

***MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES***

FINANCIAL STATEMENTS

Year Ended September 30, 2018

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**

TABLE OF CONTENTS

For the Fiscal Year Ended September 30, 2018

|   | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT  | 1-2         |
| <b>FINANCIAL STATEMENTS</b>   |             |
| Statement of Financial Position   | 3           |
| Statement of Activities   | 4           |
| Statement of Functional Expenses  | 5           |
| Statement of Cash Flows   | 6           |
| Notes to the Financial Statements   | 7-11        |
| Independent Auditor's Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> | 12-13       |



# YELDELL, WILSON, WOOD & REEVE, P.C

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Meals on Wheels of Johnson and Ellis Counties

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

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

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2019, on our consideration of Meals on Wheels of Johnson and Ellis Counties' 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 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 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 of Johnson and Ellis Counties' internal control over financial reporting and compliance.

*Yeldell, Wilson, Wood & Reeve, P.C.*

Yeldell, Wilson, Wood & Reeve, P.C.  
*Certified Public Accountants*

Ennis, Texas  
February 26, 2019

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**  
**STATEMENT OF FINANCIAL POSITION**  
For the Fiscal Year Ended September 30, 2018

**ASSETS**

|                                 |              |
|---------------------------------|--------------|
| Current Assets:                 |              |
| Cash                            | \$ 259,155   |
| Grants and contract receivables | 115,957      |
| Unconditional promises to give  | 33,001       |
| Inventory                       | 644          |
| Prepaid expenses                | 21,616       |
| Total current assets            | 430,373      |
| Property and Equipment:         |              |
| Land                            | 116,300      |
| Building                        | 384,903      |
| Furniture and equipment         | 291,679      |
|                                 | 792,882      |
| Less accumulated depreciation   | (152,306)    |
| Net property and equipment      | 640,576      |
| Other Assets:                   |              |
| Deposit                         | 18,933       |
| Land held for sale              | 162,500      |
| Total other assets              | 181,433      |
| Total assets                    | \$ 1,252,382 |

**LIABILITIES AND NET ASSETS**

|                                       |              |
|---------------------------------------|--------------|
| Current Liabilities:                  |              |
| Accounts payable and accrued expenses | \$ 28,129    |
| Wages payable                         | 30,111       |
| Vacation payable                      | 28,264       |
| Line of credit                        | 31,000       |
| Notes payable, current portion        | 30,132       |
| Total current liabilities             | 147,636      |
| Notes payable, net of current portion | 67,875       |
| Total liabilities                     | 215,511      |
| Net Assets:                           |              |
| Temporarily restricted                | 6,462        |
| Unrestricted                          | 1,030,409    |
| Total net assets                      | 1,036,871    |
| Total liabilities and net assets      | \$ 1,252,382 |

The accompanying notes are an integral part of this financial statement.

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2018

|                                       | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|---------------------------------------|---------------------|-----------------------------------|---------------------|
| <b>REVENUES:</b>                      |                     |                                   |                     |
| Contributions                         | \$ 982,109          | \$ 6,522                          | \$ 988,631          |
| Grants and contracts:                 |                     |                                   |                     |
| Governmental                          | 894,552             | -                                 | 894,552             |
| Other                                 | 76,139              | -                                 | 76,139              |
| Special events                        | 178,211             | -                                 | 178,211             |
| Program                               | 64,211              | -                                 | 64,211              |
| Net assets released from restrictions | 122,560             | (122,560)                         | -                   |
| Total revenues                        | <u>2,317,782</u>    | <u>(116,038)</u>                  | <u>2,201,744</u>    |
| <b>EXPENSES:</b>                      |                     |                                   |                     |
| Program services:                     |                     |                                   |                     |
| Meals                                 | 1,459,980           | -                                 | 1,459,980           |
| Special services                      | 206,358             | -                                 | 206,358             |
| Total program services                | <u>1,666,338</u>    | <u>-</u>                          | <u>1,666,338</u>    |
| Supporting services:                  |                     |                                   |                     |
| Management and general                | 60,476              | -                                 | 60,476              |
| Fundraising                           | 273,148             | -                                 | 273,148             |
| Total supporting services             | <u>333,624</u>      | <u>-</u>                          | <u>333,624</u>      |
| Total expenses                        | <u>1,999,962</u>    | <u>-</u>                          | <u>1,999,962</u>    |
| Change in net assets                  | 317,820             | (116,038)                         | 201,782             |
| Net assets, beginning of year         | <u>712,589</u>      | <u>122,500</u>                    | <u>835,089</u>      |
| Net assets, end of year               | <u>\$ 1,030,409</u> | <u>\$ 6,462</u>                   | <u>\$ 1,036,871</u> |

The accompanying notes are an integral part of this financial statement.

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**

STATEMENT OF FUNCTIONAL EXPENSES  
For the Fiscal Year Ended September 30, 2018

|                                   | Program Services |                  |              | Supporting Services    |             |            | Total Expenses |
|-----------------------------------|------------------|------------------|--------------|------------------------|-------------|------------|----------------|
|                                   | Meals            | Special Services | Total        | Management and General | Fundraising | Total      |                |
| Expenses:                         |                  |                  |              |                        |             |            |                |
| Personnel                         | \$ 605,668       | \$ 167,105       | \$ 772,773   | \$ 35,169              | \$ 75,802   | \$ 110,971 | \$ 883,744     |
| Professional development          | 2,722            | 198              | 2,920        | 555                    | 2,771       | 3,326      | 6,246          |
| Promotions and outreach           | 3,258            | 231              | 3,489        | 372                    | 138,724     | 139,096    | 142,585        |
| Food costs                        | 587,197          | 10,968           | 598,165      | -                      | -           | -          | 598,165        |
| Equipment leasing and maintenance | 17,993           | 1,240            | 19,233       | 948                    | 1,954       | 2,902      | 22,135         |
| Materials and supplies            | 16,160           | 8,170            | 24,330       | 1,699                  | 1,623       | 3,322      | 27,652         |
| Vehicles and transportation       | 52,747           | 1,027            | 53,774       | 829                    | 1,701       | 2,530      | 56,304         |
| Contract services                 | 35,822           | 10,019           | 45,841       | 2,783                  | 34,936      | 37,719     | 83,560         |
| Other                             | 50,012           | 3,727            | 53,739       | 12,830                 | 9,835       | 22,665     | 76,404         |
| Occupancy costs                   | 43,176           | 3,245            | 46,421       | 4,923                  | 5,257       | 10,180     | 56,601         |
| Depreciation                      | 45,225           | 428              | 45,653       | 368                    | 545         | 913        | 46,566         |
| Total Expenses                    | \$ 1,459,980     | \$ 206,358       | \$ 1,666,338 | \$ 60,476              | \$ 273,148  | \$ 333,624 | \$ 1,999,962   |

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

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2018

|  |                          |
|--|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                          |
| Change in net assets   | \$ 201,782               |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: |                          |
| Depreciation   | 46,566                   |
| (Increase) decrease in operating assets:   |                          |
| Grants and contract receivables  | 70,166                   |
| Unconditional promises to give   | 102,609                  |
| Inventory  | 690                      |
| Prepaid expenses   | (4,744)                  |
| Deposit  | 2,121                    |
| Increase (decrease) in operating liabilities:  |                          |
| Accounts payable and accrued expenses  | (109,146)                |
| Wages payable  | (232)                    |
| Vacation payable   | 3,532                    |
| Other payables   | (641)                    |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>  | <u>312,703</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                          |
| Acquisition of furniture and equipment   | (610,399)                |
| <b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>  | <u>(610,399)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                          |
| Proceeds from notes payable  | 65,000                   |
| Payments on notes payable  | (37,258)                 |
| Net proceeds from (payments on) line of credit   | 31,000                   |
| <b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>  | <u>58,742</u>            |
| <b>NET DECREASE IN CASH</b>  | (238,954)                |
| <b>BEGINNING CASH</b>  | <u>498,109</u>           |
| <b>ENDING CASH</b>   | <u><u>\$ 259,155</u></u> |
| <b>NONCASH INVESTING ACTIVITIES:</b>   |                          |
| Contributions of equipment   | <u><u>\$ 41,865</u></u>  |

The accompanying notes are an integral part of this financial statement.

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Meals on Wheels of Johnson and Ellis Counties' (the "Organization"), a Texas nonprofit corporation, provides home-delivered meals and various caregiver services to needy senior citizens and disabled persons throughout Johnson and Ellis Counties. Founded in 1976, the Organization also provides information and assistance support to families with elderly and disabled family members. The Organization works closely with home health agencies, local physicians and hospitals, and other community service groups to coordinate the delivery of these services to those senior citizens in need. A large portion of the Organization's revenue is derived from government grants.

Description of Programs

1. *Meals* - Provide meals to qualified senior citizens and disabled persons via home delivery.
  
2. *Special Services* - Provide information and assistance support to families with elderly and disabled family members.

Tax Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Functional 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 the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Government Contracts and Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. The Organization submits requests for reimbursement to grantors and pass-through agencies for grant funds. The Organization recognizes revenues on grants and contracts as the awards for such programs are expended. Grants and contracts receivable represents grant funds which the Organization has earned and/or requested, but not received. Receivables are deemed by management to be fully collectible, therefore, no provision for bad debt expense or valuation allowances has been recorded. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

The unconditional promises to give consist primarily of donations from United Way. At September 30, 2018, all unconditional promises to give are expected to be collected during the next year. Management has determined that the unconditional promises to give is fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at September 30, 2018.

Cash and Cash Equivalents

For purposes of preparing the statement of cash flows, the Organization considers short-term, highly liquid investments which are readily convertible to cash with a maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of food or food related items and is stated at the lower of cost or market determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment is valued at cost if purchased or estimated fair value if contributed at the time of receipt. The Organization follows the practice of capitalizing equipment in excess of \$1,000 with an estimated life in excess of one year. Depreciation on equipment is provided over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

|                                   |            |
|-----------------------------------|------------|
| Property                          | 5-40 years |
| Furniture, fixtures and equipment | 3-5 years  |

Contributed Facilities and Services

A number of volunteers have donated significant time and effort to the home-delivered meal program. For the years ended September 30, 2018, volunteers donated 24,368 hours, delivering meals. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition; however, management estimates the fair value of these services at \$588,244 for the year ended September 30, 2018.

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

Temporarily Restricted Net Assets

Temporarily restricted net assets represent gifts and other assets received with donor stipulations that limit the use of the donated assets, including specific or implied time restrictions inherent in promises to give cash and other assets in the future. When the applicable restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished (including accrual of the related obligation), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The income from the investment of these assets is also restricted as directed by the donor.

Unrestricted Net Assets

Donations received from third parties that are not restricted as to use or to which the donor-imposed restrictions have been fulfilled are reported as unrestricted net assets in the accompanying financial statements. Unrestricted net assets are available to cover the costs of the annual campaign and other activities financed by the campaign.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - CONCENTRATION OF REVENUE SOURCES**

The Organization receives a significant portion of its revenues from funds provided through federal and state grants. The grant amounts are appropriated each year at the federal and/or state level. If significant budget cuts are made at the federal and/or state level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

**NOTE 3 - CONTINGENT LIABILITIES**

Financial awards from federal and state governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

**NOTE 4 - DEPOSIT**

The Organization is a participant in an unemployment grantor trust owned by its participating members and maintains a deposit in their reserve account for covering their projected unemployment risk.

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

**NOTE 5 - NOTES PAYABLE**

Notes payable at September 30, 2018 consist of the following:

|  |           |
|--|-----------|
| Note payable to a bank, interest at 4%, due monthly to December 1, 2018, secured by equipment. | \$ 1,380  |
| Note payable to a bank, interest at 3%, due monthly to May 3, 2020, secured by equipment.      | 4,146     |
| Note payable to a bank, interest at 3%, due monthly to June 17, 2020, secured by equipment.    | 14,767    |
| Note payable to a bank, interest at 3%, due monthly to June 17, 2020, secured by equipment.    | 14,639    |
| Note payable to a bank, interest at 5.5%, due monthly to June 21, 2025, secured by property.   | 63,075    |
|  | 98,007    |
| Less current portion   | (30,132)  |
|  | \$ 67,875 |

Maturities on long-term debt at September 30, 2018 are summarized as follows:

| Year Ending<br>September 30 | Amount    |
|-----------------------------|-----------|
| 2019                        | \$ 30,133 |
| 2020                        | 21,187    |
| 2021                        | 8,893     |
| 2022                        | 9,395     |
| 2023                        | 9,925     |
| 2024-2025                   | 18,474    |
|                             | \$ 98,007 |

**NOTE 6 - LINE OF CREDIT**

The Organization has available a \$65,000 revolving line of credit with an interest rate of 5.5%. Under the terms of the notes, the Organization is required to pay all accrued and unpaid interest monthly and the full principal balance in June, 2019. The total amount of funds available for withdrawal at September 30, 2018 is \$34,000.

**MEALS ON WHEELS OF JOHNSON AND ELLIS COUNTIES**  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

**NOTE 7 - NET ASSETS**

Net Assets Released from Restrictions

Net assets that are released from donor restrictions by incurring expenses satisfying the restricted purposes are as follows:

|   |                   |
|---|-------------------|
| Johnson County office facility                    | \$ 122,500        |
| Animeals and ensure                               | 60                |
| Total net assets released from donor restrictions | <u>\$ 122,560</u> |

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for future use as follows:

|                     |                 |
|---------------------|-----------------|
| Animeals and ensure | <u>\$ 6,462</u> |
|---------------------|-----------------|

**NOTE 8 - RETIREMENT PLAN**

The Organization has a defined contribution retirement plan under section 401(k) of the Internal Revenue Code. Under the provisions of the plan, eligible employees may defer up to 15% of their compensation. The Organization currently makes matching contributions to the plan of 100% of an employee's contributions up to a maximum of 5% of the employee's salary. The Organization's contributions to the plan were \$17,103 for the year ended September 30, 2018.

**NOTE 9 - LEASE COMMITMENTS**

At September 30, 2018, the Organization was obligated under an office lease agreement for its Ellis County location, which expires March 31, 2022. The lease is classified as an operating lease. The future minimum annual lease payments under this operating lease at September 30, 2018 are as follows:

| <u>Years Ending<br/>September 30</u> | <u>Annual<br/>Payment</u> |
|--------------------------------------|---------------------------|
| 2019                                 | \$ 18,600                 |
| 2020                                 | 18,600                    |
| 2021                                 | 18,600                    |
| 2022                                 | 9,300                     |
|                                      | <u>\$ 65,100</u>          |

**NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through February 26, 2019, the date which the financial statements were issued, and noted no events that require disclosure.



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 of Johnson and Ellis Counties

**Report on the Financial Statements**

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 of Johnson and Ellis Counties (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Meals on Wheels of Johnson and Ellis Counties' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meals on Wheels of Johnson and Ellis Counties' internal control. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels of Johnson and Ellis Counties' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Meals on Wheels of Johnson and Ellis Counties' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Yeldell, Wilson, Wood + Reeve, P.C.*

Yeldell, Wilson, Wood & Reeve, P.C.  
*Certified Public Accountants*

Ennis, Texas  
February 26, 2019