

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

**AUDITED COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2017



CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
<hr/>	
AUDITED COMBINED FINANCIAL STATEMENTS	
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
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal and State Awards	18
Notes to the Schedule of Expenditures of Federal and State Awards	19
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>	20
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>	22
Schedule of Findings and Questioned Costs	24
Summary Schedule of Prior Audit Findings	26





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, 2017, 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, 2017, 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 18, 2017. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2016, 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 17, 2018, 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 17, 2018



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

	Meals On Wheels, Inc. of Tarrant County	Meals On Wheels, Inc. Endowment	Meals On Wheels Client Assistance, Inc.	Eliminating	Combined Total	
					2017	2016
ASSETS						
Cash and cash equivalents	\$ 740,619	\$ 630,217	\$ 403,541	\$ -	\$ 1,774,377	\$ 1,038,435
Restricted cash - Note 2	-	-	-	-	-	1,186,121
Accounts receivable net of allowance of \$7,494 for 2017	405,367	-	16,598	-	421,965	367,893
Short-term investments	210,754	-	-	-	210,754	409,259
Pledges receivable	103,600	-	-	-	103,600	164,210
Due from - related party	9,179	80	14,177	(23,436)	-	-
Notes receivable - related party	10,776,000	-	-	(10,776,000)	-	-
Prepaid expenses and other assets	65,997	-	24,346	-	90,343	58,539
Assets restricted to investment in capital campaign	5,425	-	-	-	5,425	61,442
Assets held for sale, net	-	-	-	-	-	1,467,283
Property and equipment, net	84,504	-	13,785,208	-	13,869,712	14,394,581
Investments	-	1,280,272	-	-	1,280,272	1,112,890
Assets restricted to endowment	-	1,199,945	-	-	1,199,945	1,161,578
Total assets	\$ 12,401,445	\$ 3,110,514	\$ 14,243,870	\$ (10,799,436)	\$ 18,956,393	\$ 21,422,231
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 122,668	\$ 92	\$ 770	\$ -	\$ 123,530	\$ 410,676
Accrued liabilities	145,785	-	-	-	145,785	165,915
Due to - related party	14,257	-	9,179	(23,436)	-	-
Notes payable, net of unamortized NMTC loan costs - Note 11	-	-	4,275,616	-	4,275,616	5,692,352
Notes payable - related party	-	-	10,776,000	(10,776,000)	-	-
Deferred revenue	298,222	-	-	-	298,222	226,623
Total liabilities	580,932	92	15,061,565	(10,799,436)	4,843,153	6,495,566
Net Assets						
Unrestricted	11,555,397	708,135	(953,969)	-	11,309,563	12,212,678
Temporarily restricted	265,116	1,202,342	136,274	-	1,603,732	1,552,409
Permanently restricted	-	1,199,945	-	-	1,199,945	1,161,578
Total net assets	11,820,513	3,110,422	(817,695)	-	14,113,240	14,926,665
Total liabilities and net assets	\$ 12,401,445	\$ 3,110,514	\$ 14,243,870	\$ (10,799,436)	\$ 18,956,393	\$ 21,422,231

See notes to combined financial statements.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES

Year Ended September 30, 2017, with

Comparative Total for 2016

	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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total		2017	2016
Revenues and other support:													
Contributions	\$ 2,370,728	\$ 111,393	\$ 2,482,121	\$ -	\$ -	\$ 38,367	\$ 38,367	\$ 44,457	\$ -	\$ 44,457	\$ -	\$ 2,564,945	\$ 2,653,188
Capital campaign contributions	-	67,533	67,533	-	-	-	-	-	-	-	-	67,533	1,350,413
Federal grants	2,065,577	-	2,065,577	-	-	-	-	28,072	-	28,072	-	2,093,649	2,004,102
Texans Feeding Texans	803,201	-	803,201	-	-	-	-	-	-	-	-	803,201	961,836
United Way	553,280	-	553,280	-	-	-	-	-	-	-	-	553,280	539,973
Other non-federal grants	94,774	-	94,774	-	-	-	-	-	-	-	-	94,774	98,452
Special events	304,214	-	304,214	-	-	-	-	-	-	-	-	304,214	353,253
Investment income	59,314	-	59,314	-	206,060	-	206,060	66	-	66	-	265,440	194,552
Oil and gas royalty income	4,219	-	4,219	-	-	-	-	-	-	-	-	4,219	509
Rental income	1,610	-	1,610	-	-	-	-	76,900	-	76,900	-	78,510	93,917
Related party rental income	-	-	-	-	-	-	-	150,000	-	150,000	(150,000)	-	-
Related party unrestricted transfer	(665,575)	-	(665,575)	708,135	-	-	708,135	-	-	-	(42,560)	-	-
Other	31,646	-	31,646	-	-	-	-	-	-	-	-	31,646	29,838
Loss on sale of assets	(54,132)	-	(54,132)	-	-	-	-	-	-	-	-	(54,132)	4,180
Net assets released from restrictions:													
Transfer	470,400	(123,550)	346,850	-	(40,000)	-	(40,000)	(470,400)	163,550	(306,850)	-	-	-
Capital campaign	123,550	-	123,550	-	-	-	-	(61,442)	(62,108)	(123,550)	-	-	-
Program	253,660	(170,160)	83,500	15,927	(99,427)	-	(83,500)	1,968	(1,968)	-	-	-	-
Total revenues and other support	6,416,466	(114,784)	6,301,682	724,062	66,633	38,367	829,062	(230,379)	99,474	(130,905)	(192,560)	6,807,279	8,284,213
Expenses:													
Program services	5,751,668	-	5,751,668	-	-	-	-	861,510	-	861,510	(192,560)	6,420,618	6,144,243
Supporting services:													
General and administration	646,972	-	646,972	15,927	-	-	15,927	36,553	-	36,553	-	699,452	565,480
Fundraising	500,634	-	500,634	-	-	-	-	-	-	-	-	500,634	457,900
Total supporting services	1,147,606	-	1,147,606	15,927	-	-	15,927	36,553	-	36,553	-	1,200,086	1,023,380
Total expenses	6,899,274	-	6,899,274	15,927	-	-	15,927	898,063	-	898,063	(192,560)	7,620,704	7,167,623
Change in net assets	(482,808)	(114,784)	(597,592)	708,135	66,633	38,367	813,135	(1,128,442)	99,474	(1,028,968)	-	(813,425)	1,116,590
Net assets at beginning of year	12,038,205	379,900	12,418,105	-	1,135,709	1,161,578	2,297,287	174,473	36,800	211,273	-	14,926,665	13,810,075
Net assets at end of year	\$11,555,397	\$ 265,116	\$11,820,513	\$ 708,135	\$1,202,342	\$ 1,199,945	\$3,110,422	\$ (953,969)	\$ 136,274	\$ (817,695)	\$ -	\$14,113,240	\$14,926,665

See notes to combined financial statements.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
Year Ended September 30, 2017, with
Comparative Total for 2016

	Meals On	Meals On	Meals On	Combined Total	
	Wheels, Inc. of Tarrant County	Wheels, Inc. Endowment	Wheels Client Assistance, Inc.	2017	2016
Cash Flows from Operating Activities					
Change in net assets	\$ (597,592)	\$ 813,135	\$ (1,028,968)	\$ (813,425)	\$ 1,116,590
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	54,024	-	502,132	556,156	357,540
Amortization	-	-	17,812	17,812	17,812
Loss/(gain) on sale of assets	54,132	-	-	54,132	(4,180)
Net unrealized and realized (gains)	-	(140,560)	-	(140,560)	(64,383)
(Increase) decrease in operating assets:					
Accounts receivable	(37,474)	-	(16,598)	(54,072)	46,810
Pledges receivable	60,610	-	-	60,610	(110,035)
Prepaid expenses and other assets	(24,998)	-	(6,806)	(31,804)	13,969
Increase (decrease) in operating liabilities:					
Accounts payable	(84,412)	92	(70,258)	(154,578)	133,972
Accrued liabilities	(20,130)	-	-	(20,130)	(76,691)
Deferred revenue	71,599	-	-	71,599	(99,502)
Due from related party	118,144	(80)	(118,064)	-	-
Contributions restricted for endowment	-	(38,367)	-	(38,367)	(9,403)
Contributions restricted for capital campaign	(67,533)	-	-	(67,533)	(1,350,413)
Net cash provided (used) by operating activities	(473,630)	634,220	(720,750)	(560,160)	(27,914)
Cash Flows from Investing Activities					
Change in cash restricted for investment in property and equipment	-	-	-	-	984,966
Purchase of property and equipment	(3,113)	-	(163,861)	(166,974)	(9,238,810)
Proceeds from sale of asset	1,416,270	-	-	1,416,270	4,180
Purchase of investments	(4,131,346)	(333,909)	-	(4,465,255)	(6,882,759)
Proceeds from sale and maturity of investments	4,329,851	268,720	-	4,598,571	7,021,124
Net cash provided (used) by investing activities	1,611,662	(65,189)	(163,861)	1,382,612	(8,111,299)
Cash Flows from Financing Activities					
Payments on notes payable	(1,434,548)	-	-	(1,434,548)	(1,494,808)
Payment of NMTC costs	-	-	-	-	(25,000)
Proceeds restricted for endowment	-	38,367	-	38,367	9,403
Proceeds from contributions restricted for capital campaign	123,550	-	-	123,550	1,576,074
Net cash provided (used) by financing activities	(1,310,998)	38,367	-	(1,272,631)	65,669
Net increase (decrease) in cash and and cash equivalents	(172,966)	607,398	(884,611)	(450,179)	(8,073,544)
Cash and cash equivalents at beginning of year	913,585	22,819	1,288,152	2,224,556	10,298,100
Cash and cash equivalents at end of year	\$ 740,619	\$ 630,217	\$ 403,541	\$ 1,774,377	\$ 2,224,556
Supplemental information:					
Interest paid	\$ 9,238	\$ -	\$ 157,430	\$ 166,668	\$ 214,939

See notes to combined financial statements.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

**COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017, with Comparative Total for 2016**

	Program Services	Supporting Services			2017	2016
		General and Administrative	Development and Marketing	Total Supporting Services		
Meal service	\$ 2,806,731	\$ -	\$ -	\$ -	\$ 2,806,731	\$ 2,699,730
Salaries	1,896,975	267,616	115,385	383,001	2,279,976	2,248,706
Staff benefits	144,433	52,210	29,659	81,869	226,302	203,926
Staff training	4,978	8,034	2,295	10,329	15,307	17,012
Retirement expense	90,963	36,385	24,257	60,642	151,605	143,140
Payroll taxes	116,066	23,717	27,119	50,836	166,902	168,069
Professional fees	71,204	25,533	-	25,533	96,737	73,296
Supplies	21,952	21,775	4,032	25,807	47,759	35,840
Telephone and communication	35,534	5,503	2,889	8,392	43,926	48,414
Postage	14,116	2,360	6,995	9,355	23,471	33,683
Computer expense	39,750	7,397	2,172	9,569	49,319	43,429
Occupancy	65,925	27,565	12,563	40,128	106,053	103,585
Volunteer expenses	31,548	-	-	-	31,548	29,468
Transportation	87,017	690	1,704	2,394	89,411	87,720
Repairs and maintenance	50,210	13,070	2,359	15,429	65,639	40,433
Advertising	6,406	-	-	-	6,406	6,781
Direct mail and newsletter	105,545	-	95,974	95,974	201,519	163,308
Printing	39,756	5,645	11,864	17,509	57,265	58,764
Delivery	34,043	-	-	-	34,043	28,230
Subscriptions	2,830	5,594	800	6,394	9,224	9,070
Equipment	3,002	8,975	-	8,975	11,977	24,733
Miscellaneous	625	5,596	589	6,185	6,810	9,255
Client services	66,977	-	-	-	66,977	34,724
Insurance	65,745	18,850	4,026	22,876	88,621	87,271
Special events	4,680	263	118,857	119,120	123,800	203,095
Bank fees	-	22,966	-	22,966	22,966	25,094
Property and unrelated business income taxes	12,519	12,948	783	13,731	26,250	9,703
Bad debts	20,044	-	-	-	20,044	9,721
Interest and taxes	133,335	42,815	8,330	51,145	184,480	154,063
Security	2,784	522	174	696	3,480	9,820
Total expenses before depreciation	5,975,693	616,029	472,826	1,088,855	7,064,548	6,810,083
Depreciation	444,925	83,423	27,808	111,231	556,156	357,540
Total expenses	\$ 6,420,618	\$ 699,452	\$ 500,634	\$ 1,200,086	\$ 7,620,704	
2016	\$ 6,144,243	\$ 565,480	\$ 457,900	\$ 1,023,380		\$ 7,167,623

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, 2017 and 2016. Based on past experience and analysis of current receivable collectability, management has established an allowance for doubtful accounts of \$7,494 as of September 30, 2017. No allowance was considered necessary at September 30, 2016.

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, 2016 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 17, 2018, 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. As all funds were spent, this restriction was released by the lender during the year ended September 30, 2017.

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:

	2017	2016
Pledges receivable	\$ 5,425	\$ 61,442

Based upon collection history and individual analysis of pledges receivable, management does not consider an allowance for doubtful accounts necessary at September 30, 2017 or 2016. Substantially all pledges are expected to be collected in 2018.

NOTE 4. PLEDGES RECEIVABLE

At September 30, 2017 and 2016, the Agency has pledges receivable of \$103,600 and \$164,210, 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, 2017 or 2016.

NOTE 5. ASSETS HELD FOR SALE

As a result of the Agency's decision to relocate its facilities in 2016, the previous location is no longer needed. The Agency sold the previous location in 2017 resulting in a loss of \$54,132 which is reflected in the Statement of Activities.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	2017	2016
Land	\$ 545,665	\$ 545,665
Building and improvements	13,141,460	13,134,810
Furniture and equipment	1,126,793	1,107,618
Vehicles	376,933	408,694
	<u>15,190,851</u>	<u>15,196,787</u>
Less accumulated depreciation	(1,321,139)	(802,206)
	<u>\$ 13,869,712</u>	<u>\$ 14,394,581</u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of the Agency, Endowment, and MOWCA at September 30, 2017 and 2016, are restricted by the donors as follows:

	2017	2016
Agency		
Program service expenses	\$ 156,091	\$ 148,299
Restricted for capital campaign	5,425	61,442
Future operating needs	103,600	170,159
Endowment - See Note 10		
Program expenses	1,000,000	1,000,000
Unappropriated endowment earnings	202,342	135,709
MOWCA		
Program expenses	74,832	36,800
Restricted for capital campaign	61,442	-
	<u>\$ 1,603,732</u>	<u>\$ 1,552,409</u>

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 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, 2017 and 2016 were approximately \$152,000 and \$143,000, respectively.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

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 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.

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, 2017 and 2016, follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 1,202,342	\$ 1,199,945	\$ 2,402,287
Board designated	708,135	-	-	708,135
	<u>\$ 708,135</u>	<u>\$ 1,202,342</u>	<u>\$ 1,199,945</u>	<u>\$ 3,110,422</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 1,135,709	\$ 1,161,578	\$ 2,297,287



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENT FUNDS (Continued)

The changes in the endowment net assets for the years ended September 30, 2017 and 2016, follow:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at beginning of year	\$ -	\$ 1,135,709	\$ 1,161,578	\$ 2,297,287
Contributions	-	-	38,367	38,367
Unrealized/realized gains	-	140,560	-	140,560
Interest and dividends	-	65,500	-	65,500
Reallocations	15,927	(15,927)	-	-
Expenses	(15,927)	-	-	(15,927)
Transfers to Agency	-	(83,500)	-	(83,500)
Transfers to MOWCA	-	(40,000)	-	(40,000)
Transfers from Agency	708,135	-	-	708,135
Balance at end of year	<u>\$ 708,135</u>	<u>\$ 1,202,342</u>	<u>\$ 1,199,945</u>	<u>\$ 3,110,422</u>

	2016			
	Unrestricted	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
Reallocation expenses	-	(13,178)	-	(13,178)
Transfers to Agency	-	(66,500)	-	(66,500)
Transfers to MOWCA	-	(40,000)	-	(40,000)
Balance at end of year	<u>\$ -</u>	<u>\$ 1,135,709</u>	<u>\$ 1,161,578</u>	<u>\$ 2,297,287</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.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENT FUNDS (Continued)

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:

- | | |
|---------|--|
| 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, 2017:



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

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

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and equivalents	\$ 147,476	\$ 147,476	\$ -	\$ -
Certificates of deposit	210,754	210,754	-	-
Mutual funds:				
Multi-sector bond	167,087	167,087	-	-
Nontraditional bond	251,383	251,383	-	-
Domestic large cap	222,783	222,783	-	-
Large cap blend	645,014	645,014	-	-
Ultra short bond	242,961	242,961	-	-
Natural resources	114,447	114,447	-	-
Foreign large value	466,330	466,330	-	-
Global	78,966	78,966	-	-
Small cap blend	143,770	143,770	-	-
	<u>\$ 2,690,971</u>	<u>\$ 2,690,971</u>	<u>\$ -</u>	<u>\$ -</u>

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>

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.



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 11. 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 Agency paid down the note with proceeds from the sale of the prior location and had no remaining balance at September 30, 2017. The balance at September 30, 2016 was \$1,434,548.

MOWCA has notes payable totaling \$15,680,000 as of September 30, 2017 and 2016 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, 2017. The loans are collateralized by all property of MOWCA and guaranteed by the Agency. Interest expense totaled \$184,480 and \$154,063 in 2017 and 2016, respectively. There were no interest costs capitalized for 2017, and \$78,463 was capitalized in 2016.

	2017	2016
Original amount of loan	\$ 15,680,000	\$ 15,680,000
Unamortized loan costs	(628,384)	(646,196)
	<u>\$ 15,051,616</u>	<u>\$ 15,033,804</u>

In 2017, the Agency adopted new authoritative U.S. GAAP guidance for the presentation of loan costs and related amortization. Loan costs are now reported on the statement of financial position as a direct deduction from the face amount of notes payable. Previously, such costs were shown as a deferred charge, and 2016 amounts have been reclassified as deductions from the notes payable. Accordingly, total 2016 assets and liabilities have been retroactively reduced by the same amount.

Similarly, the Agency reported amortization of loan costs of \$17,812 in 2017 as interest expense and reclassified 2016 amounts accordingly. As a result, reported interest expense in 2016 was increased, and depreciation and amortization decreased by \$17,812. This change has no effect on previously-reported net assets or change in net assets.

NOTE 12. 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 13. 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, 2017, MOWCA has bank balances of \$69,000 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.



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 lessee has exercised the first of these options and the current lease will be eligible to be renewed as of July 31, 2022. The property has a cost basis of \$560,821 with \$33,483 and \$22,322 in accumulated depreciation as of September 30, 2017 and 2016, respectively. There was \$76,900 and \$68,200 in revenue recorded as rental income for the years ended September 30, 2017 and 2016, respectively. A schedule by years of future minimum rentals under the lease follows:

Year Ending September 30,	
2018	\$ 89,400
2019	89,400
2020	89,400
2021	89,400
2022	<u>74,500</u>
	<u>\$ 432,100</u>

NOTE 15. 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, 2017. 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 2017:

	<u>The Agency</u>	<u>MOWCA</u>	<u>Endowment</u>
Distributions from Endowment			
Pet related client services	\$ -	\$ 40,000	\$ -
Capital campaign and general operations	83,500	-	-
Distributions from MOWCA			
Salaries and benefits	42,560	-	-
Deposits required for construction of new facility	470,400	-	-
Distributions from Agency			
Construction of new facility	-	123,550	-
Sale proceeds of old building	-	-	708,135
Rent	-	150,000	-
	<u>\$ 596,460</u>	<u>\$ 313,550</u>	<u>\$ 708,135</u>



MEALS ON WHEELS, INC. OF TARRANT COUNTY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 15. RELATED PARTY TRANSACTIONS (Continued)

The following related party transactions occurred during 2016:

	<u>The Agency</u>	<u>MOWCA</u>	<u>Endowment</u>
Distributions from Endowment			
Pet related client services	\$ -	\$ 40,000	\$ -
Capital campaign and general operations	66,500	-	-
Distributions from MOWCA			
Salaries and benefits	41,700	-	-
Distributions from Agency			
Construction of new facility	-	1,576,074	-
Rent	-	75,000	-
	<u>\$ 108,200</u>	<u>\$ 1,691,074</u>	<u>\$ -</u>

The Agency and MOWCA had outstanding balances due from each other at September 30, 2017 and 2016. The Agency had an outstanding balance due to MOWCA of \$14,177 and to Endowment of \$80 in 2017. The Agency had an outstanding balance due to MOWCA of \$4,541 in 2016. MOWCA had an outstanding balance due to the Agency of \$9,179 and \$117,607 in 2017 and 2016, respectively.



SUPPLEMENTARY INFORMATION



MEALS ON WHEELS, INC. OF TARRANT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2017

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	\$ 1,322,677
Housing Contract	93.045	0148-04C	28,072
			<u>1,350,749</u>
HRSA Home Meds/ WE HAIL UNT HSC	93.969		55,575
Texas Department of Health and Human Services			
Alzheimer’s Disease Initiative PPHF Geriatric			
Education Center			
	93.763		110,738
AAA Home Meds CDSME	93.763		7,713
			<u>118,451</u>
Texas Department of Health and Human Services			
CCAD-Title XX Home Delivered Meals			
	93.667	PS-052-67P-00	229,759
CBA-Title XIX Home Delivered Meals			
	93.667	PS-052-67P-00	242,860
			<u>472,619</u>
Total U.S. Department of Health and Human Services			<u>1,997,394</u>
U.S. Department of Housing and Urban Development			
City of Arlington			
Community Development Block Grant 2017-2018	14.218		21,255
City of Fort Worth			
Community Development Block Grant 2016-2017	14.218		75,000
Total U.S. Department of Housing and Urban Development			<u>96,255</u>
Total Federal Awards			<u>2,093,649</u>
STATE AWARDS			
Texas Department of Agriculture			
Texans Feeding Texans: Home Delivered			
Meal Grant Program 2016 - 2017			221,723
Meal Grant Program 2017 - 2018			581,478
			<u>803,201</u>
Total State Awards			<u>803,201</u>
Total Expenditures of Federal and State Awards			<u>\$ 2,896,850</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, 2017

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, 2017.

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, 2017, 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 17, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a significant deficiency.

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.

Roglander, Clay + Opetz, LLP

January 17, 2018





**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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal and state awards 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, 2017.

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 + Opetz, LLP
January 17, 2018



MEALS ON WHEELS, INC. OF TARRANT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

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 <u> X </u>	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	No
Noncompliance material to financial statements noted?	_____	Yes <u> X </u>	No

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	_____	Yes <u> X </u>	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	Yes <u> X </u>	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 <i>Uniform Guidance</i> ?	_____	Yes <u> X </u>	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 <u> X </u>	No



MEALS ON WHEELS, INC. OF TARRANT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

Section II – Financial Statement Findings

Significant Deficiencies

Finding No. 2017-001: Depreciation was incorrectly calculated.

Specific requirement: Depreciation is expensed over the estimated life of an asset.

Condition: Overstating depreciation expense.

Context: The depreciation calculation was incorrect causing depreciation to be overstated.

Effect: Depreciation was overstated by \$165,000.

Cause: Incorrect formula was used in the calculation of depreciation.

Recommendation: Depreciation schedule should be reviewed by other finance personnel to ensure accuracy.

Management's Response: Depreciation is calculated on an excel spreadsheet. A formula was not updated correctly, resulting in an error.

Corrective Action Plan: Depreciation will be calculated by the senior staff accountant and reviewed by the Vice President of Finance.

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, 2017

Prior Financial Statement Findings

None

