



FINANCIAL STATEMENTS
Year Ended June 30, 2019

with
Independent Auditors' Report

MEALS ON WHEELS PEOPLE, INC.

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Independent Auditors' Report

The Board of Directors
Meals on Wheels People, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Meals on Wheels People, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, 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 Matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019, on our consideration of the Organization'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 to solely 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Emphasis of a Matter

As discussed in *Note 2* to the financial statements, the Organization has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Huffman, Stewart & Schmaltz, P.C.

Lake Oswego, Oregon
October 2, 2019

MEALS ON WHEELS PEOPLE, INC.

Statement of Financial Position

June 30, 2019 <i>(With Comparative Amounts for 2018)</i>	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,734,494	\$ 2,958,318
Investments <i>(Notes 4, 17, and 18)</i>	10,129,497	9,754,114
Accounts receivable - net:		
Medicaid	88,544	158,068
Older Americans Act	585,058	332,957
Nutrition Services Incentive Program	67,245	52,213
Contract meals <i>(Note 15)</i>	233,911	218,558
Other	<u>127,763</u>	<u>30,506</u>
Total accounts receivable - net	1,102,521	792,302
Prepaid expenses and deposits	265,125	216,445
Inventory	93,913	84,401
Bequests and contributions receivable <i>(due within one year)</i>	118,000	14,000
Beneficial interest in charitable remainder trusts <i>(Notes 5, 17, and 18)</i>	262,962	248,601
Investments held related to charitable gift annuities <i>(Notes 6 and 17)</i>	17,648	18,613
Investments held at community foundations <i>(Notes 7, 17, and 18)</i>	455,165	430,476
Trademarks - net	9,522	-
Property, equipment, and leasehold improvements - net <i>(Note 8)</i>	<u>6,567,347</u>	<u>5,932,423</u>
	<u>\$ 20,756,194</u>	<u>\$ 20,449,693</u>

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

MEALS ON WHEELS PEOPLE, INC.

Statement of Financial Position

	2019	2018
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 192,970	\$ 203,096
Accrued payroll and compensated absences	239,565	234,686
Other accrued liabilities	142,301	62,543
Liability for charitable gift annuities <i>(Note 6)</i>	<u>14,706</u>	<u>15,510</u>
Total liabilities	589,542	515,835
Commitments <i>(Notes 9 and 13)</i>		
Net assets:		
Net assets without donor restrictions:		
Available for operations	2,449,054	3,287,095
Board designated for advertising initiative	150,000	125,000
Board designated for the Joan Smith Executive Director Fund	145,177	135,757
Board designated for financial reserve	6,682,908	6,476,920
Board designated for capital reserve and maintenance	3,162,180	3,030,245
Net investment in property, equipment, and leasehold improvements	<u>6,567,347</u>	<u>5,932,423</u>
Total net assets without donor restrictions	19,156,666	18,987,440
Net assets with donor restrictions <i>(Note 11)</i>	<u>1,009,986</u>	<u>946,418</u>
Total net assets	<u>20,166,652</u>	<u>19,933,858</u>
	<u>\$ 20,756,194</u>	<u>\$ 20,449,693</u>

MEALS ON WHEELS PEOPLE, INC.

Statement of Activities

Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenue, gains, and other support - net:				
Charges for services (Notes 10 and 15) :				
Older Americans Act	\$ 2,918,233	\$ -	\$ 2,918,233	\$ 2,157,765
Nutrition Services Incentive Program	495,433	-	495,433	562,167
Medicaid and other	996,909	-	996,909	862,121
Local government	210,588	-	210,588	152,244
Contributions (Note 10) :				
Participants for meals	565,605	-	565,605	632,678
Center and Board fundraising	3,353,950	290,654	3,644,604	3,238,665
Special events - net	763,435	-	763,435	676,469
Contracts and sales (Note 15)	1,171,953	-	1,171,953	1,185,098
Vancouver diner - gross sales (Note 10)	198,554	-	198,554	-
Interest and dividends	237,128	-	237,128	217,604
In-kind space	564,015	-	564,015	559,325
Other in-kind contributions (Note 10)	360,144	-	360,144	290,268
Rental revenue	79,565	-	79,565	63,896
Net assets released from restrictions (Note 12)	241,447	(241,447)	-	-
Net revenue, gains, and other support	12,156,959	49,207	12,206,166	10,598,300
Operating expenses:				
Program services:				
Center operations	5,785,377	-	5,785,377	5,214,223
Kitchen operations	3,684,509	-	3,684,509	3,571,752
Vancouver diner	594,014	-	594,014	-
Other operations	94,218	-	94,218	17,467
Supporting services:				
General and administrative	788,116	-	788,116	681,631
Fundraising	1,205,423	-	1,205,423	1,074,783
Total operating expenses	12,151,657	-	12,151,657	10,559,856
Increase in net assets from operations	5,302	49,207	54,509	38,444
Write-down of bequest receivable	-	-	-	(200,700)
Gain on investments - net	208,849	-	208,849	285,906
Loss on disposition of property and equipment	(44,925)	-	(44,925)	(3,429)
Change in value of beneficial interest in trusts	-	14,361	14,361	2,911
Increase in net assets	169,226	63,568	232,794	123,132
Net assets, beginning of year	18,987,440	946,418	19,933,858	19,810,726
Net assets, end of year	\$ 19,156,666	\$ 1,009,986	\$ 20,166,652	\$ 19,933,858

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

MEALS ON WHEELS PEOPLE, INC.

Statement of Functional Expenses

Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Program Services				Total	Supporting Services			Total	
	Center Operations	Kitchen Operations	Vancouver Diner	Other Operations		General and Administrative	Fundraising	Total	2019	2018
Compensation:										
Salaries	\$ 2,833,791	\$ 1,083,063	\$ 265,958	\$ 32,204	\$ 4,215,016	\$ 420,796	\$ 388,910	\$ 809,706	\$ 5,024,722	\$ 4,115,106
Employee benefits and payroll taxes	791,538	306,002	47,825	7,527	1,152,892	84,433	77,888	162,321	1,315,213	1,124,516
Total compensation	3,625,329	1,389,065	313,783	39,731	5,367,908	505,229	466,798	972,027	6,339,935	5,239,622
Other expenses:										
Food and related costs:										
Paid	418,706	1,660,785	115,733	18,121	2,213,345	1,220	2,475	3,695	2,217,040	2,095,738
In-kind	161,033	-	-	-	161,033	-	45,570	45,570	206,603	116,423
Small equipment	29,260	7,377	53,151	2,806	92,594	16,256	3,935	20,191	112,785	52,383
Mileage and travel	76,337	3,005	605	1,075	81,022	22,243	7,077	29,320	110,342	89,728
Insurance	56,628	22,145	2,719	-	81,492	6,338	750	7,088	88,580	87,578
Vehicle costs	3,846	123,048	-	-	126,894	-	-	-	126,894	118,558
Repairs and maintenance	74,506	43,712	2,856	-	121,074	-	-	-	121,074	110,542
Janitorial	32,806	11,599	8,713	-	53,118	-	11	11	53,129	63,725
Professional fees	125,954	57,111	6,881	10,881	200,827	117,466	50,007	167,473	368,300	335,817
Rent and utilities:										
Paid	182,637	297,702	25,320	1,550	507,209	30,650	22,105	52,755	559,964	593,527
In-kind	564,015	-	-	-	564,015	-	-	-	564,015	559,325
Office expenses	74,163	1,711	11,247	11,703	98,824	14,756	167,269	182,025	280,849	282,832
Advertising:										
Paid	122,536	749	12,226	2,808	138,319	704	209,877	210,581	348,900	146,562
In-kind	-	-	-	-	-	-	93,885	93,885	93,885	134,985
Miscellaneous:										
Paid	32,519	4,410	8,370	3,558	48,857	65,926	85,000	150,926	199,783	164,577
In-kind	22,682	45	1,588	-	24,315	-	35,341	35,341	59,656	38,860
Total other expenses	1,977,628	2,233,399	249,409	52,502	4,512,938	275,559	723,302	998,861	5,511,799	4,991,160
Depreciation and amortization	182,420	62,045	30,822	1,985	277,272	7,328	15,323	22,651	299,923	329,074
Total expenses	\$ 5,785,377	\$ 3,684,509	\$ 594,014	\$ 94,218	\$ 10,158,118	\$ 788,116	\$ 1,205,423	\$ 1,993,539	\$ 12,151,657	\$ 10,559,856

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

MEALS ON WHEELS PEOPLE, INC.

Statement of Cash Flows

Year Ended June 30, 2019 (With Comparative Totals for 2018)	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 232,794	\$ 123,132
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	299,923	329,074
Write-down of bequest receivable	-	200,700
Gain on investments	(208,849)	(285,906)
Loss on disposition of property and equipment	44,925	3,429
Reinvestment of interest and dividends held at community foundations	(2,709)	(2,466)
Change in value of beneficial interest in trusts	(14,361)	(2,911)
Change in liability for charitable gift annuities	1,926	(3,472)
Payments for charitable gift annuities	(2,730)	(2,730)
Donor restricted contributions for endowment	-	(100,000)
Change in operating assets and liabilities:		
Accounts receivable - net	(310,219)	43,786
Bequests and contributions receivable	(104,000)	441,955
Prepaid expenses and deposits	(48,680)	319
Inventory	(9,512)	(21,402)
Trademarks	(8,182)	-
Accounts payable	16,070	(18,876)
Accrued payroll and compensated absences	4,879	(13,785)
Other accrued liabilities	79,758	(367)
Net cash provided (used) by operating activities	(28,967)	690,480
Cash flows from investing activities:		
Distributions and proceeds from sale of investments	255,995	256,678
Purchases of investments	(443,544)	(587,089)
Deposits to community foundations	-	(100,000)
Purchases of property, equipment, and leasehold improvements	(1,007,308)	(232,382)
Net cash used by investing activities	(1,194,857)	(662,793)
Cash flows from financing activities:		
Donor restricted contributions for endowment	-	100,000
Net cash provided by financing activities	-	100,000
Increase (decrease) in cash and cash equivalents	(1,223,824)	127,687
Cash and cash equivalents, beginning of year	2,958,318	2,830,631
Cash and cash equivalents, end of year	\$ 1,734,494	\$ 2,958,318
Supplemental disclosures of noncash investing activities:		
Additions to property, equipment, and leasehold improvements included in accounts payable	\$ 10,412	\$ 38,093
Additions to trademarks included in accounts payable	1,485	-

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

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements

1. Nature of Activities

Meals on Wheels People, Inc. (the Organization) is a nonprofit organization, organized under the laws of the state of Oregon, the primary purpose of which is to provide older Americans with nutritionally balanced meals, socialization, and other needed social services. The Organization is funded by private and governmental grants, charges for services, contracts and sales, and contributions from participants and the general public. Food is prepared in a central kitchen and delivered to 27 service centers, including 9 satellite locations, in Multnomah and Washington counties in Oregon and Clark County in Washington. Meals are also delivered to homebound seniors by volunteers.

The mission of the Organization is to enrich the lives of seniors, and assist them in maintaining independence, by providing nutritious food, human connections, and social support. We also use our expertise and capacity to serve other nutritionally at risk populations. This is accomplished through an organization that is community based, emphasizes volunteer involvement, and is financially sound. Included are connecting people to services such as transportation, health and welfare counseling, nutrition education, shopping assistance, information and referral services, outreach, case management, case monitoring, and leisure and recreation opportunities. Each center conducts fundraising activities and some centers receive grants from cities to help support local operations.

The Board establishes general standards and policies and provides a central office and kitchen to provide support services to the centers. The Board also raises funds on a community-wide basis for operations and administrative support to the centers.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. Some net assets with donor restrictions include a stipulation that the resources be maintained permanently, but permit the Organization to use the income. Realized gains, as well as net appreciation of endowment funds, may be expended unless explicit donor restrictions specify other treatment.

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 stipulation or by law. Expirations of donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, depreciation and amortization expense (based on the estimated useful lives of the underlying assets), bequests receivable, the Organization's beneficial interest in charitable remainder trusts, liabilities under charitable gift annuities, and certain investments held at community foundations.

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. On occasion throughout the year, cash and cash equivalent balances exceeded amounts insured by the Federal Deposit Insurance Corporation.

Investments - Investments are reported at fair value based on quoted market prices and consist of equity mutual funds, bond funds, treasury securities, money market funds, and exchange traded funds.

Accounts Receivable - Accounts receivable are recognized as meals and services are provided. Interest is not charged on past due accounts.

The Organization uses the allowance method to account for uncollectible accounts. The allowance for doubtful accounts is estimated by management based on various factors, including past history and current economic conditions. Receivables are written off when they are determined to be uncollectible and management has exhausted all reasonable collection efforts. At June 30, 2019, the allowance for doubtful accounts was \$16,601. Total accounts receivable includes balances outstanding for greater than 90 days of \$32,603 at June 30, 2019.

Inventory - Inventory consists of food and related supplies and is valued at the lower of cost (average cost basis) or net realizable value.

Trademarks - Trademarks consists of the Organization's logo, PDXPop logo, and stupendously tasty gourmet popcorn trademark, which are valued at cost less amortization based on a ten year useful life. At June 30, 2019, total cost of \$9,667 had been incurred and accumulated amortization was \$145.

Property, Equipment, and Leasehold Improvements, and Depreciation and Amortization - The Organization follows the policy of capitalizing, at cost, all expenditures for equipment and leasehold improvements in excess of \$3,000.

Equipment and leasehold improvements received through donation are recorded at estimated fair value at date of donation. Depreciation and amortization have been computed using the straight-line method over the following estimated useful lives: Equipment 2 - 20 years; Vehicles 5 years; Leasehold improvements 10 - 20 years; and Building 50 years.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition - Charges for services and contracts and sales are recognized at the time services are provided and the revenues are earned.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions with donor restrictions are classified as net assets without donor restrictions when the restriction is satisfied in the same fiscal year the contribution is received.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service or the expenditure for those assets has occurred.

Donated space (in-kind space) is recorded as a contribution at estimated fair rental value with an equivalent amount charged to expense.

Donated Services and Inventory or Other In-kind Contributions - Numerous volunteers have donated significant amounts of time to the Organization's program services. The value of such services have not been recognized in the statement of activities because the services do not meet the criteria for recognition as donated services. Donated food, supplies, and other miscellaneous items in the amount of \$266,259 have been reflected in the accompanying financial statements for the year ended June 30, 2019. Donated advertising services in the amount of \$93,885 have been reflected in the accompanying financial statements for the year ended June 30, 2019.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional and natural basis in the statement of functional expenses. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include telephone and internet costs, which are allocated based on the number of phones; rent and utilities, which are allocated on a square foot basis; outreach costs, which are allocated based on the percentage of actual total costs; food and related costs, which are allocated based on the number of meals shipped; and overhead costs, which are allocated based on the percentage of actual total costs or percentage of revenue recognized for contracts. In addition, the costs of the billboard and Rose parade float were allocated based on the purposes of the expense (to attract donors, volunteers, and new participants).

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Income Taxes - The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation. Certain activities of the Organization are subject to the Federal unrelated business income tax and similar state provisions. An immaterial amount of unrelated business income tax was generated from these activities during the year ended June 30, 2019.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Organization has any uncertain tax positions. The Organization files informational returns. Generally, these returns are subject to examination by income tax authorities for three years from the filing of a return. The Organization has not paid any interest or penalties related to its income tax positions, and there are currently no audits for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with general and administrative expenses.

Advertising - The Organization expenses all non-direct advertising costs as they are incurred.

Adoption of New Accounting Standard - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 during the year ended June 30, 2019, and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Accounting Pronouncement - In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is reciprocal. The ASU is effective for accounting periods beginning after December 15, 2018. The Organization has not determined the effect of the standard on its ongoing financial reporting.

Summarized Financial Information for 2018 - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the 2018 information to conform with the 2019 presentation.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

3. Program and Supporting Services

Center Operations - The Organization's meal sites have the responsibility of providing a hot noon meal and programming for socialization for seniors living within their geographic area. Nutrition services include group dining on site and meals delivered to homebound clients (Meals-on-Wheels). Congregate meals provided totaled approximately 232,000 for the year ended June 30, 2019.

Centers are located in a variety of settings, including senior centers, multicultural centers, housing authority buildings, parks and recreation buildings, and churches.

In addition to providing meals, centers cooperate with other community agencies to provide opportunities for enrichment to the lives of seniors through activities, speakers, field trips, and health-related issues including clinics for foot care and blood pressure monitoring.

All new Meals-on-Wheels clients are visited by an outreach worker who works with the client to determine how the Organization can meet their nutritional needs and make referrals to other community resources as needed. Clients are revisited on an annual basis. Home-delivered meals totaled approximately 699,000 for the year ended June 30, 2019.

Kitchen Operations - The central kitchen provides meals for 18 anchor centers and 9 satellite locations. The meals are prepared in bulk, divided, and shipped to each center. Menus for these meals are prepared on a six-week cycle. Approximately 4,800 meals are prepared daily.

Meals are also provided to non-organization centers at 22 contract sites. Contract meals prepared for other organizations totaled approximately 295,000 for the year ended June 30, 2019.

Vancouver Diner - The Vancouver diner provides meals to seniors who qualify for meals at the Organization's meal sites and live in Vancouver, Washington, but also provides meals to the general public in a diner setting. The Vancouver diner opened in February of 2019.

Other Operations - The Organization uses the excess capacity of the Central kitchen to co-pack for local businesses and rent the space to local businesses. In addition, the Organization produces and sells specialty popcorn under the PDXPop trademark.

Support Services - General and administrative activities include business management, recordkeeping, budgeting, financing, information technology, and related administrative activities. These services provide the necessary developmental, organizational, and management support for the effective operation of programs.

Fundraising activities include conducting fundraising campaigns, preparing and distributing fundraising materials, and conducting other activities involving soliciting contributions from individuals, foundations, and others.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

4. Investments

Investments consist of the following at June 30:

	2019	2018
Domestic equity mutual funds	\$ 4,772,843	\$ 3,975,660
International equity mutual funds	2,005,626	2,528,661
Bond funds	2,517,030	2,680,969
Treasury securities	506,257	298,729
Money market funds	267,817	270,095
Exchange traded funds	59,924	-
	<u>\$ 10,129,497</u>	<u>\$ 9,754,114</u>

Investments include endowment funds of \$99,490 at June 30, 2019. Earnings on these funds must be used in support of center operations.

5. Beneficial Interest in Charitable Remainder Trusts

The Organization is the beneficiary of three charitable remainder trusts. All or a portion of the remaining principal and income of the trusts is to be distributed to the Organization upon termination. The estimated fair value of the charitable remainder trusts at June 30, using a discount rate of 5 percent, is as follows:

	2019	2018
Donor restricted for specified purpose or passage of time	\$ 2,661	\$ 3,072
Endowment funds	<u>260,301</u>	<u>245,529</u>
	<u>\$ 262,962</u>	<u>\$ 248,601</u>

6. Investments Held Related to Charitable Gift Annuities

It is the Organization's policy to separately maintain amounts received upon the issuance of charitable gift annuities until the annuity obligations have been fully satisfied.

Investments held related to charitable gift annuities are carried at fair value and consist of bond funds totaling \$17,648 at June 30, 2019.

The liability for charitable gift annuities represents the present value of total expected payments that will be made to the donors. The Organization estimated the liability based on actuarial assumptions at the time the annuities were issued. The present value of each annuity is calculated based on applicable mortality tables using discount rates ranging from 3 to 5 percent.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

7. Investments Held at Community Foundations

Oregon Community Foundation: The Organization has an agreement with Oregon Community Foundation (OCF) in order to achieve improved performance results with respect to investments and enhance long-term planned giving goals. Under the terms of the agreement, OCF will distribute annually 4.5 percent of the fair market value of the fund based on the preceding 12-quarter average balance to the Organization. No income distributions were received from OCF during the year ended June 30, 2019. Additional distributions up to the entire balance of the fund may be made on a resolution of both of the organizations' Boards of Directors. Investments held at OCF totaled \$386,437 at June 30, 2019. Investments held at OCF are valued at estimated fair value (*Note 17*). The corpus portion, equal to the original donor contribution or \$338,828 at June 30, 2019, of these funds have been restricted by the donors as endowment funds. As such, these amounts have been classified as net assets with donor restrictions in the accompanying statement of financial position. The remainder of the balance, \$47,609 at June 30, 2019, represents the income earned on the corpus, which has been released to net assets without donor restrictions in accordance with the spending policy described in *Note 18*.

A portion of the investments held at OCF consists of investments in limited partnerships and real estate whose fair values have been estimated by OCF management in the absence of readily determinable market values. These estimates are based on information provided by the fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used had a quoted market price existed.

Community Foundation for Southwest Washington: The Organization has an agreement with the Community Foundation for Southwest Washington (CFSWW) in order to establish a fund whereby donors can contribute monies to be used to serve the elderly in the State of Washington.

Under the terms of the agreement, CFSWW shall make charitable distributions from the fund for the benefit of the Organization. Investments held at CFSWW totaled \$68,728 at June 30, 2019. Investments held at CFSWW are valued at estimated fair value (*Note 17*). These funds have been classified as Board designated for financial reserve in the accompanying statement of financial position.

A portion of the investments held at CFSWW consists of investments in limited partnerships and real estate whose fair values have been estimated by CFSWW's management in the absence of readily determinable market values. These estimates are based on information provided by the fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used had a quoted market price existed.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

8. Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements consist of the following at June 30:

	2019	2018
Land	\$ 929,566	\$ 929,566
Building	5,728,271	5,728,271
Kitchen equipment	1,240,548	1,214,949
Service center equipment	681,541	618,190
Office equipment	660,912	660,912
Vehicles	69,817	69,817
Leasehold improvements	<u>1,742,541</u>	<u>954,784</u>
	11,053,196	10,176,489
Less accumulated depreciation and amortization	<u>(4,485,849)</u>	<u>(4,348,505)</u>
	6,567,347	5,827,984
Construction in progress	<u>-</u>	<u>104,439</u>
	<u><u>\$ 6,567,347</u></u>	<u><u>\$ 5,932,423</u></u>

9. Commitments

The Organization leases certain space, vehicles, and equipment under various non-cancelable operating lease agreements expiring through December 2023. Minimum payments remaining under the non-cancelable operating leases are as follows at June 30, 2019:

Years Ending June 30,	Amount
2020	\$ 352,702
2021	183,645
2022	115,033
2023	96,172
2024	<u>22,594</u>
	<u><u>\$ 770,146</u></u>

The Organization also leases other facilities and equipment under various month-to-month operating lease agreements. Total expense under all operating lease agreements (including donated space) was \$1,023,694 for the year ended June 30, 2019.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

10. Vancouver Diner Revenue

In the accompanying statement of activities, revenue earned by the Vancouver diner is reported based on the revenue stream, rather than in the aggregate. Total revenue earned by the Vancouver diner for the year ended June 30, 2019, is as follows:

Charges for services	\$ 48,558
Contributions	437,947
Vancouver diner - gross sales	198,554
Other in-kind contributions	<u>1,588</u>
Total Vancouver diner revenue	<u><u>\$ 686,647</u></u>

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Subject for expenditure for specified purposes:		
Center projects	\$ 5,526	\$ 19,811
Beneficial interest in charitable remainder trusts held by others	2,661	3,072
Joan Smith Executive Director Fund	50,180	50,180
Capital projects - Vancouver diner	135,000	125,000
Other purpose restrictions	<u>-</u>	<u>50,508</u>
	193,367	248,571
Subject to the passage of time	118,000	14,000
Endowments:		
Center programs	438,318	438,318
Beneficial interest in charitable remainder trusts held by others	<u>260,301</u>	<u>245,529</u>
Total endowment funds	<u>698,619</u>	<u>683,847</u>
Total net assets with donor restrictions	<u><u>\$ 1,009,986</u></u>	<u><u>\$ 946,418</u></u>

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

12. Net Assets Released from Restrictions

During the year ended June 30, 2019, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

Satisfaction of program or time restrictions:	
Center projects	\$ 16,329
Program activities and other bequests and contributions receivable	<u>225,118</u>
	<u>\$ 241,447</u>

13. Retirement Plan

The Organization maintains a defined contribution retirement plan (the Plan) that covers all eligible employees. The Organization makes a matching contribution of employee salary deferrals equal to 100 percent of the deferrals, not to exceed 2 percent of eligible compensation. In addition, the Organization makes an additional contribution equal to 3 percent of an employee's eligible compensation. Employer contributions to the Plan during the year ended June 30, 2019, totaled \$189,790.

14. Joint Costs

The Organization conducts certain activities that include requests for contributions, as well as program and management and general components. These activities include the distribution of the Organization's annual report and publication of newsletters. Management feels that the costs of conducting these activities are immaterial, and has accounted for these costs as fundraising expenditures in the statement of functional expenses.

15. Concentrations

The Organization received approximately 38 percent of its operational funding from governmental agencies during the year ended June 30, 2019. If a significant reduction in the level of this funding were to occur, it would affect the Organization's ability to provide programs and services.

Substantially all of the Organization's contracts and sales revenue reported in the accompanying statement of activities was derived from four customers in 2019. Sales to these customers accounted for 70 percent of total contracts and sales revenue for the year ended June 30, 2019. Included in contract meals receivable in the accompanying statement of financial position were amounts due from these customers totaling \$156,182 at June 30, 2019.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

16. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject the Organization to concentrations of risk consist principally of: cash and cash equivalents; accounts receivable; investments (*Note 4*); bequests and contributions receivable; beneficial interest in charitable remainder trusts (*Note 5*); and investments held at community foundations (*Note 7*).

The Organization's investments, including those held related to charitable gift annuities and those held by community foundations, as well as its beneficial interest in charitable remainder trusts, are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

17. Fair Value Measurements

GAAP provides the framework for measuring fair value. The classification of assets and liabilities within the fair value hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

At June 30, 2019, there were no liabilities measured at fair value.

The three levels of the fair value hierarchy under GAAP and the valuation methodologies used for assets are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Fair value is based on significant unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

17. Fair Value Measurements - Continued

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the actual date of the event or change in circumstances that caused the transfer.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2019, (there were no assets valued using a level 2 type measurement):

	Total	Level 1	Level 3
Investments:			
Domestic equity mutual funds	\$ 4,772,843	\$ 4,772,843	\$ -
International equity mutual funds	2,005,626	2,005,626	-
Bond funds	2,517,030	2,517,030	-
Treasury securities	506,257	506,257	-
Money market funds	267,817	267,817	-
Exchange traded funds	<u>59,924</u>	<u>59,924</u>	<u>-</u>
Total investments	10,129,497	10,129,497	-
Beneficial interest in charitable remainder trusts			
	262,962	-	262,962
Investments held related to charitable gift annuities			
	17,648	17,648	-
Investments held at community foundations			
	<u>455,165</u>	<u>-</u>	<u>455,165</u>
Total assets at fair value	<u>\$ 10,865,272</u>	<u>\$ 10,147,145</u>	<u>\$ 718,127</u>

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds, bond funds, treasury securities, money market funds, exchange traded funds, and investments held related to charitable gift annuities: Valued based on quoted market prices in active markets of shares held by the Organization at year end, and are classified as Level 1.

Beneficial interest in charitable remainder trusts: The expected future inflows from the trusts are based on the fair value of the underlying investments and the life expectancy of the donor, and have been discounted using a discount rate of 5 percent. Since there are unobservable inputs that are significant in determining the fair value, this asset is classified as Level 3.

Investments held at community foundations: Assets held at community foundations (the foundations) represent the Organization's share of a pooled investment portfolio managed by the foundations. The Organization's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, as described in *Note 7*, the underlying investments of the foundations are measured by management of the foundations using

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

17. Fair Value Measurements - Continued

a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. As such, this asset is classified as Level 3.

A summary of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2019, is as follows:

	Beneficial Interest in Charitable Trusts	Investments Held at Community Foundations	Total
Balance, June 30, 2018	\$ 248,601	\$ 430,476	\$ 679,077
Change in value	14,361	-	14,361
Interest and dividends	-	2,709	2,709
Realized and unrealized gains	-	25,969	25,969
Fees paid	-	(3,989)	(3,989)
	<u> </u>	<u> </u>	<u> </u>
Balance, June 30, 2019	<u>\$ 262,962</u>	<u>\$ 455,165</u>	<u>\$ 718,127</u>

18. Endowment Funds

The Organization's endowment consists of certain investments (*Note 4*), funds held at OCF (*Note 7*), and a beneficial interest in a charitable remainder trust (*Note 5*). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization manages its endowment in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Organization has interpreted UPMIFA as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors.

The Organization classifies as donor restricted endowment funds (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds, which are available for expenditure.

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

18. Endowment Funds - Continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Management has adopted an investment and spending policy for the endowment assets that attempt to provide a predictable stream of funding to programs. The spending policy calls for a 4.5 percent distribution of the fair market value of the endowment based on the preceding 12-quarter average balance to the Organization. This has resulted in amounts earned on the corpus being appropriated in the same year.

OCF follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the investment portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Funds held with OCF are invested in a mixture of equities, fixed-income instruments, alternative investment classes (such as hedge funds, distressed debt, private investments), and cash. The Organization believes the investment and spending policy is consistent with the Organization's objective to maintain purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the year ended June 30, 2019:

Endowment net assets, beginning of year	\$ 683,847
Change in value of beneficial interest in charitable remainder trust	<u>14,772</u>
Endowment net assets, ending of year	<u><u>\$ 698,619</u></u>

MEALS ON WHEELS PEOPLE, INC.

Notes to Financial Statements - Continued

19. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditures within one year of the statement of financial position date consist of the following at June 30, 2019:

Cash and cash equivalents	\$ 1,734,494
Investments	10,129,497
Accounts receivable - net	1,102,521
Bequests and contributions receivable	<u>118,000</u>
Total financial assets available within one year	13,084,512
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors as to purpose	193,367
Restricted by donors to investment in perpetuity	<u>99,490</u>
Total amounts unavailable for general expenditures within one year due to donor restrictions	292,857
Board designated funds unavailable	<u>10,140,265</u>
Total amounts unavailable	10,433,122
Total financial assets available for general expenditures within one year	<u><u>\$ 2,651,390</u></u>

The Organization's endowment fund consists of donor-restricted gifts. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use as described in *Note 18*.

The Organization's board designated funds, held as long-term investments, are subject to an annual spending rate of 4.5 percent as described in *Note 18*. Although the Organization does not intend to spend from the board-designated funds other than amounts appropriated for general expenditure as part of the Organization's annual budget approval and appropriation, these amounts could be available if necessary.

As part of the Organization's liquidity management plan, the Organization typically invests cash in excess of daily requirements in short-term investments, CDs, treasury bonds, and money market funds.

20. Subsequent Events

Management has evaluated subsequent events through October 2, 2019, the date the financial statements were available to be issued.



SINGLE AUDIT REPORTS

MEALS ON WHEELS PEOPLE, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Aging Cluster:			
Pass-through programs from Multnomah County:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	4400003784	\$ 941,886
Pass-through programs from Area Agency on Aging and Disabilities of Southwest Washington:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1118181-01	<u>575,886</u>
Total CFDA 93.045			1,517,772
Pass-through programs from Multnomah County:			
Nutrition Services Incentive Program	93.053	4400003784	456,596
Pass-through programs from Area Agency on Aging and Disabilities of Southwest Washington:			
Nutrition Services Incentive Program	93.053	1118181-01	<u>80,354</u>
Total CFDA 93.053			536,950
Total Aging Cluster			2,054,722
Total U.S. Department of Health and Human Services and Expenditures of Federal Awards			<u><u>\$ 2,054,722</u></u>

No Federal Awards were passed through to subrecipients

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

MEALS ON WHEELS PEOPLE, INC.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes all Federal grant activity of Meals on Wheels People, Inc. (the Organization). The information in the SEFA is presented in accordance with the requirements of Title 2 of U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements.

Pass-through identifying numbers are presented when available.

2. Expenditures

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has not elected to use the 10 percent de minimis indirect cost rate under the Uniform Guidance.

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

The Board of Directors
Meals on Wheels People, Inc.

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 People, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, 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 October 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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 the Organization's 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 controls 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.

Huffman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
October 2, 2019

**Independent Auditors' Report on Compliance for Each
Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

The Board of Directors
Meals on Wheels People, Inc.

Report on Compliance for Each Major Federal Program

We have audited Meals on Wheels People, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major Federal program for the year ended June 30, 2019. The Organization's major Federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Report on Compliance for Each Major Federal Program - Continued

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Huffman, Stewart & Schmalt, P.C.

Lake Oswego, Oregon
October 2, 2019

MEALS ON WHEELS PEOPLE, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: 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 programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.044, 93.045, 93.053	Aging Cluster
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

MEALS ON WHEELS PEOPLE, INC.

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2019

Section 2 - Financial Statement Findings

There were no current year financial statement findings.

Section 3 - Federal Award Findings and Questioned Costs

There were no current year Federal award findings or questioned costs.

MEALS ON WHEELS PEOPLE, INC.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

No findings were reported for the prior year.