

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

**AUDITED COMBINED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Year Ended September 30, 2016**



# CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<hr/>	
<b>AUDITED COMBINED FINANCIAL STATEMENTS</b>	
Combined Statements of Financial Position	3
Combined Statements of Activities	4
Combined Statements of Cash Flows	5
Combined Statements of Functional Expenses	6
Notes to Combined Financial Statements	7
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal and State Awards	17
Notes to the Schedule of Expenditures of Federal and State Awards	18
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 <i>Government Auditing Standards</i>	19
Independent Auditor's Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance Required by Uniform Guidance and the <i>State of Texas Single Audit Circular</i>	21
Schedule of Findings and Questioned Costs	23
Summary Schedule of Prior Audit Findings	24





## 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 statement of financial position of Meals On Wheels, Inc. of Tarrant County and Affiliates (the "Agency") as of September 30, 2016, 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 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 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, 2016, 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 20, 2016. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2015, 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 combined financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Single Audit Circular*, is presented for purposes of additional analysis and is not a required part of the 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combined financial statements or to the 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 18, 2017, 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 + Opitz, LLP*

January 18, 2017



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

### COMBINED STATEMENTS OF FINANCIAL POSITION September 30, 2016 and 2015

	Meals On	Meals On	Meals On	Eliminating	Combined Total	
	Wheels, Inc. of Tarrant County	Wheels, Inc. Endowment	Wheels Client Assistance, Inc.		2016	2015
<b>ASSETS</b>						
Cash and cash equivalents	\$ 913,585	\$ 22,819	\$ 102,031	\$ -	\$ 1,038,435	\$ 975,718
Restricted cash - Note 2	-	-	1,186,121	-	1,186,121	9,322,382
Accounts receivable	367,893	-	-	-	367,893	414,703
Short-term investments	409,259	-	-	-	409,259	506,979
Pledges receivable	164,210	-	-	-	164,210	54,175
Due from - related party	117,607	-	4,541	(122,148)	-	-
Notes receivable - related party	10,776,000	-	-	(10,776,000)	-	-
Prepaid expenses and other assets	40,999	-	17,540	-	58,539	75,908
Assets restricted to investment in capital campaign	61,442	-	-	-	61,442	1,272,069
Assets held for sale, net	1,467,283	-	-	-	1,467,283	-
Capitalized NMTC costs, net - Note 7	-	-	646,196	-	646,196	639,008
Property and equipment, net	138,534	-	14,256,047	-	14,394,581	9,273,697
Investments	-	1,112,890	-	-	1,112,890	1,098,555
Assets restricted to endowment	-	1,161,578	-	-	1,161,578	1,152,175
<b>Total assets</b>	<b>\$ 14,456,812</b>	<b>\$ 2,297,287</b>	<b>\$ 16,212,476</b>	<b>\$ (10,898,148)</b>	<b>\$ 22,068,427</b>	<b>\$ 24,785,369</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable	\$ 207,080	\$ -	\$ 203,596	\$ -	\$ 410,676	\$ 2,573,207
Accrued liabilities	165,915	-	-	-	165,915	242,606
Due to - related party	4,541	-	117,607	(122,148)	-	-
Notes payable	1,434,548	-	4,904,000	-	6,338,548	7,833,356
Notes payable - related party	-	-	10,776,000	(10,776,000)	-	-
Deferred revenue	226,623	-	-	-	226,623	326,125
<b>Total liabilities</b>	<b>2,038,707</b>	<b>-</b>	<b>16,001,203</b>	<b>(10,898,148)</b>	<b>7,141,762</b>	<b>10,975,294</b>
Net Assets						
Unrestricted	12,038,205	-	174,473	-	12,212,678	10,111,436
Temporarily restricted	379,900	1,135,709	36,800	-	1,552,409	2,546,464
Permanently restricted	-	1,161,578	-	-	1,161,578	1,152,175
<b>Total net assets</b>	<b>12,418,105</b>	<b>2,297,287</b>	<b>211,273</b>	<b>-</b>	<b>14,926,665</b>	<b>13,810,075</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,456,812</b>	<b>\$ 2,297,287</b>	<b>\$ 16,212,476</b>	<b>\$ (10,898,148)</b>	<b>\$ 22,068,427</b>	<b>\$ 24,785,369</b>

See notes to combined financial statements.



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

**COMBINED STATEMENTS OF ACTIVITIES**

**Year Ended September 30, 2016, with**

**Comparative Total for 2015**

	Meals On Wheels, Inc. of Tarrant County			Meals On Wheels, Inc. Endowment			Meals On Wheels Client Assistance, Inc.			Eliminating	Combined Total	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total		2016	2015
Revenues and other support:												
Contributions	\$ 2,359,518	\$ 242,752	\$ 2,602,270	\$ -	\$ 9,403	\$ 9,403	\$ 41,515	\$ -	\$ 41,515	\$ -	\$ 2,653,188	\$ 2,214,521
Capital campaign contributions	-	1,350,413	1,350,413	-	-	-	-	-	-	-	1,350,413	3,042,787
Federal grants	2,004,102	-	2,004,102	-	-	-	-	-	-	-	2,004,102	2,028,351
Texans Feeding Texans	961,836	-	961,836	-	-	-	-	-	-	-	961,836	949,282
United Way	539,973	-	539,973	-	-	-	-	-	-	-	539,973	522,095
Other non-federal grants	98,452	-	98,452	-	-	-	-	-	-	-	98,452	96,791
Special events	353,253	-	353,253	-	-	-	-	-	-	-	353,253	280,684
Investment income (loss)	64,292	-	64,292	130,242	-	130,242	18	-	18	-	194,552	(14,945)
Oil and gas royalty income	509	-	509	-	-	-	-	-	-	-	509	1,423
Rental income	25,717	-	25,717	-	-	-	68,200	-	68,200	-	93,917	93,802
Related party rental income	-	-	-	-	-	-	75,000	-	75,000	(75,000)	-	-
Related party unrestricted transfer	41,700	-	41,700	-	-	-	-	-	-	(41,700)	-	-
Other	29,838	-	29,838	-	-	-	-	-	-	-	29,838	9,749
Gain on sale of assets	4,180	-	4,180	-	-	-	-	-	-	-	4,180	186,230
Net assets released from restrictions:												
Transfer	-	(1,576,074)	(1,576,074)	(40,000)	-	(40,000)	-	1,616,074	1,616,074	-	-	-
Capital campaign	1,576,074	-	1,576,074	-	-	-	984,968	(2,561,042)	(1,576,074)	-	-	-
Program	140,042	(73,542)	66,500	(66,500)	-	(66,500)	3,200	(3,200)	-	-	-	-
<b>Total revenues and other support</b>	<b>8,199,486</b>	<b>(56,451)</b>	<b>8,143,035</b>	<b>23,742</b>	<b>9,403</b>	<b>33,145</b>	<b>1,172,901</b>	<b>(948,168)</b>	<b>224,733</b>	<b>(116,700)</b>	<b>8,284,213</b>	<b>9,410,770</b>
Expenses:												
Program services	6,170,099	-	6,170,099	-	-	-	90,844	-	90,844	(116,700)	6,144,243	5,409,577
Supporting services:												
General and administration	178,371	-	178,371	13,178	-	13,178	373,931	-	373,931	-	565,480	547,334
Fundraising	457,900	-	457,900	-	-	-	-	-	-	-	457,900	411,101
<b>Total supporting services</b>	<b>636,271</b>	<b>-</b>	<b>636,271</b>	<b>13,178</b>	<b>-</b>	<b>13,178</b>	<b>373,931</b>	<b>-</b>	<b>373,931</b>	<b>-</b>	<b>1,023,380</b>	<b>958,435</b>
<b>Total expenses</b>	<b>6,806,370</b>	<b>-</b>	<b>6,806,370</b>	<b>13,178</b>	<b>-</b>	<b>13,178</b>	<b>464,775</b>	<b>-</b>	<b>464,775</b>	<b>(116,700)</b>	<b>7,167,623</b>	<b>6,368,012</b>
<b>Change in net assets</b>	<b>1,393,116</b>	<b>(56,451)</b>	<b>1,336,665</b>	<b>10,564</b>	<b>9,403</b>	<b>19,967</b>	<b>708,126</b>	<b>(948,168)</b>	<b>(240,042)</b>	<b>-</b>	<b>1,116,590</b>	<b>3,042,758</b>
Net assets at beginning of year	10,645,089	436,351	11,081,440	1,125,145	1,152,175	2,277,320	(533,653)	984,968	451,315	-	13,810,075	10,767,317
<b>Net assets at end of year</b>	<b>\$ 12,038,205</b>	<b>\$ 379,900</b>	<b>\$ 12,418,105</b>	<b>\$ 1,135,709</b>	<b>\$ 1,161,578</b>	<b>\$ 2,297,287</b>	<b>\$ 174,473</b>	<b>\$ 36,800</b>	<b>\$ 211,273</b>	<b>\$ -</b>	<b>\$ 14,926,665</b>	<b>\$ 13,810,075</b>

See notes to combined financial statements.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS  
Year Ended September 30, 2016, with  
Comparative Total for 2015

	Meals On	Meals On	Meals On	Combined Total	
	Wheels, Inc. of Tarrant County	Wheels, Inc. Endowment	Wheels Client Assistance, Inc.	2016	2015
Cash Flows from Operating Activities					
Change in net assets	\$ 1,336,665	\$ 19,967	\$ (240,042)	\$ 1,116,590	\$ 3,042,758
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	108,771	-	248,769	357,540	148,741
Amortization	-	-	17,812	17,812	-
(Gain)/loss on sale of assets	(4,180)	-	-	(4,180)	284,170
Net unrealized and realized (gains)/losses	-	(64,383)	-	(64,383)	123,578
(Increase) decrease in operating assets:					
Accounts receivable	46,810	-	-	46,810	25,952
Pledges receivable	(110,035)	-	-	(110,035)	(38,737)
Prepaid expenses and other assets	31,509	-	(17,540)	13,969	(28,873)
Increase (decrease) in operating liabilities:					
Accounts payable	66,754	-	67,218	133,972	(97,425)
Accrued liabilities	(65,666)	-	(11,025)	(76,691)	8,492
Deferred revenue	(99,502)	-	-	(99,502)	(39,858)
Due from related party	(104,993)	-	104,993	-	-
Contributions restricted for endowment	-	(9,403)	-	(9,403)	(14,100)
Contributions restricted for capital campaign	(1,350,413)	-	-	(1,350,413)	(3,513,187)
<b>Net cash provided (used) by operating activities</b>	<b>(144,280)</b>	<b>(53,819)</b>	<b>170,185</b>	<b>(27,914)</b>	<b>(98,489)</b>
Cash Flows from Investing Activities					
Change in cash restricted for investment in property and equipment	-	-	984,966	984,966	1,662,148
Advances on loans	-	-	-	-	(10,776,000)
Purchase of property and equipment	(47,133)	-	(9,191,677)	(9,238,810)	(4,840,420)
Proceeds from sale of asset	4,180	-	-	4,180	1,529,156
Purchase of investments	(6,199,035)	(683,724)	-	(6,882,759)	(3,483,348)
Proceeds from sale and maturity of investments	6,296,755	724,369	-	7,021,124	2,618,676
<b>Net cash provided (used) by investing activities</b>	<b>54,767</b>	<b>40,645</b>	<b>(8,206,711)</b>	<b>(8,111,299)</b>	<b>(13,289,788)</b>
Cash Flows from Financing Activities					
Proceeds from notes payable	-	-	-	-	19,659,356
Payments on notes payable	(1,494,808)	-	-	(1,494,808)	(1,050,000)
Payment of NMTC costs	-	-	(25,000)	(25,000)	(651,874)
Proceeds restricted for endowment	-	9,403	-	9,403	1,014,100
Proceeds from contributions restricted for capital campaign	1,576,074	-	-	1,576,074	4,429,499
<b>Net cash provided (used) by financing activities</b>	<b>81,266</b>	<b>9,403</b>	<b>(25,000)</b>	<b>65,669</b>	<b>23,401,081</b>
<b>Net increase (decrease) in cash and and cash equivalents</b>	<b>(8,247)</b>	<b>(3,771)</b>	<b>(8,061,526)</b>	<b>(8,073,544)</b>	<b>10,012,804</b>
Cash and cash equivalents at beginning of year	921,832	26,590	9,349,678	10,298,100	285,296
<b>Cash and cash equivalents at end of year</b>	<b>\$ 913,585</b>	<b>\$ 22,819</b>	<b>\$ 1,288,152</b>	<b>\$ 2,224,556</b>	<b>\$ 10,298,100</b>
Supplemental information:					
Interest paid	\$ 57,152	\$ -	\$ 157,787	\$ 214,939	\$ 146,277

See notes to combined financial statements.



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

**COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2016, with Comparative Total for 2015**

	Program Services	Supporting Services			2016	2015
		General and Administrative	Development and Marketing	Total Supporting Services		
Meal service	\$ 2,699,730	\$ -	\$ -	\$ -	\$ 2,699,730	\$ 2,661,744
Salaries	1,880,788	257,714	110,204	367,918	2,248,706	2,101,248
Staff benefits	170,561	23,371	9,994	33,365	203,926	188,289
Staff training	13,721	2,468	823	3,291	17,012	8,785
Retirement expense	119,720	16,405	7,015	23,420	143,140	126,660
Payroll taxes	140,570	19,262	8,237	27,499	168,069	162,986
Professional fees	43,319	29,977	-	29,977	73,296	84,160
Supplies	30,483	4,287	1,070	5,357	35,840	16,382
Telephone and communication	38,731	7,262	2,421	9,683	48,414	42,231
Postage	8,421	25,262	-	25,262	33,683	36,812
Computer expense	34,923	6,514	1,992	8,506	43,429	34,962
Occupancy	67,868	26,788	8,929	35,717	103,585	60,306
Volunteer expenses	29,468	-	-	-	29,468	10,504
Transportation	70,188	13,149	4,383	17,532	87,720	85,815
Repairs and maintenance	34,936	4,123	1,374	5,497	40,433	48,577
Advertising	6,781	-	-	-	6,781	5,998
Direct mail and newsletter	83,099	-	80,209	80,209	163,308	116,713
Printing	13,088	45,676	-	45,676	58,764	39,208
Delivery	28,230	-	-	-	28,230	30,088
Subscriptions	907	7,256	907	8,163	9,070	6,496
Equipment	20,133	3,450	1,150	4,600	24,733	21,369
Miscellaneous	247	4,422	4,586	9,008	9,255	8,703
Client services	34,724	-	-	-	34,724	30,717
Insurance	75,501	9,035	2,735	11,770	87,271	75,423
Special events	-	-	203,095	203,095	203,095	106,958
Bank fees	-	25,094	-	25,094	25,094	19,879
Property and unrelated business income taxes	-	9,703	-	9,703	9,703	16,353
Bad debts	9,721	-	-	-	9,721	3,919
Interest and taxes	141,190	9,655	3,218	12,873	154,063	52,728
Security	7,856	1,473	491	1,964	9,820	6,800
Reimbursements	-	-	-	-	-	8,458
<b>Total expenses before depreciation</b>	<b>5,804,904</b>	<b>552,346</b>	<b>452,833</b>	<b>1,005,179</b>	<b>6,810,083</b>	<b>6,219,271</b>
Depreciation and amortization	339,339	13,134	5,067	18,201	357,540	148,741
<b>Total expenses</b>	<b>\$ 6,144,243</b>	<b>\$ 565,480</b>	<b>\$ 457,900</b>	<b>\$ 1,023,380</b>	<b>\$ 7,167,623</b>	
<b>2015</b>	<b>\$ 5,409,577</b>	<b>\$ 547,334</b>	<b>\$ 411,101</b>	<b>\$ 958,435</b>		<b>\$ 6,368,012</b>

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 homebound elderly and the disabled people in Tarrant County, who are unable to provide these meals for themselves. A caseworker 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, 2016 and 2015. Based on past experience and analysis of current receivable collectability, management does not consider an allowance for doubtful accounts necessary in 2016 or 2015.

#### **Investments**

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

#### **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.



# 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)

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.

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.

#### 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.

#### 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.



# 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)

#### 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, 2015 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.

#### Subsequent Events

Management evaluated subsequent events through January 18, 2017, 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. Subsequent to year-end, this restriction was released by the lender.

### 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 donors for use in the capital campaign consist of the following:

	2016	2015
Cash and cash equivalents	\$ -	\$ 984,968
Pledges receivable	61,442	287,103
	<u>\$ 61,442</u>	<u>\$ 1,272,071</u>

Based upon collection history and individual analysis of pledges receivable, management does not consider an allowance for doubtful accounts necessary at September 30, 2016 or 2015. Substantially all pledges are expected to be collected in 2017.

### NOTE 4. PLEDGES RECEIVABLE

At September 30, 2016 and 2015, the Agency has pledges receivable of \$164,210 and \$54,175, 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, 2016 or 2015.



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

### NOTES TO COMBINED FINANCIAL STATEMENTS

---

#### NOTE 5. ASSETS HELD FOR SALE

As a result of the Agency's decision to relocate its facilities, the previous location is no longer needed. Assets held for sale by the Agency consists of the following at September 30, 2016:

Land	\$ 418,713
Building and improvements	2,032,412
Equipment	<u>536,035</u>
	2,987,160
Less accumulated depreciation	<u>(1,519,877)</u>
	<u>\$ 1,467,283</u>

After year-end, the property was under contract to sell for a price above the book value of the assets.

#### NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 545,665	\$ 964,378
Building and improvements	13,134,810	2,478,865
Furniture and equipment	1,107,618	838,032
Vehicles	408,694	335,860
Construction in progress	-	<u>6,628,685</u>
	<u>15,196,787</u>	<u>11,245,820</u>
Less accumulated depreciation	<u>(802,206)</u>	<u>(1,972,123)</u>
	<u>\$ 14,394,581</u>	<u>\$ 9,273,697</u>

#### NOTE 7. CAPITALIZED NMTC COSTS

MOWCA incurred fees in legal, consulting, and accounting in relation to the New Market Tax Credit ("NMTC") transaction. The fees incurred were \$25,000 and \$651,874 in 2016 and 2015, respectively. The cost is amortized over the life of the related NMTC loans. Amortization expense was \$17,812 and \$12,866 for 2016 and 2015, respectively.



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

## NOTES TO COMBINED FINANCIAL STATEMENTS

---

### NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of the Agency, Endowment, and MOWCA at September 30, 2016 and 2015, are restricted by the donors as follows:

	<u>2016</u>	<u>2015</u>
Agency		
Program service expenses	\$ 148,299	\$ 95,075
Restricted for capital campaign	61,442	287,101
Future operating needs	170,159	54,175
Endowment - See Note 10		
Program expenses	1,000,000	1,000,000
Unappropriated endowment earnings	135,709	125,145
MOWCA		
Program expenses	36,800	-
Restricted for capital campaign	-	984,968
	<u>\$ 1,552,409</u>	<u>\$ 2,546,464</u>

### NOTE 9. 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 worked two consecutive calendar years 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, 2016 and 2015 were approximately \$143,000 and \$127,000, respectively.

### NOTE 10. 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 Trustees (the "Trustees") 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 10. 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, 2016 and 2015, follows:

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ 1,135,709	\$ 1,161,578	\$ 2,297,287

  

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

The changes in the endowment net assets for the years ended September 30, 2016 and 2015, follow:

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Balance at beginning of year	\$ 1,125,145	\$ 1,152,175	\$ 2,277,320
Contributions	-	9,403	9,403
Unrealized/realized gains	64,383	-	64,383
Interest and dividends	65,859	-	65,859
Expenses	(13,178)	-	(13,178)
Transfers to Agency	(66,500)	-	(66,500)
Transfers to MOWCA	(40,000)	-	(40,000)
Balance at end of year	\$ 1,135,709	\$ 1,161,578	\$ 2,297,287



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

## NOTES TO COMBINED FINANCIAL STATEMENTS

---

### NOTE 10. ENDOWMENT FUNDS (Continued)

	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	<u>\$ 1,125,145</u>	<u>\$ 1,152,175</u>	<u>\$ 2,277,320</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 Trustees, 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 11. 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 11. 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 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, 2016:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and equivalents	\$ 344,705	\$ 344,705	\$ -	\$ -
Certificates of deposit	409,259	409,259	-	-
Mutual funds:				
Multi-sector bond	155,197	155,197	-	-
Nontraditional bond	245,052	245,052	-	-
Domestic large cap	198,722	198,722	-	-
Large cap blend	570,207	570,207	-	-
Ultra short bond	236,356	236,356	-	-
Natural resources	105,430	105,430	-	-
Foreign large value	348,183	348,183	-	-
World bond	70,616	70,616	-	-
	<u>\$ 2,683,727</u>	<u>\$ 2,683,727</u>	<u>\$ -</u>	<u>\$ -</u>



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

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NOTE 11. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

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	-	-
International equity	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>

#### Fair Value of Other Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, pledges receivable, and accounts payable approximates fair value due to their short-term nature. The carrying amount of the notes receivable and the notes payable approximates fair value, as interest rates approximate the risk adjusted market rates.

### 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% (2.60% at September 30, 2016). The note matures on January 21, 2020 and is collateralized by pledges made to the Agency. The outstanding balance is \$1,434,548 and \$2,929,356 at September 30, 2016 and 2015, respectively.

MOWCA has notes payable totaling \$15,680,000 as of September 30, 2016 and 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, 2016. The loans are collateralized by all property of MOWCA and guaranteed by the Agency. Interest costs of \$78,463 and \$93,549 have been capitalized for 2016 and 2015, respectively.

### 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.



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

### **NOTES TO COMBINED FINANCIAL STATEMENTS**

---

#### **NOTE 14. LEASE COMMITMENTS**

MOWCA purchased land in 2015 from the Agency that includes a building that the Agency has leased to an unrelated third party under a noncancelable operating lease since 2012. The agreement has an original term of five-years, including two five-year options to renew. The property has a cost basis of \$560,821 with \$22,322 in accumulated depreciation as of September 30, 2016. There is \$62,000 expected to be received in 2017 under minimum requirements of the current lease agreement.

#### **NOTE 15. 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, 2016, MOWCA has bank balances of \$995,989 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.

#### **NOTE 16. RELATED PARTY TRANSACTIONS**

Funding of the construction of a new building included \$10,776,000 that was contributed to the CDEs for a tax credit transaction in 2015. 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 at September 30, 2016. 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.

The following related party transactions occurred during 2016:

The Agency and MOWCA share common employees. MOWCA reimbursed the Agency \$41,700 for salaries of personnel on behalf of MOWCA.

The Agency provided \$1,576,074 from the capital campaign to MOWCA for construction of the new facility.

The Agency paid \$75,000 in rent to MOWCA.

The Endowment transferred \$31,500 and \$35,000 to the Agency to be used for the Capital Campaign and general operating, respectfully.

The Endowment transferred \$40,000 to MOWCA for pet related client services.

The Agency and MOWCA had outstanding balances due from each other at September 30, 2016. The Agency had an outstanding balance due to MOWCA of \$4,541. MOWCA had an outstanding balance due to the Agency of \$117,607.



**SUPPLEMENTARY INFORMATION**



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended September 30, 2016**

Federal and State Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal/State Expenditures
<b>FEDERAL AWARDS</b>			
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	\$ 1,287,013
Assessment Contract	93.045	0148-04C	35,664
			<u>1,322,677</u>
PPHF Geriatric Education Centers	93.969		<u>17,500</u>
Home Meds	93.734		<u>45,726</u>
Texas Department of Health and Human Services			
CCAD-Title XX Home Delivered Meals	93.667	PS-052-67P-00	274,453
CBA-Title XIX Home Delivered Meals	93.667	PS-052-67P-00	250,993
			<u>525,446</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>1,911,349</u>
U.S. Department of Housing and Urban Development			
City of Arlington			
Community Development Block Grant 2015-2016	14.218		17,926
City of Fort Worth			
Community Development Block Grant 2015-2016	14.218		74,827
<b>Total U.S. Department of Housing and Urban Development</b>			<u>92,753</u>
Total Federal Awards			<u>2,004,102</u>
<b>STATE AWARDS</b>			
Texas Department of Agriculture			
Texans Feeding Texans: Home Delivered			
Meal Grant Program 2015 - 2016			321,225
Meal Grant Program 2016 - 2017			640,611
			<u>961,836</u>
Total State Awards			<u>961,836</u>
<b>Total Expenditures of Federal and State Awards</b>			<u>\$ 2,965,938</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, 2016**

---

#### **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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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, 2016.

#### **NOTE 4. LOANS**

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

#### **NOTE 5. INDIRECT COST RATES**

The Agency has not elected to use the 10% de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors.





**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 combined statement of financial position as of September 30, 2016, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 18, 2017.

**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.

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 Agency'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.

**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*.

**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.

*Rylander, Clay + Opitz, LLP*

January 18, 2017





**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 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 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, 2016. 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 programs 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance, and the Circular 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 a major federal or state program 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, 2016.

**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 the *Uniform Guidance*, 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 or 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 *Uniform Guidance* and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

*Rylander, Clay + Opitz, LLP*

January 18, 2017



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended September 30, 2016**

**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? \_\_\_\_\_ Yes   X   No  
     • Significant deficiency(ies) identified that are not  
       considered to be material weaknesses? \_\_\_\_\_ Yes   X   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? \_\_\_\_\_ Yes   X   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 the *Uniform Guidance*? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Numbers	Name of Federal/State Program
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: \$750,000  
 Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Section II – Financial Statement Findings**

None

**Section III – Federal and State Award Findings and Questioned Costs**

None



## MEALS ON WHEELS, INC. OF TARRANT COUNTY

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2016

---

#### Prior Financial Statement Findings

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

**Current status:** Procedures have been implemented so that accounting staff reviews all possible payables and accruals.

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

**Current status:** The Agency reviews pledges for any conditions to determine when those conditions have been met, at which time they are recorded as a receivable

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

**Current Status:** Agency has implemented a policy to pursue definitive answers and clarification regarding complicated transactions in the future.

#### Prior Federal and State Award Findings and Questioned Costs

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

**Current Status:** The policy has been clarified as it relates to this procedure and a schedule has been implemented to determine that the vendors be verified periodically throughout the year.

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

**Current status:** A policy has been implemented to prevent late filings. No late filings were noted for 2016.

