

MEALS ON WHEELS MONTGOMERY COUNTY

FINANCIAL STATEMENTS

September 30, 2023 and 2022

MEALS ON WHEELS MONTGOMERY COUNTY

FINANCIAL STATEMENTS
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CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES.....	5
STATEMENTS OF FUNCTIONAL EXPENSES.....	7
STATEMENTS OF CASH FLOWS.....	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	18
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	19
INDEPENDENT AUDITOR'S 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>	20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	25

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of Meals on Wheels Montgomery County (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Meals on Wheels Montgomery County as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Montgomery County 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Montgomery County's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

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 Montgomery County'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 Montgomery County'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 audits were 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 other 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, 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.


Crowe LLP

The Woodlands, Texas
January 24, 2024

MEALS ON WHEELS MONTGOMERY COUNTY
 STATEMENTS OF FINANCIAL POSITION
 September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 991,948	\$ 1,233,753
Accounts receivable	324,706	331,002
Investments	1,322,575	1,283,803
Prepaid expenses	20,605	13,779
Fixed assets, net	<u>1,738,723</u>	<u>1,662,994</u>
 Total assets	 <u>4,398,557</u>	 <u>4,525,331</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	77,879	60,100
Accrued expenses	100,043	92,003
Deferred revenue	<u>264,764</u>	<u>219,298</u>
Total liabilities	442,686	371,401
Net assets		
Without donor restrictions	2,839,169	2,987,080
With donor restrictions	<u>1,116,702</u>	<u>1,166,850</u>
Total net assets	<u>3,955,871</u>	<u>4,153,930</u>
 Total liabilities and net assets	 <u>\$ 4,398,557</u>	 <u>\$ 4,525,331</u>

See accompanying notes to financial statements.

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF ACTIVITIES
Year ended September 30, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and revenue			
Business enterprise	\$ 13,806	\$ -	\$ 13,806
Contributions	399,363	10,770	410,133
Financial assistance	2,670,623	-	2,670,623
In-kind donations	56,412	-	56,412
Interest and dividends	61,315	-	61,315
Participant contributions	12,147	-	12,147
Special events	547,706	-	547,706
Other	1,338	-	1,338
Net assets released from restrictions	<u>60,918</u>	<u>(60,918)</u>	<u>-</u>
Total support and revenue	3,823,628	(50,148)	3,773,480
 Expenses			
Program services	3,047,146	-	3,047,146
Supporting services			
General and administrative	280,597	-	280,597
Fundraising	<u>654,791</u>	<u>-</u>	<u>654,791</u>
Total expenses	<u>3,982,534</u>	<u>-</u>	<u>3,982,534</u>
 Decrease in net assets	(158,906)	(50,148)	(209,054)
 Realized and unrealized gain on investments, net	<u>10,995</u>	<u>-</u>	<u>10,995</u>
 Changes in net assets	(147,911)	(50,148)	(198,059)
 Net assets, beginning of year	<u>2,987,080</u>	<u>1,166,850</u>	<u>4,153,930</u>
 Net assets, end of year	<u><u>\$ 2,839,169</u></u>	<u><u>\$ 1,116,702</u></u>	<u><u>\$ 3,955,871</u></u>

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF ACTIVITIES
Year ended September 30, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and revenue			
Business enterprise	\$ 8,433	\$ -	\$ 8,433
Contributions	636,095	-	636,095
Financial assistance	2,638,230	-	2,638,230
In-kind donations	60,415	-	60,415
Interest and dividends	39,811	-	39,811
Participant contributions	10,828	-	10,828
Special events	338,616	-	338,616
Other	10,341	-	10,341
Net assets released from restrictions	<u>64,376</u>	<u>(64,376)</u>	<u>-</u>
Total support and revenue	3,807,145	(64,376)	3,742,769
Expenses			
Program services	2,865,865	-	2,865,865
Supporting services			
General and administrative	275,894	-	275,894
Fundraising	<u>594,179</u>	<u>-</u>	<u>594,179</u>
Total expenses	<u>3,735,938</u>	<u>-</u>	<u>3,735,938</u>
Increase (decrease) in net assets	71,207	(64,376)	6,831
Realized and unrealized loss on investments, net	<u>(223,216)</u>	<u>-</u>	<u>(223,216)</u>
Changes in net assets	(152,009)	(64,376)	(216,385)
Net assets, beginning of year	<u>3,139,089</u>	<u>1,231,226</u>	<u>4,370,315</u>
Net assets, end of year	<u>\$ 2,987,080</u>	<u>\$ 1,166,850</u>	<u>\$ 4,153,930</u>

See accompanying notes to financial statements.

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2023

	Program Services			Supporting Services		Total Expenses	
	Congregate Meals	Delivered Meals	Transportation	Total Program Services	General and Administrative		Fundraising
Activities supplies	\$ -	\$ 5,578	\$ -	\$ 5,578	\$ -	\$ -	\$ 5,578
Auto	-	41,297	94,014	135,311	-	1,479	136,790
Bank charges/penalties	-	-	-	-	5,401	4,010	9,411
Contract and professional	4,098	21,387	169,095	194,580	8,783	11,736	215,099
Depreciation	16,376	57,337	31,926	105,639	4,960	6,676	117,275
Food	105,256	428,760	-	534,016	-	-	534,016
Human resources	6,074	35,047	19,994	61,115	8,433	16,161	85,709
In-kind expenses	13,912	13,728	18,390	46,030	-	10,382	56,412
Insurance	3,048	38,523	72,289	113,860	4,163	7,445	125,468
Office supplies	11,257	99,929	4,411	115,597	2,903	6,303	124,803
Other	1,041	7,692	3,529	12,262	1,758	11,111	25,131
Printing	1,684	3,087	2,226	6,997	2,684	14,076	23,757
Promotions	1,251	6,402	3,562	11,215	1,264	6,661	19,140
Repairs and maintenance	4,107	48,718	135,853	188,678	2,752	5,331	196,761
Salaries, taxes, and benefits	153,519	854,475	425,956	1,433,950	225,113	342,962	2,002,025
Special events	-	9,507	-	9,507	-	188,643	198,150
Telephone	1,193	4,252	8,669	14,114	1,640	5,816	21,570
Training and conferences	348	3,888	3,342	7,578	2,780	1,408	11,766
Utilities	3,411	17,124	9,065	29,600	4,530	8,240	42,370
Workers' compensation	2,485	12,075	6,959	21,519	3,433	6,351	31,303
Totals	<u>\$ 329,060</u>	<u>\$ 1,708,806</u>	<u>\$ 1,009,280</u>	<u>\$ 3,047,146</u>	<u>\$ 280,597</u>	<u>\$ 654,791</u>	<u>\$ 3,982,534</u>

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2022

	Program Services			Supporting Services		Total Expenses	
	Congregate Meals	Delivered Meals	Transportation	Total Program Services	General and Administrative		Fundraising
Activities supplies	\$ -	\$ 3,692	\$ -	\$ 3,692	\$ 160	\$ 608	\$ 4,460
Auto	163	31,638	96,029	127,830	-	905	128,735
Bank charges/penalties	-	-	-	-	5,601	4,734	10,335
Contract and professional	5,184	23,789	251,376	280,349	19,693	33,392	333,434
Depreciation	16,458	45,987	41,018	103,463	4,695	6,273	114,431
Food	94,249	373,848	6	468,103	3	-	468,106
Human resources	6,425	34,418	16,106	56,949	7,895	9,902	74,746
In-kind expenses	13,599	14,708	11,160	39,467	-	20,948	60,415
Insurance	3,785	33,589	61,827	99,201	4,626	5,887	109,714
Office supplies	11,939	103,504	2,156	117,599	3,215	3,325	124,139
Other	910	4,772	8,809	14,491	2,313	20,280	37,084
Printing	1,387	3,375	2,827	7,589	1,565	7,740	16,894
Promotions	779	2,767	3,228	6,774	1,075	8,667	16,516
Repairs and maintenance	2,726	29,909	103,047	135,682	3,370	2,493	141,545
Salaries, taxes, and benefits	142,934	798,627	393,356	1,334,917	210,878	254,212	1,800,007
Special events	-	-	-	-	-	194,251	194,251
Telephone	2,186	5,519	6,557	14,262	1,805	6,967	23,034
Training and conferences	1,070	3,134	1,104	5,308	1,641	4,160	11,109
Utilities	3,299	15,980	8,145	27,424	4,055	5,254	36,733
Workers' compensation	2,714	13,706	6,345	22,765	3,304	4,181	30,250
Totals	<u>\$ 309,807</u>	<u>\$ 1,542,962</u>	<u>\$ 1,013,096</u>	<u>\$ 2,865,865</u>	<u>\$ 275,894</u>	<u>\$ 594,179</u>	<u>\$ 3,735,938</u>

See accompanying notes to financial statements.

MEALS ON WHEELS MONTGOMERY COUNTY
 STATEMENTS OF CASH FLOWS
 Years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (198,059)	\$ (216,385)
Adjustment to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gain) loss on investments	(16,334)	216,202
Depreciation	117,271	114,431
Changes in operating assets and liabilities		
Accounts receivable	6,296	(64,313)
Pledges receivable	-	27,301
Prepaid expenses	(6,826)	7,354
Accounts payable	17,779	(23,338)
Accrued expenses	8,040	23,222
Deferred revenue	45,466	72,204
Net cash from operating activities	<u>(26,367)</u>	<u>156,678</u>
 Cash flows from investing activities		
Purchases of fixed assets	(193,000)	(248,247)
Purchases of investments	(547,243)	(2,563,670)
Proceeds from sale of investments	<u>524,805</u>	<u>1,063,665</u>
Net cash from investing activities	<u>(215,438)</u>	<u>(1,748,252)</u>
 Net change in cash and cash equivalents	(241,805)	(1,591,574)
 Cash and cash equivalents, beginning of year	<u>1,233,753</u>	<u>2,825,327</u>
 Cash and cash equivalents, end of year	<u><u>\$ 991,948</u></u>	<u><u>\$ 1,233,753</u></u>

See accompanying notes to financial statements.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

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's office is located at Conroe, 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.

Revenue is reported as an increase in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Contributions with donor restrictions are classified as without donor restrictions if the restrictions are satisfied in the same period in which the contributions are received.

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.

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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. No allowance for bad debts is recorded, as revenue received is from third-party reimbursements with state and local government agencies.

Investments: Investments are reported at their fair values in the statement of financial position. Changes in fair value are reported in the statements of activities as an increase or decrease in net assets without donor restrictions.

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:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Equipment	5 - 10 years
Furniture, office equipment, and software	2 - 5 years
Vehicles and equipment	4 - 7 years
Building and improvements	39 years

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.

Contributions from Grants and Contracts: Conditional contracts, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

Financial Assistance includes grants and contracts from government agencies which are generally subject to restrictions and conditions that must be met before MOW is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. MOW recognizes contribution revenue on government grants as the awards for such programs are expended, since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor.

Private contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any conditions or donor restrictions. Donor restricted contributions whose restrictions are primarily met in the same reporting period are reported as support without donor restrictions.

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 statements of activities as net assets released from restrictions.

Donated Services and Materials: Donations of equipment and supplies are recorded as contributions at their estimated fair value at the date of donation.

Deferred Revenue: Revenue from certain financial assistance is deferred and recognized as barriers to recognition are met, primarily by incurring eligible expenditures. Deferred revenue also includes amounts collected in advance of special events to be held subsequent to year-end. Such revenue will be recognized when the event is held. Deferred revenue has been recorded for unearned receipts in the amount of \$264,764 and \$219,298 at September 30, 2023 and 2022, respectively.

Revenue Net of Direct Costs: As part of its fundraising efforts, MOW holds periodic special events. Revenue for special events is recognized in the period in which the event is held. Direct expenses associated with special events presented gross, and the net impact against such revenue as follows:

	<u>2023</u>	<u>2022</u>
Special event revenue	\$ 547,706	\$ 338,616
Special event direct expenses	<u>(198,150)</u>	<u>(194,251)</u>
Special event revenue, net	<u>\$ 349,556</u>	<u>\$ 144,365</u>

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.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities, based on the technical merits of the position. MOW has concluded that there are not uncertain tax positions or any interest and penalties related to uncertain tax position requiring recognition in the 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 up to \$250,000 of the balance. Financial instruments that potentially subject MOW to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, MOW maintains deposits in federally insured financial institutions in excess of federally insured limits.

Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statements 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.

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2023 and 2022

NOTE 2 – 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 dates, comprise the following at September 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 991,948	\$ 1,233,753
Accounts receivable	324,706	331,002
Investments, net	<u>1,322,575</u>	<u>1,283,803</u>
Total financial assets at year-end	2,639,229	2,848,558
Less: amount not available for general expenditures within one year		
Restricted net assets	<u>(43,542)</u>	<u>(32,772)</u>
 Total financial assets at year-end available for general expenditures over the next 12 months	 <u>\$ 2,595,687</u>	 <u>\$ 2,815,786</u>

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 budget to actual amounts and the approved forecast for the upcoming year. Included in amount not available for general expenditure within one year are certain pledges that MOW does not expect to receive within one year of the statement of financial position dates.

NOTE 3 – FAIR VALUE MEASUREMENTS

GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- *Level 1* – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities MOW has the ability to access.
- *Level 2* – Inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

- *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following sets forth by level, within the fair value hierarchy, MOW’s assets at fair value as of September 30:

	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 355,059	\$ -	\$ -	\$ 355,059
Fixed income	967,516	-	-	967,516
Total investments, at fair value	<u>\$ 1,322,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,322,575</u>
	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 349,600	\$ -	\$ -	\$ 349,600
Fixed income	934,203	-	-	934,203
Total investments, at fair value	<u>\$ 1,283,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,283,803</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the fiscal years ended September 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 61,315	\$ 39,811
Realized and unrealized gain (loss) on investment	16,334	(216,202)
Investment fees	(5,339)	(7,014)
Totals	<u>\$ 72,310</u>	<u>\$ (183,405)</u>

Equity securities and fixed income mutual funds are measured at the closing price reported on the active market on which the individual securities are traded (Level 1). The valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while MOW believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date. There have been no changes in methodologies used at September 30, 2023 and 2022.

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
City of Conroe	\$ 13,744	\$ 21,923
Community Development Block Grant	7,033	11,450
Houston-Galveston Area Council	156,202	159,937
Texas Department of Transportation	44,920	58,358
Texas Veterans Commission	88,560	27,080
Tomball Regional Health Foundation	9,683	42,114
Other receivables	<u>4,564</u>	<u>10,140</u>
 Total accounts receivable	 <u>\$ 324,706</u>	 <u>\$ 331,002</u>

At September 30, 2023 and 2022, all receivables are expected to be received within 12 months.

NOTE 5 – FIXED ASSETS

Fixed assets consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 542,469	\$ 501,197
Furniture, office equipment, and software	104,060	104,060
Vehicles and equipment	929,279	813,539
Building and improvements	1,300,290	1,264,302
Land	<u>32,972</u>	<u>32,972</u>
	2,909,070	2,716,070
Less: accumulated depreciation	<u>(1,170,347)</u>	<u>(1,053,076)</u>
 Total fixed assets, net	 <u>\$ 1,738,723</u>	 <u>\$ 1,662,994</u>

Depreciation expense for the years ended September 30, 2023 and 2022 was \$117,271 and \$114,431, respectively.

MOW has a Land Use Restriction Agreement for its Conroe facility. MOW must utilize the facility to provide certain services until May 8, 2038. Release of restrictions related to these rights were \$60,918 and \$64,376, during the years ended September 30, 2023 and 2022.

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2023 and 2022

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
In-kind donation of facilities	\$ 1,073,160	\$ 1,134,078
Capital campaign	32,772	32,772
Kitchen equipment	<u>10,770</u>	<u>-</u>
 Total net assets with donor restrictions	 <u>\$ 1,116,702</u>	 <u>\$ 1,166,850</u>

In-kind donations relate to restricted use of facilities over a period of approximately 19 years, ending in May 2038. MOW must use the property in line with donor restrictions, and, as such, is releasing amounts from donor restriction over this time period as corresponding depreciation expense is recorded.

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

MOW received the following contributions of nonfinancial assets for the year ending September 30:

	<u>2023</u>	<u>2022</u>
Equipment and supplies	\$ 24,110	\$ 39,472
Volunteer and advisory services	18,390	11,160
Donated rent	<u>13,912</u>	<u>9,783</u>
	<u>\$ 56,412</u>	<u>\$ 60,415</u>

Contributed equipment and supplies received by MOW are recorded as in-kind contribution revenue. These items include food which is valued based on receipts from the donating businesses which correspond with current prices listed on their publicly available websites and vehicles which are valued based on their current fair market value. The contributed equipment and supplies are utilized to carry out and stock MOW's program and supporting services.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that need to be purchased if they were not donated. During the year ended September 30, 2023, the amount was equivalent to 613 hours at \$30.00 per hour, totaling \$18,390. During the year ended September 30, 2022, the amount was equivalent 372 hours at \$30.00 per hour, totaling \$11,160. The value of the donated volunteer hours is included in in-kind donations in the statements of activities.

The City has donated rent for MOW. The value of the donated rent is \$13,912 and \$9,783 for the years ended September 30, 2023 and 2022, respectively, and is included in in-kind donations in the statements of activities.

NOTE 8 – CONCENTRATION OF SUPPORT

For the years ended September 30, 2023 and 2022, MOW received 33% and 30%, respectively, of its support from Houston-Galveston Area Council, Community Development Block Grant, and Texas Department of Transportation.

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 9 – EMPLOYEE BENEFIT PLAN

MOW sponsors a 401(k) plan (the “Plan”) that is offered to all full-time employees after 60 days of employment. MOW offers an employer matching contribution up to 4% of employee’s eligible compensation. MOW matching contributions to the Plan totaled approximately \$13,781 and \$11,282 for the years ended September 30, 2023 and 2022, respectively.

NOTE 10 – CONTINGENCIES

Litigation: MOW may be subject to certain claims that arise in the ordinary course of business. Management is of the opinion that, after application of available insurance coverage, the effect of the outcomes of any such claims on MOW’s financial position would not be material.

Employee Retention Credit: As a result of the economic impact of the COVID-19 pandemic, MOW determined that it was eligible to apply for the Employee Retention Credit (ERC) from the Coronavirus Aid, Relief and Economic Stability (CARES) Act. The ERC is a fully refundable tax credit equal to a portion of qualified wages for employers whose business has been financially impacted by COVID-19. Under the conditions of the ERC, qualified entities must have either incurred a significant decline in gross receipts when compared to operations prior to the pandemic or have operations that were fully or partially suspended due to orders from an appropriate governmental authority limiting commerce, travel or group meetings due to COVID-19 in a manner that affects the employer’s trade or business. MOW concluded that it has met the applicable conditions due to suspension of operations, and on September 27, 2022, applied for an ERC of approximately \$194,000 related to suspension of operations. As of the date the financial statements were available to be issued, MOW has not yet received payment and has not recognized a receivable as of September 30, 2023.

NOTE 11 – SUBSEQUENT EVENTS

MOW has evaluated subsequent events through January 24, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MEALS ON WHEELS MONTGOMERY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2023

Federal Grantor/Pass Thru Grantor/ Program or Cluster Title	Federal AL #	Pass-Through Entity Identifying Number	<u>Expenditures</u>
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	\$ 202,318
Special Programs for the Aging - Title III, Part C			
Nutrition Services	93.045	AAA13-000517	400,372
COVID-19 Special Programs for the Aging - Title III,			
Part C, Nutrition Services	93.045	AAA13-000517	<u>216,603</u>
Total U.S. Department of Health and Human Services			<u>819,293</u>
Total Aging Cluster			<u>819,293</u>
CDBG - Entitlement Grants Cluster			
U.S. Department of Housing and Urban Development			
Passed Through Montgomery County Community			
Development:			
Community Development Block Grant			
Meals for Seniors	14.218	B-22-UC-48-0006	<u>80,000</u>
Total U.S. Department of Housing and Urban			<u>80,000</u>
Development			
Total CDBG - Entitlement Grants Cluster			<u>80,000</u>
Transit Services Programs Cluster			
U.S. Department of Transportation			
Passed Through the Texas Department of Transportation:			
Enhanced Mobility of Seniors and Individuals with			
Disabilities	20.513	51512F7098	<u>283,788</u>
Total U.S. Department of Transportation			<u>283,788</u>
Total Transit Services Programs Cluster			<u>283,788</u>
Other Programs			
Emergency Food and Shelter Program			
Home Delivered Meals			
Phase 40	97.024	N/A	<u>115,884</u>
Total Emergency Food and Shelter Program			<u>115,884</u>
Total Other Programs			<u>115,884</u>
Total Expenditures of Federal Awards			<u>\$ 1,298,965</u>

See accompanying notes to schedule of expenditures of federal awards.

MEALS ON WHEELS MONTGOMERY COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2023

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 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 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.

INDEPENDENT AUDITOR'S 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, 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, and have issued our report thereon dated January 24, 2024.

Report on 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) as a basis for designing 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 those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Report on 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 financial statements. 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.


Crowe LLP

The Woodlands, Texas
January 24, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Major Federal Program***Opinion on 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 Meals on Wheels Montgomery County's major federal program for the year ended September 30, 2023. Meals on Wheels Montgomery County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Meals on Wheels Montgomery County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on 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 Montgomery County 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 the major federal program. Our audit does not provide a legal determination of Meals on Wheels Montgomery County'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 Montgomery County'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 Montgomery County'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 Montgomery County's compliance with the requirements of the 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 Montgomery County'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 Montgomery County'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 Montgomery County'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.

(Continued)

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.


Crowe LLP

The Woodlands, Texas
January 24, 2024

MEALS ON WHEELS MONTGOMERY COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended September 30, 2023

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major federal 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 federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.044	Aging Cluster Special Programs for the Aging – Title III, Part B Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging – Title III, Part C Nutrition Services
93.045	COVID-19 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? X yes _____ no

(Continued)

MEALS ON WHEELS MONTGOMERY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported