



CAVANAUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meals on Wheels of Sarasota, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Meals on Wheels of Sarasota, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 the 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. 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. 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 Sarasota, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Meals on Wheels of Sarasota, Inc.'s 2012 financial statements, and our report dated November 18, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sarasota, Florida
May 29, 2014

Meals on Wheels of Sarasota, Inc.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2013

	2013			Total	2012 Total (For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and other donations	\$ 245,289	-	-	245,289	246,393
Annual appeal	53,357	-	-	53,357	38,813
Meal payments	115,926	-	-	115,926	90,608
Gifts in kind	1,000	-	-	1,000	5,000
Investment income, net	39,310	5,669	-	44,979	46,488
Other	2,715	-	-	2,715	3,487
Total support and revenue	457,597	5,669	-	463,266	430,789
Expenses:					
Program services	462,135	-	-	462,135	405,830
General and administrative	44,219	-	-	44,219	26,803
Fundraising	11,885	-	-	11,885	7,415
Total expenses	518,239	-	-	518,239	440,048
Change in net assets	(60,642)	5,669	-	(54,973)	(9,259)
Net assets - beginning of year	1,774,345	20,238	250,000	2,044,583	2,053,842
Net assets - end of year	\$ 1,713,703	25,907	250,000	1,989,610	2,044,583

See accompanying notes to financial statements.

Meals on Wheels of Sarasota, Inc.

Statement of Functional Expenses
Year Ended December 31, 2013

	2013			Total Expenses	2012 Total (For Comparative Purposes Only)
	Program Services	General and Administrative	Fundraising		
Salaries and wages	\$ 121,667	14,542	6,233	142,442	111,369
Personnel insurance	10,998	3,249	1,393	15,640	10,734
Total salaries and related expenses	<u>132,665</u>	<u>17,791</u>	<u>7,626</u>	<u>158,082</u>	<u>122,103</u>
Meal operations	289,115	-	-	289,115	247,025
Utilities	15,480	3,870	-	19,350	19,545
Insurance	6,424	-	-	6,424	9,626
Fundraising	-	-	2,002	2,002	5,927
Telephone	1,523	412	123	2,058	1,798
Professional fees	-	9,012	-	9,012	1,700
Postage	-	1,507	-	1,507	2,360
Repairs and maintenance	7,108	-	-	7,108	7,268
Miscellaneous	-	2,135	2,134	4,269	1,813
Office expense	-	9,492	-	9,492	11,234
Total expenses before depreciation	<u>452,315</u>	<u>44,219</u>	<u>11,885</u>	<u>508,419</u>	<u>430,399</u>
Depreciation	<u>9,820</u>	-	-	<u>9,820</u>	<u>9,649</u>
Total expenses	<u>\$ 462,135</u>	<u>44,219</u>	<u>11,885</u>	<u>518,239</u>	<u>440,048</u>

See accompanying notes to financial statements.

Meals on Wheels of Sarasota, Inc.

Statement of Cash Flows
Year Ended December 31, 2013

	<u>2013</u>	<u>2012 Total (For Comparative Purposes Only)</u>
Cash flows from operating activities:		
Change in net assets	\$ (54,973)	\$ (9,259)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	9,820	9,649
Realized and unrealized investment loss	3,280	2,881
Gain on beneficial interest in trust	(5,669)	(7,134)
(Increase) decrease in:		
Inventory	439	1,690
Interest receivable	3,480	563
Pledges receivable	97,130	54,562
Prepaid expenses	3,122	(1,231)
Increase (decrease) in:		
Accounts payable	2,497	(712)
Payroll liabilities	(1,983)	799
Total adjustments	<u>112,116</u>	<u>61,067</u>
Net cash flows from operating activities	<u>57,143</u>	<u>51,808</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(1,500)
Purchase of investments	(15,394)	-
Proceeds from sale of investments	<u>-</u>	<u>53,132</u>
Net cash flows from investing activities	<u>(15,394)</u>	<u>51,632</u>
Increase in cash and cash equivalents	41,749	103,440
Cash and cash equivalents - beginning of year	<u>125,069</u>	<u>21,629</u>
Cash and cash equivalents - end of year	<u>\$ 166,818</u>	<u>\$ 125,069</u>

See accompanying notes to financial statements.

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements December 31, 2013

Note 1 – Organization and Summary of Significant Accounting Policies:

Organization

Meals on Wheels of Sarasota, Inc. ("the Organization"), formerly known as Community Mobile Meals of Sarasota, Inc., is a nonprofit, private operation organized in 1971 for the purpose of preparing and delivering hot nutritious meals for individuals and families in the Sarasota community who are unable to afford and/or physically prepare a meal for themselves. The meals are delivered by volunteer drivers six days a week. During 2013, more than 160,000 total meals were delivered to targeted beneficiaries.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets that are available for use, but expendable only for those purposes specified by the grantor.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Income Tax Status

The Organization has been determined to be an organization exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Organization had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2013. The Organization's federal income tax returns for the years ended December 31, 2012, 2011, and 2010 are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

Cash Equivalents and Short-term Investments

For purposes of the statement of cash flows, the Organization considers all highly liquid investments that are not included in brokerage accounts and are available for current use with an original maturity of three months or less to be cash equivalents. Money market funds held by in brokerage accounts are classified as short-term investments.

Contributions

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements – Continued
December 31, 2013

Note 1 – Organization and Summary of Significant Accounting Policies – Continued:

Inventory

Inventories are stated at the lower-of-cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of food and paper items used in the preparation and delivery of meals.

Property and Equipment

Property and equipment with estimated useful lives exceeding 2 years are capitalized and stated at cost. Expenditures for repairs which do not materially prolong the useful lives of the related assets are charged to operating expenses as incurred. Depreciation expense is calculated under the straight-line method over the estimated useful lives from 5 to 30 years.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Note 2 – Concentration of Credit Risk:

The Organization maintains its cash balances at local financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per customer. There are no accounts in excess of this limit as of December 31, 2013. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Note 3 – Pledges Receivable:

The Organization is oftentimes named a beneficiary of various estates and trusts. When a trust or estate is approved by the court, the Organization recognizes the estimated benefit as income in the period in which it became an irrevocable pledge. The trustee, or other distributor, will notify the Organization of the estimated benefit to be received. Amounts expected but not yet received at the balance sheet date are reported as pledges receivable as of such date.

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements – Continued
December 31, 2013

Note 4 – Donated Materials and Services:

During the year, volunteers spend approximately 4,500 hours preparing and 20,000 hours delivering meals. The value of these services is not reflected in the accompanying financial statement since they do not meet the criteria for recognition.

Beginning in September 2012, a local food bank began donating unused food to the Organization to be used in meal preparations. The estimated value of the donated goods is reflected as gifts in kind and meal operations in the financial statements at the price the Organization would have paid for the goods had they not been donated.

Note 5 – Property and Equipment:

Property and equipment consist of the following:

Building	\$ 172,690
Building improvements	30,956
Furniture and fixtures	2,700
Equipment	<u>73,578</u>
Total property and equipment	279,924
Less - accumulated depreciation	<u>(224,364)</u>
Net property and equipment	<u>\$ 55,560</u>

Note 6 – Investments:

The components of investments at December 31, 2013 are summarized as follows:

	Cost	Fair Value	Accumulated Unrealized Gain
Money market accounts	\$ 95,376	95,376	-
U.S. Treasuries	109,912	106,391	(3,521)
Agency securities	98,000	98,023	23
Corporate bonds	545,139	587,459	42,320
Municipal bonds	45,063	45,063	-
Equities	190,549	215,102	24,553
Other	61,488	56,108	(5,380)
Investments in community foundations	225,594	225,594	-
Total	<u>\$ 1,371,121</u>	<u>1,429,116</u>	<u>57,995</u>

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements – Continued
December 31, 2013

Note 6 – Investments – Continued:

Investment income from cash equivalents and investments is comprised of the following for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Dividends and interest	\$ 43,515	-	43,515
Realized and unrealized gain	(3,280)	7,055	3,775
Investment expenses	(925)	(1,386)	(2,311)
Total	\$ 39,310	5,669	44,979

Note 7 – Temporarily Restricted Net Assets:

Temporarily restricted net assets as of December 31, 2013 are available for the following:

Purpose restrictions:	
Building construction or maintenance and equipment purchase, repair or maintenance	\$ <u>25,907</u>

Note 8 – Permanently Restricted Net Assets:

Permanently restricted net assets represent funds held in a donor-advised endowment at an outside foundation, whose principal may not be invaded. Permanently restricted net assets as of December 31, 2013 are comprised of:

Benderson Family Fund	\$ <u>250,000</u>
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Note 9 – Fair Value of Financial Assets and Liabilities:

The Organization has adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about the Organization's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2013, and indicate that fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publically traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements – Continued
December 31, 2013

Note 9 – Fair Value of Financial Assets and Liabilities – Continued:

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the Organization’s assumptions based on the best information available in the circumstance.

Financial assets at fair value on a recurring basis at December 31, 2013:

Description	Dec 31, 2013	Financial Assets and Liabilities at Fair Value on a Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 95,376	95,376	-	-
U.S. Treasuries	106,391	106,391	-	-
Agency securities	98,023	98,023	-	-
Corporate bonds	587,459	587,459	-	-
Municipal bonds	45,063	45,063	-	-
Equities	215,102	215,102	-	-
Other	56,108	56,108	-	-
Investments in community foundations	225,594	-	-	225,594
Beneficial interest in trust	275,907	-	-	275,907
Total financial assets at fair value	\$ 1,705,023	1,203,522	-	501,501

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended December 31, 2013:

	Beneficial Interest In Trust
Balance – December 31, 2012	\$ 270,238
Investment income, net	5,669
Funds released from restriction	-
Balance – December 31, 2013	<u>\$ 275,907</u>

Note 10 – Subsequent Events:

Subsequent events have been evaluated through May 29, 2014, which is the date the financial statements were available to be issued.