

MEALS ON WHEELS MINISTRY, INC.

FINANCIAL STATEMENTS
(with Accountants' Report thereon)

SEPTEMBER 30, 2010

MEALS ON WHEELS MINISTRY, INC.
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September 30, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Meals on Wheels Ministry, Inc., a non-profit organization, as of September 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information was derived from financial statements of Meals on Wheels Ministry, Inc., as of September 30, 2009 and in our report dated January 20, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels Ministry, Inc. as of September 30, 2010, and its activities, functional expenses, and cash flows for the year then ended, in conformity with U. S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 3, 2011 on our consideration of Meals on Wheels Ministry, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Meals on Wheels Ministry, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



ACKER & COMPANY
Certified Public Accountants
February 3, 2011

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2010

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 659,178	\$ 242,313
Receivables:		
Grants and Contracts	412,468	536,428
Other Receivables	41,820	79,228
Prepaid Expenses	35,290	21,459
Inventories	95,138	73,529
Investment in Equities	1,394	1,394
Unconditional Promises to Give, net	-	125,000
Restricted Assets:		
Investments Held for Endowment Purposes	664,939	610,751
Property and Equipment (net of accumulated depreciation of \$1,335,971 and \$1,181,018 for 2010 and 2009 respectively)	<u>2,708,684</u>	<u>2,880,869</u>
 Total Assets	 <u>\$ 4,618,911</u>	 <u>\$ 4,570,971</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts Payable - Trade	\$ 153,620	\$ 204,169
Accrued Liabilities	23,475	14,800
Notes Payable	-	-
Deferred Income	<u>83,071</u>	<u>129,820</u>
 Total Liabilities	 <u>260,166</u>	 <u>348,789</u>
Net Assets:		
Unrestricted		
Operating	670,758	511,701
Fixed Assets	2,654,781	2,819,109
Board Designated Contingency Reserve	214,236	80,000
Temporarily Restricted	69,358	61,760
Permanently Restricted	<u>749,612</u>	<u>749,612</u>
 Total Net Assets	 <u>4,358,745</u>	 <u>4,222,182</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,618,911</u>	 <u>\$ 4,570,971</u>

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

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL 2010	TOTAL 2009
REVENUES AND SUPPORT:					
Governmental Contracts					
Nutrition	\$ 3,496,104		\$ -	\$3,496,104	\$3,588,561
Other	295,557	-	-	295,557	389,765
Program Income	150,998	-	-	150,998	181,588
Donated Facilities and Goods	47,241	15,456	-	62,697	52,863
Other Meal Service Contracts	516,721	-	-	516,721	425,480
Contributions, Gifts, and Bequests	416,043	-	-	416,043	387,151
Special Events	14,514	-	-	14,514	135,235
Other Income (loss)	79,316	-	-	79,316	108,246
Investments Income (loss)	38,795	-	-	38,795	(30,153)
Net Assets Released from Restrictions:					
Satisfaction of other program restrictions	-	-	-	-	-
Restriction satisfaction by payments	7,858	(7,858)	-	-	-
Total Revenues and Other Support	<u>5,063,147</u>	<u>7,598</u>	<u>-</u>	<u>5,070,745</u>	<u>5,238,736</u>
EXPENSES:					
Program Services					
Nutrition	4,101,918	-	-	4,101,918	4,124,331
Supporting Services					
Management and General	709,321	-	-	709,321	739,607
Fundraising	122,943	-	-	122,943	144,302
Total Expenses	<u>4,934,182</u>	<u>-</u>	<u>-</u>	<u>4,934,182</u>	<u>5,008,240</u>
Change in Net Assets	128,965	7,598	-	136,563	230,496
Net Assets at Beginning of Year	<u>3,410,810</u>	<u>61,760</u>	<u>749,612</u>	<u>4,222,182</u>	<u>3,991,686</u>
Net Assets at End of Year	<u>\$ 3,539,775</u>	<u>\$ 69,358</u>	<u>\$ 749,612</u>	<u>\$4,358,745</u>	<u>\$4,222,182</u>

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

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2010
(With summarized totals for the year ended September 30, 2009)

	PROGRAM SERVICES		SUPPORTING SERVICES			TOTAL 2010	TOTAL 2009
	NUTRITION	MANAGEMENT & GENERAL	FUNDRAISING				
Personnel Costs	\$ 1,062,025	\$ 489,940	\$ 72,411	\$ 1,624,376		\$ 1,560,727	
Fringe	250,027	65,884	7,955	\$ 323,866		321,600	
Occupancy Costs	146,820	36,999	2,107	185,926		184,508	
Raw Food Purchases	1,776,305	-	-	1,776,305		1,942,339	
Insurance	68,702	3,184	-	71,886		86,888	
Supplies	381,325	22,386	1,807	405,518		338,998	
Travel	28,926	11,142	370	40,438		44,377	
Contractual Services	18,134	28,232	835	47,201		54,614	
Repairs and Maintenance	78,938	10,646	-	89,584		134,194	
Other Costs	34,966	15,736	1,142	51,844		96,269	
Inventory Fluctuation	(21,610)	-	-	(21,610)		-	
Misc. Prior Year Adjustments	116,556	-	-	116,556		-	
Depreciation	160,804	25,172	1,879	187,855		183,175	
Interest	-	-	-	-		5,202	
Fundraising	-	-	34,437	34,437		55,349	
Total Expenses, Year Ended September 30, 2010	<u>\$ 4,101,918</u>	<u>\$ 709,321</u>	<u>\$ 122,943</u>	<u>\$ 4,934,182</u>			
Total Expenses, Year Ended September 30, 2009	<u>\$ 4,124,331</u>	<u>\$ 739,607</u>	<u>\$ 144,302</u>			<u>\$ 5,008,240</u>	

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

MEALS ON WHEELS MINISTRY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(With summarized totals for the year ended September 30, 2009)

CASH FLOWS FROM OPERATING ACTIVITIES	2010	2009
Increase (Decrease) in Net Assets:	\$ 136,563	\$ 230,496
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	187,855	183,175
Net Book Value of Assets Disposals	5,266	1,341
In-Kind Contribution of Auto	-	(2,500)
Unrealized Loss (Gain) on Investments	(34,949)	36,346
(Increase) Decrease in Operating Assets:		
Contracts and Grants Receivable	123,960	(71,317)
Other Receivables	37,408	19,472
Promises to Give Receivable	125,000	119,514
Prepaid Expenses	(13,831)	(21,459)
Inventories	(21,609)	(16,693)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(50,549)	(19,979)
Accrued Liabilities	8,675	13,398
Deferred Income	(46,749)	(77,051)
Net Cash Provided (Used) by Operating Activities	457,040	394,743
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Vehicles and Equipment	(20,935)	(224,954)
Additions to Investments Held for Restricted Purposes, net	(19,240)	-
Net Sale (Purchase) of Investments	-	(10,296)
Net Cash Provided (Used) by Investing Activities	(40,175)	(235,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for:		
Proceeds (Repayment) of Bank Loan	-	(250,010)
Net Cash Provided (Used) by Financing Activities	-	(250,010)
Net Increase (Decrease) in Cash	416,865	(90,517)
Cash and Cash Equivalents, Beginning of Year	242,313	332,830
Cash and Cash Equivalents, End of Year	\$ 659,178	\$ 242,313

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

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements
September 30, 2010

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

Meals on Wheels Ministry, Inc. (the Project) is a non-profit corporation organized to provide programs to care for the needs of the senior adult. The basic programs of the Project include serving congregated and home delivered meals to senior adults in Camp, Gregg, Harrison, Henderson, Panola, Rains, Smith, Upshur, Van Zandt and Wood counties of East Texas. The programs are financed primarily through contracts with the East Texas Council of Governments (ETCOG) and Texas Department of Aging and Disability Services (DADS), participant contributions, and donated services and facilities. Other support includes third party contributions, investment income, and other meal contracts. Approximately 75 percent of the Project's support for the year ended September 30, 2010, came from Federal and State contracts.

Basis of Accounting

The financial statements of the Project have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Revenue is earned in accordance with contractual agreements with ETCOG and DADS based on serving eligible meal units. All contributions received by the Project, except those made by participants receiving nutrition services, are considered available for unrestricted use, unless specifically restricted by the donor. Revenues are recognized in the period in which they become available and measurable. Expenses are recognized in the period in which the liability is incurred, if measurable.

Financial Statement Presentation

The financial statements are reported in accordance with the requirements of FASB Accounting Standards Codification Section 958, Not-for-Profit Organizations. Accordingly the Project is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Expenses which directly benefit a specific program are charged to the program benefited. Certain other costs benefit more than one program and accordingly are allocated to the various programs and supporting services benefited.

The Project periodically appeals for funds along with distribution of information about the services the Project provides. Expenses charged to fund raising activities are recognized based on the actual direct expenses incurred and an allocation of other administrative expenses based on the estimated time spent on fund raising.

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

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

Functional Classification

The Project separately accounts for revenues and expenses related to each of its contracts. For functional reporting purposes, the Project has the following program services categories:

Nutrition – Nutrition program services consist of preparation, serving, or delivery of a lunchtime meal in a congregate setting or for the homebound individual.

Management and General – Includes the functions of program administration and financial and budgetary responsibilities.

Fund Raising – Consists of time and effort associated with encouraging and securing private financial support from individuals and corporations.

Investments

Investments are stated at fair market value. Unrealized gains and losses are reported in the Statement of Activities. Fair values are obtained from the investment firm that manages the Project's investments, (level 1 inputs). Realized gains and losses are determined using the specific identification method for investments in marketable debt securities, and the first-in, first-out (FIFO) method is used for mutual fund and marketable equity securities. Donated investments are recorded at fair value at the time received. Investments at the end of the year are valued at fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of raw food to be used in the preparation of meals and home delivery supplies.

Federal Income Tax

The Project is a not-for-profit organization exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified as other than a private foundation.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statement in accordance with generally accepted accounting principles. These estimates affect the reported amount of promises to give. Accordingly, actual results could differ significantly from those estimates.

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Property and Equipment

Purchased property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed using the straight line method with estimated useful lives of three to forty years. Property acquired with Federal and State funds is considered to be owned by the Project while used in the program for which it was purchased or in other future authorized programs. The funding sources, however, have a reversionary interest in the equipment purchased with contract funds; therefore, its disposition, as well as the ownership of any sale proceeds is subject to funding source regulations.

Unrestricted Net Assets

Unrestricted net assets – operating represent amounts that have been determined by the Project's Board of Director's to be used for future program services and other general contingencies that may arise. Unrestricted net assets – fixed assets represent property and equipment that has been purchased with local Project funds, or restricted funds whose restrictions have been met.

Compensated Absences

The Project accounts for all material liabilities and expenditures related to sick pay and vacation pay during the fiscal year in which such benefits are paid.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Project's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

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

Contributed Facilities and Services

The Project occupies, without charge, premises located in private and government owned buildings. The estimated fair rental value of the premises is reported as donated facilities in the period in which the premises are used. Additionally, a substantial number of unpaid volunteers contribute time to carry out the Project's programs, principally in meal delivery services. No amounts have been reported in the financial statements for these donated services as the volunteer services do not meet the criteria for recognition under FASB Accounting Standards.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Project considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 – CASH DEPOSITS

The Project maintains its cash balances at financial institutions located in East Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the fiscal year, the Project's cash in bank balances exceeded the Federally insured limits. At September 30, 2010, all but approximately \$306,000 of the Project's cash balances were insured by the Federal Deposit Insurance Corporation.

NOTE 3 – INVESTMENTS

Investments are reported at fair value, which is determined using the market valuations provided on the year end statements. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument (level 1 inputs).

Fair value estimates are based on judgments regarding current economic conditions, specific risk characteristics and other factors. Changes in market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts.

Investments consist of money market accounts with brokers, U.S. Treasury Notes, U.S. Government Bonds, Corporate Bonds, Common Stocks, Real Estate Investment Trusts, Mutual Funds and a local community foundation.

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

NOTE 3 – INVESTMENTS (continued)

Investments consisted of the following at September 30, 2010 and 2009:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Money Market Funds and Banks	\$ 61,827	\$ 61,827	\$ 48,776	\$ 48,776
East Texas Community Foundation	40,323	39,812	43,985	37,252
U. S. Treasury Notes	95,146	96,913	28,197	29,523
Obligations of U. S. Agencies	43,916	44,621	26,252	28,078
Corporate Bonds	129,780	134,375	68,609	71,763
Common Stocks	241,050	287,391	362,136	395,359
Mutual Funds	-	-	-	-
Total	<u>\$ 612,042</u>	<u>\$ 664,939</u>	<u>\$ 577,955</u>	<u>\$ 610,751</u>

The components of investment income are summarized as follows:

	2010	2009
Interest and Dividend Income	\$ 16,119	\$ 20,656
Net Realized & Unrealized Gains and (Losses)	35,471	(39,102)
Investment Management Fees and Taxes	<u>(12,796)</u>	<u>(11,707)</u>
Investment Income (Loss), Net	<u>\$ 38,794</u>	<u>\$ (30,153)</u>

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

NOTE 3 – INVESTMENTS (continued)

Restricted investments and cash as of September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
CDs & Savings	\$ -	\$ -
Bank Accounts	-	-
Interest in East Texas Communities Foundation (Note 7)	39,812	37,252
UBS Money Fund	40,170	24,813
Investments with Pershing Securities	<u>584,957</u>	<u>548,686</u>
Total	<u>\$ 664,939</u>	<u>\$ 610,751</u>

In prior years, the Joanne and Wayne J. McKinney Endowment Fund (Endowment Fund) was established through a gift in the amount of \$1,095,938. The gift agreement allows the Project to spend up to 7% of the Endowment Fund annually on operations and allowed unlimited amounts on construction expenditures related to the kitchen and administrative facilities completed in 2004. The gift agreement stipulates that if any of the Endowment Fund is used for construction expenditures, the Project will restore those expenditures by additional contributions from others. The Project used substantially all of the gift on construction expenditures and is presently restoring the Endowment Fund for construction expenditures made in prior years. As of September 30, 2010, the McKinney Endowment Fund, which is included in restricted investments, had a balance of \$697,217. For the years ending September 30, 2010 and 2009, the Project did not withdraw any of the allowed 7% for operations.

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

NOTE 3 – INVESTMENTS (continued)

A reconciliation of endowment investments is as follows:

	<u>Total</u>	<u>Permanently Restricted Net Assets</u>	<u>Unrestricted Net Assets</u>
Balance 10/1/09	\$ 610,751	\$ 749,612	\$ (138,861)
Contributions	-	-	-
Interests & Dividends	16,119	-	16,119
Investment Fees & Taxes	(12,796)	-	(12,796)
Net Realized & Unrealized Gains & Losses	35,471	-	35,471
Withdrawals & Other	<u>(62)</u>	<u>-</u>	<u>(62)</u>
Total	<u>\$ 649,483</u>	<u>\$ 749,612</u>	<u>\$ (100,029)</u>

Permanently restricted net assets are comprised of:

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

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

NOTE 4 – PROMISES TO GIVE

Meals on Wheels Ministry, Inc., began a capital campaign during 2001 to raise funds to construct a new kitchen and administrative offices and provide operating funds. The construction of the kitchen and administrative offices has been completed. The unconditional promises to give as of September 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Capital Campaign	\$ -	\$ 125,000
Less Discount to Present Value	<u>-</u>	<u>-</u>
Net Unconditional Promises to Give	<u>-</u>	<u>125,000</u>
Amounts Due in:		
Less Than One Year	-	125,000
One to Five Years	-	-
More Than Five Years	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 125,000</u>

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

NOTE 5 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable at September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
DADS	\$ 191,546	\$ 326,650
ETCOG	<u>220,922</u>	<u>209,778</u>
Total	<u>\$ 412,468</u>	<u>\$ 536,428</u>

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of September 30, 2010 is as follows:

	<u>Balance</u> <u>October 1,</u> <u>2009</u>	<u>Additions</u>	<u>Adjustments/</u> <u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2010</u>
Land	\$ 176,675	\$ -	\$ -	\$ 176,675
Buildings and Improvements	2,458,213	-	-	2,458,213
Leasehold Improvements	193,739	-	-	193,739
Vehicles	652,911	-	(38,168)	614,743
Furniture and Equipment	<u>580,349</u>	<u>20,935</u>	<u>-</u>	<u>601,284</u>
Totals	4,061,887	20,935	(38,168)	4,044,654
Less: Accumulated Depreciation	<u>(1,181,018)</u>	<u>(187,855)</u>	<u>32,902</u>	<u>(1,335,971)</u>
Net Property and Equipment	<u>\$ 2,880,869</u>	<u>\$(166,920)</u>	<u>\$ (5,266)</u>	<u>\$ 2,708,683</u>

Depreciation expense of \$187,855 and \$183,175 for the years ending September 30, 2010 and 2009 is included in the financial statements.

NOTE 7 – ASSETS TRANSFERRED TO A RECIPIENT ORGANIZATION

In prior years, through a Braithwaite challenge, \$27,395 was transferred by Braithwaite, along with \$25,000 from the Project, to the East Texas Community Foundation (Foundation) with the intent to operate an endowment fund. The Project has a beneficiary interest in the entire amount of the endowment fund, as the Braithwaite challenge match was specifically awarded to the Project.

NOTE 8 – DEBT

The Project has a \$500,000 revolving line of credit, none of which had been borrowed at September 30, 2010. The line of credit matures June, 2011 (renews annually), and has a variable interest rate of Wall Street Journal Prime + 0.00% with a floor rate of 4.00%. The initial rate of interest was set at 4.81%. The line of credit is secured by a deed of trust for the Project's land and building.

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

NOTE 9 – RESTRICTED NET ASSETS

Net assets were permanently restricted at September 30, 2010 for the following purposes:

Endowment Fund	\$749,612
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Net assets were temporarily restricted at September 30, 2010 for the following purposes:

Depreciation cost of equipment purchased with Title III funds	53,892
Stock Contributions	<u>15,456</u>
Total	<u>\$ 69,348</u>

NOTE 10 – COMPENSATED ABSENCES

The Project had no material liability to employees for unpaid vacation or sick leave at September 30, 2010.

NOTE 11 – RISK MANAGEMENT

The Project is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. They maintain commercial insurance coverage covering risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses.

NOTE 12 – CONCENTRATIONS

Financial instruments that potentially subject the Project to concentrations of credit risk consist principally of temporary cash investments, cash balances at financial institutions, and promises to give receivable. The Project maintains cash balances at financial institutions located in East Texas. Balances did not significantly exceed federally insured limits as of September 30, 2010.

Investments are managed by professional investment management companies based on recommendation by the Project's finance committee. The investment manager is subject to the Project's investment policy, approved by the board of directors, which contains objectives, guidelines, and restrictions designed to provide for preservation of capital with an emphasis on providing current income and achieving long-term growth of the funds without undue exposure to risk. Other concentrations include sources of revenue, which is primarily from federal and state grants and geographic area, which is limited to the East Texas region.

MEALS ON WHEELS MINISTRY, INC.
Notes to Financial Statements, continued

NOTE 13 – FINANCIAL INSTRUMENTS

The Project's financial instruments include money market bank accounts, money market mutual fund investments and investments in equities, debt securities and mutual funds. The carrying amount of the money market bank accounts and money market mutual funds approximates fair value because the money market accounts are demand deposits and the short maturities of the underlying investments in the money market mutual fund. The fair values of the other investments are estimated based on quoted market prices.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Federal and state contract awards received by the Project are subject to audit and adjustments by the funding agency. If contract revenues are received for services which are subsequently disallowed, the Project may be required to repay the revenues to the funding agency. In the opinion of management, liabilities from such disallowed services, if any, will not be material to the accompanying financial statements at September 30, 2010. The Project receives a substantial amount of its support from Federal and State contracts. A significant reduction in the level of this support, if this were to occur, may have an effect on the Project's programs and activities.

MEALS ON WHEELS MINISTRY, INC.
Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of Meals on Wheels Ministry, Inc. as of and for the year ended September 30, 2010, and have issued our report thereon dated February 3, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered Meals on Wheels Ministry, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEALS ON WHEELS MINISTRY, INC.
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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meals on Wheels Ministry, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non compliance with which could have a direct 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*.

This report is intended solely for the information and use of the board of directors, management and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ACKER & COMPANY
Certified Public Accountants, PC
February 3, 2011

MEALS ON WHEELS MINISTRY, INC.
Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Meals on Wheels Ministry, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. Meals on Wheels Ministry, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Meals on Wheels Ministry, Inc.'s management. Our responsibility is to express an opinion on Meals on Wheels Ministry, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Ministry, Inc.'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. Our audit does not provide a legal determination on Meals on Wheels Ministry, Inc.'s compliance with those requirements.

In our opinion, Meals on Wheels Ministry, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

MEALS ON WHEELS MINISTRY, INC.
Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133

Internal Control Over Compliance

The management of Meals on Wheels Ministry, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Meals on Wheels Ministry, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Ministry, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ACKER & COMPANY
Certified Public Accountants, PC
February 3, 2011

**MEALS ON WHEELS MINISTRY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

No prior findings to report on.

**MEALS ON WHEEL MINISTRY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Meals on Wheels Ministry, Inc.
2. No control deficiencies relating to the audit of the financial statements are reported in the "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*".
3. No instances of noncompliance material to the financial statements of Meals on Wheels Ministry, Inc. were disclosed during the audit.
4. No control deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133".
5. The auditors' report on compliance for the major federal award programs for Meals on Wheels Ministry, Inc. expresses an unqualified opinion on all major federal programs.
6. There are no Audit findings relative to the major federal award programs for Meals on Wheels Ministry, Inc.
7. The program tested as a major program was Special Programs For The Aging, Title III, Part C - Nutrition Services - CFDA No. 93.045.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Meals on Wheels Ministry, Inc. was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None.

MEALS ON WHEELS MINISTRY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services Passed Through Texas Department of Aging and Disability Services and East Texas Council of Governments:		
Special Programs for the Aging:		
Title III, Part C - Nutrition Services	93.045	\$ 1,264,883
Title III, Part E - National Family Caregiver	93.052	45,411
Passed Through Texas Department of Aging and Disability Services:		
Home Delivered Meals - Community Care and Community Based Meals	93.667	<u>2,185,811</u>
Total U.S. Department of Health and Human Services		<u>3,496,105</u>
Total Expenditures of Federal Awards		<u>\$ 3,496,105</u>

See accompanying notes to schedule of expenditures of federal awards.

MEALS ON WHEELS MINISTRY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Meals on Wheels Ministry, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

