

Meals on Wheels Montgomery County
Financial Statements and Supplementary Information
For the Fiscal Years Ended September 30, 2018 and 2017

CONTENTS

	Page
Independent Auditors' Report.....	1
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	7
Notes to Financial Statements.....	8
Supplementary Information	
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 <i>Government Auditing Standards</i>	12
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	14
Schedule of Expenditures of Federal Awards.....	16
Notes to Schedule of Expenditures of Federal Awards	17
Schedule of Findings and Questioned Costs.....	18



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Meals on Wheels Montgomery County
Conroe, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Meals on Wheels Montgomery County (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018 and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

To the Board of Directors of
Meals on Wheels Montgomery County
Re: Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels Montgomery County as of September 30, 2018, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2019, on our consideration of Meals on Wheels Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Montgomery County'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 Montgomery County's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Meals on Wheels Montgomery County as of September 30, 2017, were audited by other auditors whose report dated February 26, 2018, expressed an unmodified opinion on those statements.


Briggs & Veselka Co.
The Woodlands, Texas

February 22, 2019

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 115,353	\$ 36,568
Accounts receivable	220,805	168,352
Prepaid expenses	89	259
Fixed assets, net	<u>207,670</u>	<u>295,097</u>
TOTAL ASSETS	<u>\$ 543,917</u>	<u>\$ 500,276</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 80,814	\$ 43,494
Accrued expenses	36,194	50,625
Deferred revenue	<u>82,228</u>	<u>97,333</u>
Total liabilities	<u>199,236</u>	<u>191,452</u>
Net assets		
Unrestricted	343,755	307,898
Temporarily restricted	<u>926</u>	<u>926</u>
Total net assets	<u>344,681</u>	<u>308,824</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 543,917</u>	<u>\$ 500,276</u>

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

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Unrestricted support and revenue		
Business enterprise	\$ 1,074	\$ 174,988
Contributions	286,330	234,155
Financial assistance	1,566,307	1,480,997
In-kind donations	279,817	252,301
Other	32	46
Participant contributions	26,151	31,270
Special events	286,570	216,297
Net assets released from restrictions	-	15,038
Total unrestricted support and revenue	<u>2,446,281</u>	<u>2,405,092</u>
Expenses		
Program services	1,890,314	1,885,324
Supporting services		
General and administrative	187,159	186,012
Fundraising	332,951	234,592
Total expenses	<u>2,410,424</u>	<u>2,305,928</u>
Change in unrestricted net assets	35,857	99,164
Temporarily restricted net assets		
Restricted contributions	-	9,521
Net assets released from restrictions	-	(15,038)
Change in temporarily restricted net assets	<u>-</u>	<u>(5,517)</u>
Change in net assets	35,857	93,647
Net assets, beginning of year	<u>308,824</u>	<u>215,177</u>
NET ASSETS, END OF YEAR	<u>\$ 344,681</u>	<u>\$ 308,824</u>

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

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Program Services				Supporting Services		Total Expenses
	Congregate Meals	Delivered Meals	Transportation	Total Program Services	General and Administrative	Fundraising	
Salaries, taxes, and benefits	\$ 79,581	\$ 346,549	\$ 247,386	\$ 673,516	\$ 152,097	\$ 183,761	\$ 1,009,374
Activities supplies	897	-	-	897	-	-	897
Auto	123	18,296	60,721	79,140	713	1,039	80,892
Bank charges/penalties	86	353	265	704	168	5,807	6,679
Contract and professional	9,656	37,044	165,656	212,356	15,194	24,224	251,774
Depreciation	584	9,098	85,002	94,684	-	-	94,684
Food	74,997	253,087	-	328,084	-	4,385	332,469
Human resources	341	2,362	1,594	4,297	590	791	5,678
In-kind expenses	99,712	150,450	29,655	279,817	-	-	279,817
Insurance	3,235	11,655	22,908	37,798	3,258	2,837	43,893
Interest	186	380	300	866	263	273	1,402
Janitorial supplies	1,355	1,441	14	2,810	14	14	2,838
Office supplies	11,780	21,197	3,579	36,556	2,471	3,552	42,579
Printing	2,201	6,319	3,920	12,440	2,979	8,828	24,247
Promotions	496	1,988	1,384	3,868	1,199	7,615	12,682
Repairs and maintenance	6,719	11,147	61,934	79,800	988	1,177	81,965
Special events	-	-	-	-	-	72,624	72,624
Telephone	5,890	7,858	7,046	20,794	2,528	3,190	26,512
Training and conferences	225	2,646	500	3,371	1,320	2,580	7,271
Utilities	1,293	3,670	2,820	7,783	1,797	2,211	11,791
Workers' compensation	1,067	4,394	3,276	8,737	1,039	2,512	12,288
Other	335	923	738	1,996	541	5,531	8,068
TOTAL EXPENSES	\$ 300,759	\$ 890,857	\$ 698,698	\$ 1,890,314	\$ 187,159	\$ 332,951	\$ 2,410,424

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

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Program Services				Supporting Services		Total Expenses
	Congregate Meals	Delivered Meals	Transportation	Total Program Services	General and Administrative	Fundraising	
Salaries, taxes, and benefits	\$ 82,605	\$ 312,684	\$ 327,976	\$ 723,265	\$ 118,966	\$ 133,738	\$ 975,969
Activities supplies	22	-	22	44	-	12,016	12,060
Auto	592	28,375	43,954	72,921	1,408	1,374	75,703
Bank charges/penalties	302	283	283	868	360	7,873	9,101
Contract and professional	17,925	19,407	170,392	207,724	33,554	2,967	244,245
Depreciation	-	16,242	60,501	76,743	-	-	76,743
Food	65,479	277,801	-	343,280	-	4,194	347,474
Human resources	712	712	762	2,186	1,521	712	4,419
In-kind expenses	92,178	140,507	19,615	252,300	-	-	252,300
Insurance	3,454	13,951	26,120	43,525	7,196	-	50,721
Interest	592	587	587	1,766	1,169	-	2,935
Janitorial supplies	1,285	1,435	107	2,827	107	98	3,032
Office supplies	14,588	19,017	4,345	37,950	6,874	4,765	49,589
Printing	1,528	2,350	1,419	5,297	1,433	15,847	22,577
Promotions	492	671	799	1,962	905	5,256	8,123
Repairs and maintenance	9,527	25,820	42,744	78,091	2,371	3,395	83,857
Special events	-	-	-	-	-	33,360	33,360
Telephone	6,779	6,523	4,076	17,378	3,176	3,176	23,730
Training and conferences	668	673	672	2,013	721	973	3,707
Utilities	3,010	3,040	3,041	9,091	3,040	3,069	15,200
Workers' compensation	1,708	1,708	1,708	5,124	690	1,779	7,593
Other	330	397	242	969	2,521	-	3,490
TOTAL EXPENSES	\$ 303,776	\$ 872,183	\$ 709,365	\$ 1,885,324	\$ 186,012	\$ 234,592	\$ 2,305,928

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

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 35,857	\$ 93,647
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	94,684	76,742
Changes in operating assests and liabilities:		
Accounts receivable	(52,453)	549
Prepaid expenses	170	(67)
Accounts payable	37,320	(9,209)
Accrued expenses	(14,431)	28,446
Deferred revenue	(15,105)	58,620
Net cash from operating activities	<u>86,042</u>	<u>248,728</u>
Cash flows from investing activities		
Purchases of fixed assets	<u>(7,257)</u>	<u>(210,007)</u>
Net cash from investing activities	<u>(7,257)</u>	<u>(210,007)</u>
Cash flows from financing activities		
Payments on line of credit, net	<u>-</u>	<u>(80,000)</u>
Net cash from financing activities	<u>-</u>	<u>(80,000)</u>
Net change in cash and cash equivalents	78,785	(41,279)
Cash and cash equivalents, beginning of fiscal year	<u>36,568</u>	<u>77,847</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 115,353</u>	<u>\$ 36,568</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,402	\$ 2,935

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

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Meals on Wheels Montgomery County (MOW), formerly known as Montgomery County Committee on Aging, Inc., was incorporated in Texas as a nonprofit organization on March 1, 1973. Its purpose is to enhance the lives of senior adults and disabled citizens by enabling individuals to continue being an integral part of their community while keeping their independence, dignity and sense of well-being. MOW maintains offices at two locations: Conroe and The Woodlands. Services provided include, but are not limited to, home-delivered meals to homebound seniors, transportation services for elderly or disabled residents, and congregate meals at senior centers located in The Woodlands, Magnolia, and New Caney.

Basis of Accounting – MOW uses the accrual basis of accounting. Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Basis of Presentation – MOW reports 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. Accordingly, the net assets of MOW and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of MOW pursuant to those stipulations or that expire by the passage of time.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by MOW. Generally, the donors of such assets permit MOW to use all or part of the income earned on the assets. MOW has no permanently restricted net assets.

Contributions – Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Donor restricted contributions whose restrictions are primarily met in the same reporting period are reported as unrestricted support.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donations of fixed assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has temporarily restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, MOW reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. MOW reclassifies temporarily restricted net assets to unrestricted net assets at that time.

MOW receives various noncash donations throughout the year including supplies, facilities, and volunteer hours. Noncash donations are recorded as contributions at their estimated fair values at the date of donation. During the fiscal years ended September 30, 2018 and 2017, the value of the noncash donations was \$279,817 and \$252,301, respectively.

Contributed Services – During the fiscal years ended September 30, 2018 and 2017, the value of contributed services meeting the requirements for recognition in the financial statements was \$177,295 and \$175,254, respectively. In addition, many other individuals volunteer their time and perform a variety of tasks that assist MOW, but these services do not meet the criteria for recognition as contributed services under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

Fair Value of Financial Instruments – The carrying amounts reported in the statements of financial position for cash and cash equivalents approximate their fair value.

Use of Estimates – The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, MOW considers highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Accounts Receivable – Accounts receivable is comprised of grants and other receivables. Grants receivable are stated as reimbursable expenditures due from the grantor. No allowance for bad debts is recorded, as revenue received is from third-party reimbursements with state and local government agencies.

Concentration of Credit Risk – MOW maintains cash in deposit accounts with several federally insured banks. The cash balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 of the balance. At September 30, 2018 and 2017, MOW had no amounts in excess of federally insured limits.

Fixed Assets – MOW defines fixed assets as assets with an original cost of \$1,500 or more with the estimated useful life of more than one year. They are recognized at fair market value at the date of donation, or if purchased, at their cost. Maintenance and repairs are charged to expense and major improvements are capitalized. Depreciation is determined using the straight-line method at rates expected to amortize the cost or value of the depreciable assets over their estimated useful lives of three to ten years.

Deferred Revenue – Revenue from certain financial assistance is deferred and recognized over the periods to which the support relates. Deferred revenue has been recorded for unearned receipts in the amounts of \$82,228 and \$97,333 as of September 30, 2018 and 2017, respectively.

Income Taxes – MOW is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Costs are allocated between supporting services or program services based on evaluations of the related benefits. Supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of MOW.

Reclassification – Certain amounts for the fiscal year ended September 30, 2017 have been reclassified in the comparative financial statements to conform to their 2018 classification. These reclassifications had no effect on the change in net assets.

Recently Issued Accounting Pronouncements – In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

These include qualitative and quantitative requirements in the following areas: net asset classes; investment return; expenses; liquidity and availability of resources; and presentation of operating cash flows. Effective for nonprofit organizations for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted. MOW is currently evaluating the effect that the adoption of this standard would have on its financial statements and related disclosures.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents on deposit included \$115,353 and \$36,568, respectively, at September 30, 2018 and 2017 with various financial institutions.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Community Development Block Grant	\$ 15,000	\$ 31,833
Houston-Galveston Area Council	96,539	82,935
City of Conroe	19,136	15,727
Texas Department of Transportation	58,450	19,330
Tomball Regional Health Foundation	22,290	16,554
Other receivables	<u>9,390</u>	<u>1,973</u>
Total accounts receivable	<u>\$ 220,805</u>	<u>\$ 168,352</u>

NOTE 4 – FIXED ASSETS

Fixed assets consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 110,974	\$ 103,717
Furniture, office equipment, and software	104,060	104,060
Vehicles and equipment	<u>695,042</u>	<u>695,042</u>
	910,076	902,819
Less: accumulated depreciation	<u>(702,406)</u>	<u>(607,722)</u>
Fixed assets, net	<u>\$ 207,670</u>	<u>\$ 295,097</u>

Depreciation expense for the fiscal years ended September 30, 2018 and 2017 amounted to \$94,684 and \$76,742, respectively.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 5 – LINE OF CREDIT

MOW has a credit agreement with a commercial bank which provides a revolving line of credit bearing interest at 4.795% at September 30, 2016. The credit line provides for a maximum borrowing limit of \$100,000. The revolving credit line was renewed on September 20, 2016, and expired on September 20, 2018. Payments are for interest only, beginning October 20, 2016 through September 20, 2018. The loan matured on September 20, 2018 with a final payment due of all outstanding principal and accrued unpaid interest. The balances at September 30, 2018 and 2017 were \$-0-.

On September 20, 2018, the line of credit was renewed for another two years through September 20, 2020, in the amount of \$100,000 and an interest rate of 5%.

NOTE 6 – RESTRICTED NET ASSETS

At September 30, 2018 and 2017, MOW had temporarily restricted net assets of \$926, which were restricted by the donors for various purposes.

NOTE 7 – OPERATING LEASES

MOW occupies two different locations, one in Conroe and one in The Woodlands. The office building in Conroe houses administrative staff and transportation operations. In July 2002, MOW entered into a 30-year lease agreement with the City of Conroe (the “City”) for the Conroe building, located at 1202 Callahan, Conroe, Texas. The City has authorized a credit against the rent of this building in return for services that MOW provides to City residents in the form of meals and rides provided to the elderly and disabled. The office in The Woodlands is located at the South County Community Center and is occupied free of charge. MOW provides meals to both the New Caney and Magnolia senior centers, but no office space is kept at those locations.

Lease expenses and related donated rent totaled \$13,913 for the fiscal years ended September 30, 2018 and 2017.

Additionally, MOW has numerous cancelable operating leases for equipment with various expiration dates. In the normal course of business, the operating leases are generally renewed or replaced with other leases.

NOTE 8 – CONCENTRATION OF SUPPORT

For the fiscal years ended September 30, 2018 and 2017, MOW received 49% and 48% of its support from Houston-Galveston Area Council, Montgomery County, Texas Department of Transportation, and United Way of Greater Houston.

NOTE 9 – SUBSEQUENT EVENTS

MOW has evaluated subsequent events through February 22, 2019, the date which the 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*

To the Board of Directors of
Meals on Wheels Montgomery County
Conroe, 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 Montgomery County (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meals on Wheels Montgomery County'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 Meals on Wheels Montgomery County's internal control. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels Montgomery County'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 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 the Board of Directors.

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

To the Board of Directors of
Meals on Wheels Montgomery County
Re: Independent Auditors' Report on Internal Control

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meals on Wheels Montgomery County's financial statements are free of 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 Meals on Wheels Montgomery County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meals on Wheels Montgomery County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Briggs & Veselka Co.
The Woodlands, Texas

February 22, 2019



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

To the Board of Directors of
Meals on Wheels Montgomery County
Conroe, Texas

Report on Compliance for Each Major Federal Program

We have audited Meals on Wheels Montgomery County'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 Montgomery County's major federal programs for the fiscal year ended September 30, 2018. Meals on Wheels Montgomery County'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 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 Meals on Wheels Montgomery County'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 Meals on Wheels Montgomery County'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 Meals on Wheels Montgomery County's compliance.

To the Board of Directors of
Meals on Wheels Montgomery County
Re: Independent Auditors' Report on Compliance

Opinion on Each Major Federal Program

In our opinion, Meals on Wheels Montgomery County 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 fiscal year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of Meals on Wheels Montgomery County 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 Meals on Wheels Montgomery County'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 Meals on Wheels Montgomery County'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 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 the Board of Directors.

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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Briggs & Veselka Co.
The Woodlands, Texas

February 22, 2019

MEALS ON WHEELS MONTGOMERY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass Thru Grantor/ Program or Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Expenditures
Aging Cluster			
U.S. Department of Health and Human Services			
Passed Through Houston-Galveston Area Council:			
Special Programs for the Aging - Title III, Part B			
Grants for Supportive Services and Senior Centers	93.044	AAA13-000517	\$ 165,593
Special Programs for the Aging - Title III, Part C			
Nutrition Services	93.045	AAA13-000517	<u>426,280</u>
Total U.S. Department of Health and Human Services			<u>591,873</u>
Total Aging Cluster			591,873
Other Programs			
U.S. Department of Housing and Urban Development			
Passed Through Montgomery County Community			
Development:			
Community Development Block Grant			
Meals for Seniors	14.218		<u>90,000</u>
Total U.S. Department of Housing and Urban Development			90,000
U.S. Department of Transportation			
Passed Through the Texas Department of Transportation:			
Enhanced Mobility of Seniors and Individuals			
with Disabilities	20.513	51512F7098	<u>181,748</u>
Total U.S. Department of Transportation			<u>181,748</u>
Total Other Programs			<u>271,748</u>
Total Expenditures of Federal Awards			<u>\$ 863,621</u>

See accompanying notes to schedule of expenditures of federal awards.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 – THE ORGANIZATION

Meals on Wheels Montgomery County (MOW), receives federal grants to carry out its programs and services for low-income senior adults and individuals with disabilities living in Montgomery County, Texas.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (Schedule) includes the activity of MOW and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the OMB Compliance Supplement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 – NONCASH AND LOANS

There were no federal awards expended in the form of noncash assistance or insurance and there were no federal program loans or loan guarantees outstanding at fiscal year-end.

NOTE 4 – INDIRECT COST

Expenditures included in the Schedule represent both direct and indirect costs. Instead of using the 10% de minimus indirect cost rate allowed under the Uniform Guidance, MOW's indirect costs are based on an indirect cost allocation plan that has been agreed upon and approved by the applicable grantor.

NOTE 5 – RELATIONSHIP OF THE SCHEDULE TO FINANCIAL REPORTS SUBMITTED TO GRANT AWARDING AGENCIES

Expenditures included in the Schedule may differ from amounts reflected in the financial reports submitted to grant awarding agencies for the following reasons:

- Expenses accrued at the end of MOW's fiscal year may not be included in the financial reports submitted to grant awarding agencies until after year-end;
- Program matching costs that are reported in the financial reports submitted to awarding agencies are not include in the amounts reported in the Schedule; and
- Differences may exist between grant periods and MOW's accounting period.

NOTE 6 – CONTINGENCIES

Grants require the fulfillment of certain conditions set forth in grant agreements and are regularly monitored and reviewed by the grantors. Failure to satisfy the requirement of contract agreements could result in disallowed costs and return of funds to grantors. Management believes that MOW is in substantial compliance with grant provisions and requirements and that disallowed costs, if any, will not be significant to affect the amounts and disclosures in the financial statements.

**MEALS ON WHEELS MONTGOMERY COUNTY
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	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 Section 200.516 (a)?	No

Major Program:

Award Type	Federal CFDA#	Name of Federal Grantor/Pass Thru Grant/Program or Cluster Title
Federal	20.513	Enhanced Mobility of Seniors and Individuals with Disabilities

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported