

MEALS ON WHEELS MINISTRY, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Gollob Morgan Peddy PC
CERTIFIED PUBLIC ACCOUNTANTS

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MEALS ON WHEELS MINISTRY, INC.
TABLE OF CONTENTS
SEPTEMBER 30, 2023 AND 2022

	<u>Page</u>
Financial Section:	
Independent Auditors' Report	1-3
Financial Statements	
Statements of Financial Position, September 31, 2023 and 2022	5
Statements of Activities - Years Ended September 31, 2023 and 2022	6-7
Statements of Functional Expenses - Years Ended September 31, 2023 and 2022	8-9
Statements of Cash Flows - Years Ended September 31, 2023 and 2022	10
Notes to Financial Statements	11-21
Single Audit Section	
Independent Auditors Report on Internal Control Over Financial Reportion and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	25-27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30-31
Summary Schedule of Prior Audit Findings	32

Independent Auditors' Report

Board of Directors
Meals on Wheels Ministry, Inc.

Opinion

We have audited the accompanying financial statements of Meals on Wheels Ministry, Inc. (a non-profit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels Ministry, Inc. as of September 30, 2023, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Meals on Wheels Ministry, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Meals on Wheels Ministry, Inc. for the year ended September 30, 2022, were audited by other auditors who expressed an unmodified opinion on those statements on May 30, 2023.

Emphasis of Matter

We draw attention to Note 12 to the financial statements which indicates that the Ministry's recurring losses could raise substantial doubt about its ability to continue as a going concern. Meals on Wheels Ministry, Inc., has suffered recurring losses from operations and lacks the liquidity to meet certain obligations. Management's plans to mitigate these matters are also described in Note 12. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Meals on Wheels Ministry, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Meals on Wheels Ministry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Meals on Wheels Ministry, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2024, on our consideration of Meals on Wheels Ministry, Inc.'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 solely 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 the effectiveness of Meals on Wheels Ministry, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Meals on Wheels Ministry, Inc.'s internal control over financial reporting and compliance.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
August 29, 2024

FINANCIAL STATEMENTS

MEALS ON WHEELS MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 70,425	\$ 81,919
Cash and cash equivalents - restricted	26,516	56,481
Grants and contracts receivable	146,763	305,298
Prepaid expenses	9,917	-
Other receivables	1,315	3,559
Total Current Assets	<u>254,936</u>	<u>447,257</u>
Property and Equipment:		
Land	176,675	176,675
Buildings and improvements	2,710,936	2,710,936
Furniture and equipment	678,441	665,480
Vehicles	1,108,639	917,716
Financing lease right-of-use assets, net of accumulated amortization of \$7,855 and \$-0- in 2023 and 2022, respectively	26,837	-
Accumulated depreciation	<u>(2,869,621)</u>	<u>(2,691,068)</u>
Net property and equipment	1,831,907	1,779,739
Other assets		
Operating lease right-of-use assets	28,186	-
Investments held for endowment purposes	1,192,247	1,067,686
Other investments	501,499	575,646
Total other assets	<u>1,721,932</u>	<u>1,643,332</u>
TOTAL ASSETS	<u><u>\$ 3,808,775</u></u>	<u><u>\$ 3,870,328</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,510,299	\$ 870,940
Deferred income	94,463	106,401
Accrued compensated absences	98,784	117,191
Current portion of operating lease liability	10,906	-
Current portion of financing lease liability	7,770	-
Other current liabilities	53,965	33,943
Total current liabilities	<u>1,776,187</u>	<u>1,128,475</u>
Long-term liabilities:		
Operating lease liability, net of current portion	17,280	-
Financing lease liability, net of current portion	19,266	-
Total long-term liabilities	<u>36,546</u>	<u>-</u>
Total liabilities	<u>1,812,733</u>	<u>1,128,475</u>
Net Assets:		
Without donor restrictions, as restated	1,246,430	1,992,241
With donor restrictions:		
Permanent restrictions	749,612	749,612
Total with donor restrictions	<u>749,612</u>	<u>749,612</u>
Total Net Assets	<u>1,996,042</u>	<u>2,741,853</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,808,775</u></u>	<u><u>\$ 3,870,328</u></u>

See accompanying notes to financial statements.

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Government Contracts:			
Nutrition	\$ 2,630,818	\$ -	\$ 2,630,818
Other	330,093	-	330,093
Program income	7,295	-	7,295
Donated facilities and goods	352,525	-	352,525
Other meal service contracts	24,052	-	24,052
Contributions, gifts, and bequests	-	600,359	600,359
Special events, net	218,548	-	218,548
Employment retention credit	936,751	-	936,751
Other income	13,128	-	13,128
Investment income	167,101	-	167,101
Total Revenues and Support	4,680,311	600,359	5,280,670
Net assets released from restrictions	600,359	(600,359)	-
 TOTAL SUPPORT, REVENUE, RECLASSIFICATION OF ENDOWMENT FUNDS, AND NET ASSETS RELEASED FROM RESTRICTIONS	 5,280,670	 -	 5,280,670
EXPENSES			
Program services:			
Nutrition	4,776,415	-	4,776,415
Supporting Services:			
Fundraising	532,728	-	532,728
General and administrative	717,338	-	717,338
Total Expenses	6,026,481	-	6,026,481
 Change in Net Assets	 (745,811)	 -	 (745,811)
 NET ASSETS, BEGINNING OF YEAR, AS RESTATED	 1,992,241	 749,612	 2,741,853
 NET ASSETS, END OF YEAR	 \$ 1,246,430	 \$ 749,612	 \$ 1,996,042

See accompanying notes to financial statements.

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Government Contracts:			
Nutrition	\$ 2,479,564	\$ -	\$ 2,479,564
Other	361,108	-	361,108
Program income	6,548	-	6,548
Donated facilities and goods	45,100	-	45,100
Other meal service contracts	20,906	-	20,906
Contributions, gifts, and bequests	-	494,978	494,978
Special events, net	95,593	-	95,593
Other income	66,198	-	66,198
Investment losses	(300,807)	-	(300,807)
Total Revenues and Support	2,774,210	494,978	3,269,188
Net assets released from restrictions	494,978	(494,978)	-
TOTAL SUPPORT, REVENUE, RECLASSIFICATION OF ENDOWMENT FUNDS, AND NET ASSETS RELEASED FROM RESTRICTIONS	3,269,188	-	3,269,188
EXPENSES			
Program services:			
Nutrition	4,225,509	-	4,225,509
Supporting Services:			
Fundraising	235,981	-	235,981
General and administrative	539,908	-	539,908
Total Expenses	5,001,398	-	5,001,398
Change in Net Assets	(1,732,210)	-	(1,732,210)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	3,724,451	749,612	4,474,063
NET ASSETS, END OF YEAR, AS RESTATED	\$ 1,992,241	\$ 749,612	\$ 2,741,853

See accompanying notes to financial statements.

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Services	Fundraising	General and Administrative	Total
Personnel costs	\$ 1,536,943	\$ 101,115	\$ 384,235	\$ 2,022,293
Fringe	115,452	7,595	28,863	151,911
Occupancy costs	97,853	1,239	24,772	123,864
Raw food purchases	-	-	-	-
Valley food services	2,285,188	-	-	2,285,188
Insurance	168,485	-	10,754	179,239
Supplies and fuel	93,557	1,114	16,707	111,377
Travel	22,988.57	552.67	17,999.76	41,541
Contractual services	44,983	58,494	31,487	134,965
Repairs and maintenance	23,119	30,062	16,183	69,364
Other costs	232,705	302,584	162,885	698,174
Depreciation	155,140	1,804	23,452	180,396
Fundraising	-	28,169	-	28,169
Total expenses	<u>\$ 4,776,415</u>	<u>\$ 532,728</u>	<u>\$ 717,338</u>	<u>\$ 6,026,481</u>

See accompanying notes to financial statements.

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services	Fundraising	General and Administrative	Total
Personnel costs	\$ 1,321,335	\$ 86,930	\$ 330,333	\$ 1,825,528
Fringe	207,104	13,625	51,776	286,130
Occupancy costs	113,916	1,442	28,839	145,639
Raw food purchases	507	-	-	507
Valley food services	2,077,540	-	-	2,077,540
Insurance	104,859	-	6,693	111,552
Supplies and fuel	130,887	1,558	23,373	157,376
Travel	21,796	524	17,066	39,910
Contractual services	46,503	60,470	32,551	199,994
Repairs and maintenance	26,479	34,431	18,535	113,876
Other costs	7,929	10,310	5,550	34,099
Depreciation	166,654	1,938	25,192	195,722
Fundraising	-	24,753	-	49,506
Total expenses	<u>\$ 4,225,509</u>	<u>\$ 235,981</u>	<u>\$ 539,908</u>	<u>\$ 5,001,398</u>

See accompanying notes to financial statements.

MEALS ON WHEELS MINISTRY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (745,811)	\$ (1,732,210)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Gain) loss on disposal of assets	2,400	-
Depreciation	180,396	193,784
Amortization of financing right of use assets	7,855	-
Realized (gain) loss on investments	25,249	-
Unrealized (gain) loss on investments	(153,233)	(300,807)
Change in operating assets and liabilities:		
Contracts and grants receivable	158,535	(79,638)
Prepaid expenses	(9,917)	-
Other receivables	2,244	(1,850)
Accounts payable	639,359	595,379
Accrued compensated absences	(18,407)	117,191
Deferred revenue	(11,938)	(10,733)
Other liabilities	20,022	(6,641)
Total adjustments	<u>842,565</u>	<u>506,685</u>
Net cash provided by (used in) operating activities	<u>96,754</u>	<u>(1,225,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(500,000)	-
Proceeds from sales and maturities of investments	571,419	936,778
Purchases of property and equipment	<u>(209,632)</u>	<u>(138,882)</u>
Net cash (used in) provided by investing activities	<u>(138,213)</u>	<u>797,896</u>
Change in cash and cash equivalents	(41,459)	(427,629)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>138,400</u>	<u>566,029</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 96,941</u></u>	<u><u>\$ 138,400</u></u>
Reconciliation to Statements of Financial Position:		
Cash and cash equivalents	\$ 70,425	\$ 81,919
Cash and cash equivalents - Restricted	26,516	56,481
	<u><u>\$ 96,941</u></u>	<u><u>\$ 138,400</u></u>

See accompanying notes to financial statements.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Meals on Wheels Ministry, Inc. (the "Ministry") is a nonprofit 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 58 percent of the Ministry's support for the year ended September 30, 2023 and approximately 79 percent of the Ministry's support for the year ended September 30, 2022, came from Federal and State contracts.

Basis of Accounting

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

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 two classes of net assets: without donor restrictions and with donor restrictions.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Updated ("ASU") No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Subsequently, the FASB issued several clarifying standard updates to clarify and improve the ASU. These ASUs significantly change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model that will be based on an estimate of current expected credit loss ("CECL"). Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Ministry that are subject to the guidance in Topic 326 were contract receivables. The Ministry adopted the standard effective October 1, 2022. There was no significant effect on the Ministry's financial statements.

In February 2016, FASB issued ASU 2016-02, "Leases" which was later amended by ASU 2020-05 (ASC 842). This new standard requires lessees to record a lease liability that represents the lessee's future lease obligation and a right-of-use asset that represents the lessee's right to use or control of a specified asset for the lease term. The Ministry adopted the provisions of ASC 842, effective October 1, 2022. There was no net effect on the net assets of the Ministry, and a lease liability and right of use asset of \$73,316 were recognized as of October 1, 2022.

Allocation of Expenses

Expenses are recognized in the period in which the liability is incurred, if measurable. 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.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Functional Classification of Expenses

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.

Reclassifications

Certain amounts in the prior year financial statement presentation as well as footnotes have been reclassified to conform to the current year presentation.

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases (ASC Topic 842)” which amends the existing guidance included in ASC Topic 840 on accounting for leases. The Ministry adopted Topic 842 as of October 1, 2022, using the modified retrospective method that resulted in no cumulative effect adjustment to net assets as of the date of adoption and will not adjust comparative periods in the financial statements.

The new guidance requires the recognition of right-of-use assets and lease liabilities on the balance sheet for leases with terms greater than twelve months. Lessees are now required to classify leases as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The determination of whether an arrangement is a lease is made at the lease’s inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. Operating leases, with a duration of one year or more, are included in right-of-use (“ROU”) assets, other current liabilities, and lease liabilities in the balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Ministry uses the implicit rate when it is readily determinable. Since most of the Ministry’s leases do not provide an implicit rate, to determine the present value of lease payments, management has elected to use a risk-free discount rate (U.S. Treasury rate). ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease expenses are recorded when incurred. The Ministry’s lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Ministry considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Ministry is reasonably certain to exercise the option (2) terminate the lease if the Ministry is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor. If lease agreements have lease and non-lease components, the components are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain leases where the lease and the non-lease components are not easily separately identifiable, the Ministry accounts for the lease and non-lease components as a single lease.

The Ministry considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Ministry is reasonably certain to exercise the option (2) terminate the lease if the Ministry is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor. If lease agreements have lease and non-lease components, the components are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain leases where the lease and the non-lease components are not easily separately identifiable, the Ministry accounts for the lease and non-lease components as a single lease.

The Ministry elected to utilize the following practical expedients when adopting Topic 842:

- The Ministry did not reassess whether any expired or existing contracts are or contain leases upon adoption;
- The Ministry retained the classification of leases (e.g., operating or finance lease) existing as of the date of adoption;
- The Ministry did not reassess initial direct costs for any existing leases upon adoption;
- The Ministry did not evaluate whether existing land easements not previously accounted for as leases contain a lease under ASC 842; and
- The Ministry has chosen to account for each separate lease component of a contract and its associated nonlease components as a single lease component.

Based on the most recent assessment of existing leases, the adoption of Topic 842 resulted in no change to net assets as of October 1, 2022. Management does not expect the adoption of Topic 842 to have a material impact on the Ministry's results of operations or cash flows.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The cumulative effect of initially applying the new lease guidance to our financial statements on October 1, 2022 was as follows:

	<u>Balance as of</u> <u>September 30, 2022</u>	<u>Cumulative Impact from</u> <u>Adopting New Lease Guidance</u>	<u>Balance as of</u> <u>October 1, 2022</u>
Assets			
PPE	\$ 1,779,739	\$ 34,691	\$ 1,814,430
Other assets	\$ 1,700,657	\$ 38,625	\$ 1,739,282
Liabilities			
Current liabilities	\$ 1,128,475	\$ 19,535	\$ 1,148,010
Long-term liabilities	\$ -	\$ 53,781	\$ 53,781
Net Assets	\$ 2,741,853	\$ -	\$ 2,741,853

Investments

Investments are stated at fair value. Unrealized gains and losses are reported in the Statement of Activities. 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.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements.

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

The carrying value of cash, accounts receivable and accounts payable approximates fair value due to the short maturity of these instruments.

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.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management considers the likelihood of changes by taxing authorities in its filed income returns and discloses significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in income tax returns that require disclosure in the accompanying financial statements.

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.

Contributions

Contributions received are recorded as net assets with donor restrictions or without donor restrictions depending on the absence or existence and nature of any donor restrictions. 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.

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 and 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:

- Net assets without donor restrictions are net assets not subject to donor-imposed stipulations. These net assets may be designated for specific purposes by action of the Board of Directors.
- Net assets with donor restrictions 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 or required to be maintained in perpetuity by the Ministry. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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 those donated services as the volunteer services do not meet the criteria for recognition under FASB Accounting Standards.

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

Revenue Recognition

Revenue is earned in accordance with contractual agreements with ETCOG and DADS based on serving eligible meal units. Revenues are recognized in the period in which they become available and measurable. The revenues included in Other Meal Service Contracts on the Statement of Activities represent exchange transactions with customers under ASC 606, *Revenues from Contracts with Customers*. These revenues are recognized at the point in time as the related meals are delivered.

NOTE 2: CASH DEPOSITS

The Ministry maintains its cash balances at a financial institution located in East Texas. Accounts at the institution are insured by either the Federal Deposit Insurance 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, 2023 and 2022, the Ministry's cash balance was fully insured by the Federal Deposit Insurance Corporation.

NOTE 3: INVESTMENTS

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.

	FAIR VALUE	
	2023	2022
ML Reserve securities	\$ -	\$ 574,147
Certificate of deposit	500,000	-
East Texas Communities Foundation	49,863	44,709
Equities	680,931	764,659
Mutual funds	369,520	258,318
Alternative	93,432	1,499
TOTAL	<u>\$ 1,693,746</u>	<u>\$ 1,643,332</u>

The components of investment income are summarized as follows:

	2023	2022
Interest and dividend income	\$ 49,898	\$ 62,287
Net realized and unrealized gain (loss)	133,138	(341,246)
Investment fees and taxes	(15,935)	(21,848)
INVESTMENT INCOME (LOSS), NET	<u>\$ 167,101</u>	<u>\$ (300,807)</u>

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Investments are reported as follows:

	2023	2022
Certificate of deposit	\$ 500,000	\$ -
Investments	1,499	575,646
Investments held for endowment purposes	1,192,247	1,067,686
TOTAL	<u>\$ 1,693,746</u>	<u>\$ 1,643,332</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 \$1,022,977 and \$1,022,977 for the years ended September 30, 2023 and 2022, respectively. The Ministry did not withdraw any of the allowed 7% for operations for the years ended September 30, 2023 and 2022, respectively.

For the year ended September 30, 2023, a reconciliation of endowment investments is as follows:

	PERMANENTLY RESTRICTED	UNRESTRICTED	TOTAL
Beginning balance	\$ 749,612	\$ 318,074	\$ 1,067,686
Interest and dividend income	-	55,067	55,067
Investment fees and taxes	-	(26,780)	(26,780)
Net realized and unrealized gain (loss)	-	96,274	96,274
ENDING BALANCE	<u>\$ 749,612</u>	<u>\$ 442,635</u>	<u>\$ 1,192,247</u>

For the year ended September 30, 2022, a reconciliation of endowment investments is as follows:

	PERMANENTLY RESTRICTED	UNRESTRICTED	TOTAL
Beginning balance	\$ 749,612	\$ 555,520	\$ 1,305,132
Interest and dividend income	-	31,769	31,769
Investment fees and taxes	-	(13,198)	(13,198)
Net realized and unrealized loss	-	(256,017)	(256,017)
ENDING BALANCE	<u>\$ 749,612</u>	<u>\$ 318,074</u>	<u>\$ 1,067,686</u>

Net assets with permanent donor restrictions are comprised of:

	2023	2022
McKinney Endowment	\$ 697,217	\$ 697,217
Braithwaite Endowment	52,395	52,395
	<u>\$ 749,612</u>	<u>\$ 749,612</u>

The Ministry had no underwater endowments requiring reclassification.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 4: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of September 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
DADS - CBA - United Healthcare	\$ 5,539	\$ 42,127
DADS - CCAD	101,118	102,589
ETAAA	-	121,918
ETAAA - C2	40,106	-
DADS - CCD - Cigna	-	38,664
Total	<u>\$ 146,763</u>	<u>\$ 305,298</u>

NOTE 5: 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 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets permanently restricted by donors as of September 30, 2023 and 2022, respectively, for an Endowment Fund in the amount of \$749,612. Net assets restricted by time as of September 30, 2023 and 2022 was \$600,359 and \$494,978, respectively.

NOTE 7: COMPENSATED ABSENCES

During fiscal year ending September 30, 2022, the Ministry revised policies to allow the accumulation and payment of time off on termination or retirement. This change in policy resulted in a liability of \$98,784 and \$117,191 as of September 30, 2023 and 2022, respectively.

NOTE 8: 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 9: 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 10: 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, 2023 and 2022. 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.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 11: LEASES

The Ministry leases a cargo van under a five-year financing lease maturing in 2027, with lease payments payable monthly at \$677. The Ministry also leases a copy machine under a four-year operating lease maturing in 2026, with lease payments payable monthly at \$990.

The components of lease costs were as follows for the year ended September 30, 2023:

Lease expense	
Finance lease expense	
Amortization of ROU assets	\$ 7,855
Interest on lease liabilities	468
Operating lease expense	11,880
Short-term lease expense	8,929
Total	<u><u>\$ 29,132</u></u>

Other Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (i.e. Interest)	\$ 468
Financing cash flows from finance leases (i.e. principal portion)	\$ 7,655
Operating cash flows from operating leases	\$ 11,880
ROU assets obtained in exchange for new finance lease liabilities	\$ 34,691
ROU assets obtained in exchange for new operating lease liabilities	\$ 38,625
Weighted-average remaining lease term in years for finance leases	3.42
Weighted-average remaining lease term in years for operating leases	2.50
Weighted-average discount rate for finance leases	1.50%
Weighted-average discount rate for operating leases	4.38%

Maturity Analysis	<u>Finance</u>	<u>Operating</u>
2024	\$ 8,123	\$ 11,880
2025	8,123	11,880
2026	8,123	5,940
2027	3,384	-
Total undiscounted cash flows	27,753	29,700
Less: present value discount	(717)	(1,514)
Total lease liabilities	<u><u>\$ 27,036</u></u>	<u><u>\$ 28,186</u></u>

MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Ministry's financial statements have been prepared on a going concern basis, which assumes that the Ministry will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Ministry had net losses of \$745,811 for the year ended September 30, 2023, and cash flows from operations of \$96,754. At September 30, 2023 there was \$720,002 not subject to donor imposed restrictions, and approximately \$1,776,187 in current liabilities. The Ministry had net losses of \$1,732,210 and negative cash flows from operations of \$1,225,525 in 2022. The Ministry withdrew \$911,400 from the McKinney Endowment in February of 2024 in order to pay outstanding invoices from its primary vendor. The Ministry has taken steps to reduce losses and believes actions it has taken will provide cash flows for operations for the foreseeable future.

The Ministry has had two years of significant operating losses, that were triggered primarily by rising costs and reduced funding from government contracts.

The Ministry plans to generate additional cash flow, and increase capital by imposing the following actions:

- The Ministry has reduced staff in 2024 and continues to evaluate its current staffing level through the shifting of full time positions to part time and it has shortened the workweek of drivers and site managers.
- A complete internal evaluation of all vendors to ensure the most economic benefit.
- Increasing funding from county governments in the counties served by the Ministry to help offset the decline in funding from government contracts.
- Beginning October 1, 2024, the Ministry will make single deliveries of one hot meal and four frozen meals to recipients to further reduce hours of paid staff. This will allow the Ministry to use less vehicles and sale off some of its current fleet.
- Eliminating several routes, thus reducing payroll and delivery costs.

Having considered the above actions and future plans, management and the board of the Ministry continues using the going concern basis in preparing these financial statements which take into account that operations will exist for the next twelve month operating cycle from the date of the financial statements.

NOTE 13 DEFINED CONTRIBUTION PLAN

The Ministry sponsors a 401(K) plan for full time employees at least 21 years of age with twelve months of service. The Ministry matches 100% of contributions made by an employee up to 3% of the employee's compensation. The Ministry incurred costs of \$10,392 and \$7,484, for 2023 and 2022 respectively.

NOTE 14 EMPLOYEE RETENTION CREDIT

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), including modifying and extending the Employee Retention Credit (ERC), for six months through June 30, 2021. As a result of the new legislation, eligible employers can now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020, through June 30, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available is \$7,000 per employee per calendar quarter, for a total of \$14,000 in 2021. During 2021, the Ministry completed a Federal Employee Retention Tax Credit study in which an estimated refund of \$936,751 was calculated. The Ministry must report the credit on amended federal quarterly tax returns for the appropriate periods. Pursuant to ASC 958-065, the Ministry received the funds during the year ended December 31, 2023.

**MEALS ON WHEELS MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

NOTE 15: SUBSEQUENT EVENTS

Subsequent to year-end, management has taken steps to reduce losses and increase funding as more fully described in Note 12. Management has evaluated subsequent events through August 29, 2024, which is the date financial statements were available to be issued.

SINGLE AUDIT SECTION

**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**

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

Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Meals on Wheels Ministry, Inc. as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Meals on Wheels Ministry, Inc.'s basic financial statements, and have issued our report thereon dated August 29, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meals on Wheels Ministry, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meals on Wheels Ministry, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels Ministry, Inc.'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Meals on Wheels Ministry, Inc.'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 on the effectiveness of the entity'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
August 29, 2024

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

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

Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Meals on Wheels 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 Meals on Wheels Ministry's major federal programs for the year ended September 30, 2023. Meals on Wheels Ministry's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Meals on Wheels 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 other major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Meals on Wheels Ministry and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Meals on Wheels Ministry's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Meals on Wheels Ministry's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Meals on Wheels Ministry's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing*

Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Meals on Wheels Ministry's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Meals on Wheels Ministry's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Meals on Wheels Ministry's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Meals on Wheels Ministry's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. However, as discussed above, we did identify certain deficiencies in internal control over compliance that we consider material weaknesses or significant.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Meals on Wheels Ministry's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Meals on Wheels Ministry's response was not subjected to the other 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.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
August 29, 2024

MEALS ON WHEELS MINISTRY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Pass Through Disbursements and Expenditures
U.S. Department of health and Human Services			
Passed through the Texas Department of Health and Human Services			
Aging Cluster			
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	100891	\$ 1,205,811
Total Aging Cluster			1,205,811
National Family Caregiver Support, Title III, Part E	93.052	100891	96,770
Social Services Block Grant	93.667	23.7313019	1,264,535
Total Passed through the Texas Department of Health and Human Services			2,567,116
Total U. S. Department of Health and Human Services			2,567,116
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ 2,567,116

See Notes to Schedule on following page.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Meals on Wheels Ministry, Inc. under programs of the federal government for the year ended December 31, 2023 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds, which have been expended by the Organization for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies.

NOTE 2 — INDIRECT COST RATES

The Organization did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

MEALS ON WHEELS MINISTRY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X No

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 200.516(a)? _____ Yes X No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.667	Social Services Block Grant

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

Auditee qualified as low-risk auditee: _____ Yes X No

Section II – Financial Statement Findings

None for FY 2023

Section III – Federal Award Findings and Questioned Costs

None for FY 2023

**MEALS ON WHEELS MINISTRY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2023**

No prior year findings.