ 1,771,842</u>

### **NOTE 4 – OCCUPANCY AGREEMENT**

In December 2013, Fort Bend Seniors entered into an occupancy agreement with the County for the Bud O’Shieles 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’Shieles Community Center and rent of \$1,200 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 \$718,753 at December 31, 2017 and \$1,402,533 at December 31, 2016. Interest expense of approximately \$21,990 and \$21,600 was recognized in fiscal years 2017 and 2016, respectively.

**NOTE 5 – UNRESTRICTED NET ASSETS**

Unrestricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Undesignated	\$ 1,102,099	\$ 1,809,953
Board-designated for emergency reserve fund	600,000	600,000
Invested in property and equipment, net of related debt	<u>1,007,057</u>	<u>369,309</u>
Total unrestricted net assets	<u>\$ 2,709,156</u>	<u>\$ 2,779,262</u>

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2017</u>	<u>2016</u>
Future program services	\$ 389,393	\$ 427,343
Disaster relief	95,529	
Meals on Wheels program	66,455	73,631
Capital campaign expansion	48,896	295,315
Waller County meal programs	40,000	40,000
Other	<u>3,374</u>	<u>11,098</u>
Total temporarily restricted net assets	<u>\$ 643,647</u>	<u>\$ 847,387</u>

**NOTE 7 – GOVERNMENT AWARDS**

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 are comprised of the following:

	<u>2017</u>	<u>2016</u>
Federal government awards:		
U. S. Department of Health and Human Services:		
Passed through Houston-Galveston Area Council	\$ 845,662	\$ 888,440
Passed through other local government agencies	36,660	30,617
U. S. Department of Housing and Urban Development:		
Passed through Fort Bend County	64,614	77,562
U. S. Department of Homeland Security	<u>55,335</u>	<u>48,013</u>
Total federal government awards	<u>1,002,271</u>	<u>1,044,632</u>
State government awards:		
Texas Department of Agriculture	263,573	237,728
Texas Veterans Commission	<u>65,040</u>	<u>50,000</u>
Total state government awards	<u>328,613</u>	<u>287,728</u>
Total government awards	<u>\$ 1,330,884</u>	<u>\$ 1,332,360</u>

Government awards require fulfillment of certain conditions as set forth in the agreements 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 non-compliance by Fort Bend Seniors with the terms of the agreements. Management believes such disallowances, if any, would not be material to Fort Bend Seniors' financial position or changes in net assets.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

In 2017, Fort Bend Seniors purchased two vehicles and repair and maintenance services totaling approximately \$53,000 from a car dealership whose owner is a board member of Fort Bend Seniors.

**NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 23, 2018, 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.

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