

MEALS ON WHEELS MINISTRY, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

MEALS ON WHEELS MINISTRY, INC.
SEPTEMBER 30, 2018 AND 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 statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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 as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 April 1, 2019, 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, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ministry's internal control over financial reporting and compliance.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
April 1, 2019

MEALS ON WHEELS MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 185,107	\$ 733,300
Grants and contracts receivable	534,116	433,943
Other receivables	10,106	27,754
Prepaid expenses	18,081	6,157
Total current assets	747,410	1,201,154
Non-current assets:		
Cash and cash equivalents - Restricted	45,097	32,280
Investments held for endowment purposes - Restricted	992,772	970,564
Other investments	630,115	866,855
Total non-current assets	1,667,984	1,869,699
Property and equipment, net of accumulated depreciation	2,196,699	2,288,428
Total assets	\$ 4,612,093	\$ 5,359,281
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Bank overdraft	\$ 85,416	\$ 101,562
Accounts payable	51,804	210,717
Deferred income	165,061	154,929
Total current liabilities	302,281	467,208
Net Assets:		
Unrestricted - Operating	2,897,925	3,458,998
Unrestricted - Reserve for capital replacement	122,139	238,141
Total unrestricted	3,020,064	3,697,139
Temporarily restricted	540,136	445,322
Permanently restricted	749,612	749,612
Total net assets	4,309,812	4,892,073
Total liabilities and net assets	\$ 4,612,093	\$ 5,359,281

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

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE				
Government contracts:				
Nutrition	\$ -	\$ 2,948,525	\$ -	\$ 2,948,525
Other	-	263,123	-	263,123
Program income	30,877	-	-	30,877
Donated facilities and goods	45,000	-	-	45,000
Other meal service contracts	-	55,629	-	55,629
Contributions, gifts, and bequests	-	659,013	-	659,013
Special events, net	210,523	-	-	210,523
Other income	23,605	-	-	23,605
Investments income	47,632	-	-	47,632
	<u>357,637</u>	<u>3,926,290</u>	<u>-</u>	<u>4,283,927</u>
Contract receivables classified as temporarily restricted:	(534,116)	534,116	-	-
Net Assets Released from Restrictions:	4,365,592	(4,365,592)	-	-
Total support, revenue, reclassification of endowment funds, and net assets released from restrictions	<u>4,189,113</u>	<u>94,814</u>	<u>-</u>	<u>4,283,927</u>
EXPENSES				
Program services:				
Nutrition	4,074,841	-	-	4,074,841
Supporting services:				
Fundraising	303,799	-	-	303,799
General and administrative	487,548	-	-	487,548
	<u>4,866,188</u>	<u>-</u>	<u>-</u>	<u>4,866,188</u>
Change in net assets	(677,075)	94,814	-	(582,261)
NET ASSETS				
Balance, beginning of year	<u>3,697,139</u>	<u>445,322</u>	<u>749,612</u>	<u>4,892,073</u>
Balance, end of year	<u>\$ 3,020,064</u>	<u>\$ 540,136</u>	<u>\$ 749,612</u>	<u>\$ 4,309,812</u>

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

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE				
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	-	60,777	-	60,777
Contributions, gifts, and bequests	-	763,952	-	763,952
Special events, net	142,204	-	-	142,204
Other income	325,029	-	-	325,029
Investments income	164,772	-	-	164,772
	<u>708,066</u>	<u>4,214,013</u>	<u>-</u>	<u>4,922,079</u>
Contract receivables classified as temporarily restricted:	(433,943)	433,943	-	-
Net Assets Released from Restrictions:	4,219,372	(4,219,372)	-	-
	<u>4,493,495</u>	<u>428,584</u>	<u>-</u>	<u>4,922,079</u>
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>
EXPENSES				
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
NET ASSETS				
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
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Program</u>	<u>Fundraising</u>	<u>General & Administrative</u>	<u>Total Expenses</u>
Personnel costs	\$ 1,100,796	\$ 72,421	\$ 275,198	\$ 1,448,415
Fringe	234,937	15,457	58,733	309,127
Occupancy costs	119,139	2,162	30,094	151,395
Raw food purchases	149,731	-	-	149,731
Valley food services	1,981,157	-	-	1,981,157
Insurance	98,849	-	6,696	105,545
Supplies and fuel	114,080	1,356	20,903	136,338
Travel	11,786	301	9,232	21,319
Contractual services	25,737	33,594	18,137	77,468
Repairs and maintenance	17,774	23,200	12,525	53,499
Other costs	39,139	51,088	27,583	117,811
Depreciation	181,716	2,122	28,447	212,285
Fundraising	-	102,098	-	102,098
Total Expenses	<u>\$ 4,074,841</u>	<u>\$ 303,799</u>	<u>\$ 487,548</u>	<u>\$ 4,866,188</u>

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

**MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Program</u>	<u>Fundraising</u>	<u>General & 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
Total Expenses	<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.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (582,261)	\$ 11,680
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	212,285	190,145
Unrealized gain (loss) on investment	59,749	(26,628)
(Increase) decrease in operating assets:		
Contracts and grants receivable	(100,173)	32,057
Other receivables	17,648	36,607
Prepaid expenses	(11,924)	4,295
Increase (decrease) in liabilities:		
Change in bank overdraft	(16,146)	101,291
Accounts payable	(158,913)	138,834
Deferred income	10,132	7,695
	12,658	484,296
 Total adjustments	 12,658	 484,296
 Net cash provided by (used in) operating activities	 (569,603)	 495,976
 <u>CASH FLOW FROM INVESTING ACTIVITIES:</u>		
Realized gain (loss) on investment	(75,649)	-
Purchase of vehicles and equipment	(120,556)	(188,834)
Net sale of investments	230,432	13,557
	34,227	(175,277)
 Net cash provided by (used in) investing activities	 34,227	 (175,277)
 Net increase (decrease) in cash and cash equivalents	 (535,376)	 320,699
 CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	 765,580	 444,881
 CASH AND CASH EQUIVALENTS, AT END OF YEAR	 \$ 230,204	 \$ 765,580

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

MEALS ON WHEELS MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 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 77 percent of the Ministry's support for the year ended September 30, 2018, and 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, 2018 AND 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 as of September 30, 2018.

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.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts to conform to current year presentation.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 are 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, 2018 AND 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 may exceed the federally insured limits. As of September 30, 2018 the Ministry's cash balance was fully insured by the Federal Deposit Insurance Corporation. 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 market 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, 2018 AND 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 2018 and 2017, respectively.

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 as of September 30, 2018 and 2017:

	2018	2017
	<u>Fair Value</u>	<u>Fair Value</u>
Money Market Funds and Bank	\$ 41,723	\$ 222,550
East Texas Communities Foundation	62,842	60,187
Equities	935,789	975,692
Mutual Funds	252,053	436,562
Fixed Income	279,164	271,909
Alternative	93,039	93,069
Total	<u>\$ 1,664,610</u>	<u>\$ 2,059,969</u>

**MEALS ON WHEELS MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 3 - INVESTMENTS - continued

The components of investment income are summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and Dividend Income	\$ 65,297	\$ 62,146
Net Realized and Unrealized Gain	3,192	122,618
Investment Fees and Taxes	<u>(20,857)</u>	<u>(19,992)</u>
Investment Income, Net	<u>\$ 47,632</u>	<u>\$ 164,772</u>

Investments are reported as follows:

	<u>2018</u>	<u>2017</u>
Included in cash and cash equivalents	\$ 41,723	\$ 222,550
Investments	630,115	866,855
Investments held for endowment purposes	<u>992,772</u>	<u>970,564</u>
Total	<u>\$ 1,664,610</u>	<u>\$ 2,059,969</u>

Investments held for endowment purposes as of September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest in East Texas		
Communities Foundation (Note 7)	\$ 61,342	\$ 60,187
Investments with Merrill Lynch		
Wealth Management	<u>931,430</u>	<u>910,377</u>
Total	<u>\$ 992,772</u>	<u>\$ 970,564</u>

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 the gift on construction expenditures and is presently restoring the Endowment Fund for construction expenditures made in prior years. The Endowment Fund, which is included in restricted investments, had a balance of \$931,430 and \$910,377 for the years ended September 30, 2018 and 2017, respectively. The Ministry did not withdraw any of the allowed 7% for operations for the years ended September 30, 2018 and 2017, respectively.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 3 - INVESTMENTS - continued

For the year ended September 30, 2018, a reconciliation of endowment investments is as follows:

	Permanently Restricted	Unrestricted	Total
Beginning balance	\$ 749,612	\$ 220,952	\$ 970,564
Interest and dividend income	-	(4,126)	(4,126)
Investment fees and taxes	-	(10,534)	(10,534)
Net realized & unrealized gain (loss)	-	36,868	36,868
Ending balance	<u>\$ 749,612</u>	<u>\$ 243,160</u>	<u>\$ 992,772</u>

For the year ended September 30, 2017, 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:

	<u>2018</u>	<u>2017</u>
McKinney Endowment	\$ 697,217	\$ 697,217
Braithwaite Endowment	52,395	52,395
Total	<u>\$ 749,612</u>	<u>\$ 749,612</u>

NOTE 4 - PROMISES TO GIVE

The Ministry had no unconditional promises to give as of September 30, 2018. A donor has indicated their intent to donate \$100,000 per year for each of the next three years.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 5 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
DADS - CBA - Cigna	\$ 41,725	\$ 29,658
DADS - CBA - United Healthcare	31,513	24,777
DADS - CCAD	289,766	186,165
ETAAA	171,112	193,343
Total	<u>\$ 534,116</u>	<u>\$ 433,943</u>

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of September 30, 2018 is as follows:

	<u>Balance</u> <u>09/30/2017</u>	<u>Additions</u>	<u>Transfers /</u> <u>Dispositions</u>	<u>Balance</u> <u>09/30/2018</u>
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	2,518,380	-	(803)	2,517,578
Furniture and equipment	667,247	22,787	-	690,034
Vehicles	1,078,821	98,572	-	1,177,393
Leasehold improvements	193,740	-	-	193,740
Total other property and equipment	4,458,188	121,359	(803)	4,578,745
Less: accumulated depreciation	(2,346,435)	(212,285)	-	(2,558,721)
Other property and equipment, net	2,111,753	(90,926)	(803)	2,020,024
Total property and equipment	<u>\$2,288,428</u>	<u>\$ (90,926)</u>	<u>\$ (803)</u>	<u>\$2,196,699</u>

**MEALS ON WHEELS MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 6 - PROPERTY AND EQUIPMENT – continued

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

	<u>Balance</u> <u>09/30/2016</u>	<u>Additions</u>	<u>Transfers /</u> <u>Dispositions</u>	<u>Balance</u> <u>09/30/2017</u>
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>(2,156,290)</u>	<u>(190,145)</u>	<u>-</u>	<u>(2,346,435)</u>
Other property and equipment, net	<u>2,113,064</u>	<u>(1,311)</u>	<u>-</u>	<u>2,111,753</u>
Total property and equipment	<u>\$2,289,739</u>	<u>\$ (1,311)</u>	<u>\$ -</u>	<u>\$2,288,428</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was \$212,285 and \$190,145, respectively.

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.

**MEALS ON WHEELS MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 8 - RESTRICTED NET ASSETS

Net assets were permanently restricted as of September 30, 2018 and 2017, respectively, for an Endowment Fund in the amount of \$749,612.

Net assets were temporarily restricted as of September 30, 2018 and 2017 for the following purposes:

	<u>2018</u>	<u>2017</u>
Contract receivable	\$ 534,116	\$ 433,943
Depreciation cost of equipment purchased with Title III funds	<u>6,020</u>	<u>11,379</u>
Total	<u>\$ 540,136</u>	<u>\$ 445,322</u>

NOTE 9 - COMPENSATED ABSENCES

Due to materiality, the Ministry did not accrue any liability to employees for unpaid vacation or sick leave as of September 30, 2018 and 2017.

NOTE 10 - 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 11 - 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.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 12 - RECONCILIATION OF REVENUE PER AUDITED FINANCIAL STATEMENTS TO FORM 990

The following schedule reconciles the revenue from the audited financial statements to the 2017 Form 990:

Reconciliation of Revenue:

Total revenue per audited financial statements	\$ 4,283,927
Less: Net unrealized gain on investments	(59,749)
Less: Donated services and use of facilities	(45,000)
Plus: Investment expenses not included on Form 990, part 8, line 7b	20,857
Total revenue per Form 990, part 1, line 12	<u>\$ 4,200,035</u>

NOTE 13 - 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 as of September 30, 2018 or 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 14 – COMMITMENTS AND CONTINGENT LIABILITIES

As of September 30, 2018, the Ministry is involved in litigation with a former employee. The insurance carrier for the Ministry is the lead on the case. The case is in the discovery phase, and Management believes no liability will be incurred as a result of the case; however, some payment may come from the insurance coverage. While the case is not scheduled for trial until Fall 2019, it is anticipated that the Court may order a mediation to see if a resolution can be met without full, formal Court intervention.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 1, 2019, 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, 2018, and the related notes to the financial statements, which collectively comprise the Ministry's basic financial statements, and have issued our report thereon dated April 1, 2019.

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; however, material weaknesses may exist that have not been identified.

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*.

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 AND COMPANY, PLLC

Tyler, Texas
April 1, 2019

**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, 2018. 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.

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, 2018.

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.

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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas
April 1, 2019



**MEALS ON WHEELS MINISTRY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	2017 - Inadequate segregation of duties	Completed	N/A
2017-002	2017 - Maintenance of records	Completed	N/A

**MEALS ON WHEELS MINISTRY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	No
Type of auditors’ report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Major programs:	

FEDERAL

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.045	Special Services for the Aging Title III, Part C Nutrition Services
93.667	Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	No

**MEALS ON WHEELS MINISTRY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

**MEALS ON WHEELS MINISTRY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
Aging Cluster			
Department of Health and Human Services			
Special Programs for the Aging Title III, Part C Nutrition Services			
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	23.7313019	\$ 871,977
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	23.7313019	<u>129,220</u>
Total Special Programs for the Aging Title III, Part C Nutrition Services			<u>1,001,197</u>
Total Department of Health and Human Services			<u>1,001,197</u>
Total Aging Cluster			1,001,197
Department of Health and Human Services			
National Family Caregiver Support, Title III, Part E			
National Family Caregiver Support, Title III, Part E	93.052	23.7313019	<u>44,055</u>
Total National Family Caregiver Support, Title III, Part E			44,055
Social Services Block Grant			
Social Services Block Grant	93.667	23.7313019	<u>1,402,962</u>
Total Social Services Block Grant			<u>1,402,962</u>
Total Department of Health and Human Services			<u>1,447,017</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,448,214</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, 2018

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 Regulations 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.