

**MEALS ON WHEELS WEST**

**FINANCIAL REPORT**

For the year ended  
June 30, 2014  
with comparative totals for the  
year ended June 30, 2013

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## **Independent Auditor's Report**

Board of Directors  
Meals on Wheels West  
Santa Monica, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Meals On Wheels West, a California not-for-profit corporation (the "Organization"), which comprise the statements of financial position as of June 30, 2014, and the related statements of activities, 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 financial statements that are free of 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the Organization as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gumbriner Savett Inc.*

February 19, 2015

MEALS ON WHEELS WEST  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2014 and 2013

	ASSETS	
	2014	2013
ASSETS		
Cash	\$ 581,368	\$ 548,141
Grants receivable	21,019	7,048
Prepaid expenses	6,645	5,812
Property and equipment, net of accumulated depreciation	8,802	11,013
Security deposit	2,500	2,500
TOTAL ASSETS	\$ 620,334	\$ 574,514

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 55,358	\$ 57,453
COMMITMENTS AND CONTINGENCIES		
NET ASSETS - UNRESTRICTED	564,976	517,061
TOTAL LIABILITIES AND NET ASSETS	\$ 620,334	\$ 574,514

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

MEALS ON WHEELS WEST  
STATEMENTS OF ACTIVITIES  
For the year ended June 30, 2014 with comparative  
totals for the year ended June 30, 2013

	<u>2014</u>	<u>2013</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted support and revenue		
Contributions	\$ 456,199	\$ 413,844
Government grants	141,602	160,098
Meal fees	94,329	115,969
In-kind contributed meals	33,222	30,138
Fundraising events	55,099	46,388
Interest and other income	59	1,399
	<u>780,510</u>	<u>767,836</u>
 OPERATING EXPENSES		
Program services	483,678	464,291
Management and general	104,587	123,835
Fund development	144,330	148,208
	<u>732,595</u>	<u>736,334</u>
 CHANGES IN UNRESTRICTED NET ASSETS	47,915	31,502
 UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>517,061</u>	<u>485,559</u>
 UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 564,976</u>	<u>\$ 517,061</u>

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

MEALS ON WHEELS WEST  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 For the year ended June 30, 2014 with comparative  
 totals for the year ended June 30, 2013

	For the year ended June 30, 2014				2013
	Program Services	Management and General	Fund Development	Totals	Totals
Personnel expenses					
Salaries	\$ 171,372	\$ 54,178	\$ 60,067	\$ 285,617	\$ 275,759
Payroll taxes	13,542	4,063	4,965	22,570	25,833
Employee benefits	8,318	2,496	3,050	13,864	28,992
Total personnel expenses	<u>193,232</u>	<u>60,737</u>	<u>68,082</u>	<u>322,051</u>	<u>330,584</u>
Non-personnel expenses					
Meal costs	206,396	-	-	206,396	216,865
Depreciation	3,127	938	1,146	5,211	4,185
Insurance	2,060	618	755	3,433	2,963
Telephone	2,760	828	1,012	4,600	5,324
Occupancy	17,623	17,622	-	35,245	43,415
Professional fees	-	17,214	-	17,214	9,994
Consulting fees	-	-	36,000	36,000	36,860
Travel	643	193	236	1,072	1,069
Direct mail	29,675	-	19,783	49,458	47,886
Office expense	16,594	4,978	6,085	27,657	15,888
Advertising and promotion	6,703	-	-	6,703	7,108
Fundraising expense	-	-	9,447	9,447	7,281
Other	4,865	1,459	1,784	8,108	6,912
Total non-personnel expenses	<u>290,446</u>	<u>43,850</u>	<u>76,248</u>	<u>410,544</u>	<u>405,750</u>
Total expenses	<u>\$ 483,678</u>	<u>\$ 104,587</u>	<u>\$ 144,330</u>	<u>\$ 732,595</u>	<u>\$ 736,334</u>

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

MEALS ON WHEELS WEST  
STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 47,915	\$ 31,502
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,211	4,185
Changes in assets and liabilities:		
Grants receivable	(13,971)	12,709
Prepaid expenses	(833)	6,249
Accounts payable and accrued expenses	<u>(2,095)</u>	<u>2,984</u>
Net cash provided by operating activities	<u>36,227</u>	<u>57,629</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Certificate of deposit	-	207,477
Purchase of property and equipment	<u>(3,000)</u>	<u>(4,353)</u>
Net cash (used in) provided by investing activities	<u>(3,000)</u>	<u>203,124</u>
<b>NET CHANGE IN CASH</b>	33,227	260,753
<b>CASH - BEGINNING OF YEAR</b>	<u>548,141</u>	<u>287,388</u>
<b>CASH - END OF YEAR</b>	<u>\$ 581,368</u>	<u>\$ 548,141</u>

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



MEALS ON WHEELS WEST  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2014 and 2013

Meals on Wheels West (the "Organization") is a California nonprofit corporation formed in April 1974. The Organization's purpose is to nourish and enrich the lives of the home-bound by delivering healthy meals and services in the Santa Monica, Malibu, Pacific Palisades, and Topanga areas.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Property and equipment:

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are depreciated using the straight-line method over the shorter of the estimated useful life of the respective asset or the life of the lease.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. It is the policy of the Organization to record restricted support as unrestricted support when the donor-restrictions have been satisfied within the reporting period.

Donated meals and services:

The Organization records the value of donated food as support and revenue at the time of donation. No amounts have been reflected in the financial statements for the value of donated services as they do not meet the criteria for recognition as contributed services. Nevertheless, a substantial number of volunteers donated significant amounts of time performing meal deliveries for the Organization. The estimated total donated hours for program services for each of the years ended June 30, 2014 and 2013 were 22,800 and 22,000, respectively. Using an average hourly wage of \$8.00, the total estimated annual value of such donated services would be approximately \$182,400 and \$176,000 for the years ended June 30, 2014 and 2013, respectively.

(Continued)

MEALS ON WHEELS WEST  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional expense allocations:

Expenses that can be identified with the program or supporting services are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Income Taxes:

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Since the Organization is exempt from federal and state income tax, no provision has been made for current or deferred income tax expense. Under Accounting Standards Codification (ASC) 740, Income Taxes, an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. Management has evaluated its tax positions using the guidance of ASC Topic 450, Contingencies, and has concluded that a provision for a tax liability is not necessary at June 30, 2014.

The Organization files its federal form 990 in the U.S. federal jurisdiction and the state returns with the office of the state's attorney general for the State of California. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before fiscal year 2010.

Comparative financial information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Reclassifications:

Certain amounts in 2013 have been reclassified to conform to the 2014 financial statement presentation.

NOTE 2: CONCENTRATIONS

The Company maintains cash balances at a bank where amounts on deposit may exceed \$250,000 throughout the year. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

MEALS ON WHEELS WEST  
 NOTES TO FINANCIAL STATEMENTS  
 For the years ended June 30, 2014 and 2013

NOTE 3: PROPERTY AND EQUIPMENT

As of June 30, 2014 and 2013, property and equipment consisted of the following:

	2014	2013
Office furniture and equipment	\$ 37,597	\$ 34,597
Leasehold improvements	29,911	29,911
	<u>67,508</u>	<u>64,508</u>
Less accumulated depreciation	(58,706)	(53,495)
	<u>\$ 8,802</u>	<u>\$ 11,013</u>

NOTE 4: COMMITMENTS

The Organization has entered into a non-cancellable operating lease for its office space in Santa Monica, California, expiring in October 2015. The Organization has an option to extend the lease for two additional terms of five years each. Due to the Organization receiving free rent at the inception of the lease along with scheduled rent increases during the lease term, the total amount of rental payments are being charged to expense on the straight-line method over the lease term. The Organization has recorded a deferred rent liability to reflect the excess of rent expense over cash payments since the inception of the lease.

Future minimum lease payments at June 30, 2014 are as follows:

Years Ending June 30,	
2015	26,000
2016	9,000
	<u>\$ 35,000</u>

Total rent expense for the years ended June 30, 2014 and 2013, amounted to \$24,021 and \$24,063, respectively.

NOTE 5: OFFICER BENEFIT PLAN

The Organization contributed, through December 2013, to a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code for its former executive director. The plan was held through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Contribution expense for the years ended June 30, 2014 and 2013 amounted to \$2,488 and \$5,400, respectively.

MEALS ON WHEELS WEST  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2014 and 2013

NOTE 6: CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although, that is a possibility, the Board of Directors (the "Board") deems the contingency remote, since by accepting the gifts and their terms; the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

NOTE 7: SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through February 19, 2015, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.