



Meals on Wheels, Inc. of Tarrant County and Affiliates

**Consolidated Financial Statements
with Supplementary Information and Compliance Reports
September 30, 2019**

Meals on Wheels, Inc. of Tarrant County and Affiliates

Contents

Consolidated Financial Statements:

Independent Auditors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7

Supplementary Information and Compliance Reports:

Schedule of Expenditures of State and Federal Awards	22
Notes to Schedule of Expenditures of State and Federal Awards	23
Report of Independent Auditors' 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>	24
Report of Independent Auditors' on Compliance for Each Major Federal and State Program and on Internal Control over Compliance Required by the Uniform Guidance and State of Texas <i>Uniform Grant Management Standards</i>	26
Schedule of Findings and Questioned Costs	29

Independent Auditors' Report

To the Board of Directors
Meals on Wheels, Inc. of Tarrant County and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Meals on Wheels, Inc. of Tarrant County and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2019, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 consolidated financial statements are free of material misstatement. The financial statements of the Affiliates were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meals on Wheels, Inc. of Tarrant County and Affiliates as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Consolidating Information and Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. 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 of Federal Awards* and the State of Texas *Uniform Grant Management Standards*, is presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, such information is fairly stated, in all material respects, in relation to the consolidated 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 15, 2020 on our consideration of Meals on Wheels, Inc. of Tarrant County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meals on Wheels, Inc. of Tarrant County's internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas
January 15, 2020

Meals on Wheels, Inc. of Tarrant County and Affiliates
Consolidated Statements of Financial Position
September 30, 2019

	Meals On Wheels, Inc. of Tarrant County	Meals On Wheels, Inc. Endowment	Meals On Wheels Client Assistance, Inc.	Eliminating	Consolidated Total
Assets					
Cash and cash equivalents	\$ 800,263	\$ 56,829	\$ 403,816	\$ -	\$ 1,260,908
Accounts receivable	284,678	-	8,232	-	292,910
Certificates of deposit	113,737	-	-	-	113,737
Pledges receivable	126,244	-	-	-	126,244
Due from affiliate	21,361	-	-	(21,361)	-
Prepaid expenses and other assets	88,631	-	20,382	-	109,013
Investments	-	1,802,466	-	-	1,802,466
Note receivable - new market tax credit	10,776,000	-	-	-	10,776,000
Property and equipment, net	103,854	-	12,820,118	-	12,923,972
Investments to be held in perpetuity	-	1,373,299	-	-	1,373,299
Total assets	\$ 12,314,768	\$ 3,232,594	\$ 13,252,548	\$ (21,361)	\$ 28,778,549
Liabilities and Net Assets					
Accounts payable	\$ 108,347	\$ -	\$ -	\$ -	\$ 108,347
Accrued liabilities	152,754	-	-	-	152,754
Due to affiliate	-	-	21,361	(21,361)	-
Deferred revenue	285,424	-	-	-	285,424
Notes payable - new market tax credit, net	-	-	15,087,240	-	15,087,240
Total liabilities	546,525	-	15,108,601	(21,361)	15,633,765
Net assets without donor restrictions	11,494,694	750,447	(1,998,248)	-	10,246,893
Net assets with donor restrictions	273,549	2,482,147	142,195	-	2,897,891
Total net assets	11,768,243	3,232,594	(1,856,053)	-	13,144,784
Total liabilities and net assets	\$ 12,314,768	\$ 3,232,594	\$ 13,252,548	\$ (21,361)	\$ 28,778,549

See notes to consolidated financial statements.

Meals on Wheels, Inc. of Tarrant County and Affiliates
Consolidated Statement of Activities
Year Ended September 30, 2019

	Meals on Wheels, Inc. of Tarrant County			Meals on Wheels, Inc. Endowment			Meals on Wheels Client Assistance, Inc.			Consolidated	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Total
Revenue and support:											
Contributions	\$ 2,385,170	\$ 181,125	\$ 2,566,295	\$ -	\$ 137,060	\$ 137,060	\$ -	\$ 35,610	\$ 35,610	\$ -	\$ 2,738,965
Federal Grants	2,355,407	-	2,355,407	-	-	-	-	-	-	-	2,355,407
Texans Feeding Texans	783,761	-	783,761	-	-	-	-	-	-	-	783,761
United Way	393,998	-	393,998	-	-	-	-	-	-	-	393,998
Other non-federal grants	155,347	-	155,347	-	-	-	-	-	-	-	155,347
Special events (net of direct costs of \$97,388)	299,155	-	299,155	-	-	-	-	-	-	-	299,155
Net investment income	76,028	-	76,028	24,587	81,475	106,062	19	-	19	-	182,109
Rental income	-	-	-	-	-	-	239,400	-	239,400	(150,000)	89,400
Contributions and transfers from affiliate	138,414	-	138,414	-	-	-	16,718	28,447	45,165	(183,579)	-
Other	37,636	-	37,636	-	-	-	1,212	-	1,212	-	38,848
Net assets released from restrictions:											
Satisfaction of time restrictions	100,246	(100,246)	-	-	-	-	-	-	-	-	-
Satisfaction of program restrictions	47,249	(47,249)	-	135,603	(135,603)	-	18,523	(18,523)	-	-	-
Total revenue and support	6,772,411	33,630	6,806,041	160,190	82,932	243,122	275,872	45,534	321,406	(333,579)	7,036,990
Expenses:											
Program services	5,572,577	-	5,572,577	135,963	-	135,963	614,884	-	614,884	(333,579)	5,989,845
Supporting services:											
General and administrative	681,645	-	681,645	2,737	-	2,737	174,277	-	174,277	-	858,659
Fundraising	702,093	-	702,093	20,922	-	20,922	34,402	-	34,402	-	757,417
Total expenses	6,956,315	-	6,956,315	159,622	-	159,622	823,563	-	823,563	(333,579)	7,605,921
Change in net assets	(183,904)	33,630	(150,274)	568	82,932	83,500	(547,691)	45,534	(502,157)	-	(568,931)
Net assets at beginning of year	11,678,598	239,919	11,918,517	749,879	2,399,215	3,149,094	(1,450,557)	96,661	(1,353,896)	-	13,713,715
Net assets at end of year	\$ 11,494,694	\$ 273,549	\$ 11,768,243	\$ 750,447	\$ 2,482,147	\$ 3,232,594	\$ (1,998,248)	\$ 142,195	\$ (1,856,053)	\$ -	\$ 13,144,784

See notes to consolidated financial statements.

Meals on Wheels, Inc. of Tarrant County and Affiliates
Consolidated Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services	General and Administrative	Fundraising	Total
Meals service	\$ 2,875,105	\$ -	\$ -	\$ 2,875,105
Personnel costs	2,038,921	478,084	422,724	2,939,729
Professional fees	76,186	111,168	11,496	198,850
Supplies	31,589	8,588	6,260	46,437
Printing, postage and direct mailers	43,665	8,597	182,619	234,881
Occupancy	116,950	12,858	9,987	139,795
Volunteer	7,445	-	15,400	22,845
Transportation	125,333	1,072	1,694	128,099
Repairs, maintenance and rentals	40,827	25,847	16,690	83,364
Other	1,894	33,775	7,152	42,821
Client services	85,411	-	-	85,411
Insurance	36,591	13,019	5,008	54,618
Special events	-	-	145,020	145,020
Interest and taxes	152,967	45,245	10,640	208,852
Depreciation	356,961	120,406	20,115	497,482
Total expenses by function	5,989,845	858,659	854,805	7,703,309
Less costs not included in expenses on the consolidated statement of activities				
Direct costs of special events	-	-	(97,388)	(97,388)
Total expenses included in the expense section on the consolidated statement of activities	\$ 5,989,845	\$ 858,659	\$ 757,417	\$ 7,605,921

See notes to consolidated financial statements.

Meals on Wheels, Inc. of Tarrant County and Affiliates
Consolidated Statements of Cash Flows
Year Ended September 30, 2019

	Meals on Wheels, Inc. of Tarrant County	Meals on Wheels, Inc. Endowment	Meals on Wheels Client Assistance, Inc	Consolidated Total
Cash flows from operating activities:				
Change in net assets	\$ (150,274)	\$ 83,500	\$ (502,157)	\$ (568,931)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	35,357	-	462,125	497,482
Amortization of debt issuance costs	-	-	17,812	17,812
Contributions restricted for endowment	-	(137,060)	-	(137,060)
Net unrealized and realized gains	-	(56,242)	-	(56,242)
Changes in assets and liabilities:				
Accounts receivable	321,341	-	(6,555)	314,786
Pledges receivable	(25,373)	-	-	(25,373)
Prepaid expenses and other assets	(58,942)	-	1,458	(57,484)
Accounts payable	(2,346)	-	268	(2,078)
Accrued liabilities	23,541	-	-	23,541
Deferred revenue	(19,820)	-	-	(19,820)
Due (to)/from affiliate	(24,886)	(319)	25,205	-
Net cash provided (used) by operating activities	<u>98,598</u>	<u>(110,121)</u>	<u>(1,844)</u>	<u>(13,367)</u>
Cash flows from investing activities:				
Proceeds from sales of investments in marketable securities	-	165,982	-	165,982
Purchases of investments and certificate of deposit	(2,416)	(169,411)	-	(171,827)
Purchases of property and equipment	(69,798)	-	-	(69,798)
Net cash used by investing activities	<u>(72,214)</u>	<u>(3,429)</u>	<u>-</u>	<u>(75,643)</u>
Cash flows from financing activities:				
Proceeds from contributions restricted for endowment	-	137,060	-	137,060
Net cash provided by financing activities	<u>-</u>	<u>137,060</u>	<u>-</u>	<u>137,060</u>
Net increase (decrease) in cash and cash equivalents	26,384	23,510	(1,844)	48,050
Cash and cash equivalents at beginning of year	<u>773,879</u>	<u>33,319</u>	<u>405,660</u>	<u>1,212,858</u>
Cash and cash equivalents at end of year	<u>\$ 800,263</u>	<u>\$ 56,829</u>	<u>\$ 403,816</u>	<u>\$ 1,260,908</u>
Supplemental cash flow information:				
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,034</u>	<u>\$ 159,034</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,279</u>	<u>\$ 16,279</u>

See notes to consolidated financial statements.

Meals on Wheels, Inc. of Tarrant County and Affiliates

Notes to Consolidated Financial Statements

1. Organization

Meals On Wheels, Inc. of Tarrant County (Agency) is a 501(c)(3) not-for-profit charitable organization formed in 1973. The agency's mission is to promote the dignity and independence of older adults, persons with disabilities, and other homebound persons by delivering nutritious meals and providing or coordinating needed services. By providing home-delivered meals, professional case management, and other needed items or services to our homebound, elderly and disabled clients, we enable them to remain living independently in their own homes. We serve all of Tarrant County, providing approximately 1 million meals each year to some of Tarrant County's most frail citizens.

Meals on Wheels, Inc. of Tarrant County Endowment Fund (Endowment Fund) was incorporated in 1995 to perform charitable activities including receiving, investing and managing contributions for the exclusive benefit of the Agency. The Agency elects or appoints the board of trustees of the Endowment Fund.

Meals on Wheels Client Assistance, Inc. (MOWCA), 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. The Agency appoints a majority of the board of directors of MOWCA.

2. Summary of Significant Accounting Policies

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of the Agency, Endowment Fund and MOWCA (collectively, the Organization). Significant inter-organizational transactions and balances have been eliminated.

Basis of Accounting

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors. The Organization's governing board has

Meals on Wheels, Inc. of Tarrant County and Affiliates

Notes to Consolidated Financial Statements

designated, from net assets without donor restrictions, as of September 30, 2019, \$750,447 for a board-designated endowment.

Net assets with donor restrictions - Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board approved spending policy. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Gains or losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Net assets with donor restrictions whose restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same year as the revenue is recognized are classified as revenue without donor restrictions in the consolidated statement of activities.

Concentrations of Credit Risk

Concentrations of credit risk consist of cash, cash equivalents, certificates of deposit, pledges and accounts receivable and investments in marketable securities. Cash, cash equivalents and certificates of deposit are placed with high credit quality financial institutions to minimize risk. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Unconditional promises to give (pledges receivable) are unsecured and are due from various donors. Accounts receivable are unsecured and represent amounts due from various government grant contracts. The Organization continually evaluates the collectability of pledges receivable and accounts receivable and maintains allowances for potential losses, if considered necessary. Marketable securities are subject to various risks, such as interest rate, credit and overall market volatility risks.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased.

Meals on Wheels, Inc. of Tarrant County and Affiliates

Notes to Consolidated Financial Statements

Certificates of Deposit

Certificates of deposit are recorded at original cost plus accrued interest. At September 30, 2019 the Organization has one certificate of deposit with an original maturity of 24 months, interest rate of 2.7% maturing in December, 2020.

Accounts Receivable

Accounts receivable represent government grant receivables. No allowance for doubtful accounts was considered necessary at September 30, 2019, based upon past experience and analysis of current receivable collectability.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reported in the consolidated statement of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 40 years for buildings and improvements, 5 to 10 years for furniture and equipment, and 5 years for vehicles.

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of the carrying value of its long-lived assets whenever events or circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows. No asset impairment was recognized during the year ended September 30, 2019.

Meals on Wheels, Inc. of Tarrant County and Affiliates

Notes to Consolidated Financial Statements

Debt Issuance Costs

Debt issuance costs of \$676,874 are capitalized and expensed over the term of the related debt agreement. Accumulated amortization totaled \$84,114 at September 30, 2019. Related amortization expense for the year ended September 30, 2019 was \$17,812. Debt issuance costs are shown as a reduction of the carrying amount of the debt and the amortization expense is included in interest expense in the accompanying consolidated statement of functional expenses.

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.

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

Gifts of cash and other assets received without donor or grantor stipulations that limits their use are reported as revenue without donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets without donor restrictions.

Government grant revenue is recognized as contract terms are fulfilled. Cost reimbursement contracts are recognized as revenue when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed. The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the consolidated financial position or changes in net assets of the Organization.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Meals on Wheels, Inc. of Tarrant County and Affiliates

Notes to Consolidated Financial Statements

Numerous volunteers have donated significant time to the Organization's home delivered meal program. No amounts have been recognized in the accompanying consolidated statement of activities because the criteria for recognition under GAAP have not been satisfied. Although no amounts have been reflected in the consolidated financial statements, management estimates that approximately 86,000 volunteer hours with an estimated value of \$945,000 were provided to the Organization to deliver meals to those in need during the year ended September 30, 2019.

Allocation of Functional Expenses

The costs of program and supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated functional expense presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited based on a reasonable basis that is consistently applied. The expenses that are allocated include insurance, depreciation, utilities, interest and depreciation, which are allocated on a square footage basis, as well as personnel costs which are allocated on the basis of estimates of time and effort.

Federal Income Taxes

The Agency, Endowment Fund, and MOWCA are recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC) and are not private foundations as defined in the IRC. However, the Organization is subject to federal income on any unrelated business taxable income. The Organization did not have a material unrelated business income tax liability as of September 30, 2019. Therefore, no tax provision or liability has been reported in the accompanying consolidated financial statements. The Organization had no significant uncertain tax positions for the year ended September 30, 2019.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain assets, liabilities, revenue and expenses. Actual results could differ from estimated amounts.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

Meals on Wheels, Inc. of Tarrant County and Affiliates

Notes to Consolidated Financial Statements

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2020. The Organization is assessing the impact that adopting this new guidance will have on the consolidated financial statements.

Accounting Pronouncement Adopted

The Organization adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended September 30, 2019. As result, the major changes applicable for the Organization include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (c) presenting investment return net of external and direct internal investment expenses. The adoption of this ASU had no effect on net assets or the change in net assets presented for the years ended September 30, 2019.

Meals on Wheels, Inc. of Tarrant County and Affiliates

Notes to Consolidated Financial Statements

3. Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

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

Money Market Funds - These funds are valued using \$1 for the net asset value (NAV).

Mutual Funds - These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

The Organization's investments at fair value are as follows as of September 30, 2019:

Money markets	\$ 321,373
Mutual funds:	
Equity	2,023,419
Fixed income	779,900
Index	51,073
	\$ 3,175,765

Meals on Wheels, Inc. of Tarrant County and Affiliates
Notes to Consolidated Financial Statements

Reconciliation to the consolidated statement of financial position:

Investments	\$ 1,802,466
Investments to be held in perpetuity	<u>1,373,299</u>
	<u>\$ 3,175,765</u>

Net investment income consists of the following for the year ended September 30, 2019:

Interest and dividends	\$ 141,248
Realized gains	36,908
Unrealized gains	19,334
Investment fees	<u>(15,381)</u>
Net investment income	<u>\$ 182,109</u>

4. Pledges Receivable

At September 30, 2019, the Agency has pledges receivable of \$126,244 restricted for program services and future operating needs. These amounts are expected to be collected within the next year. No allowance for doubtful pledges receivable is considered necessary at September 30, 2019.

5. Note Receivable - New Market Tax Credit

The Agency entered into an agreement in January 2015 to lend \$10,776,000 to Chase NMTC MOWI Investment Fund, LLC (Chase NMTC Fund). The note is secured by Chase NMTC Fund's membership interest in four community development entities: CNMC Sub-CDE 76 LLC (CNMC), CHHS Subsidiary CDE 19, LLC (CHHS), Impact CDE 50 LLC (Impact) and UACD Sub CDE XXI LLC (UACD), (collectively the CDEs) and property held by a secured party. The interest rate on the note is fixed at .05%. Interest is due quarterly beginning March 2015 until January 2022. Thereafter, principal and interest payments of \$89,329 are due quarterly with all unpaid principal and interest due on November 30, 2054, the maturity date.

Meals on Wheels, Inc. of Tarrant County and Affiliates
Notes to Consolidated Financial Statements

Maturity of the note receivable is as follows for the years ending September 30:

2020	\$	-
2021		-
2022		146,696
2023		303,976
2024		305,378
Thereafter		<u>10,019,950</u>
		<u>\$ 10,776,000</u>

The interest income on the note receivable – NMTC is approximately \$53,880 per year and is included in net investment income in the accompanying consolidated statement of activities.

6. Property and Equipment

Property and equipment consist of the following at September 30, 2019:

Land	\$	545,665
Building and improvements		13,141,460
Furniture and equipment		1,092,436
Vehicles		<u>388,637</u>
		15,168,198
Less accumulated depreciation		<u>(2,244,226)</u>
Property and equipment, net		<u>\$ 12,923,972</u>

Depreciation expense totaled \$497,482 for the year ended September 30, 2019.

7. Notes Payable - New Market Tax Credit

The Organization has notes payable totaling \$15,680,000 as of September 30, 2019 due to four Community Development Entities (CDEs). The loans financed the construction of the Agency’s headquarters and food processing facility and are intended to be treated as a “qualified low-income community investment” for purposes of generating New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended. The notes payable have an interest rate of .99% and will mature on November 30, 2054. Interest only payments are due quarterly until February 28, 2022, after that date, quarterly payments of interest and principal are due until the maturity date. The loans are collateralized by all property of MOWCA and guaranteed by the Agency. The loans contain certain financial and non-financial covenants.

Meals on Wheels, Inc. of Tarrant County and Affiliates
Notes to Consolidated Financial Statements

MOWCA is not permitted to prepay any portion of the loans until the seventh anniversary of the loan. Within 90 days after the seventh anniversary of the note receivable (Note 5), JPMorgan can exercise its put option to sell its interest in the Chase NMTC Fund to the Agency for \$1,000. If JPMorgan does not exercise the put option, the Agency can exercise its call option within 90 days after the put option period ends to purchase the interest in the Chase NMTC Fund at fair market value. After exercising its option to purchase the interest in the Chase NMTC Fund, the Agency may cancel the New Market Tax Credit notes payable.

The notes payable, net of unamortized loan costs at September 30, 2019 are as follows:

Original amount of loan	\$15,680,000
Unamortized loan costs	<u>(592,760)</u>
	<u>\$15,087,240</u>

The Agency reported amortization of loan costs of \$17,812 for the year ended September 30, 2019. The amortization expense is included in interest expense in the accompanying consolidated statement of functional expense.

Maturities of notes payable are as follows for the years ending September 30:

2020	\$ -
2021	-
2022	204,867
2023	412,787
2024	416,891
Thereafter	<u>14,645,455</u>
	<u>\$15,680,000</u>

Meals on Wheels, Inc. of Tarrant County and Affiliates
Notes to Consolidated Financial Statements

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of September 30:

Agency:		
Program service expenses	\$	168,011
Future operating needs		105,538
Endowment:		
Pet program		981,703
Unappropriated endowment earnings		127,145
Subject to restriction in perpetuity		1,373,299
MOWCA:		
Program expenses		<u>142,195</u>
		<u>\$ 2,897,891</u>

9. Endowment

The Organization's endowment funds include both donor-restricted endowment funds and funds without donor restrictions that have been designated by the board of directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the State of Texas and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment as net assets with donor restrictions. The earnings from the original gift are classified as net asset with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Meals on Wheels, Inc. of Tarrant County and Affiliates

Notes to Consolidated Financial Statements

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Additionally, amounts considered donor restricted include \$981,703 for the pet care program. Distributions from this contribution are made in accordance with the Organization's spending policy.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowment funds that must be held in perpetuity or for donor-specified periods as well as funds with donor restrictions. Under this policy, the endowment assets are invested assuming a moderate level of investment risk. The endowment expects its funds to provide an average rate of return of approximately 3% 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 Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and how the Investment Objective 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.

Meals on Wheels, Inc. of Tarrant County and Affiliates
Notes to Consolidated Financial Statements

The following table represents the composition of the Organization's endowment net asset composition by type of fund at September 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 750,447	\$ -	\$ 750,447
Donor-restricted endowment funds:			
Donor-restricted gift amounts required to be maintained in perpetuity	-	1,373,299	1,373,299
Accumulated investment gains		127,145	127,145
Donor-restricted term endowment	-	981,703	981,703
	\$ 750,447	\$ 2,482,147	\$ 3,232,594

The following table represents the changes in the Organization's endowment funds during the year ended September 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, October 1, 2018	\$ 749,879	\$ 2,399,215	\$ 3,149,094
Investment return, net	24,587	81,475	106,062
Contributions	-	137,060	137,060
Appropriation of endowment assets for expenditure	-	-	-
	(24,019)	(135,603)	(159,622)
Endowment net assets, September 30, 2019	\$ 750,447	\$ 2,482,147	\$ 3,232,594

Meals on Wheels, Inc. of Tarrant County and Affiliates
Notes to Consolidated Financial Statements

10. Liquidity and Availability of Resources

The following reflects the Organization's financial assets available to meet cash needs for general expenditures within one year of the consolidated statement of financial position date:

Cash and cash equivalents	\$ 1,260,908
Certificate of deposit	113,737
Pledges receivable	126,244
Accounts receivable	292,910
Investments	<u>3,175,765</u>
Total financial assets	4,969,564
Less amounts not available for general expenditures within one year:	
Future expendable donor-restricted endowment, net of estimated appropriation of \$125,000	983,848
Donor restricted endowment to be retained in perpetuity	1,373,299
Board designated endowment, net of estimated appropriation of \$37,000	<u>713,447</u>
Financial assets not available for general expenditures	<u>3,070,594</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,898,970</u></u>

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organizations maintains cash, cash equivalents and certificates of deposit in financial institutions that is available for this use. The Organization manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and grants to cover programs that are being conducted. The Organization strives to have a liquidity policy to maintain current financial assets less current liabilities of 90 days operating expenses. To achieve these targets, the Organization forecasts its future cash flows and monitors its reserves and liquidity on a monthly basis.

Meals on Wheels, Inc. of Tarrant County and Affiliates
Notes to Consolidated Financial Statements

11. Rental Revenue

The Organization leases a portion of its land and a building to a third-party tenant under an operating lease agreement expiring in July 2022. Future minimum lease revenues required under this lease agreement are as follows for the years ending September 30:

2020	\$ 89,400
2021	89,400
2022	<u>74,500</u>
	<u>\$ 253,300</u>

Rental revenue for the year ended September 30, 2019 totaled \$89,400.

12. 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 Sections 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 year ended September 30, 2019, were approximately \$137,000.

13. Subsequent Events

The Organization evaluated subsequent events through the date the consolidated financial statements were available to be issued and concluded that no additional disclosures are required.

Meals on Wheels, Inc. of Tarrant County
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2019

Federal Grantor/Pass-through Grantor/Cluster or Program Title	CFDA Number	Contract Number	Total Expenditures
U.S. Department of Health and Human Services:			
Texas Department on Aging Area Agency on Aging of Tarrant County Aging Cluster			
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	0148-04C	1,572,677
Texas Department of Health and Human Services/ Social Services Block Grant			
CCAD-Title XX Home Delivered Meals	93.667	000174600	292,611
CCAD-Title XX Home Delivered Meals	93.667	PS-052-67P-00	<u>214,488</u>
Total CFDA 93.667			507,099
Texas Department of Health and Human Services/ Area Agency on Aging of Tarrant County/ Alzheimer's Disease Initiative, Specialized Supportive Services Project thru Prevention and Public Health Funds			
	93.763	-	72,522
UNT Health Science Centers/ Area Agency on Aging of Tarrant County/ PPHF Geriatric Education Centers (WE HAIL/Home Meds)			
	93.969	-	<u>104,936</u>
Total U.S. Department of Health and Human Services			2,257,234
U.S. Department of Housing and Urban Development:			
CDGB - Entitlement Grants Cluster:			
City of Arlington			
Community Development Block Grant	14.218	19-126/17-138	21,824
City of Fort Worth			
Community Development Block Grant	14.218	51658/49974	<u>76,349</u>
Total U.S. Department of Housing and Urban Development			<u>98,173</u>
Total Federal Awards			2,355,407
Texas Department of Agriculture:			
Texans Feeding Texans: Home Delivered			
Meal Grant Program 2018-2019	State	HDM-18-3087	\$ 272,717
Meal Grant Program 2019-2020	State	HDM-19-4070	<u>511,044</u>
Total State Awards			<u>783,761</u>
Total Expenditures of Federal and State Awards			<u><u>\$ 3,139,168</u></u>

See notes to schedule of expenditures of federal and state awards.

Meals on Wheels, Inc. of Tarrant County

Notes to Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state award activity of Meals on Wheels, Inc. of Tarrant County (Agency) under programs of the federal and state government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the 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 *Uniform Grant Management Standards* (UGMS). Because the Schedule presents only a selected portion of the operations of Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or the UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Subrecipients

Of the federal and state expenditures presented in the Schedule, the Agency provided no federal or state awards to subrecipients.

4. Non-cash Assistance

The Agency did not receive any non-cash assistance from federal or state awards for the year ended September 30, 2019.

Report of Independent Auditors 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

We have audited the consolidated financial statements of Meals on Wheels, Inc. of Tarrant County and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 15, 2020. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the Affiliates were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Affiliates.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Meals on Wheels, Inc. of Tarrant County's (Agency) 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.



A Limited Liability Partnership

Arlington, Texas
January 15, 2020



**Report of Independent Auditors on Compliance for Each Major Federal and State Program
and on Internal Control over Compliance in Accordance with the Uniform Guidance and State
of Texas *Uniform Grant Management Standards***

Board of Directors
Meals on Wheels, Inc. of Tarrant County

Report on Compliance for Each Major Federal and State Program

We have audited Meals on Wheels, Inc. of Tarrant County's (Agency) (a nonprofit organization) compliance with the types of compliance requirements described in *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the Agency's major federal and state programs for the year ended September 30, 2019. The Agency's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 U.S. generally accepted auditing standards; 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 of Federal Awards* (Uniform Guidance) and the State of Texas UGMS. Those standards, the Uniform Guidance and the State of Texas UGMS 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 each major federal and state program. 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, 2019.

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 each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas UGMS, 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 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 and 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 and 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 the Uniform Guidance and the State of Texas UGMS. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cay

A Limited Liability Partnership

Arlington, Texas
January 15, 2020

Meals on Wheels, Inc. of Tarrant County
Schedule of Findings and Questioned Cost
Year Ended September 30, 2019

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal and State Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or UGMS? yes no

Identification of Major Federal and State Programs:

The Aging Cluster CFDA 93.045 Special Programs for the Aging, Title III, Part C, Nutrition Services

Texans Feeding Texas: Home Delivered

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Meals on Wheels, Inc. of Tarrant County
Schedule of Findings and Questioned Cost
Year Ended September 30, 2019

Section III – Federal and State Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

None