

MEALS ON WHEELS OF FULLERTON, INC.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2018

MEAD, COLEY AND COMPANY CPA'S

LA QUINTA, CALIFORNIA

MEALS ON WHEELS OF FULLERTON, INC.

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MEAD, COLEY & COMPANY
Certified Public Accountants

Jeff Mead, CPA
Melissa Coley, CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Meals on Wheels of Fullerton, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 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 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 audit. We conducted our audit 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels of Fullerton, Inc. as of June 30, 2018, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2018, on our consideration of Meals on Wheels of Fullerton, Inc.'s 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 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 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 Meals on Wheels of Fullerton, Inc.'s internal control over financial reporting and compliance.

Mead, Coley and Company CPA's
MEAD, COLEY AND COMPANY
Certified Public Accountants

La Quinta, California
September 10, 2018

MEALS ON WHEELS OF FULLERTON, INC.

Statement of Financial Position

June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 227,225
Accounts receivable-clients	374
Grants receivable	8,300
Prepaid expenses	<u>4,515</u>

Total Current Assets	<u>240,414</u>
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PROPERTY AND EQUIPMENT

Furniture and equipment	<u>11,471</u>
	11,471
Less: Accumulated depreciation	<u>(11,223)</u>

Total Property and Equipment	<u>248</u>
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TOTAL ASSETS	\$ <u>240,662</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 7,184
Accrued compensated absences	<u>10,577</u>

Total Current Liabilities	<u>17,761</u>
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NET ASSETS

Unrestricted	169,477
Temporarily Restricted	53,424
Permanently Restricted	<u>-</u>

Total Net Assets	<u>222,901</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>240,662</u>
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See accompanying notes and independent auditors' report.

MEALS ON WHEELS OF FULLERTON, INC.

Statement of Activities
For the Year Ended June 30, 2018

<u>Support and Revenue</u>	<u>Unrestricted Assets</u>	<u>Temporarily Restricted Assets</u>	<u>Totals</u>
Client fees	\$ 46,943	\$ -	\$ 46,943
Public support	56,763	53,424	110,187
Grant - CDBG	33,192		33,192
Interest income	109		109
Fundraisers	17,228		17,228
In-kind support	20,748		20,748
Net assets released from restrictions	<u>46,840</u>	<u>(46,840)</u>	<u>-</u>
Total Support and Revenue	<u>221,823</u>	<u>6,584</u>	<u>228,407</u>
<u>Expenses</u>			
Program expenses	145,810	-	145,810
Administration	30,431		30,431
Fundraising	<u>238</u>	<u>-</u>	<u>238</u>
Total Expenses	<u>176,479</u>	<u>-</u>	<u>176,479</u>
Increase in Net Assets	45,344	6,584	51,928
Net Assets at beginning of the year	<u>124,133</u>	<u>46,840</u>	<u>170,973</u>
Net Assets at the end of the year	<u>\$169,477</u>	<u>\$ 53,424</u>	<u>\$222,901</u>

See accompanying notes and independent auditors' report.

MEALS ON WHEELS OF FULLERTON, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	<u>Program Expenses</u>	<u>General & Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Meal costs	\$ 67,296	\$ -	\$ -	\$ 67,296
Salaries & wages	54,302	9,760		64,062
Payroll taxes	4,350	775		5,125
Insurance	5,092	1,697		6,789
Rent & occupancy	3,187	9,561		12,748
Audit fees	6,710			6,710
Accounting & IT services	2,000	6,000		8,000
Office supplies		1,377		1,377
Postage		173	238	411
Telephone	1,761	587		2,348
Staff travel	432			432
Depreciation		216		216
Miscellaneous	680	285		965
	<u>\$145,810</u>	<u>\$ 30,431</u>	<u>\$ 238</u>	<u>\$176,479</u>

See accompanying notes and independent auditors' report.

MEALS ON WHEELS OF FULLERTON, INC.

Statement of Cash Flows
For the Year Ended June 30, 2018

Operating Activities:

Cash Flows from Operations:

Changes in Net Assets	\$ 51,928	
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	217	
(Increase)Decrease in receivables	473	
(Increase)Decrease in prepaid expenses	7	
(Decrease)Increase in accrued liabilities	<u>(629)</u>	
Net cash provided from operations		\$ 51,996
Cash & Cash Equivalents, Beginning		<u>175,229</u>
Cash & Cash Equivalents, Ending		<u>\$ 227,225</u>

* * * * *

During the year ended June 30, 2018 the Organization had no investing and no financing activities. Interest of \$0 and taxes of \$10 were paid during the year ended June 30, 2018.

See accompanying notes and independent auditors' report.

MEALS ON WHEELS OF FULLERTON, INC.

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Meals on Wheels of Fullerton, Inc. (the Organization) is a nonprofit charitable organization incorporated in California in 1991. Its mission is to assist homebound or frail individuals in maintaining their independence in their own residences by providing home-delivered, nutritious meals and socialization. MOWOF bills and collects payments from individuals who receive meals at cost after an eligibility determination. Some individuals who cannot afford the cost receive subsidized meals.

The Organization is a tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code and similar state statutes and therefore no provisions have been made for Federal and State income taxes. Tax years that remain open and are subject to examination by the Internal Revenue Service are June 30, 2016 through June 30, 2018.

Basis of Accounting:

The financial statements of the organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation:

The Organization has adopted FASB Accounting Standards Codification 958-605-25-2 through 25-20 which requires that contributions received including unconditional promises to give be recognized as revenues at their fair value in the year received. It also requires that the value of certain contributed services be recognized in the year received.

The Organization has also adopted FASB Accounting Standards Codification 958-205-45-2 for general-purpose external financial statements provided by not-for-profit organizations and among other provisions, which requires the classification and disclosures of net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The net assets, revenues, expenses, gains and losses of the Organization are classified and reported as follows:

(Continued)

See independent auditors' report.

MEALS ON WHEELS OF FULLERTON, INC.

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation:

Unrestricted net assets - Net assets that may be subject to donor-imposed stipulations, however, under the right of variance power, the Organization retains control of the assets. These assets are available to support activities and operations at the discretion of the Board of Directors of the Organization or on further actions of the donor.

Temporarily restricted net assets - Net assets subject to donor-imposed time stipulations that will be met by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income or gains earned on related investments for general or specific purposes. The Organization has no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates subject to these conditions are depreciation of equipment, allocation of functional expenses and in-kind contributions for rent and accounting and IT services.

(Continued)

See independent auditors' report.

MEALS ON WHEELS OF FULLERTON, INC.

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable and Receivables from Clients

Receivables are recorded at their estimated collectible amounts. Management has determined that no allowance for uncollectible grants or client receivables is warranted based on history.

Property, equipment and improvements:

Property, equipment and improvements purchased are carried at cost. Any property contributed is recorded at fair market value. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The organization capitalizes property with a useful life that extends beyond one year. Depreciation expense for the year was \$216.

Statement of Cash Flows:

Cash and cash equivalents include checking and savings accounts plus short-term certificates of deposit maturing within ninety days from the date of these financial statements.

NOTE 2 - NON-CASH (IN-KIND) CONTRIBUTIONS

The Organization has received significant contributions of non-cash facilities and occupancy costs and accounting and IT services during the year ended June 30, 2018. The fair value of these facilities and occupancy costs has been measured on a nonrecurring basis using quoted prices for similar costs in inactive markets (Level 2 inputs). The total value of the occupancy and facility contributions is \$12,748 and the total value of accounting and IT services is \$8,000.

The Organization also uses the services of many unpaid volunteers in its operations. The value of these services is not recorded in the financial statements due to the nature of the services provided. For the year ended June 30, 2018, 250 volunteers donated 5,092 hours delivering 32,392 meals. Volunteer board members gave 1,362 hours of service as well to the Organization.

See independent auditors' report.

MEALS ON WHEELS OF FULLERTON, INC.

Notes to Financial Statements

June 30, 2018

NOTE 3 - CONCENTRATIONS

The Organization received 38% of its support and revenue from four sources as follows:

Contribution from Subaru	\$21,674
Contribution from Wilson Phelps Foundation	10,000
Contribution from National Charity League	21,750
CDBG Grant	<u>33,192</u>
	<u>\$86,616</u>

The Organization also purchases its food for delivery to clients from two main sources, St. Jude Food and Nutrition Services Department and Senior Serve. Total meal cost for the year ended June 30, 2018 is \$67,296.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 were as follows:

Contribution from National Charity League	\$21,750
Contribution from Wilson Phelps Foundation	10,000
Contribution from Subaru	<u>21,674</u>
	<u>\$53,424</u>

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2018, the date on which the financial statements were available to be issued.

NOTE 6 - ACCRUED COMPENSATED ABSENCES

During the year ended June 30, 2016, Management and the Board of Directors of the Organization determined that accrued compensated absences for vacation and sick time for its two employees should be reflected in the financial statements. This was partially due to changes in the employment laws enacted during that year.

(Continued)

See independent auditors' report.

MEALS ON WHEELS OF FULLERTON, INC.

Notes to Financial Statements

June 30, 2018

NOTE 6 - ACCRUED COMPENSATED ABSENCES (Continued)

Each employee earns 3 weeks of vacation annually and can accrue a maximum of 6 weeks over a two year period. Sick pay accrues at one hour for every 26 hours worked for each employee.

A summary of accrued compensated absences is as follows:

	<u>Vacation</u>	<u>Sick Time</u>	<u>Total</u>
Balance June 30, 2018	\$ <u>7,933</u>	\$ <u>2,644</u>	\$ <u>10,577</u>

See independent auditors' report.



**INDEPENDENT AUDITORS' 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**

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

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 Fullerton, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 September 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meals on Wheels of Fullerton, Inc.'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 Meals on Wheels of Fullerton, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels of Fullerton, Inc.'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 a 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 a 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meals on Wheels of Fullerton, Inc.'s financial statements are free from 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.

Mead, Coley and Company, CPA's
MEAD, COLEY AND COMPANY
Certified Public Accountants

La Quinta, California
September 10, 2018