



**Meals on Wheels, Inc. of Tarrant County and Affiliates**

**Consolidated Financial Statements  
with Supplementary Information and Compliance Reports  
September 30, 2020**

# Meals on Wheels, Inc. of Tarrant County and Affiliates

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## **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, 2020, 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, 2020, 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**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 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 20, 2021 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.

*Sutton Frost Cary*

A Limited Liability Partnership

Arlington, Texas  
January 20, 2021

**Meals on Wheels, Inc. of Tarrant County and Affiliates**  
**Consolidated Statement of Financial Position**  
**September 30, 2020**

	Meals On Wheels, Inc. of Tarrant County	Meals On Wheels, Inc. Endowment	Meals On Wheels Client Assistance, Inc.	Eliminating	Consolidated Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,875,807	\$ 33,831	\$ 357,761	\$ -	\$ 2,267,399
Accounts receivable	1,038,444	-	29,147	-	1,067,591
Pledges receivable	303	-	-	-	303
Due from affiliate	-	50	687	(737)	-
Prepaid expenses and other assets	120,918	-	32,259	-	153,177
Investments	-	1,773,904	-	-	1,773,904
Note receivable - new market tax credit	10,776,000	-	-	-	10,776,000
Property and equipment, net	524,982	-	12,416,172	-	12,941,154
Investments to be held in perpetuity	-	1,501,504	-	-	1,501,504
<b>Total assets</b>	<b>\$ 14,336,454</b>	<b>\$ 3,309,289</b>	<b>\$ 12,836,026</b>	<b>\$ (737)</b>	<b>\$ 30,481,032</b>
<b>Liabilities and Net Assets</b>					
Accounts payable	\$ 226,084	\$ -	\$ 9,516	\$ -	\$ 235,600
Accrued liabilities	245,984	-	-	-	245,984
Due to affiliate	737	-	-	(737)	-
Refundable advance	298,436	-	-	-	298,436
Paycheck Protection Program loan	608,800	-	-	-	608,800
Notes payable - new market tax credit, net	-	-	15,104,708	-	15,104,708
<b>Total liabilities</b>	<b>1,380,041</b>	<b>-</b>	<b>15,114,224</b>	<b>(737)</b>	<b>16,493,528</b>
Net assets without donor restrictions	12,644,363	787,747	(2,409,528)	-	11,022,582
Net assets with donor restrictions	312,050	2,521,542	131,330	-	2,964,922
<b>Total net assets</b>	<b>12,956,413</b>	<b>3,309,289</b>	<b>(2,278,198)</b>	<b>-</b>	<b>13,987,504</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,336,454</b>	<b>\$ 3,309,289</b>	<b>\$ 12,836,026</b>	<b>\$ (737)</b>	<b>\$ 30,481,032</b>

See notes to consolidated financial statements.

**Meals on Wheels, Inc. of Tarrant County and Affiliates**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2020**

	Meals on Wheels, Inc. of Tarrant County			Meals on Wheels, Inc. Endowment			Meals on Wheels Client Assistance, Inc.			Eliminating	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
	<b>Revenue and support:</b>										
Contributions	\$ 3,989,002	\$ 207,560	\$ 4,196,562	\$ -	\$ 49,895	\$ 49,895	\$ -	\$ 43,963	\$ 43,963	\$ -	\$ 4,290,420
Federal grants	3,923,244	-	3,923,244	-	-	-	-	-	-	-	3,923,244
Texas Feeding Texans	817,695	-	817,695	-	-	-	-	-	-	-	817,695
United Way	304,126	-	304,126	-	1,197	1,197	-	-	-	-	305,323
Other non-federal grants	126,132	-	126,132	-	-	-	-	-	-	-	126,132
Special events (net of direct costs of \$6,870)	117,543	-	117,543	-	-	-	-	-	-	-	117,543
Net investment income	64,263	-	64,263	51,339	179,763	231,102	-	-	-	-	295,365
Rental income	1,900	-	1,900	-	-	-	239,400	-	239,400	(150,000)	91,300
Contributions and transfers from affiliate	180,252	-	180,252	-	-	-	59,183	-	59,183	(239,435)	-
Other	39,448	-	39,448	-	-	-	-	-	-	-	39,448
Net assets released from restrictions:											
Satisfaction of time restrictions	105,538	(105,538)	-	-	-	-	-	-	-	-	-
Satisfaction of program restrictions	63,521	(63,521)	-	191,460	(191,460)	-	54,828	(54,828)	-	-	-
<b>Total revenue and support</b>	<b>9,732,664</b>	<b>38,501</b>	<b>9,771,165</b>	<b>242,799</b>	<b>39,395</b>	<b>282,194</b>	<b>353,411</b>	<b>(10,865)</b>	<b>342,546</b>	<b>(389,435)</b>	<b>10,006,470</b>
<b>Expenses:</b>											
Program services	7,041,565	-	7,041,565	191,460	-	191,460	497,429	-	497,429	(349,128)	7,381,326
Supporting services:											
General and administrative	994,293	-	994,293	9,858	-	9,858	26,047	-	26,047	(16,500)	1,013,698
Fundraising	547,137	-	547,137	4,181	-	4,181	241,215	-	241,215	(23,807)	768,726
<b>Total expenses</b>	<b>8,582,995</b>	<b>-</b>	<b>8,582,995</b>	<b>205,499</b>	<b>-</b>	<b>205,499</b>	<b>764,691</b>	<b>-</b>	<b>764,691</b>	<b>(389,435)</b>	<b>9,163,750</b>
<b>Change in net assets</b>	<b>1,149,669</b>	<b>38,501</b>	<b>1,188,170</b>	<b>37,300</b>	<b>39,395</b>	<b>76,695</b>	<b>(411,280)</b>	<b>(10,865)</b>	<b>(422,145)</b>	<b>-</b>	<b>842,720</b>
<b>Net assets at beginning of year</b>	<b>11,494,694</b>	<b>273,549</b>	<b>11,768,243</b>	<b>750,447</b>	<b>2,482,147</b>	<b>3,232,594</b>	<b>(1,998,248)</b>	<b>142,195</b>	<b>(1,856,053)</b>	<b>-</b>	<b>13,144,784</b>
<b>Net assets at end of year</b>	<b>\$ 12,644,363</b>	<b>\$ 312,050</b>	<b>\$ 12,956,413</b>	<b>\$ 787,747</b>	<b>\$ 2,521,542</b>	<b>\$ 3,309,289</b>	<b>\$ (2,409,528)</b>	<b>\$ 131,330</b>	<b>\$ (2,278,198)</b>	<b>\$ -</b>	<b>\$ 13,987,504</b>

See notes to consolidated financial statements.

**Meals on Wheels, Inc. of Tarrant County and Affiliates**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2020**

	Program Services	General and Administrative	Fundraising	Total
Meal service	\$ 3,785,505	\$ -	\$ -	\$ 3,785,505
Personnel costs	2,136,585	561,388	466,815	3,164,788
Professional fees	67,420	103,379	64,346	235,145
Supplies	102,210	7,528	8,270	118,008
Printing, postage and direct mailers	77,115	17,214	167,801	262,130
Occupancy	133,063	4,061	3,089	140,213
Volunteer	10,993	-	-	10,993
Transportation	198,980	662	1,892	201,534
Repairs, maintenance and rentals	63,764	7,839	3,999	75,602
Other	2,064	104,872	9,653	116,589
Client services	100,610	-	-	100,610
Insurance	94,632	11,507	4,921	111,060
Special events	-	-	20,786	20,786
In-kind donation	183,230	-	-	183,230
Interest and taxes	-	191,170	-	191,170
Depreciation	425,155	4,078	24,024	453,257
<b>Total expenses by function</b>	<b>7,381,326</b>	<b>1,013,698</b>	<b>775,596</b>	<b>9,170,620</b>
<b>Less costs not included in expenses on the consolidated statement of activities</b>				
Direct costs of special events	-	-	(6,870)	(6,870)
<b>Total expenses included in the expense section on the consolidated statement of activities</b>	<b>\$ 7,381,326</b>	<b>\$ 1,013,698</b>	<b>\$ 768,726</b>	<b>\$ 9,163,750</b>

See notes to consolidated financial statements.

**Meals on Wheels, Inc. of Tarrant County and Affiliates**  
**Consolidated Statement of Cash Flows**  
**Year Ended September 30, 2020**

	Meals on Wheels, Inc. of Tarrant County	Meals on Wheels, Inc. Endowment	Meals on Wheels Client Assistance, Inc.	Consolidated Total
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ 1,188,170	\$ 76,695	\$ (422,145)	\$ 842,720
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</b>				
Depreciation	49,311	-	403,946	453,257
Amortization of debt issuance costs	-	-	17,468	17,468
Contributions restricted for endowment	-	(51,902)	-	(51,902)
Gain from sale of property and equipment	(5,000)	-	-	(5,000)
Net unrealized and realized gains	-	(184,007)	-	(184,007)
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable	(753,766)	-	(20,915)	(774,681)
Pledges receivable	125,941	-	-	125,941
Prepaid expenses and other assets	(32,287)	-	(11,877)	(44,164)
Accounts payable	117,737	-	9,516	127,253
Accrued liabilities	93,230	-	-	93,230
Refundable advance	13,012	-	-	13,012
Due (to)/from affiliate	22,098	(50)	(22,048)	-
<b>Net cash provided (used) by operating activities</b>	<b>818,446</b>	<b>(159,264)</b>	<b>(46,055)</b>	<b>613,127</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sales of investments in marketable securities	-	207,325	-	207,325
Purchases of investments	-	(122,961)	-	(122,961)
Proceeds from redemption of CDs	113,737	-	-	113,737
Proceeds from sale of property and equipment	5,000	-	-	5,000
Purchases of property and equipment	(470,439)	-	-	(470,439)
<b>Net cash provided (used) by investing activities</b>	<b>(351,702)</b>	<b>84,364</b>	<b>-</b>	<b>(267,338)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from Paycheck Protection Program loan	608,800	-	-	608,800
Proceeds from contributions restricted for endowment	-	51,902	-	51,902
<b>Net cash provided by financing activities</b>	<b>608,800</b>	<b>51,902</b>	<b>-</b>	<b>660,702</b>
<b>Net change in cash and cash equivalents</b>	<b>1,075,544</b>	<b>(22,998)</b>	<b>(46,055)</b>	<b>1,006,491</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>800,263</b>	<b>56,829</b>	<b>403,816</b>	<b>1,260,908</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,875,807</b>	<b>\$ 33,831</b>	<b>\$ 357,761</b>	<b>\$ 2,267,399</b>
<b>Supplemental cash flow information:</b>				
Interest paid	\$ -	\$ -	\$ 157,787	\$ 157,787
Taxes paid	\$ -	\$ -	\$ 15,915	\$ 15,915

See notes to consolidated financial statements.

# Meals on Wheels, Inc. of Tarrant County and Affiliates

## Notes to Consolidated Financial Statements

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### 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**

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designated, from net assets without donor restrictions, as of September 30, 2020, \$787,747 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 and cash equivalents, pledges and accounts receivable and investments in marketable securities. Cash and cash equivalents 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. At September 30, 2020, the Organization's uninsured balances totaled \$390,518. Management has placed these funds with high credit quality financial institutions to minimize risk. The Organization has not experienced any losses on such assets.

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.

# **Meals on Wheels, Inc. of Tarrant County and Affiliates**

## **Notes to Consolidated Financial Statements**

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### ***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.

### ***Accounts Receivable***

Accounts receivable represent government grant receivables. No allowance for doubtful accounts was considered necessary at September 30, 2020, based upon past experience and analysis of current receivable collectability. Accounts receivable are expected to be collected within the next year.

### ***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, 2020.

## **Meals on Wheels, Inc. of Tarrant County and Affiliates**

### **Notes to Consolidated Financial Statements**

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#### ***Debt Issuance Costs***

Debt issuance costs of \$676,874 are capitalized and expensed over the term of the related debt agreement. Accumulated amortization totaled \$101,582 at September 30, 2020. Related amortization expense for the year ended September 30, 2020 was \$17,468. 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.

#### ***Refundable Advance***

Refundable advance 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.

The Organization recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Revenue from government grants and contracts consist of cost reimbursable federal and state contracts and grants, which are generally conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances. The Organization was awarded cost reimbursable grants of \$821,495 that have not been recognized as revenue at September 30, 2020, because qualifying expenditures have not yet been incurred.

Rental revenue is recognized over the life of the lease.

The Organization records donated goods at fair value on the date the gift is received. During the year ended September 30, 2020, the Organization received donated personal protective equipment totaling \$183,230, included in contributions and program service expenses in the consolidated statement of activities.

# **Meals on Wheels, Inc. of Tarrant County and Affiliates**

## **Notes to Consolidated Financial Statements**

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### ***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.

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 92,000 volunteer hours with an estimated value of \$1,015,000 were provided to the Organization to deliver meals to those in need during the year ended September 30, 2020.

### ***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 statement of functional expenses 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, 2020. 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, 2020.

### ***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.

# Meals on Wheels, Inc. of Tarrant County and Affiliates

## Notes to Consolidated Financial Statements

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### ***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.

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 statements of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statements 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, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

### ***Accounting Pronouncements Adopted***

The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) effective October 1, 2019, using the full retrospective method. Based on the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Adoption on this ASU had no impact on total beginning net assets.

The Organization adopted the amendments of ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities* or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of this ASU had no impact on total beginning net assets but impacted the evaluation of revenue recognition of certain grants and contributions in the year ended September 30, 2020.

## **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:

## Meals on Wheels, Inc. of Tarrant County and Affiliates

### Notes to Consolidated Financial Statements

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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) which is classified within level 1 of the hierarchy.

**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, 2020:

Money market funds	\$ 138,587
Mutual funds:	
Equity	2,237,212
Fixed income	850,630
Index	48,979
	\$ 3,275,408

Reconciliation to the consolidated statement of financial position:

Investments	\$ 1,773,904
Investments to be held in perpetuity	1,501,504
	\$ 3,275,408

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

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Net investment income consists of the following for the year ended September 30, 2020:

Interest and dividends	\$ 127,223
Realized loss	(87,550)
Unrealized gains	271,557
Investment fees	<u>(15,865)</u>
Net investment income	<u>\$ 295,365</u>

**4. 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.

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

2021	\$ -
2022	146,696
2023	303,976
2024	305,378
2025	307,072
Thereafter	<u>9,712,878</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.

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

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**5. Property and Equipment**

Property and equipment consist of the following at September 30, 2020:

Land	\$ 545,665
Building and improvements	13,141,460
Furniture and equipment	1,215,984
Vehicles	<u>710,361</u>
	15,613,470
Less accumulated depreciation	<u>(2,672,316)</u>
Property and equipment, net	<u><u>\$ 12,941,154</u></u>

Depreciation expense totaled \$453,257 for the year ended September 30, 2020.

**6. Notes Payable - New Market Tax Credit**

The Organization has notes payable totaling \$15,680,000 as of September 30, 2020 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.

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 4), 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, 2020 are as follows:

Original amount of loan	\$ 15,680,000
Unamortized debt issuance costs	<u>(575,292)</u>
	<u><u>\$ 15,104,708</u></u>

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

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The Agency reported amortization of loan costs of \$17,468 for the year ended September 30, 2020. The amortization expense is included in interest expense in the accompanying consolidated statement of functional expenses.

Maturities of the notes payable-new market tax credit are as follows for the years ending September 30:

2021	\$	-
2022		204,867
2023		412,787
2024		416,891
2025		421,515
Thereafter		<u>14,223,940</u>
		<u><u>\$15,680,000</u></u>

**7. Paycheck Protection Program Loan**

In April 2020, the Organization received loan proceeds in the amount of \$608,800 from a financial institution under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan requires monthly payments of principal and interest at 1.00% starting in November 2020 and is due in April 2022. The CARES Act loan includes a feature that allows for forgiveness of the loan if the funds are used for eligible purposes, including payroll and benefits, and if the Organization maintains its payroll levels. The Organization intends to seek loan forgiveness of the full loan amount in accordance with Small Business Administration (SBA) guidelines pursuant to the CARES Act. While the Organization believes that its use of the loan meets the conditions for forgiveness, there is no assurance that the loan will be forgiven, in whole or in part. Repayment terms will be adjusted once the lending institution has processed the loan forgiveness application and determined the final loan amount.

In the event the loan is not forgiven, \$369,760 will be due in the year ending September 30, 2021 and \$239,040 will be due in the year ending September 30, 2022.

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

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**8. Net Assets With Donor Restrictions**

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

Agency:		
Program service expenses	\$	234,940
Future operating needs		77,110
Endowment:		
Pet program		999,636
Unappropriated endowment earnings		20,402
Subject to restriction in perpetuity		1,501,504
MOWCA:		
Program expenses		<u>131,330</u>
		<u>\$ 2,964,922</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 assets 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**

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- 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 \$999,636 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**

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The following table represents the composition of the Organization’s endowment net assets by type of fund at September 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	\$ 787,747	\$ -	\$ 787,747
Donor-restricted endowment funds:			
Donor-restricted gift amounts required to be maintained in perpetuity	-	1,501,504	1,501,504
Accumulated investment gains	-	20,402	20,402
Donor-restricted term endowment	-	999,636	999,636
Total endowment funds	<u>\$ 787,747</u>	<u>\$ 2,521,542</u>	<u>\$ 3,309,289</u>

The following table represents the changes in the Organization’s endowment funds during the year ended September 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, October 1, 2019	\$ 750,447	\$ 2,482,147	\$ 3,232,594
Investment return, net	51,339	179,763	231,102
Contributions	-	51,092	51,092
Appropriation of endowment assets for expenditure	<u>(14,039)</u>	<u>(191,460)</u>	<u>(205,499)</u>
Endowment net assets, September 30, 2020	<u>\$ 787,747</u>	<u>\$ 2,521,542</u>	<u>\$ 3,309,289</u>

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

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**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	\$ 2,267,399
Accounts receivable	1,067,591
Pledges receivable	303
Investments	<u>3,275,408</u>
Total financial assets	6,610,701
Less amounts not available for general expenditures within one year:	
Future expendable donor-restricted term endowment, net of estimated appropriation of \$59,000	940,636
Donor restricted endowment to be retained in perpetuity	1,501,504
Board designated endowment, net of estimated appropriation of \$134,000	<u>653,747</u>
Financial assets not available for general expenditures	<u>3,095,887</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,514,814</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 Organization maintains cash, cash equivalents and certificates of deposit in financial institutions that are 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

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### 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:

2021	\$ 89,400
2022	<u>74,500</u>
	<u>\$ 163,900</u>

Rental revenue for the year ended September 30, 2020 totaled \$89,400.

### 12. COVID-19

On January 30, 2020, the Director-General of the World Health Organization (WHO), declared the novel coronavirus outbreak a public health emergency of international concern, WHO's highest level of alarm. On March 11, 2020, the WHO declared the novel coronavirus a global pandemic. The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Organization will depend on certain developments, including the duration and spread of the outbreak. In addition, the Organization depends on funds from contributions and grants which may decrease or not be available. Management continues to monitor the impact the COVID-19 pandemic could potentially have on its operations and financial position.

### 13. 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 SEP-IRA 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, 2020, were approximately \$152,000.

### 14. 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, 2020**

Federal Grantor/Pass-through Grantor/Cluster or Program Title	CFDA Number	Contract Number	Total Expenditures
<b>U.S. Department of Health and Human Services:</b>			
Texas Health and Human Services/Area Agency on Aging of Tarrant County			
COVID -19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	0148-04C	\$ 118,395
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	0148-04C	1,334,929
COVID -19 Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	0148-04C	<u>905,854</u>
<b>Total Aging Cluster</b>			2,359,178
Texas Health and Human Services			
Social Services Block Grant			
CCAD-Title XX Home Delivered Meals	93.667	00174600	335,195
CCAD-Title XX Home Delivered Meals	93.667	-	132,376
CCAD-Title XX Home Delivered Meals	93.667	-	<u>24,440</u>
<b>Total CFDA 93.667</b>			492,011
Texas Health and Human Services/Area Agency on Aging of Tarrant County			
Opioid STR	93.788	1H79TI081729-01	115,685
Alzheimer's Disease Program Initiative (ADPI)	93.470	0148-04C	125,727
UNT Health Science Center/Area Agency on Aging of Tarrant County			
PPHF Geriatric Education Centers (WE HAIL/Home Meds)	93.969	0148-04C	<u>66,995</u>
<b>Total U.S. Department of Health and Human Services</b>			3,159,596
<b>U.S. Department of Housing and Urban Development:</b>			
City of Arlington			
Community Development Block Grant	14.218	19-126/20-114	25,108
Covid-19 Community Development Block Grant	14.218	20-114-CV/20-154-CV	10,318
City of Fort Worth			
Community Development Block Grant	14.218	53183	70,000
Covid-19 Community Development Block Grant	14.218	54271	<u>95,011</u>
<b>Total U.S. Department of Housing and Urban Development</b>			200,437
<b>U.S. Department of Treasury:</b>			
Tarrant County			
COVID-19 Coronavirus Relief Fund	21.019	134126/133043	<u>563,211</u>
<b>Total Federal Awards</b>			3,923,244
<b>Texas Veteran's Commission:</b>			
Jobs for Veterans	State	GT-FVA20-002	48,221
<b>Texas Department of Agriculture:</b>			
Texans Feeding Texans: Home Delivered Meals			
Meal Grant Program 2018-2019	State	HDM-19-4070	255,523
Meal Grant Program 2019-2020	State	HDM-20-5168	<u>562,172</u>
<b>Total Texas Department of Agriculture</b>			817,695
<b>Total State Awards</b>			<u>865,916</u>
<b>Total Expenditures of Federal and State Awards</b>			<u>\$ 4,789,160</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**

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**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, 2020. 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 agencies for the year ended September 30, 2020.

**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, 2020, 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 20, 2021. 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 20, 2021

**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, 2020. 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, 2020.

### **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 Organization 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 Grost Carey*  
A Limited Liability Partnership

Arlington, Texas  
January 20, 2021

**Meals on Wheels, Inc. of Tarrant County**  
**Schedule of Findings and Questioned Cost**  
**Year Ended September 30, 2020**

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**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:***

**Federal:**

The Aging Cluster CFDA 93.044/93.045  
 Coronavirus Relief Fund CFDA 21.019

**State:**

Texans Feeding Texas: Home Delivered Meals

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, 2020**

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

None

**Section IV – Summary Schedule of Prior Audit Findings**

None