

**MEALS ON WHEELS MINISTRY, INC.**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2017**

**MEALS ON WHEELS MINISTRY, INC.**  
**SEPTEMBER 30, 2017**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Meals on Wheels Ministry, Inc.  
Tyler, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Meals on Wheels Ministry, Inc. (a non-profit organization) (the Ministry) which comprise the statement of financial position as of September 30, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PROTHRO, WILHELM I AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ministry as of September 30, 2017, and the changes in its net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 September 13, 2018, on our consideration of the Ministry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ministry's internal control over financial reporting and compliance.

*Prothro, Wilhelmi & Company, PLLC*

PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas

September 13, 2018

**MEALS ON WHEELS MINISTRY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2017**

	<b>2017</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 753,553
Grants and contracts receivable	433,943
Other receivables	27,754
Prepaid expenses	6,157
Total current assets	1,221,407
Non-current assets:	
Cash and cash equivalents - Restricted	12,027
Investments held for endowment purposes - Restricted	970,564
Other investments	866,855
Total non-current assets	1,849,446
Property and equipment, net of accumulated depreciation	2,288,428
Total assets	\$ 5,359,281
 <b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Accounts payable	\$ 312,279
Deferred income	154,929
Total current liabilities	467,208
Net Assets:	
Unrestricted - Operating	3,458,998
Unrestricted - Reserve for capital replacement	238,141
Total unrestricted	3,697,139
Temporarily restricted	445,322
Permanently restricted	749,612
Total net assets	4,892,073
Total liabilities and net assets	\$ 5,359,281

The accompanying notes are an integral part of these financial statements.

**MEALS ON WHEELS MINISTRY, INC.**  
**STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2017**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>				
Government contracts:				
Nutrition	\$ -	\$ 3,027,148	\$ -	\$ 3,027,148
Other	-	362,136	-	362,136
Program income	31,061	-	-	31,061
Donated facilities and goods	45,000	-	-	45,000
Other meal service contracts	-	354,824	-	354,824
Contributions, gifts, and bequests	-	763,952	-	763,952
Special events, net	142,204	-	-	142,204
Other income (loss)	30,982	-	-	30,982
Investments income (loss)	164,772	-	-	164,772
	<u>414,019</u>	<u>4,508,060</u>	<u>-</u>	<u>4,922,079</u>
Contract receivables classified as temporarily restricted:	(433,943)	433,943		
Net Assets Released from Restrictions:	4,513,419	(4,513,419)	-	
Total support, revenue, reclassification of endowment funds, and net assets released from restrictions	<u>4,493,495</u>	<u>428,584</u>	<u>-</u>	<u>4,922,079</u>
<b>EXPENSES</b>				
Program services:				
Nutrition	4,108,425	-	-	4,108,425
Supporting services:				
Fundraising	317,821	-	-	317,821
General and administrative	484,153	-	-	484,153
	<u>4,910,399</u>	<u>-</u>	<u>-</u>	<u>4,910,399</u>
Change in net assets	(416,904)	428,584	-	11,680
<b>NET ASSETS</b>				
Balance, beginning of year	<u>4,114,043</u>	<u>16,738</u>	<u>749,612</u>	<u>4,880,393</u>
Balance, end of year	<u>\$ 3,697,139</u>	<u>\$ 445,322</u>	<u>\$ 749,612</u>	<u>\$ 4,892,073</u>

The accompanying notes are an integral part of these financial statements.

**MEALS ON WHEELS MINISTRY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**SEPTEMBER 30, 2017**

	<u>Program</u>	<u>Fundraising</u>	<u>General &amp; Administrative</u>	<u>Total Expenses</u>
Personnel costs	\$ 1,113,408	\$ 73,251	\$ 278,351	\$ 1,465,010
Fringe	221,947	14,602	55,486	292,035
Occupancy costs	128,151	2,326	32,370	162,847
Raw food purchases	258,113	-	-	258,113
Valley food services	1,917,986	-	-	1,917,986
Insurance	88,648	-	6,005	94,653
Supplies and fuel	130,259	1,548	23,867	155,674
Travel	15,004	383	11,753	27,140
Contractual services	20,887	27,263	14,719	62,869
Repairs and maintenance	20,666	26,975	14,563	62,204
Other costs	30,592	39,931	21,559	92,082
Depreciation	162,764	1,901	25,480	190,145
Fundraising	-	129,641	-	129,641
<b>Total Expenses</b>	<u>\$ 4,108,425</u>	<u>\$ 317,821</u>	<u>\$ 484,153</u>	<u>\$ 4,910,399</u>

The accompanying notes are an integral part of these financial statements.

**MEALS ON WHEELS MINISTRY, INC.**  
**STATEMENT OF CASH FLOWS**  
**SEPTEMBER 30, 2017**

	2017
<b><u>CASH FLOW FROM OPERATING ACTIVITIES:</u></b>	
Change in net assets	\$ 11,680
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	190,145
Unrealized gain on investment	(26,628)
(Increase) decrease in operating assets:	
Contracts and grants receivable	32,057
Other receivables	36,607
Prepaid expenses	4,295
Increase (decrease) in liabilities:	
Accounts payable	138,563
Deferred income	7,695
Total adjustments	382,734
Net cash provided by operating activities	394,414
<b><u>CASH FLOW FROM INVESTING ACTIVITIES:</u></b>	
Purchase of vehicles and equipment	(188,834)
Net sale purchase of investments	13,557
Net cash used in investing activities	(175,277)
Net increase in cash and cash equivalents	219,137
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR</b>	<b>546,443</b>
<b>CASH AND CASH EQUIVALENTS, AT END OF YEAR</b>	<b>\$ 765,580</b>

The accompanying notes are an integral part of these financial statements.



**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND NATURE OF ACTIVITIES**

Meals on Wheels Ministry, Inc. (the Ministry) is a non-profit corporation organized to provide programs to care for the needs of the senior adult. The basic programs of the Ministry include serving congregate and home delivered meals to senior adults in Gregg, Henderson, Smith, Upshur, Van Zandt and Wood counties of East Texas. The programs are financed primarily through contracts with the East Texas Council of Governments (ETCOG) and Texas Department of Aging and Disability Services (DADS), participant contributions, and donated services and facilities. Other support includes third party contributions, investment income, and other meal contracts. Approximately 70 percent of the Ministry's support for the year ended September 30, 2017, came from Federal and State contracts.

**BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Revenue is earned in accordance with contractual agreements with ETCOG and DADS based on serving eligible meal units. All contributions received by the Ministry, except those made by participants receiving nutrition services, are considered available for unrestricted use, unless specifically restricted by the donor. Revenues are recognized in the period in which they become available and measurable. Expenses are recognized in the period in which the liability is incurred, if measurable.

**FINANCIAL STATEMENT PRESENTATION**

The financial statements are reported in accordance with the requirements of FASB Accounting Standards Codification Section 958, Not-for-Profit Organizations. Accordingly the Ministry is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Expenses which directly benefit a specific program are charged to the program benefited. Certain other costs benefit more than one program and accordingly are allocated to the various programs and supporting services benefited.

The Ministry periodically appeals for funds along with distribution of information about the services the Ministry provides. Expenses charged to fundraising activities are recognized based on the actual direct expenses incurred and an allocation of other administrative expenses based on the estimated time spent on fundraising.

**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**FUNCTIONAL CLASSIFICATION**

The Ministry separately accounts for revenues and expenses related to each of its contracts. For functional reporting purposes, the Ministry has the following program services categories:

Nutrition - Nutrition program services consist of preparation, serving, or delivery of a lunchtime meal in a congregate setting or as a home-delivered service for the homebound individual.

Management and General - Includes the functions of program administration and financial and budgetary responsibilities.

Fundraising - Consists of time and effort associated with encouraging and securing private financial support from individuals and organizations.

**INVESTMENTS**

Investments are stated at fair market value. Unrealized gains and losses are reported in the Statement of Activities. Fair values are obtained from the investment firm that manages the Ministry's investments. Donated investments are recorded at fair value at the time they are received. Investments at the end of the year are valued at fair values in the statement of financial position. Unrealized gains and losses are included in the Statement of Activities.

**INVENTORIES**

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. There was no inventory at September 30, 2017.

**FEDERAL INCOME TAX**

The Ministry is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation. Although exempt from Federal income taxes, the Ministry is subject to examination by tax authorities for a period of three years after the due date of the Ministry's Federal information return.

**ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**

For the purposes of presentation in the Statement of Cash Flows, the Ministry considers cash equivalents to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**CONTRIBUTIONS**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

**PROPERTY AND EQUIPMENT**

Property and equipment is stated at cost for assets purchased and at fair market value (at date of contribution) for assets contributed. Expenditures for property over \$2,000 and those which substantially increase useful lives are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is computed using estimated useful lives of three to forty years for equipment and other property using the straight-line method. Capital leases are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Property acquired with Federal and State funds is considered to be owned by the Ministry while used in the program for which it was purchased or in other future authorized programs. The funding sources may have a reversionary interest in the equipment purchased with contract funds; therefore, its disposition, as well as the ownership of any sale proceeds is subject to funding source regulations.

**NET ASSETS**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor or contract imposed restrictions. Accordingly, net assets and changes in net assets of the Ministry are classified and reported as follows:

- Unrestricted net assets are net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted net assets are net assets subject to donor or contract imposed stipulations that may be, or will be, met by the occurrence of a specific event or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets are net assets subject to donor or contract imposed stipulations to be maintained in perpetuity by the Ministry.

**COMPENSATED ABSENCES**

The Ministry accounts for all material liabilities and expenditures related to sick pay and vacation pay during the fiscal year in which such benefits are paid.

**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**CONTRIBUTED FACILITIES AND SERVICES**

The Ministry occupies, without charge, premises located in private and government owned buildings. The estimated fair rental value of the premises is reported as donated facilities in the period in which the premises are used. Additionally, a substantial number of unpaid volunteers contribute time to carry out the Ministry's programs, principally in meal delivery services. No amounts have been reported in the financial statements for these donated services as the volunteer services do not meet the criteria for recognition under FASB Accounting Standards.

**SUPPORT AND REVENUES**

Donated services consist of volunteers who donate their time. No amounts have been reflected in the financial statements for donated services, since volunteers are not required to have any specific expertise. The Ministry pays for all services requiring specific expertise.

When a donor restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**FUNCTIONAL EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

**NOTE 2 - CASH DEPOSITS**

The Ministry maintains its cash balances at financial institutions located in East Texas. Accounts at each institution are insured by either the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation up to \$250,000. At various times during the fiscal year, the Ministry's cash-in-bank balances exceeded the federally insured limits. At September 30, 2017, approximately \$318,290 of the Ministry's cash balances were not insured by the Federal Deposit Insurance Corporation.

**NOTE 3 - INVESTMENTS**

Investments are reported at fair value, which is determined using the market valuations provided on the year-end statements by the relevant financial institution. Fair value estimates are made at a specific point in time, based on relevant market information, and information about the financial instrument (level 1 inputs). The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Ministry believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3 – INVESTMENTS – continued**

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Ministry uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Ministry measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

**Level 1 Fair Value Measurements**

The fair values of all investments are based on quoted net assets values of the shares held by the Ministry at year end.

**Level 2 Fair Value Measurements**

The Ministry had no investments valued using Level 2 inputs.

**Level 3 Fair Value Measurements**

The Ministry had no investments valued using Level 3 inputs.

Fair value estimates are based on judgments regarding current economic conditions, specific risk characteristics, and other factors. Changes in market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts.

Investments consist of money market accounts with brokers, U.S. Treasury Notes, U.S. Government Bonds, Corporate Bonds, Common Stocks, Real Estate Investment Trusts, Mutual Funds, and a local community foundation.

Investments consisted of the following at September 30, 2017:

	2017	
	Cost	Fair Value
Money Market Funds and Bank	\$ 224,079	\$ 222,550
East Texas Communities Foundation	44,049	60,187
Equities	817,036	975,692
Mutual Funds	427,878	436,562
Fixed Income	271,166	271,909
Alternative	89,020	93,069
Total	<u>\$ 1,873,228</u>	<u>\$ 2,059,969</u>

**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3 - INVESTMENTS - continued**

The components of investment income are summarized as follows:

	2017
Interest and Dividend Income	\$ 62,146
Net Realized and Unrealized Gain(Loss)	122,618
Investment Fees and Taxes	(19,992)
Investment Income(Loss), Net	\$ 164,772

Investments are reported as follows:

	2017
Included in cash and cash equivalents	\$ 222,550
Investments	866,855
Investments held for endowment purposes	970,564
Total	\$ 2,059,969

Investments held for endowment purposes as of September 30, 2017:

	2017
Interest in East Texas	
Communities Foundation (Note 7)	\$ 60,187
Investments with Merrill Lynch	
Wealth Management	910,377
Total	\$ 970,564

In prior years, the Joanne and Wayne J. McKinney Endowment Fund (Endowment Fund) was established through a gift in the amount of \$1,095,938. The gift agreement allows the Ministry to spend up to 7% of the Endowment Fund annually on operations and allowed unlimited amounts on construction expenditures related to the kitchen and administrative facilities completed in 2004. The gift agreement stipulates that if any of the Endowment Fund is used for construction expenditures, the Ministry will restore those expenditures by additional contributions from others. The Ministry used substantially all of the gift on construction expenditures and is presently restoring the Endowment Fund for construction expenditures made in prior years. As of September 30, 2017, the Endowment Fund, which is included in restricted investments, had a balance of \$910,377. For the year ending September 30, 2017, the Ministry did not withdraw any of the allowed 7% for operations.

**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3 - INVESTMENTS - continued**

A reconciliation of endowment investments is as follows:

	Permanently Restricted	Unrestricted	Total
Beginning balance	\$ 749,612	\$ 116,197	\$ 865,809
Interest and dividend Income	-	21,744	21,744
Investment fees and taxes	-	(9,465)	(9,465)
Net realized & unrealized gain (loss)	-	92,476	92,476
Ending balance	<u>\$ 749,612</u>	<u>\$ 220,952</u>	<u>\$ 970,564</u>

Permanently restricted net assets are comprised of:

	2017
McKinney Endowment	\$ 697,217
Braitwaite Endowment	52,395
Total	<u>\$ 749,612</u>

**NOTE 4 - PROMISES TO GIVE**

The Ministry had no unconditional promises to give as of September 30, 2017. A donor has indicated their intent to donate \$100,000 per year for each of the next four years.

**NOTE 5 - GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable at September 30, 2017 are as follows:

	2017
DADS - CBA - Cigna	\$ 29,658
DADS - CBA - United Healthcare	24,777
DADS - CCAD	186,165
ETAAA	193,343
Total	<u>\$ 433,943</u>

**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 6 - PROPERTY AND EQUIPMENT**

A summary of property and equipment as of September 30, 2017 is as follows:

	<u>Balance</u> 10/1/2016	<u>Additions</u>	<u>Transfers /</u> <u>Dispositions</u>	<u>Balance</u> 9/30/2017
Property and equipment not being depreciated:				
Land	\$ 176,675	\$ -	\$ -	\$ 176,675
Total property and equipment not being depreciated	176,675	-	-	176,675
Other property and equipment:				
Buildings and improvements	2,512,419	5,961	-	2,518,380
Furniture and equipment	652,230	15,017	-	667,247
Vehicles	910,965	167,856	-	1,078,821
Leasehold improvements	193,740	-	-	193,740
Total other property and equipment	4,269,354	188,834	-	4,458,188
Less: accumulated depreciation	<u>(2,156,765)</u>	<u>(189,670)</u>	-	<u>(2,346,435)</u>
Other property and equipment, net	<u>2,112,589</u>	<u>(836)</u>	-	<u>2,111,753</u>
Total property and equipment	<u>\$ 2,289,264</u>	<u>\$ (836)</u>	<u>\$ -</u>	<u>\$ 2,288,428</u>

**NOTE 7 - ASSETS TRANSFERRED TO A RECIPIENT ORGANIZATION**

In prior years, through a Braithwaite challenge, \$27,395 was transferred by Braithwaite, along with \$25,000 from the Ministry, to the East Texas Communities Foundation with the intent to operate an endowment fund. The Ministry has a beneficiary interest in the entire amount of the endowment fund, as the Braithwaite challenge match was specifically awarded to the Ministry.

**NOTE 8 - DEBT**

The Ministry had a \$500,000 revolving line of credit secured by a deed of trust for the Ministry's land and building, which had no borrowing during the year ended September 30, 2017. The line of credit matured June 2017, and was not renewed.

**NOTE 9 - RESTRICTED NET ASSETS**

Net assets were permanently restricted at September 30, 2017 for the following purposes:

Endowment Fund	\$ 749,612
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Net assets were temporarily restricted at September 30, 2017 for the following purposes:

Contract receivable	\$ 433,943
Depreciation cost of equipment purchased with Title III funds	<u>11,379</u>
Total	<u>\$ 445,322</u>



**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 10 - COMPENSATED ABSENCES**

Due to materiality, the Ministry did not accrue any liability to employees for unpaid vacation or sick leave at September 30, 2017.

**NOTE 11 - RISK MANAGEMENT**

The Ministry is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, omissions, injuries to employees, and natural disasters. They maintain commercial insurance coverage covering risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses.

**NOTE 12 - CONCENTRATIONS**

Concentrations include sources of revenue limited to a small number of Federal and State grants as well as the restriction of all Ministry activities to the geographic region of East Texas.

**NOTE 13 - FINANCIAL INSTRUMENTS**

The Ministry's financial instruments include money market bank accounts, money market mutual fund investments and investments in equities, debt securities, and mutual funds. The carrying amount of the money market bank accounts and money market mutual funds approximates fair value because the money market accounts are demand deposits and have short maturities. The fair values of the other investments are estimated based on quoted market prices.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

Federal and state contract awards received by the Ministry are subject to audit and adjustments by the funding agency. If contract revenues are received for services which are subsequently disallowed, the Ministry may be required to repay the revenues to the funding agency. In the opinion of management, liabilities from such disallowed services, if any, will not be material to the accompanying financial statements at September 30, 2017. The Ministry receives a substantial amount of its support from Federal and State contracts. A significant reduction in the level of this support, if this were to occur, may have an effect on the Ministry's programs and activities.

**NOTE 15 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 13, 2018, which is the date financial statements were available to be issued.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
Meals on Wheels Ministry, Inc.  
Tyler, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meals on Wheels Ministry, Inc. (the Ministry), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Ministry's basic financial statements, and have issued our report thereon dated September 13, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Ministry's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ministry'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. *See finding 2017-001.*

#### **Compliance and Other Matters**

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

#### **The Ministry's Response to Findings**

The Ministry's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Ministry's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the Ministry'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 Ministry's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Prothro, Wilhelmi & Company, PLLC*

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas  
September 13, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Meals on Wheels Ministry, Inc.  
Tyler, Texas

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the Meals on Wheels Ministry, Inc. (the Ministry's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Ministry's major federal programs for the year ended September 30, 2017. The Ministry's major federal 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the Ministry's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about the Ministry'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 program. However, our audit does not provide a legal determination of the Ministry's compliance.

PROTHRO, WILHELM I AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

## **OPINION ON EACH MAJOR FEDERAL PROGRAM**

In our opinion, the Ministry complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

## **OTHER MATTERS**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Ministry 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 Ministry's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ministry's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 program will not be prevented, or detected and corrected, on a timely basis. 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.

*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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

*Prothro, Wilhelmi & Company, PLLC*

PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas  
September 13, 2018

**MEALS ON WHEELS MINISTRY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
SEPTEMBER 30, 2017**

No prior audit findings.

**MEALS ON WHEELS MINISTRY, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS,  
 AND CORRECTIVE ACTION PLAN  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: *Unmodified*

Internal control over financial reporting:  
 Material weakness identified? No  
 Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal Control over major programs:  
 Material weakness(es) identified? No  
 Significant deficiencies identified? Yes

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

Any audit findings disclosed that are required to be reported  
 in accordance with 2 CFR section 200.516(a)? Yes

Major programs:

**FEDERAL**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.045	Special Programs for the Aging Title III, PART C Nutrition Services

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

Auditee qualified as low-risk auditee? Yes



## **Section II – Financial Statement Findings**

### **2017-001 Segregation of duties:**

**Criteria:** Duties should be segregated to provide assurance that fraud is less likely to occur.

**Condition:** There is a lack of segregation of duties among the personnel who process the mail and who also have access to the accounting records and data entry.

**Cause:** Multiple functions are performed by too few personnel.

**Effect:** Theft of donations or other cash receipts could occur and be concealed for a prolonged period of time.

**Recommendation:** The duties should be segregated or alternative controls should be put in place to compensate for the lack of segregation.

**Planned corrective actions:** Going forward in fiscal year 2019, the Ministry will develop a segregation of duties policy with regard to mail, donation, and cash handling. This system will include proper checks and balances to ensure that fraud is less likely to occur.

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

### **2017-002 Maintenance of records:**

**Criteria:** Financial records, supporting documents, statistical records, and all other records relating to the performance of the contract must be maintained and made available upon request.

**Condition:** Management was unable to locate several grant agreements.

**Cause:** Proper controls were not in place to ensure the required grant documentation would be properly maintained.

**Effect:** Without access to the grant agreement and contract, risk of breaching the requirements set forth in the contract become very high.

**Recommendation:** Grant agreements and contracts should be maintained by the necessary personnel, as required per the grant agreement and contract.

**Planned corrective actions:** Going forward in fiscal year 2019, the Ministry will develop a non-profit knowledge management system to be used in all document management, including grant management. This system will include proper checks and balances for the maintenance of all contracts and agreements.

**MEALS ON WHEELS MINISTRY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Agency Number</i>	<i>Federal Expenditures</i>
<i>Federal Awards:</i>			
U.S. Department of Health and Human Services			
Passed Through Texas DADS and East Texas Council of Governments			
Special Programs for the Aging			
Title III, Part C - Nutrition Services			
ETCOG - C1 (Congregate)	93.045	23.7313019	\$ 126,953
ETCOG - C2 (Home Delivered)	93.045	23.7313019	886,824
Total Part C - Nutrition Services			<u>1,013,777</u>
Title III, Part E - National Family Caregiver Support	93.052	23.7313019	<u>31,502</u>
Home Delivered Meals - Community Care and Community-Based Meals	93.667	23.7313019	<u>1,361,864</u>
<i>Total Department of Health and Human Services</i>			<u>2,407,143</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 2,407,143</u></u>

The accompanying notes are an integral part of this schedule.

**MEALS ON WHEELS MINISTRY, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Meals on Wheels Ministry, Inc. (the Ministry) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - INDIRECT COSTS**

The Ministry elected not to use the 10% de minimis indirect cost rate.