

MEALS ON WHEELS WEST

FINANCIAL REPORT

For the years ended
June 30, 2012 and 2011

MEALS ON WHEELS WEST
FINANCIAL REPORT
For the years ended June 30, 2012 and 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Independent auditors' report	1
Financial statements	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4
Statements of cash flows	5
Notes to financial statements	6-9

Independent Auditors' Report

Board of Directors
Meals on Wheels West
Santa Monica, California

We have audited the accompanying statements of financial position of Meals on Wheels West (the "Organization") as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Organization as of June 30, 2011, were audited by other auditors whose report dated January 20, 2012, expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, 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.

December 14, 2012

MEALS ON WHEELS WEST
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2012 and 2011

ASSETS		
	2012	2011
ASSETS		
Cash	\$ 287,388	\$ 138,909
Certificate of deposit	207,477	207,000
Grants receivable	19,757	18,735
Prepaid expenses	12,061	5,895
Property and equipment, net of accumulated depreciation	10,845	14,662
Security deposit	2,500	-
TOTAL ASSETS	\$ 540,028	\$ 385,201

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 54,469	\$ 60,385
COMMITMENTS AND CONTINGENCIES		
NET ASSETS - UNRESTRICTED	485,559	324,816
TOTAL LIABILITIES AND NET ASSETS	\$ 540,028	\$ 385,201

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

MEALS ON WHEELS WEST
 STATEMENTS OF ACTIVITIES
 For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted support and revenue		
Contributions	\$ 576,408	\$ 408,383
Government grants	148,261	148,679
Meal fees	97,348	112,275
In-kind contributed meals	18,811	19,337
Fundraising events (net of \$6,953 of expenses in 2011)	49,383	5,536
Interest and other income	<u>1,830</u>	<u>1,466</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	<u>892,041</u>	<u>695,676</u>
OPERATING EXPENSES		
Program services	413,536	501,795
Management and general	168,843	56,163
Fund development	<u>148,919</u>	<u>130,949</u>
TOTAL OPERATING EXPENSES	<u>731,298</u>	<u>688,907</u>
CHANGES IN UNRESTRICTED NET ASSETS	160,743	6,769
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>324,816</u>	<u>318,047</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 485,559</u>	<u>\$ 324,816</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, 2012 and 2011

	For the year ended June 30, 2012				2011
	Program Services	Management and General	Fund Development	Totals	Totals
Personnel expenses					
Salaries	\$ 163,412	\$ 91,513	\$ 46,962	\$ 301,887	\$ 266,346
Payroll taxes	13,691	7,606	4,056	25,353	21,946
Employee benefits	14,598	8,110	4,325	27,033	23,422
Total personnel expenses	191,701	107,229	55,343	354,273	311,714
Non-personnel expenses					
Meal costs	165,627	-	-	165,627	174,210
Depreciation	2,466	1,370	730	4,566	9,617
Insurance	1,490	828	441	2,759	5,164
Occupancy	-	35,136	-	35,136	38,870
Professional fees	-	11,609	66,015	77,624	74,340
Travel	867	482	257	1,606	1,203
Telephone	2,648	1,471	786	4,905	5,826
Supplies	3,049	1,694	904	5,647	5,067
Advertising and promotion	9,971	5,540	2,954	18,465	17,697
Direct mail	29,446	-	19,631	49,077	42,905
Other	6,271	3,484	1,858	11,613	2,294
Total non-personnel expenses	221,835	61,614	93,576	377,025	377,193
Total expenses	\$ 413,536	\$ 168,843	\$ 148,919	\$ 731,298	\$ 688,907

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

MEALS ON WHEELS WEST
 STATEMENTS OF CASH FLOWS
 For the year ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 160,743	\$ 6,769
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,566	9,617
Changes in assets and liabilities:		
Grants receivable	(1,022)	(954)
Prepaid expenses	(6,166)	(1,400)
Security deposit	(2,500)	-
Accounts payable and accrued expense	(5,916)	1,062
Net cash provided by operating activities	149,705	15,094
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	(477)	(1,086)
Purchase of property and equipment	(749)	(1,960)
Net cash used in investing activities	(1,226)	(3,046)
NET CHANGE IN CASH	148,479	12,048
CASH - BEGINNING OF YEAR	138,909	126,861
CASH - END OF YEAR	\$ 287,388	\$ 138,909

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, 2012 and 2011

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.

Cash and cash equivalents:

The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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:

Non-reciprocal 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.

(Continued)

MEALS ON WHEELS WEST
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 hours for program services for the years ended June 30, 2012 and 2011 were 22,000 and 25,000, respectively. Using an average hourly wage of \$8.00, the total estimated annual value of such donated services would be approximately \$176,000 and \$200,000 for the years ended June 30, 2012 and 2011, respectively.

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, 2012.

The Organization files its forms 990 in the U.S. federal jurisdiction and 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 2008.

Reclassifications:

Certain amounts in 2011 have been reclassified to conform with the 2012 financial statement presentation.

MEALS ON WHEELS WEST
 NOTES TO FINANCIAL STATEMENTS
 For the years ended June 30, 2012 and 2011

NOTE 2: CONCENTRATIONS

Cash:

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.

Contributions:

During the year ending June 30, 2012, the Organization received a contribution of \$150,000 from one donor.

NOTE 3: PROPERTY AND EQUIPMENT

As of June 30, 2012 and 2011, property and equipment consisted of the following:

	2012	2011
Office furniture and equipment	\$ 30,244	\$ 29,495
Leasehold improvements	29,911	29,911
	60,155	59,406
Less accumulated depreciation	(49,310)	(44,744)
	\$ 10,845	\$ 14,662

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.

(Continued)

MEALS ON WHEELS WEST
 NOTES TO FINANCIAL STATEMENTS
 For the years ended June 30, 2012 and 2011

NOTE 4: COMMITMENTS (Continued)

Future minimum lease payments at June 30, 2012 are as follows:

Years Ending <u>June 30,</u>	
2013	\$ 25,000
2014	26,000
2015	26,000
2016	9,000
	<u>\$ 86,000</u>

Total rent expense for the years ended June 30, 2012 and 2011, amounted to approximately \$21,464 and \$23,940, respectively.

NOTE 5: OFFICER BENEFIT PLAN

The Organization contributes to a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code for its executive director, held through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Contribution expense for the years ended June 30, 2012 and 2011 amounted to \$5,400 and \$5,300, respectively.

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 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 December 14, 2012, 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.