

Meals on Wheels Montgomery County
Financial Statements and Supplementary Information
For the Fiscal Year Ended September 30, 2019

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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, 2019 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

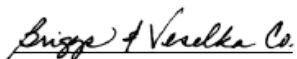
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels Montgomery County as of September 30, 2019, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting 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 21, 2020, 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.



Briggs & Veselka Co.
The Woodlands, Texas

February 21, 2020

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

ASSETS	
Cash and cash equivalents	\$ 165,374
Accounts receivable	230,623
Prepaid expenses	3,908
Fixed assets, net	<u>1,522,406</u>
TOTAL ASSETS	<u>\$ 1,922,311</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 67,397
Accrued expenses	40,010
Deferred revenue	<u>79,524</u>
Total liabilities	186,931
Net assets	
Without donor restrictions	397,004
With donor restrictions	<u>1,338,376</u>
Total net assets	<u>1,735,380</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,922,311</u>

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

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Business enterprise	\$ 9,285	\$ -	\$ 9,285
Contributions	255,912	-	255,912
Financial assistance	1,660,037	-	1,660,037
In-kind donations	291,181	1,338,376	1,629,557
Participant contributions	23,348	-	23,348
Special events	340,379	-	340,379
Other	11,299	-	11,299
Net assets released from restrictions	<u>926</u>	<u>(926)</u>	<u>-</u>
Total support and revenue	2,592,367	1,337,450	3,929,817
Expenses			
Program services	1,937,848	-	1,937,848
Supporting services			
General and administrative	195,267	-	195,267
Fundraising	<u>406,003</u>	<u>-</u>	<u>406,003</u>
Total expenses	<u>2,539,118</u>	<u>-</u>	<u>2,539,118</u>
Change in net assets	53,249	1,337,450	1,390,699
Net assets, beginning of fiscal year	<u>343,755</u>	<u>926</u>	<u>344,681</u>
NET ASSETS, END OF FISCAL YEAR	<u>\$ 397,004</u>	<u>\$ 1,338,376</u>	<u>\$ 1,735,380</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, 2019

	Program Services			Total Program Services	Supporting Services		Total Expenses
	Congregate Meals	Delivered Meals	Transportation		General and Administrative	Fundraising	
Salaries, taxes, and benefits	\$ 89,948	\$ 365,184	\$ 244,011	\$ 699,143	\$ 155,236	\$ 242,022	\$ 1,096,401
Activities supplies	-	899	-	899	-	-	899
Auto	531	21,179	53,300	75,010	540	1,080	76,630
Bank charges/penalties	-	-	-	-	26	5,698	5,724
Contract and professional	9,735	37,101	171,415	218,251	15,632	24,580	258,463
Depreciation	1,928	10,069	70,636	82,633	-	-	82,633
Food	80,927	274,001	-	354,928	-	-	354,928
Human resources	358	2,325	1,308	3,991	746	651	5,388
In-kind expenses	66,588	175,642	38,352	280,582	-	10,599	291,181
Insurance	1,584	8,980	27,603	38,167	2,104	3,530	43,801
Interest	175	672	462	1,309	313	468	2,090
Janitorial supplies	575	828	242	1,645	28	-	1,673
Office supplies	13,702	30,031	2,582	46,315	2,018	9,147	57,480
Printing	1,895	4,758	4,089	10,742	2,184	8,582	21,508
Promotions	846	3,565	2,328	6,739	1,574	2,510	10,823
Repairs and maintenance	7,099	13,976	55,248	76,323	3,402	3,577	83,302
Special events	-	-	-	-	-	67,835	67,835
Telephone	4,775	6,034	4,736	15,545	1,754	2,482	19,781
Training and conferences	1,050	4,641	2,481	8,172	3,379	5,697	17,248
Utilities	578	2,215	4,577	7,370	4,091	4,569	16,030
Workers' compensation	1,134	4,339	2,989	8,462	1,830	3,037	13,329
Other	222	872	528	1,622	410	9,939	11,971
TOTAL EXPENSES	\$ 283,650	\$ 967,311	\$ 686,887	\$ 1,937,848	\$ 195,267	\$ 406,003	\$ 2,539,118

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

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Cash flows from operating activities	
Change in net assets	\$ 1,390,699
Adjustment to reconcile change in net assets to net cash from operating activities:	
Depreciation	82,633
In-kind building, equipment and land donation	(1,338,376)
Changes in operating assets and liabilities:	
Accounts receivable	(9,818)
Prepaid expenses	(3,821)
Accounts payable	(13,417)
Accrued expenses	3,816
Deferred revenue	<u>(2,703)</u>
Net cash from operating activities	109,013
 Cash flows from investing activities	
Purchases of fixed assets	<u>(58,992)</u>
Net cash from investing activities	<u>(58,992)</u>
 Net change in cash and cash equivalents	50,021
 Cash and cash equivalents, beginning of fiscal year	<u>115,353</u>
 Cash and cash equivalents, end of fiscal year	<u>\$ 165,374</u>
 Supplemental disclosure of cash flow information:	
Interest paid	\$ 2,089
 Non-cash transaction:	
In-kind building, equipment and land donation	\$ 1,338,376

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

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, Texas.

Services provided by MOW include, but are not limited to, the following:

- **Congregate Meals** – MOW cooks and serves meals for the elderly at senior centers located in The Woodlands, Magnolia, and New Caney, Texas.
- **Delivered Meals** – MOW provides home-delivered meals to homebound seniors throughout Montgomery County who cannot attend the congregated meals.
- **Transportation** – MOW provides transportation services for elderly or disabled residents to various locations throughout Montgomery County. This service is provided via MOW's buses or through a taxi service partnership with Harris County RIDES, a fare-card program providing nonemergency cab services to qualifying individuals.

MOW receives a majority of its funding through grants obtained from various federal, state, and local government entities, foundations, and other nonprofit organizations, as well as contributions from corporations and individuals.

Basis of Accounting – In accordance with accounting principles generally accepted in the United States of America (GAAP), the financial statements have been prepared on the accrual basis and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation – MOW is required to report information regarding its financial position and activities according to classifications based on the existence or absence of donor-imposed restrictions.

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions – Contributions received are recorded as support with or without donor restrictions, 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 support without donor restrictions.

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, 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 MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Donated Services and Materials – 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 year ended September 30, 2019, the value of in-kind donations was \$1,629,557.

During the fiscal year ended September 30, 2019, the value of contributed services meeting the requirements for recognition in the financial statements was \$162,107. 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.

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

Use of Estimates – The presentation of financial statements in conformity with GAAP 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 statement 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.

Fixed Assets – MOW defines fixed assets as assets with an original cost of \$1,500 or more with an 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 as follows:

Assets	Estimated Useful Lives
Equipment	5 - 10
Furniture, office equipment, and software	2 - 5
Vehicles and equipment	4 - 7
Building	39

Donations of fixed assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without restrictions unless the donor has 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 amount of \$79,524 as of September 30, 2019.

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.

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, 2019, MOW had no amounts in excess of federally insured limits.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Salaries, taxes, and benefits are allocated indirectly based on management’s estimates of time and effort expended toward each functional category. All other expenses are directly allocated to program or supporting services benefited.

Recently Implemented Accounting Pronouncement – In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. These amendments change presentation and disclosure requirements for not-for-profit (NFP) entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. 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. The amendments are effective for NFP organizations for annual financial statements issued for fiscal years beginning after December 15, 2017. The effects of this pronouncement are presented in the financial statements.

NOTE 2 – UPCOMING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018, for nonpublic entities.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for fiscal years beginning after December 15, 2020, for nonpublic entities. The standard may be early adopted and requires a modified retrospective transition approach to apply.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update provides guidance on how to record eight specific cash flow issues, and how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019, for nonpublic entities, with early adoption permitted. Adoption will be applied retrospectively to all periods presented.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*, which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption permitted.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This amendment clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by NFP's and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellations of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether MOW follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance is effective for annual periods beginning after December 15, 2018 or December 15, 2019 if the NFP is a resource recipient or a resource provider, respectively. Early adoption is permitted.

MOW is currently evaluating the impact these pronouncements will have on its financial statements and related disclosures.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

Financial assets at fiscal year-end:

Cash and cash equivalents	\$ 165,374
Accounts receivable	230,623
Prepaid expenses	<u>3,908</u>

Total financial assets at fiscal year-end available for general expenditure over the next 12 months	<u>\$ 399,905</u>
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MOW manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. In order to determine these reserves, the Board analyzes the current year budgeted to actual amounts and the approved forecast for the upcoming year.

At September 30, 2019, MOW does not have any restrictions or other circumstances that would cause financial assets to be unavailable for general expenditure within 12 months.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2019:

Community Development Block Grant	\$ 17,133
City of Conroe	15,939
Houston-Galveston Area Council	93,772
Texas Department of Transportation	42,072
Tomball Regional Health Foundation	24,852
Texas Veterans Commission	28,946
Other receivables	<u>7,909</u>
Total accounts receivable	<u>\$ 230,623</u>

At September 30, 2019, all receivables are expected to be received within 12 months.

NOTE 5 – FIXED ASSETS

Fixed assets consist of the following at September 30, 2019:

Equipment	\$ 228,411
Furniture, office equipment, and software	104,060
Vehicles and equipment	658,608
Building	1,215,157
Land	<u>32,972</u>
	2,239,208
Less: accumulated depreciation	<u>(716,802)</u>
Total fixed assets, net	<u>\$ 1,522,406</u>

Depreciation expense for the fiscal year ended September 30, 2019 was \$82,633.

During fiscal year ended September 30, 2019, MOW entered into a Land Use Restriction Agreement (the “LURA”) for its Conroe facility, which it moved into subsequent to year-end. MOW must utilize the facility to provide certain services until May 8, 2038. During fiscal year ended September 30, 2019, MOW recorded in-kind contributions related to the LURA of \$1,215,517 for a building, \$22,500 for land, and \$100,719 for equipment.

NOTE 6 – LINE OF CREDIT

MOW has a credit agreement with a commercial bank that provides a revolving line of credit bearing interest at 5% at September 20, 2018. The credit line provides for a maximum borrowing limit of \$100,000. Payments are for interest-only. The line of credit will mature on September 20, 2020 with a final payment due of any outstanding principal and accrued unpaid interest. The balance at September 30, 2019 was \$-0-.

NOTE 7 – OPERATING LEASES

MOW occupies two different locations, one in Conroe and one in The Woodlands, Texas. 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. This credit will be used to reduce the agreed-upon monthly rent of \$2,126. This lease was terminated effective September 30, 2019. 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 year ended September 30, 2019.

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, 2019, MOW received 48% of its support from Houston-Galveston Area Council, Montgomery County, Texas Department of Transportation, Texas Department of Agriculture, and United Way of Greater Houston.

NOTE 9 – SUBSEQUENT EVENTS

Effective October 1, 2019, MOW secured a short-term loan of \$127,343 for insurance coverage. The repayment terms are \$13,101 per month for 10 months, with an annual percentage rate of 6.24%.

MOW has evaluated subsequent events through February 21, 2020, 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, 2019, 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 21, 2020.

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, we did identify a certain deficiency in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. The finding reference number is 2019-001.

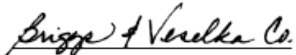
To the Board of Directors of
Meals on Wheels Montgomery County
Re: Independent Auditors' Report on Internal Control

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 21, 2020



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, 2019. 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, 2019.

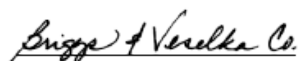
Report on Internal Control Over Compliance

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 21, 2020

MEALS ON WHEELS MONTGOMERY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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	\$ 162,792
Special Programs for the Aging - Title III, Part C			
Nutrition Services	93.045	AAA13-000517	<u>426,741</u>
Total U.S. Department of Health and Human Services			<u>589,533</u>
Total Aging Cluster			589,533
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>90,400</u>
Total U.S. Department of Housing and Urban Development			90,400
U.S. Department of Transportation			
Passed Through the Texas Department of Transportation:			
Enhanced Mobility of Seniors and Individuals			
with Disabilities	20.513	51512F7098	<u>182,524</u>
Total U.S. Department of Transportation			182,524
U.S. Department of Homeland Security			
Passed Through the Emergency Food and Shelter			
Board Program:			
Home Delivered Meals	97.024		<u>17,323</u>
Total U.S. Department of Homeland Security			<u>17,323</u>
Total Other Programs			<u>290,247</u>
Total Expenditures of Federal Awards			<u>\$ 879,780</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, 2019

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 AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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)?	Yes
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	93.044	Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers
Federal	93.045	Special Programs for the Aging - Title III, Part C Nutrition Services

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

MEALS ON WHEELS MONTGOMERY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2019-001 Donated Long-Lived Assets

Criteria and Condition: Controls over accounting for a significant unusual accounting transaction did not detect a material misstatement in the financial statements related to certain donated long-lived assets (i.e. land, building, and equipment).

Cause: Certain facts existed at the time the financial statements were prepared related to a significant unusual donation of long-lived assets that was not made known to management by the donor.

Effect: Due to the lack of information management misapplied relevant accounting principles related to the significant unusual transaction.

Recommendation: Management should consider requiring personnel to refer to authoritative literature or other sources and consult with individuals within or outside the Organization when dealing with significant unusual accounting transactions.

Views of Responsible Officials and Planned Corrective Action: MOW agrees with the finding and the recommended procedure has been implemented.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported