

MEALS ON WHEELS OF JOHNSON &  
ELLIS COUNTIES

Financial Statements &  
Independent Auditor's Report  
Year Ended September 30, 2017

Wood, Stephens & O'Neil, L.L.P.  
Certified Public Accountants

February 2, 2018

Unmodified Opinion on Financial Statements Accompanied by Other Information

Independent Auditor's Report

To the Management and Board of Trustees  
Meals on Wheels of Johnson & Ellis Counties

Report on the Financial Statements

We have audited the accompanying financial statements of Meals on Wheels of Johnson & Ellis Counties, a not-for-profit organization, which comprise the statement of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and 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.

Auditor's 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 and 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 the audit 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 auditor's 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 Meals on Wheels of Johnson & Ellis Counties as of September 30, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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.

*Wood, Stephens & O'Neil, L.L.P.*

# MEALS ON WHEELS OF JOHNSON & ELLIS COUNTIES

## STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
<b><u>ASSETS:</u></b>		
Cash and investments	\$ 498,109	\$ 614,171
Government grant receivables	186,123	152,012
Contributions receivable - temporarily restricted	100,000	136,444
United Way and other receivables	35,610	52,177
Inventory	1,333	2,665
Prepaid expenses	37,926	52,400
Property and equipment, net	239,245	530,394
<b>TOTAL ASSETS</b>	<u>\$ 1,098,346</u>	<u>\$ 1,540,263</u>
<b><u>LIABILITIES:</u></b>		
Accounts payable	135,886	61,283
Accrued expenses	57,105	52,119
Notes payable	70,266	99,450
<b>TOTAL LIABILITIES</b>	<u>263,257</u>	<u>212,852</u>
<b><u>NET ASSETS:</u></b>		
Unrestricted	712,589	814,502
Temporarily restricted	122,500	512,909
Permanently restricted	-	-
<b>TOTAL NET ASSETS</b>	<u>835,089</u>	<u>1,327,411</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 1,098,346</u>	<u>\$ 1,540,263</u>

The accompanying notes are an integral part of these financial statements.

# MEALS ON WHEELS OF JOHNSON & ELLIS COUNTIES

## STATEMENT OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b><u>CHANGES IN UNRESTRICTED NET ASSETS:</u></b>		
Revenues:		
Contributions	\$ 802,314	\$ 723,251
Contributions - in-kind	80,286	66,503
Federal and State government grants and contracts	832,309	975,214
Grants from Johnson and Ellis Counties	76,139	76,139
United Way support - unrestricted	6,008	9,234
Special events, net of direct expenses	152,909	151,030
Program and other income	50,005	50,424
Interest income	630	421
Net assets released from restrictions	445,954	129,273
<b>TOTAL UNRESTRICTED REVENUES</b>	<u>2,446,554</u>	<u>2,181,489</u>
Expenses:		
Program Services:		
Meal Program	1,673,496	1,644,606
Special Services	245,702	273,517
Kitchen capital campaign expenditures	262,660	31,773
Supporting Services:		
Management and administrative	96,196	106,403
Development	270,413	252,425
<b>TOTAL EXPENSES</b>	<u>2,548,467</u>	<u>2,308,724</u>
<b><u>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</u></b>	<u>(101,913)</u>	<u>(127,235)</u>
<b><u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u></b>		
United Way support - temporarily restricted	90,000	101,000
Kitchen capital campaign revenue "net" of write-offs	(34,455)	7,110
Net assets released from restrictions	(445,954)	(129,273)
<b><u>INCREASE (DECREASE) IN TEMP. REST. NET ASSETS</u></b>	<u>(390,409)</u>	<u>(21,163)</u>
<b><u>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</u></b>	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(492,322)	(148,398)
<b>NET ASSETS, at beginning of year</b>	1,327,411	1,475,809
<b>NET ASSETS, at end of year</b>	<u>\$ 835,089</u>	<u>\$ 1,327,411</u>

The accompanying notes are an integral part of these financial statements.

# MEALS ON WHEELS OF JOHNSON & ELLIS COUNTIES

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2017

	Mgt. and Administrative	Development	Meal Program	Special Services	Kitchen Capital Campaign	2017 Totals
Personnel	\$ 47,808	\$ 118,263	\$ 651,180	\$ 172,963	\$ -	\$ 990,214
Professional Development	6,202	1,000	4,460	-	-	11,662
Promotions & Outreach	7,295	131,290	3,304	-	-	141,889
Food Costs	-	-	773,953	21,551	-	795,504
Equipment Leasing & Maintenance	1,985	1,745	16,474	1,385	-	21,589
Materials & Supplies	2,315	2,705	34,846	27,071	-	66,937
Vehicles & Transportation	1,428	1,642	89,990	1,599	-	94,659
Contract Services	2,828	7,753	31,925	16,252	-	58,758
Other General & Administrative	18,584	2,599	36,889	2,151	10,611	70,834
Professional services - architects, engineering and appraisal fees	-	-	-	-	252,049	252,049
Occupancy Costs	7,751	3,416	30,475	2,730	-	44,372
<b>Total Expenses</b>	<b>\$ 96,196</b>	<b>\$ 270,413</b>	<b>\$ 1,673,496</b>	<b>\$ 245,702</b>	<b>\$ 262,660</b>	<b>\$ 2,548,467</b>

The accompanying notes are an integral part of these financial statements.

# MEALS ON WHEELS OF JOHNSON & ELLIS COUNTIES

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2016

	Mgt. and Administrative	Development	Meal Program	Special Services	Kitchen Capital Campaign	<b>2016 Totals</b>
Personnel	\$ 51,592	\$ 125,050	\$ 695,844	\$ 186,699	\$ -	<b>\$ 1,059,185</b>
Professional Development	8,344	1,451	4,437	-	-	<b>14,232</b>
Promotions & Outreach	10,694	107,806	3,645	270	30,100	<b>152,515</b>
Food Costs	-	-	756,233	15,703	-	<b>771,936</b>
Equipment Leasing & Maintenance	3,953	3,291	29,337	2,633	-	<b>39,214</b>
Materials & Supplies	2,997	1,080	15,195	43,458	-	<b>62,730</b>
Vehicles & Transportation	1,378	2,135	54,513	1,573	-	<b>59,599</b>
Contract Services	2,256	4,414	22,455	17,838	-	<b>46,963</b>
Other General & Administrative	17,976	4,048	34,867	2,823	1,673	<b>61,387</b>
Occupancy Costs	7,213	3,150	28,080	2,520	-	<b>40,963</b>
<b>Total Expenses</b>	<b>\$ 106,403</b>	<b>\$ 252,425</b>	<b>\$ 1,644,606</b>	<b>\$ 273,517</b>	<b>\$ 31,773</b>	<b>\$ 2,308,724</b>

The accompanying notes are an integral part of these financial statements.

# MEALS ON WHEELS OF JOHNSON & ELLIS COUNTIES

## STATEMENT OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (492,322)	\$ (148,398)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,015	24,340
Kitchen capital campaign capitalized asset write-offs	254,574	-
(Increase) decrease in contributions receivable, government grants, and other receivables	18,900	42,322
(Increase) decrease in inventory	1,333	(665)
(Increase) decrease in prepaid expenses	14,474	(9,567)
Increase (decrease) in accounts payable & accruals	79,588	(11,071)
Net Cash Provided By (Used For) Operating Activities	<u>(82,438)</u>	<u>(103,039)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Capital additions	<u>(4,440)</u>	<u>(96,351)</u>
Net Cash Provided By (Used For) Investing Activities	<u>(4,440)</u>	<u>(96,351)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Net increase (reductions) to notes payable	<u>(29,184)</u>	<u>73,909</u>
Net Cash Provided By (Used For) Financing Activities	<u>(29,184)</u>	<u>73,909</u>
Net increase (decrease) in cash and investments	(116,062)	(125,481)
Cash and investments, at beginning of year	614,171	739,652
Cash and investments, at end of year	<u>\$ 498,109</u>	<u>\$ 614,171</u>
<b><u>SUPPLEMENTAL DISCLOSURES</u></b>		
Cash paid for interest	2,913	1,632
Noncash (in-kind) donations of facilities, supplies, etc.	99,708	82,910

The accompanying notes are an integral part of these financial statements.



# MEALS ON WHEELS OF JOHNSON & ELLIS COUNTIES

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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## **NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

### **Nature of Activities**

Meals on Wheels of Johnson & Ellis Counties (the Organization) is a community-based not-for-profit organization that provides home-delivered meals and various caregiver services to needy senior citizens and disabled persons throughout Johnson and Ellis Counties. Founded in 1976, the Organization also provides information and assistance support to families with elderly and disabled family members. The Organization works closely with home health agencies, local physicians and hospitals, and other community service groups to coordinate the delivery of these services to those senior citizens in need. A large portion of the Organization's revenue is derived from government grants.

### **General**

The Organization's financial statements have been prepared on the accrual basis of accounting. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

### **Financial Statement Presentation**

The Organization, in accordance with not-for-profit accounting standards, reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classes of net assets are based upon the existence or absence of restrictions on use that are placed by its donors. In addition, the Organization is required to present a statement of cash flows.

### **Management Estimates and Assumptions**

Management uses estimates and assumptions in preparing statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

### **Inventory**

Inventory consists of food and supplies. This inventory is stated at the lower of cost or market, as determined by the first-in, first-out method.

### **Property and Equipment**

Property and equipment is reported at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000.

### **Donated Facilities, Food, Supplies, Equipment and Services**

The Organization records the value of donated facilities, food, supplies, equipment and professional services when there is an objective basis available to measure their value. Donated facilities, food, supplies, equipment and professional services are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the accompanying statements for donated non-professional services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services during the fiscal year.

### **Contributions and Recognition of Donor-Imposed Restrictions**

Contributions, including unconditional promises to give, are recognized when received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### **Contributions Receivable**

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. For these unconditional promises to give and when deemed appropriate, the Organization uses an allowance method to determine the uncollectible portion, based on prior years' experience and management's analysis of the promises made. Unconditional promises to give that are expected to be collected in future years, if any, are recorded at fair value, which is measured as the present value of their future cash flows. When deemed appropriate, discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of any such discounts recorded is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

### **Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though it would be subject to tax on income unrelated to its exempt purposes.

### **Functional Expenses**

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain direct and indirect costs have been allocated among the programs and supporting services benefited, based on allocation percentages determined by the Organization's management.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash investments. The Organization places its cash investments with high quality financial institutions and limits the amount of credit exposure to any one institution.

**Subsequent Events**

Management has evaluated subsequent events through February 2, 2018, the date the financial statements were available to be issued. Events occurring after this date have not been evaluated to determine whether a change in the financial statements would be necessary.

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following, at September 30, 2017:

Furniture, equipment, computers, software	\$ 69,222
Vehicles	158,162
Construction-in-progress	-0-
Land	162,500
Leasehold improvements	<u>8,584</u>
	398,468
Less: accumulated depreciation	<u>159,223</u>
	<u>\$ 239,245</u>

Property and equipment consisted of the following, at September 30, 2016:

Furniture, equipment, computers, software	\$ 66,580
Vehicles	170,026
Construction-in-progress	252,776
Land	162,500
Leasehold improvements	<u>8,584</u>
	660,466
Less: accumulated depreciation	<u>130,072</u>
	<u>\$ 530,394</u>

Depreciation expense recorded for the fiscal years ended September 30, 2017 and 2016 was \$41,015 and \$24,340, respectively.

**NOTE C - CONTRIBUTIONS RECEIVABLE**

All contributions receivable recorded at September 30, 2017 and 2016, are expected to be collected within one year, and are recorded at net realizable value. No allowance has been recorded at September 30, 2017 and 2016, based on management's analysis of the collectability of the individual promises.

**NOTE D - RETIREMENT PLAN**

The Organization has a defined contribution 401(k) retirement plan which covers substantially all employees. Under this Plan, employees may defer up to 15% of their base salary on a pre-tax basis through contributions to the Plan. The Organization currently matches 100% of an employee's voluntary contributions up to a maximum of 5% of the

employee's salary. The Organization's matching contributions for the fiscal years ended September 30, 2017 and 2016 were \$19,474 and \$26,976, respectively.

**NOTE E - NOTES PAYABLE**

The Organization has various vehicle notes payable with local banking institutions. These notes are payable in monthly installments and include interest of 3% - 4%. These notes mature at various dates through 2020 and are secured by the vehicles. The aggregate maturities under these notes for the years after September 30, 2017 are: 9/30/2018 - \$30,200; 9/30/2019 - \$23,900, and 9/30/2020 - \$16,166, respectively.

**NOTE F - LEASE COMMITMENTS**

At September 30, 2017, the Organization was obligated under an office lease agreement for its Ellis County location, which expires March 31, 2022. This lease is classified as an operating lease. The future minimum annual lease payments under this operating lease at September 30, 2017 are \$18,600 per year.

**NOTE G - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at September 30, 2017 consisted of a \$100,000 contribution that will be received and applied to the purchase of the Johnson County office facility acquired in November, 2017, and the United Way designated funding. Temporarily restricted net assets at September 30, 2016 consisted of contributions receivable and amounts received related to the Organization's former kitchen capital campaign, and United Way designated funding. No permanently restricted net assets were held at September 30, 2017 and 2016.

**NOTE H - SUBSEQUENT EVENT**

In November, 2017, the Organization purchased property in the amount \$199,000, which will be used for its future Johnson County main office and food distribution location.

February 2, 2018

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

Independent Auditor's Report

To the Management and Board of Trustees  
Meals on Wheels of Johnson & Ellis Counties

We 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 Johnson & Ellis Counties, a not-for-profit organization, which comprise the statement of financial position as of September 30, 2017, 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 our report thereon dated February 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we 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 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 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we 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, we do not express such an opinion. The results of our 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.

*Wood, Stephens & O'Neil, L.L.P.*