

**MEALS ON WHEELS, INC.
OF
TARRANT COUNTY
AND AFFILIATES**

**AUDITED COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2015



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Meals On Wheels, Inc.
of Tarrant County, the Board of Trustees of
Meals On Wheels, Inc. of Tarrant County
Endowment Fund, and the Board of Directors
of Meals On Wheels Client Assistance, Inc.
Fort Worth, Texas

Report on the Combined Financial Statements

We have audited the accompanying combined statements of financial position of Meals On Wheels, Inc. of Tarrant County and Affiliates (the "Agency") as of September 30, 2015, and the related combined statements of activities, cash flows, and functional expenses for the year then ended.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the combined 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.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Meals On Wheels, Inc. of Tarrant County and Affiliates as of September 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Comparative Information

We have previously audited the Agency's combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated January 21, 2015. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements as a whole. The supplementary data included in this report and the Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular* is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016, on our consideration of the Agency'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 the Agency's internal control over financial reporting and compliance.

Rylander, Clay + Opety, LLP

January 20, 2016



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

| | Meals On Wheels, Inc. of Tarrant County | Meals On Wheels, Inc. Endowment | Meals On Wheels Client Assistance, Inc. | Eliminating | Combined Total | |
|--|---|---------------------------------------|---|------------------------|----------------------|----------------------|
| | | | | | 2015 | 2014 |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 921,832 | \$ 26,590 | \$ 27,296 | \$ - | \$ 975,718 | \$ 285,296 |
| Restricted cash - Note 2 | - | - | 9,322,382 | - | 9,322,382 | - |
| Accounts receivable | 414,703 | - | - | - | 414,703 | 440,655 |
| Short-term investments | 506,979 | - | - | - | 506,979 | 604,306 |
| Pledges receivable | 54,175 | - | - | - | 54,175 | 1,015,438 |
| Due from - related party | 8,073 | - | - | (8,073) | - | - |
| Notes receivable - related party | 10,776,000 | - | - | (10,776,000) | - | - |
| Prepaid expenses and other assets | 75,908 | - | - | - | 75,908 | 47,035 |
| Assets restricted to investment in capital campaign | 287,103 | - | 984,966 | - | 1,272,069 | 4,320,929 |
| Capitalized NMTC costs - Note 6 | - | - | 639,008 | - | 639,008 | - |
| Property and equipment, net | 1,664,055 | - | 7,609,642 | - | 9,273,697 | 3,483,007 |
| Investments | - | 2,250,730 | - | - | 2,250,730 | 1,412,309 |
| Total assets | \$ 14,708,828 | \$ 2,277,320 | \$ 18,583,294 | \$ (10,784,073) | \$ 24,785,369 | \$ 11,608,975 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 140,326 | \$ - | \$ 2,432,881 | \$ - | \$ 2,573,207 | \$ 241,561 |
| Accrued liabilities | 231,581 | - | 11,025 | - | 242,606 | 234,114 |
| Due to - related party | - | - | 8,073 | (8,073) | - | - |
| Notes payable | 2,929,356 | - | 4,904,000 | - | 7,833,356 | - |
| Notes payable - related party | - | - | 10,776,000 | (10,776,000) | - | - |
| Deferred revenue | 326,125 | - | - | - | 326,125 | 365,983 |
| Total liabilities | 3,627,388 | - | 18,131,979 | (10,784,073) | 10,975,294 | 841,658 |
| Net Assets | | | | | | |
| Unrestricted | 10,645,089 | - | (533,653) | - | 10,111,436 | 3,933,931 |
| Temporarily restricted | 436,351 | 1,125,145 | 984,968 | - | 2,546,464 | 5,695,311 |
| Permanently restricted | - | 1,152,175 | - | - | 1,152,175 | 1,138,075 |
| Total net assets | 11,081,440 | 2,277,320 | 451,315 | - | 13,810,075 | 10,767,317 |
| Total liabilities and net assets | \$ 14,708,828 | \$ 2,277,320 | \$ 18,583,294 | \$ (10,784,073) | \$ 24,785,369 | \$ 11,608,975 |

See notes to combined financial statements.



MEALS ON WHEELS, INC. OF TARRANT COUNTY and AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES

**Year Ended September 30, 2015, with
Comparative Total for 2014**

| | Meals On Wheels, Inc. of Tarrant County | | | Meals On Wheels, Inc. Endowment | | |
|---|---|------------------------|----------------------|---------------------------------|------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Total | Temporarily Restricted | Permanently Restricted | Total |
| Revenues and other support: | | | | | | |
| Contributions | \$ 2,087,110 | \$ 89,450 | \$ 2,176,560 | \$ - | \$ 14,100 | \$ 14,100 |
| Capital campaign contributions | - | 3,042,787 | 3,042,787 | - | - | - |
| Federal grants | 2,028,351 | - | 2,028,351 | - | - | - |
| Texans Feeding Texans | 949,282 | - | 949,282 | - | - | - |
| Neighbor Helping Neighbor | - | - | - | - | - | - |
| United Way | 522,095 | - | 522,095 | - | - | - |
| Other non-federal grants | 96,791 | - | 96,791 | - | - | - |
| Special events | 280,684 | - | 280,684 | - | - | - |
| Investment income (loss) | 44,831 | - | 44,831 | (59,776) | - | (59,776) |
| Oil and gas royalty income | 1,423 | - | 1,423 | - | - | - |
| Rental income | 44,202 | - | 44,202 | - | - | - |
| Other | 9,749 | - | 9,749 | - | - | - |
| Contributed assets | - | - | - | - | - | - |
| Gain (loss) on sale of assets | (284,170) | - | (284,170) | - | - | - |
| Net assets released from restrictions: | | | | | | |
| Transfer of restriction | 984,968 | (7,076,615) | (6,091,647) | - | - | - |
| Satisfaction of capital campaign restrictions | 6,091,647 | - | 6,091,647 | - | - | - |
| Satisfaction of program restrictions | 119,351 | (21,351) | 98,000 | (98,000) | - | (98,000) |
| Total revenues and other support | 12,976,314 | (3,965,729) | 9,010,585 | (157,776) | 14,100 | (143,676) |
| Expenses: | | | | | | |
| Program services | 5,356,296 | - | 5,356,296 | - | - | - |
| Supporting services: | | | | | | |
| General and administration | 497,759 | - | 497,759 | 10,310 | - | 10,310 |
| Fundraising | 411,101 | - | 411,101 | - | - | - |
| Total supporting services | 908,860 | - | 908,860 | 10,310 | - | 10,310 |
| Total expenses | 6,265,156 | - | 6,265,156 | 10,310 | - | 10,310 |
| Change in net assets | 6,711,158 | (3,965,729) | 2,745,429 | (168,086) | 14,100 | (153,986) |
| Net assets at beginning of year | 3,933,931 | 4,402,080 | 8,336,011 | 1,293,231 | 1,138,075 | 2,431,306 |
| Net assets at end of year | \$10,645,089 | \$ 436,351 | \$ 11,081,440 | \$1,125,145 | \$ 1,152,175 | \$2,277,320 |

See notes to combined financial statements.



Meals On Wheels Client Assistance, Inc.

| Unrestricted | Temporarily Restricted | Total | Eliminating | Combined Total | |
|---------------------|------------------------|-------------------|-------------|----------------------|----------------------|
| | | | | 2015 | 2014 |
| \$ 23,861 | \$ - | \$ 23,861 | \$ - | \$ 2,214,521 | \$ 3,123,958 |
| - | - | - | - | 3,042,787 | 2,741,185 |
| - | - | - | - | 2,028,351 | 1,827,039 |
| - | - | - | - | 949,282 | 940,643 |
| - | - | - | - | - | 7,315 |
| - | - | - | - | 522,095 | 556,688 |
| - | - | - | - | 96,791 | 95,297 |
| - | - | - | - | 280,684 | 366,048 |
| - | - | - | - | (14,945) | 84,746 |
| - | - | - | - | 1,423 | 1,437 |
| 49,600 | - | 49,600 | - | 93,802 | 83,400 |
| - | - | - | - | 9,749 | 14,529 |
| 470,400 | - | 470,400 | (470,400) | - | - |
| - | - | - | 470,400 | 186,230 | - |
| (984,968) | 7,076,615 | 6,091,647 | - | - | - |
| - | (6,091,647) | (6,091,647) | - | - | - |
| - | - | - | - | - | - |
| (441,107) | 984,968 | 543,861 | - | 9,410,770 | 9,842,285 |
| 53,281 | - | 53,281 | - | 5,409,577 | 5,319,028 |
| 39,265 | - | 39,265 | - | 547,334 | 329,969 |
| - | - | - | - | 411,101 | 594,642 |
| 39,265 | - | 39,265 | - | 958,435 | 924,611 |
| 92,546 | - | 92,546 | - | 6,368,012 | 6,243,639 |
| (533,653) | 984,968 | 451,315 | - | 3,042,758 | 3,598,646 |
| - | - | - | - | 10,767,317 | 7,168,671 |
| <u>\$ (533,653)</u> | <u>\$ 984,968</u> | <u>\$ 451,315</u> | <u>\$ -</u> | <u>\$ 13,810,075</u> | <u>\$ 10,767,317</u> |



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
Year Ended September 30, 2015, with
Comparative Total for 2014

| | Meals On | Meals On | Meals On | Combined Total | |
|--|-----------------------------------|---------------------------|-----------------------------------|----------------------|--------------------|
| | Wheels, Inc. of Tarrant County | Wheels, Inc. Endowment | Wheels Client Assistance, Inc. | 2015 | 2014 |
| Cash Flows from Operating Activities | | | | | |
| Change in net assets | \$ 2,745,429 | \$ (153,986) | \$ 451,315 | \$ 3,042,758 | \$ 3,598,646 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization | 124,714 | - | 24,027 | 148,741 | 146,767 |
| Loss on sale of assets | 284,170 | - | - | 284,170 | - |
| Net unrealized and realized (gains)/losses | - | 123,578 | - | 123,578 | (35,943) |
| (Increase) decrease in operating assets: | | | | | |
| Accounts receivable | 24,860 | 1,092 | - | 25,952 | (158,887) |
| Pledges receivable | (38,737) | - | - | (38,737) | 48,014 |
| Prepaid expenses and other assets | (28,873) | - | - | (28,873) | (2,783) |
| Increase (decrease) in operating liabilities: | | | | | |
| Accounts payable | (100,235) | (1,000) | 3,810 | (97,425) | 149,424 |
| Accrued liabilities | (2,533) | - | 11,025 | 8,492 | (20,024) |
| Deferred revenue | (39,858) | - | - | (39,858) | 28,496 |
| Due to/(from) related party | (8,073) | - | 8,073 | - | - |
| Contributions restricted for endowment | - | (14,100) | - | (14,100) | (1,027,127) |
| Contributions restricted for capital campaign | (3,042,787) | - | (470,400) | (3,513,187) | (2,741,185) |
| Net cash provided (used) by operating activities | (81,923) | (44,416) | 27,850 | (98,489) | (14,602) |
| Cash Flows from Investing Activities | | | | | |
| Change in cash restricted for investment in property and equipment | 2,647,114 | - | (984,966) | 1,662,148 | (780,726) |
| Advances on loans | (10,776,000) | - | - | (10,776,000) | (508,089) |
| Purchase of property and equipment | (119,088) | - | (4,721,332) | (4,840,420) | - |
| Proceeds from sale of asset | 1,529,156 | - | - | 1,529,156 | - |
| Purchase of investments | (2,325,247) | (1,158,101) | - | (3,483,348) | (1,758,253) |
| Proceeds from sale and maturity of investments | 2,422,574 | 196,102 | - | 2,618,676 | 1,747,595 |
| Net cash used by investing activities | (6,621,491) | (961,999) | (5,706,298) | (13,289,788) | (1,299,473) |
| Cash Flows from Financing Activities | | | | | |
| Proceeds from notes payable | 3,979,356 | - | 15,680,000 | 19,659,356 | - |
| Payments on notes payable | (1,050,000) | - | - | (1,050,000) | - |
| Payment of NMTC costs | - | - | (651,874) | (651,874) | - |
| Proceeds restricted for endowment | - | 1,014,100 | - | 1,014,100 | 27,127 |
| Proceeds from contributions restricted for capital campaign | 4,429,499 | - | - | 4,429,499 | 1,123,620 |
| Net cash provided by financing activities | 7,358,855 | 1,014,100 | 15,028,126 | 23,401,081 | 1,150,747 |
| Net increase (decrease) in cash and and cash equivalents | 655,441 | 7,685 | 9,349,678 | 10,012,804 | (163,328) |
| Cash and cash equivalents at beginning of year | 266,391 | 18,905 | - | 285,296 | 448,624 |
| Cash and cash equivalents at end of year | \$ 921,832 | \$ 26,590 | \$ 9,349,678 | \$ 10,298,100 | \$ 285,296 |
| Supplemental information: | | | | | |
| Interest paid | \$ 52,728 | \$ - | \$ 93,549 | \$ 146,277 | \$ 12,768 |
| Non-cash activity: | | | | | |
| Capital assets contributed | \$ (470,400) | \$ - | \$ 470,400 | \$ - | \$ - |

See notes to combined financial statements.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES Year Ended September 30, 2015, with Comparative Total for 2014

| | Program Services | Supporting Services | | | 2015 | 2014 |
|--|---------------------|----------------------------------|---------------------------------|---------------------------------|---------------------|---------------------|
| | | General and Administrative | Development and Marketing | Total Supporting Services | | |
| Meal service | \$ 2,661,744 | \$ - | \$ - | \$ - | \$ 2,661,744 | \$ 2,628,331 |
| Salaries | 1,671,531 | 291,109 | 138,608 | 429,717 | 2,101,248 | 1,975,780 |
| Staff benefits | 150,632 | 28,243 | 9,414 | 37,657 | 188,289 | 216,868 |
| Staff training | 7,467 | 879 | 439 | 1,318 | 8,785 | 15,938 |
| Retirement expense | 101,328 | 18,999 | 6,333 | 25,332 | 126,660 | 128,214 |
| Payroll taxes | 130,389 | 24,448 | 8,149 | 32,597 | 162,986 | 147,920 |
| Professional fees | 71,536 | 12,624 | - | 12,624 | 84,160 | 57,388 |
| Supplies | 13,526 | 2,350 | 506 | 2,856 | 16,382 | 62,917 |
| Telephone and communication | 33,784 | 6,335 | 2,112 | 8,447 | 42,231 | 44,748 |
| Postage | 9,368 | 27,444 | - | 27,444 | 36,812 | 49,006 |
| Computer expense | 27,923 | 5,236 | 1,803 | 7,039 | 34,962 | 37,448 |
| Occupancy | 48,245 | 9,046 | 3,015 | 12,061 | 60,306 | 64,037 |
| Volunteer expenses | 10,504 | - | - | - | 10,504 | 18,953 |
| Transportation | 76,771 | 4,522 | 4,522 | 9,044 | 85,815 | 82,534 |
| Repairs and maintenance | 42,868 | 4,449 | 1,260 | 5,709 | 48,577 | 40,636 |
| Advertising | 370 | 4,009 | 1,619 | 5,628 | 5,998 | 4,485 |
| Direct mail and newsletter | - | - | 116,713 | 116,713 | 116,713 | 103,756 |
| Printing | 16,467 | 22,741 | - | 22,741 | 39,208 | 42,711 |
| Delivery | 30,088 | - | - | - | 30,088 | 45,016 |
| Subscriptions | 650 | 5,196 | 650 | 5,846 | 6,496 | 6,102 |
| Equipment | 17,886 | 2,612 | 871 | 3,483 | 21,369 | 22,194 |
| Miscellaneous | 7,398 | 870 | 435 | 1,305 | 8,703 | 7,656 |
| Client services | 30,717 | - | - | - | 30,717 | 34,842 |
| Insurance | 65,560 | 7,397 | 2,466 | 9,863 | 75,423 | 64,148 |
| Special events | 8,882 | - | 98,076 | 98,076 | 106,958 | 146,942 |
| Bank fees | - | 19,879 | - | 19,879 | 19,879 | 21,394 |
| Property and unrelated business income taxes | - | 16,353 | - | 16,353 | 16,353 | 18,994 |
| Bad debts | 3,919 | - | - | - | 3,919 | 1,579 |
| Interest and taxes | 45,194 | - | 7,534 | 7,534 | 52,728 | - |
| Security | 5,440 | 1,020 | 340 | 1,360 | 6,800 | 6,335 |
| Reimbursements | 8,458 | - | - | - | 8,458 | - |
| Total expenses before depreciation | 5,298,645 | 515,761 | 404,865 | 920,626 | 6,219,271 | 6,096,872 |
| Depreciation and amortization | 110,932 | 31,573 | 6,236 | 37,809 | 148,741 | 146,767 |
| Total expenses | \$ 5,409,577 | \$ 547,334 | \$ 411,101 | \$ 958,435 | \$ 6,368,012 | \$ 6,243,639 |

See notes to combined financial statements



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying combined financial statements include the accounts of Meals On Wheels Inc. of Tarrant County (the “Agency”), Meals On Wheels, Inc. of Tarrant County Endowment Fund (the “Endowment”), and Meals On Wheels Client Assistance, Inc. (“MOWCA”), all of which are under common control. Significant inter-agency transactions and balances have been eliminated in the combination.

Nature of Activities

The Agency’s programs include functions and activities which are primarily concerned with meeting the nutritional needs of the elderly, the handicapped, and the disabled in Tarrant County, a large percentage of whom are home-bound and who are unable to provide these meals for themselves. A social worker visits each client periodically to ensure that their needs are being met and to ensure that their eligibility status is intact.

The Endowment, created in 1995, is a separate not-for-profit organization, whose purpose is to manage and invest contributions for the Agency in order to provide for its operations.

Meals On Wheels Client Assistance is a separate not-for-profit entity incorporated in 2015 to facilitate client assistance activities and build and hold a new operations building for the Agency.

Management Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Cash Equivalents

The Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable represent government grant receivables at September 30, 2015 and 2014. Based on past experience and analysis of current receivable collectability, management does not consider an allowance for doubtful accounts necessary in 2015 or 2014.

Property and Equipment

Property and equipment acquisitions in excess of \$5,000 are generally recorded at cost and depreciated over the estimated useful life of the assets using the straight-line method. Improvements that increase the useful life of the asset are capitalized; otherwise, the costs are expensed as incurred. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reflected in the combined statement of activities as investment income.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition

The Agency records contributions from donors as revenue when the gift is received or when the Agency learns of the donor's intention to make a gift, which results in a pledge receivable. Promises to give in excess of one year are recorded at their net present value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grant revenue is recognized as revenue upon commencement of the related service.

Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Deferred Revenue

Deferred revenue is primarily comprised of payments received prior to year-end from the Texas Department of Agriculture to provide meals to clients in the following year.

Donated Services

The Agency receives donated services for its various programs from volunteers. No amounts have been reflected in the combined statements for donated services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Agency.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the programs and activities of the Agency have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among program services and supporting services.

Prior-Year Comparative Information

The combined 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's combined financial statements for the year ended September 30, 2014 from which the summarized information is derived.

Income Taxes

The Agency, the Endowment, and MOWCA are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered private foundations.

The respective Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Subsequent Events

Management evaluated subsequent events through January 20, 2016, which is the date the financial statements were available to be issued.

NOTE 2. RESTRICTED CASH

MOWCA's lenders have restricted the unspent loan proceeds to be used only for construction of the building and must be approved by the lender before disbursement.

NOTE 3. ASSETS RESTRICTED FOR INVESTMENT IN CAPITAL CAMPAIGN

The Agency started a capital campaign to build a new facility to replace the current building. Assets restricted by the donor for use in the capital campaign consist of the following:

| | 2015 | 2014 |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 984,966 | \$ 2,647,114 |
| Pledges receivable | 287,103 | 1,673,815 |
| | <u>\$ 1,272,069</u> | <u>\$ 4,320,929</u> |



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 3. ASSETS RESTRICTED FOR INVESTMENT IN CAPITAL CAMPAIGN (Continued)

Based upon collection history and individual analysis of pledges receivable, management does not consider an allowance for doubtful accounts necessary at September 30, 2015 or 2014. Collections of pledges receivable are expected through 2019 as follows:

| | | |
|--------------------|----|----------------|
| Due in one year | \$ | 226,887 |
| Due in two years | | 59,591 |
| Due in three years | | 475 |
| Due in four years | | 150 |
| | \$ | <u>287,103</u> |

NOTE 4. PLEDGES RECEIVABLE

At September 30, 2015 and 2014, the Agency has pledges receivable of \$54,175 and \$1,015,438, respectively, restricted for program services and future operating needs. These amounts are expected to be collected within the next year. No allowance for doubtful contributions receivable is considered necessary at September 30, 2015 or 2014.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

| | 2015 | 2014 |
|-------------------------------|---------------------|---------------------|
| Land | \$ 964,378 | \$ 847,016 |
| Building and improvements | 2,478,865 | 2,485,700 |
| Furniture and equipment | 838,032 | 826,080 |
| Vehicles | 335,860 | 335,860 |
| Construction in progress | 6,628,685 | 846,832 |
| | <u>11,245,820</u> | <u>5,341,488</u> |
| Less accumulated depreciation | <u>(1,972,123)</u> | <u>(1,858,481)</u> |
| | <u>\$ 9,273,697</u> | <u>\$ 3,483,007</u> |

NOTE 6. CAPITALIZED NMTC COSTS

MOWCA has incurred \$651,874 in legal, consulting, and accounting fees in relation to the New Market Tax Credit ("NMTC") transaction. The costs will be amortized over the life of the related NMTC loans. Amortization expense was \$12,866 for 2015.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of the Agency, Endowment, and MOWCA at September 30, 2015 and 2014, are restricted by the donors as follows:

| | 2015 | 2014 |
|---------------------------------|---------------------|---------------------|
| Program service expenses | \$ 95,075 | \$ 65,713 |
| Future operating needs | 54,175 | 15,438 |
| Endowment | | |
| Program expenses | 1,000,000 | 1,000,000 |
| Unexpended endowment earnings | 125,145 | 293,231 |
| Restricted for capital campaign | 1,272,069 | 4,320,929 |
| | <u>\$ 2,546,464</u> | <u>\$ 5,695,311</u> |

Temporarily restricted net assets of the Endowment are described in Note 9.

NOTE 8. EMPLOYEE BENEFIT PLAN

The Agency has established for its employees a Simplified Employee Pension – Individual Retirement Plan (SEP-IRA Plan) that provides retirement benefits to all eligible employees. The SEP-IRA Plan is a defined contribution plan. All employees over age 21 and having completed two years of service are eligible to participate in the Plan. Under direction of the Board of Directors, the Agency contributes a minimum of 5% and currently contributes 8% of the employees' gross wages into the SEP-IRA Plan. The employee is immediately fully vested. The Agency also has a tax deferred annuity plan that complies with Section 403(b) of the Internal Revenue Code. Employees may make voluntary contributions, up to limits prescribed by law, to the 403(b) Plan in addition to the 8% contributed by the Agency to the SEP-IRA Plan. Agency contributions in the years ended September 30, 2015 and 2014 were approximately \$127,000 and \$128,000, respectively.

NOTE 9. ENDOWMENT FUNDS

During 1995, a donor established an endowment fund for the Agency. It is the purpose and intent of the Endowment to receive, invest, and manage contributions received by the Endowment to assist the Agency and no other organization in order to provide for its clients.

Interpretation of Relevant Law

The Board of Directors (the "Directors") of the Endowment has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the State of Texas to require the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, the Endowment will classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by UPMIFA.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENT FUNDS (Continued)

Additionally, amounts considered temporarily restricted include \$1,000,000 for the pet care program. Distributions from this contribution will be made in accordance with the Endowment's spending policy.

In accordance with UPMIFA, the Endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Endowment and the donor-restricted portion of the Endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Endowment
7. The investment policies of the Endowment

Composition and Activity of Endowment Funds

Endowment net asset composition by type of funds at September 30, 2015 and 2014, follows:

| | 2015 | | |
|------------------|---------------------------|---------------------------|--------------|
| | Temporarily Restricted | Permanently Restricted | Total |
| Donor restricted | \$ 1,125,145 | \$ 1,152,175 | \$ 2,277,320 |

| | 2014 | | |
|------------------|---------------------------|---------------------------|--------------|
| | Temporarily Restricted | Permanently Restricted | Total |
| Donor restricted | \$ 1,293,231 | \$ 1,138,075 | \$ 2,431,306 |

The changes in the endowment net assets for the years ended September 30, 2015 and 2014, follow:

| | 2015 | | |
|------------------------------|---------------------------|---------------------------|--------------|
| | Temporarily Restricted | Permanently Restricted | Total |
| Balance at beginning of year | \$ 1,293,231 | \$ 1,138,075 | \$ 2,431,306 |
| Contributions | - | 14,100 | 14,100 |
| Unrealized/realized losses | (123,578) | - | (123,578) |
| Interest and dividends | 63,802 | - | 63,802 |
| Expenses | (10,310) | - | (10,310) |
| Transfers to Agency | (98,000) | - | (98,000) |
| Balance at end of year | \$ 1,125,145 | \$ 1,152,175 | \$ 2,277,320 |



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENT FUNDS (Continued)

| | 2014 | | |
|------------------------------|---------------------------|---------------------------|---------------------|
| | Temporarily Restricted | Permanently Restricted | Total |
| Balance at beginning of year | \$ 262,315 | \$ 1,110,948 | \$ 1,373,263 |
| Contributions | 1,000,000 | 27,127 | 1,027,127 |
| Unrealized/realized gains | 35,943 | - | 35,943 |
| Interest and dividends | 42,700 | - | 42,700 |
| Expenses | (12,727) | - | (12,727) |
| Transfers to Agency | (35,000) | - | (35,000) |
| Balance at end of year | <u>\$ 1,293,231</u> | <u>\$ 1,138,075</u> | <u>\$ 2,431,306</u> |

Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for Endowment assets that attempt to provide a predictable stream of funding to programs supported by its Endowment while seeking to maintain the purchasing power of the Endowment assets. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity or for a donor-specified period(s) as well as funds temporarily restricted by the donor. Under this policy, as approved by the Board of Directors, the Endowment assets are invested in a Charles Schwab account assuming a moderate level of investment risk. The Agency expects its Endowment funds, over time, to provide an average rate of return of approximately 3 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Annually, the board may designate, as a distribution to the Agency, at least 2% and not to exceed 6% of the average of (1) the value of the Endowment's assets as of the date of the most recently ended fiscal year and (2) the value of the Endowment's assets on the date of its fiscal year ended one year prior. This policy will ensure that the movement of the market value of the Endowment assets with return objectives as set forth and the expenditure of the Endowment income are correlated.

NOTE 10. FAIR VALUE OF ASSETS AND LIABILITIES

For assets and liabilities measured at fair value on a recurring basis, the Fair Value Measurements and Disclosures Topic of the Accounting Standards Codification establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. This topic describes three levels of inputs that may be used to measure fair value:



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 10. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

| | |
|---------|--|
| Level 1 | Quoted prices in active markets for identical assets or liabilities. |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. |

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 investments include publicly traded stocks, government and corporate bonds, mutual funds, certificates of deposit, and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying combined statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2015:

| | Fair Value | Fair Value Measurements Using | | |
|------------------------------|---------------------|-------------------------------|-------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Cash and equivalents | \$ 67,568 | \$ 67,568 | \$ - | \$ - |
| Certificates of deposit | 506,979 | 506,979 | - | - |
| Mutual funds: | | | | |
| Multi-sector bond | 207,655 | 207,655 | - | - |
| Nontraditional bond | 173,741 | 173,741 | - | - |
| Domestic large cap | 172,793 | 172,793 | - | - |
| Large cap blend | 347,045 | 347,045 | - | - |
| Mid cap blend | 367,020 | 367,020 | - | - |
| Diversified emerging markets | 109,811 | 109,811 | - | - |
| Small cap blend | 183,573 | 183,573 | - | - |
| Ultra short bond | 231,207 | 231,207 | - | - |
| Natural resources | 77,778 | 77,778 | - | - |
| Foreign large value | 162,609 | 162,609 | - | - |
| World bond | 149,930 | 149,930 | - | - |
| | <u>\$ 2,757,709</u> | <u>\$ 2,757,709</u> | <u>\$ -</u> | <u>\$ -</u> |



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 10. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

The level within the fair value hierarchy in which the fair value measurements fall at September 30, 2014 follows:

| | Fair Value | Fair Value Measurements Using | | |
|-------------------------|---------------------|-------------------------------|-------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Cash and equivalents | \$ 38,832 | \$ 38,832 | \$ - | \$ - |
| Certificates of deposit | 604,306 | 604,306 | - | - |
| Mutual funds: | | | | |
| Multi-sector bond | 208,064 | 208,064 | - | - |
| Nontraditional bond | 172,291 | 172,291 | - | - |
| Domestic large cap | 67,804 | 67,804 | - | - |
| Large cap blend | 215,103 | 215,103 | - | - |
| Mid cap blend | 66,665 | 66,665 | - | - |
| International equity | 126,397 | 126,397 | - | - |
| Small cap blend | 84,589 | 84,589 | - | - |
| Ultra short bond | 141,506 | 141,506 | - | - |
| Natural resources | 40,403 | 40,403 | - | - |
| Foreign large value | 91,259 | 91,259 | - | - |
| World bond | 159,396 | 159,396 | - | - |
| | <u>\$ 2,016,615</u> | <u>\$ 2,016,615</u> | <u>\$ -</u> | <u>\$ -</u> |

Fair Value of Other Financial Instruments

The carrying amount of cash and cash equivalents, accounts and grants receivable, and accounts payable approximates fair value due to their short-term nature. The carrying amount of pledges receivable approximates fair value due to the discounted cash flows which is based upon the net present value. The carrying amount of the notes receivable and the notes payable approximates fair value, as interest rates approximate the risk adjusted market rates.

NOTE 11. CONDITIONAL PROMISES TO GIVE

At September 30, 2015, the Agency has conditional promises to give related to the capital campaign for a new facility. There are \$166,000 in pledges that are payable based upon reaching certain milestones related to the construction project as specified by the donor. Such amounts will be recognized as revenue when the conditions are met.

NOTE 12. NOTES PAYABLE

The Agency has a note payable with a financial institution with an original principal amount of \$3,979,356. The note bears interest at the LIBOR index rate plus 2.18% (2.39% at September 30, 2015). The note matures on January 21, 2020 and is collateralized by pledges made to the Agency. The outstanding balance is \$2,929,356 at September 30, 2015.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 12. NOTES PAYABLE (Continued)

MOWCA has notes payable totaling \$15,680,000 as of September 30, 2015 due to four Community Development Entities (“CDEs”). The notes payable have an interest rate of 0.99% and will mature on November 30, 2054. Interest only payments are due quarterly until February 28, 2022, after that date, quarterly payments of principal and interest are due until the maturity date. Of the total notes payable, \$10,776,000 is recorded as a receivable to the Agency and is related to capital contributed by the Agency. The original principal on the loan of \$15,680,000 is outstanding at September 30, 2015. The loans are collateralized by all property of MOWCA and guaranteed by the Agency. Interest costs of \$93,549 have been capitalized.

NOTE 13. ECONOMIC DEPENDENCY

The Agency receives a substantial amount of its support from federal and state government grants and contracts. These grants and contracts require fulfillment of certain conditions as set forth in the grant documents. Failure to fulfill the conditions could result in the return of funds to grantors.

NOTE 14. COMMITMENTS

Construction Commitment

The Agency signed contracts for the construction of a new facility with a remaining balance totaling approximately \$5,624,000 at September 30, 2015. The commitments are expected to be paid during 2016.

Lease Commitment

MOWCA purchased land in 2015 from the Agency that includes a building that is leased to an unrelated third party under a noncancelable operating lease with a five-year term, including two five-year options to renew. The property has a cost basis of \$560,821 with \$11,161 in accumulated depreciation as of September 30, 2015. There was \$24,800 and \$49,600 in revenue recorded as rental income for the Agency prior to the sale, and MOWCA after the sale, respectively, for the year ended September 30, 2015. A schedule by year of future minimum rentals under the lease follows:

| Year Ending September 30, | |
|------------------------------|-------------------|
| 2016 | \$ 74,400 |
| 2017 | <u>62,000</u> |
| | <u>\$ 136,400</u> |



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 15. RELATED PARTY TRANSACTIONS

The Agency and MOWCA share common employees. The Agency paid \$27,817 in salaries for personnel on behalf of MOWCA.

During 2015, the Agency sold assets to MOWCA with a cost basis of \$1,813,326 for \$1,529,156 resulting in a loss of \$284,170 recorded by the Agency. As part of this transaction, the Agency was required to contribute \$470,400 of previously incurred construction and related costs to MOWCA for the new building project.

Funding of the construction of a new building includes \$10,776,000 that was contributed to the CDEs for a tax credit transaction. These funds were then loaned to MOWCA for use in financing the building project. There is a receivable balance of \$10,776,000 recorded by the Agency due from MOWCA. The receivable is directly related to the debt recorded by MOWCA and will be expected to be received in the same time period as the debt repayment.

At September 30, 2015, MOWCA owed the Agency \$8,073 for miscellaneous costs paid by the Agency.

NOTE 16. CONCENTRATIONS

The Agency maintains cash balances at financial institutions, which at times exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). As of September 30, 2015, MOWCA has bank balances of \$10,085,444 that are not insured by the FDIC. MOWCA is required by the lender to maintain all funds related to the NMTC transactions at one institution. Management does not believe there is a significant risk of loss related to these deposits.



SUPPLEMENTARY INFORMATION



MEALS ON WHEELS, INC. OF TARRANT COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2015**

| Federal and State Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Number | Federal/State Expenditures |
|--|---------------------------|-------------------------------------|-------------------------------|
| FEDERAL AWARDS | | | |
| U.S. Department of Health and Human Services | | | |
| Older Americans Act Title IIIC | | | |
| Texas Department on Aging | | | |
| Area Agency on Aging of Tarrant County | | | |
| Meals Contract | 93.045 | 0148-04C | \$ 1,253,908 |
| Assessment Contract | 93.045 | 0148-04C | <u>68,769</u> |
| | | | 1,322,677 |
| Texas Department of Family and Protective Services | | | |
| Title XX Home Delivered Meals | | | |
| Texas Department of Health and Human Services-CCAD | 93.667 | PS-052-67P-00 | 308,865 |
| Title XIX Home Delivered Meals | | | |
| Texas Department of Health and Human Services-CBA | 93.667 | PS-052-67P-00 | <u>269,924</u> |
| | | | 578,789 |
| Total U.S. Department of Health and Human Services | | | <u>1,901,466</u> |
| U.S. Department of Housing and Urban Development | | | |
| City of Arlington | | | |
| Community Development Block Grant 2014-2015 | 14.218 | | 17,589 |
| City of Fort Worth | | | |
| Community Development Block Grant 2014-2015 | 14.218 | | <u>105,000</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>122,589</u> |
| Total Federal Awards | | | <u>2,024,055</u> |
| STATE AWARDS | | | |
| Texas Department of Agriculture | | | |
| Texans Feeding Texans: Home Delivered Meal Grant Program 2014 - 2015 | | | |
| | | | 306,833 |
| Meal Grant Program 2015 - 2016 | | | |
| | | | <u>642,449</u> |
| Total State Awards | | | <u>949,282</u> |
| Total Expenditures of Federal and State Awards | | | <u>\$ 2,973,337</u> |

See notes to the Schedule of Expenditures of Federal and State Awards.



MEALS ON WHEELS, INC. OF TARRANT COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS Year Ended September 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State awards includes the federal and state grant activity of Meals On Wheels, Inc. of Tarrant County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *The State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2. SUBRECIPIENTS

The Agency has no subrecipients.

NOTE 3. NON-CASH ASSISTANCE

The Agency did not receive any non-cash assistance from federal or state awards for the year ended September 30, 2015.

NOTE 4. LOANS

At year-end, the Agency had no loans or loan guarantees outstanding with federal or state awarding agencies.





INDEPENDENT AUDITOR'S 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*

Board of Directors
Meals On Wheels, Inc. of Tarrant County and Affiliates
Fort Worth, Texas

We have audited, 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, the combined financial statements of Meals On Wheels, Inc. of Tarrant County and Affiliates (the "Agency"), which comprise the statement of financial position as of September 30, 2015, and the related combined statements of activities, and cash flows for the year ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Agency'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider item 2015-001 described in the accompanying Schedule of Findings and Questioned Costs as a material weakness.

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. We consider items 2015-002 and 2015-003 described in the accompanying Schedule of Findings and Questioned Costs as significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's combined 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 combined 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*.

Agency's Response to Findings

The Agency's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roglander, Clay + Opitz, LLP

January 20, 2016





INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Directors
Meals On Wheels, Inc. of Tarrant County
Fort Worth, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Meals On Wheels, Inc. of Tarrant County’s (the “Agency”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on the Agency’s major federal and state programs for the year ended September 30, 2015. The Agency’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Agency’s major federal and state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the *State of Texas Single Audit Circular*. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the Agency’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal and state programs. However, our audit does not provide a legal determination of the Agency’s compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal and state programs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular No. A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004 and 2015-005. Our opinion on the major federal and state program is not modified with respect to these matters.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal and state programs, and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 and 2015-005 that we consider to be significant deficiencies.

The Agency's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133* and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Rylander, Clay + Opitz, LLP

January 20, 2016



MEALS ON WHEELS, INC. OF TARRANT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 Yes X No

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal/State Program</u> |
|-------------------------|---|
| 93.045 | Older Americans Act Title IIIC Texas Department on Aging |
| N/A | Texas Department of Agriculture Texans Feeding Texans |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No



MEALS ON WHEELS, INC. OF TARRANT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2015

Section II - Financial Statement Findings

Material Weakness

Finding No. 2015-001: There were unrecorded costs related to the construction of a new facility.

Specific requirement: Construction in progress should be recorded in the year that costs, including retainage are incurred.

Condition: Costs were not properly recorded in the correct year.

Context: One invoice related to the construction of the building, as well as the associated retainage, was not accrued.

Effect: Fixed assets and accounts payable were understated by approximately \$1,600,000.

Cause: Construction of a new building is outside of the Agency's normal course of operations.

Recommendation: Invoices should be reviewed for proper accrual at year-end.

View of responsible officials: The Agency strives to properly record all income and expenses in a timely manner. Due to the complexity of the funding and recording of the new building, the new personnel, and the intricacies of the draw requests, there was an omission of procedure regarding the draws and recording of payables.

Corrective Action: Accounting staff will make all efforts to review all possible payables in the future.

Significant Deficiencies

Finding No. 2015-002: A conditional pledge was recognized as revenue prior to conditions being met.

Specific requirement: Revenue is recognized as conditions of pledges are met.

Condition: Improper recognition of revenue.

Context: A portion of the pledge had conditions met and was properly recognized as revenue.

Effect: Revenue was overstated by approximately \$170,000.

Cause: A conditional pledge was recognized before the conditions were met.

Recommendation: Pledge letters should be reviewed periodically for compliance with conditions made by donor.



MEALS ON WHEELS, INC. OF TARRANT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2015

Finding No. 2015-002 (Continued)

View of responsible officials: Marketing and accounting departments discussed this conditional pledge and our intention was to record only the amount due at the time of meeting the conditions. The error occurred in the recording of the pledge which was not done until the first condition was met and the staff recorded the entire conditional receivable.

Corrective Action: The Agency will record conditional pledges as income as they are received. No receivable will be recorded unless the condition is met.

Finding No. 2015-003: A related party contribution was recorded incorrectly as an increase to net assets rather than revenue.

Specific requirement: Contributions are recorded as increases in revenue.

Condition: Non-compliance with GAAP.

Context: Numerous journal entries were made, reversed and re-posted to the general ledger in an attempt to record the financing transactions.

Effect: Revenue was understated while beginning equity was overstated by approximately \$470,000.

Cause: During the year, the Agency entered into financing transactions that were outside of their normal course of operations for the purpose of funding a new building project.

Recommendation: Transactions outside of the normal course of operations should be reviewed and researched if necessary to determine compliance with GAAP.

View of responsible officials: The Agency requested assistance with the recording of this transaction from the NMTC consultant and from the auditing firm. There was a misunderstanding regarding this entry.

Corrective Action: The Agency will pursue definitive answers and clarifications regarding complicated transactions in the future.

Section III – Federal and State Award Findings and Questioned Costs

Significant Deficiencies

Finding No. 2015-004 Procurement policies and requirements were not followed.

Specific requirement: In accordance with OMB Circular A -133 and the State of Texas Single Audit Circular, organizations expending federal or state funds with any vendor are required to provide reasonable assurance that procurement of goods and services are made in compliance, and that covered transactions are not made with a debarred or suspended party.



MEALS ON WHEELS, INC. OF TARRANT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2015

Finding No. 2015-004 (Continued)

Condition: Debarment and suspension search was not performed and documented in the current year.

Context: This procedure was not followed for any of the vendors.

Effect: Failure to follow compliance requirements could result in contracting with a debarred or suspended vendor.

Cause: The Agency has a policy for checking monthly for debarred and suspended vendors. However, this policy was not followed during the year due to significant turnover.

Recommendation: The policy in place should be properly implemented and controls developed to ensure that policy is followed.

View of responsible officials: Due to the changes in personnel and the redistribution of job duties, this vital process was neglected and policies and procedures were not followed.

Corrective Action: Policy has been clarified with the accounts payable clerk and a schedule has been implemented to facilitate the vetting of vendors throughout the year.

Finding No. 2015-005: Quarterly compliance reports for a state funded grant were not submitted timely to the grantor.

Specific requirement: Quarterly compliance reports are required to be submitted to the grantor no later than 30 days after the end of the reporting period.

Condition: The report was submitted after the deadline.

Context: One of the four quarterly reports was not submitted timely for one of the funding sources.

Effect: The Agency was not in compliance with the grant requirements, which could cause delay in loss or delay in funding from the grantor.

Cause: The due date for the report fell on January 1st, which is a holiday. Staff was scheduled off the following three days.

Recommendation: Procedures in place should be followed to ensure the timely filing of reports.

View of responsible officials: The late filing occurred prior to current management.

Corrective Action: All subsequent filings have been made on a timely basis as indicated in procedures.



MEALS ON WHEELS, INC. OF TARRANT COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2015

Prior Financial Statement Findings

Finding No. 2014-001: A bequest of \$2,400,000 made during the year was not recorded at year-end.

Current status: Procedures have been implemented to reconcile donations recorded by accounting with donations recorded in the development department.

Finding No. 2014-002: Bank reconciliations were not performed timely.

Current status: The Agency cross-trained additional staff in the accounting department to ensure that the reconciliation process will continue monthly without regard to staff shortages. Accounting department staff have also received additional training in the correct posting of daily deposits to facilitate the reconciliation process.

Finding No. 2014-003: The beginning balances of balance sheet accounts did not agree to the prior year financial statement ending balances.

Current Status: Reconciliation and review of accounts are completed by the accounting staff on a regular basis and reviewed by the VP of Finance and Board Treasurer.

Prior Federal Award Findings and Questioned Costs

Finding No. 2014-004: Procurement policies and requirements were not followed.

Current Status: Proposals were requested from area foodservice providers, from which two bids were received. The contract was awarded prior to year-end.

Finding No. 2014-005: Quarterly compliance reports for a state funded grant were not submitted timely to the grantor.

Current status: During testing a late submission was found. See current year finding 2015-005. This late submission was prior to the release of the audit report dated January 21, 2015. Since the filing of the 2014 report, procedures have been implemented. No further late filings were noted.

