

Meals on Wheels of Sarasota, Inc.

Financial Statements

December 31, 2017

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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, 2017, 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, 2017, 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 2016 financial statements, and our report dated April 13, 2017 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sarasota, Florida
April 5, 2018

Meals on Wheels of Sarasota, Inc.

Statement of Financial Position
December 31, 2017

	<u>ASSETS</u>				2016 Total (For Comparative Purposes Only)
	2017				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
Current assets:					
Cash and cash equivalents	\$ 120,922	-	-	120,922	181,260
Inventory	8,266	-	-	8,266	8,266
Bequests receivable	59,940	-	-	59,940	14,606
Other receivables	6,000	-	-	6,000	-
Interest receivable	1,177	-	-	1,177	2,010
Prepaid expenses	2,784	-	-	2,784	2,784
Due (to) from	<u>(32,468)</u>	<u>32,468</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>166,621</u>	<u>32,468</u>	<u>-</u>	<u>199,089</u>	<u>208,926</u>
Property and equipment, net	116,012	-	-	116,012	57,740
Beneficial interest in trust	-	(5,118)	250,000	244,882	265,479
Investments, at fair value	<u>1,481,953</u>	<u>-</u>	<u>-</u>	<u>1,481,953</u>	<u>1,479,928</u>
Total assets	<u>\$ 1,764,586</u>	<u>27,350</u>	<u>250,000</u>	<u>2,041,936</u>	<u>2,012,073</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 6,356	-	-	6,356	6,356
Deposits	16,279	-	-	16,279	10,215
Deferred revenue	<u>2,730</u>	<u>-</u>	<u>-</u>	<u>2,730</u>	<u>4,657</u>
Total current liabilities	<u>25,365</u>	<u>-</u>	<u>-</u>	<u>25,365</u>	<u>21,228</u>
Net assets:					
Unrestricted	1,739,221	-	-	1,739,221	1,725,366
Temporarily restricted	-	27,350	-	27,350	15,479
Permanently restricted	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total net assets	<u>1,739,221</u>	<u>27,350</u>	<u>250,000</u>	<u>2,016,571</u>	<u>1,990,845</u>
Total liabilities and net assets	<u>\$ 1,764,586</u>	<u>27,350</u>	<u>250,000</u>	<u>2,041,936</u>	<u>2,012,073</u>

See accompanying notes to financial statements.

Meals on Wheels of Sarasota, Inc.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	2017			Total	2016 Total (For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and other donations	\$ 264,562	75,268	-	339,830	320,005
Annual appeal	24,818	-	-	24,818	27,414
Meal payments	167,894	-	-	167,894	135,731
Special events	46,163	-	-	46,163	25,442
Investment income, net	221,204	-	-	221,204	102,515
Gain on beneficial interest in trust	-	4,352	-	4,352	2,755
Other	353	-	-	353	-
Net assets released from restrictions	67,749	(67,749)	-	-	-
Total support and revenue	792,743	11,871	-	804,614	613,862
Expenses:					
Program services	632,504	-	-	632,504	549,604
General and administrative	118,976	-	-	118,976	139,984
Fundraising	27,408	-	-	27,408	14,537
Total expenses	778,888	-	-	778,888	704,125
Change in net assets	13,855	11,871	-	25,726	(90,263)
Net assets - beginning of year	1,725,366	15,479	250,000	1,990,845	2,081,108
Net assets - end of year	\$ 1,739,221	27,350	250,000	2,016,571	1,990,845

See accompanying notes to financial statements.

Meals on Wheels of Sarasota, Inc.

Statement of Functional Expenses
Year Ended December 31, 2017

	2017			Total Expenses	2016 Total (For Comparative Purposes Only)
	Program Services	General and Administrative	Fundraising		
Salaries and wages	\$ 246,348	43,724	1,400	291,472	235,879
Meal operations	296,691	-	-	296,691	259,289
Utilities	18,862	1,694	-	20,556	18,715
Insurance	7,524	-	-	7,524	6,644
Fundraising	-	-	25,958	25,958	13,093
Telephone	2,808	262	50	3,120	2,866
Professional fees	-	48,312	-	48,312	52,222
Contract services	-	-	-	-	20,760
Computer consulting	-	11,650	-	11,650	22,837
Postage	2,622	783	-	3,405	2,973
Repairs and maintenance	28,150	376	-	28,526	19,903
Miscellaneous	15,592	6,020	-	21,612	27,851
Office expense	4,559	3,490	-	8,049	9,734
Total expenses before depreciation	623,156	116,311	27,408	766,875	692,766
Depreciation	9,348	2,665	-	12,013	11,359
Total expenses	\$ 632,504	118,976	27,408	778,888	704,125

See accompanying notes to financial statements.

Meals on Wheels of Sarasota, Inc.

Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016 Total (For Comparative Purposes Only)
Cash flows from operating activities:		
Change in net assets	\$ 25,726	\$ (90,263)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	12,013	11,359
Realized and unrealized investment gain	(188,016)	(68,991)
Gain on beneficial interest in trust	(4,352)	(2,755)
(Increase) decrease in:		
Interest receivable	833	613
Bequests receivable	(45,334)	112,394
Other receivables	(6,000)	-
Beneficial interest in trust	24,949	18,225
Increase (decrease) in:		
Accounts payable	-	5,106
Deposits	6,064	10,215
Deferred revenue	(1,927)	4,657
Total adjustments	(201,770)	90,823
Net cash flows from operating activities	(176,044)	560
Cash flows from investing activities:		
Reinvested interest and dividends	(34,009)	(34,057)
Purchase of fixed assets	(70,285)	(13,125)
Purchase of investments	(161,791)	(256,188)
Proceeds from sale of investments	381,791	256,188
Net cash flows from investing activities	115,706	(47,182)
Decrease in cash and cash equivalents	(60,338)	(46,622)
Cash and cash equivalents - beginning of year	181,260	227,882
Cash and cash equivalents - end of year	\$ 120,922	\$ 181,260

See accompanying notes to financial statements.

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements

December 31, 2017

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 2017, approximately 144,900 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, 2017. The Organization’s federal income tax returns 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, 2017

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 3 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, 2017. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Note 3 – Bequests 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 bequests receivable as of such date.

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements – Continued

December 31, 2017

Note 4 – Donated Materials and Services:

During the year, volunteers spent approximately 10,000 hours preparing and 34,552 hours delivering meals and 5,008 hours in the office. Volunteer drivers deliver meals Monday through Saturday using their own vehicles. An average of 639 miles in total are driven daily and drivers are not reimbursed for this cost. The value of these services is not reflected in the accompanying financial statement since they do not meet the criteria for recognition.

At times, a local food bank donates 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	92,334
Furniture and fixtures	3,983
Equipment	<u>113,192</u>
Total property and equipment	382,199
Less - accumulated depreciation	<u>(266,187)</u>
Net property and equipment	<u>\$ 116,012</u>

Note 6 – Investments:

The components of investments at December 31, 2016 are summarized as follows:

	Cost	Fair Value	Accumulated Unrealized Gain (Loss)
Money market accounts	\$ 15,263	15,263	-
Corporate bonds	26,144	23,627	(2,517)
Equities	806,847	1,069,299	262,452
Other	69,414	88,882	19,468
Investments in community foundations	<u>284,882</u>	<u>284,882</u>	-
Total	<u>\$ 1,202,550</u>	<u>1,481,953</u>	<u>279,403</u>

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements – Continued
December 31, 2017

Note 6 – Investments – Continued:

Investment income from cash equivalents and investments is comprised of the following for the year ended December 31, 2017:

Dividends and interest	\$	34,155
Realized and unrealized gain		188,016
Investment expenses		(967)
Total	\$	<u>221,204</u>

Note 7 – Temporarily Restricted Net Assets:

Temporarily restricted net assets as of December 31, 2017 are available for the following:

Purpose restrictions:		
Building construction or maintenance and equipment purchase, repair or maintenance	\$	(5,118)
Industrial grade kitchen equipment replacement		<u>32,468</u>
Total	\$	<u>27,350</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, 2017 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, 2017, 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

Meals on Wheels of Sarasota, Inc.

Notes to Financial Statements – Continued

December 31, 2017

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

than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

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, 2017:

Description	Dec 31, 2017	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	\$ 15,263	15,263	-	-
Corporate bonds	23,627	23,627	-	-
Equities	1,069,299	1,069,299	-	-
Other	88,882	88,882	-	-
Investments in community foundations	284,882	-	-	284,882
Beneficial interest in trust	244,882	-	-	244,882
Total financial assets at fair value	\$ <u>1,726,835</u>	<u>1,197,071</u>	<u>-</u>	<u>529,764</u>

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, 2017:

	Beneficial Interest In Trust	Investments In Community Foundations	Total
Balance – December 31, 2016	\$ 265,479	246,515	511,994
Investment income, net	4,352	38,367	42,719
Distributions from fund	(24,949)	-	(24,949)
Balance – December 31, 2017	\$ <u>244,882</u>	<u>284,882</u>	<u>529,764</u>

Note 10 – Subsequent Events:

Subsequent events have been evaluated through April 5, 2018, which is the date the financial statements were available to be issued.