

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.

FINANCIAL STATEMENTS

Years Ended September 30, 2019 and 2018

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
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YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Meals on Wheels North Central Texas, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Meals on Wheels North Central Texas, Inc. (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Board of Directors of
Meals on Wheels North Central Texas, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels North Central Texas, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2020, on our consideration of Meals on Wheels North Central Texas, Inc.' 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 North Central Texas, Inc.' internal control over financial reporting and compliance.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Ennis, Texas
February 25, 2020

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Cash	\$ 269,579	\$ 257,152
Restricted cash	24,648	2,003
Grants and contract receivables	159,074	115,957
Unconditional promises to give	36,701	31,551
Inventory	667	644
Prepaid expenses	31,739	21,616
Total current assets	522,408	428,923
Property and Equipment:		
Land	116,300	116,300
Building	384,903	384,903
Furniture and equipment	291,679	291,679
	792,882	792,882
Less accumulated depreciation	(212,149)	(152,306)
Net property and equipment	580,733	640,576
Other Assets:		
Deposit	22,835	20,383
Land held for sale	-	162,500
Total other assets	22,835	182,883
Total assets	\$ 1,125,976	\$ 1,252,382
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 57,084	\$ 28,129
Wages payable	35,029	30,111
Vacation payable	31,392	28,264
Line of credit	-	31,000
Notes payable, current portion	12,460	30,132
Total current liabilities	135,965	147,636
Notes payable, net of current portion	-	67,875
Total liabilities	135,965	215,511
Net Assets:		
With donor restrictions	31,771	6,462
Without donor restrictions	958,240	1,030,409
Total net assets	990,011	1,036,871
Total liabilities and net assets	\$ 1,125,976	\$ 1,252,382

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
STATEMENTS OF ACTIVITIES
For the Fiscal Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:						
Contributions	\$ 851,693	\$ 30,780	\$ 882,473	\$ 982,109	\$ 6,522	\$ 988,631
Grants and contracts:						
Governmental	845,636	-	845,636	894,552	-	894,552
Other	92,000	-	92,000	76,139	-	76,139
Special events	227,061	-	227,061	178,211	-	178,211
Program	44,165	-	44,165	64,211	-	64,211
Net assets released from restrictions	5,471	(5,471)	-	122,560	(122,560)	-
Total revenues	<u>2,066,026</u>	<u>25,309</u>	<u>2,091,335</u>	<u>2,317,782</u>	<u>(116,038)</u>	<u>2,201,744</u>
EXPENSES AND LOSSES:						
Program services:						
Meals	1,387,477	-	1,387,477	1,459,980	-	1,459,980
Special services	33,160	-	33,160	206,358	-	206,358
Total program services	<u>1,420,637</u>	<u>-</u>	<u>1,420,637</u>	<u>1,666,338</u>	<u>-</u>	<u>1,666,338</u>
Supporting services:						
Management and general	220,614	-	220,614	60,476	-	60,476
Fundraising	416,945	-	416,945	273,148	-	273,148
Total supporting services	<u>637,559</u>	<u>-</u>	<u>637,559</u>	<u>333,624</u>	<u>-</u>	<u>333,624</u>
Total expenses	<u>2,058,196</u>	<u>-</u>	<u>2,058,196</u>	<u>1,999,962</u>	<u>-</u>	<u>1,999,962</u>
Loss on sale of assets	79,999	-	79,999	-	-	-
Total expenses and losses	<u>2,138,195</u>	<u>-</u>	<u>2,138,195</u>	<u>1,999,962</u>	<u>-</u>	<u>1,999,962</u>
Change in net assets	(72,169)	25,309	(46,860)	317,820	(116,038)	201,782
Net assets, beginning of year	1,030,409	6,462	1,036,871	712,589	122,500	835,089
Net assets, end of year	<u>\$ 958,240</u>	<u>\$ 31,771</u>	<u>\$ 990,011</u>	<u>\$ 1,030,409</u>	<u>\$ 6,462</u>	<u>\$ 1,036,871</u>

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended September 30, 2019

	Program Services			Supporting Services			Total Expenses
	Meals	Special Services	Total	Management and General	Fundraising	Total	
Expenses:							
Personnel	\$ 562,987	\$ 16,867	\$ 579,854	\$ 159,806	\$ 202,597	\$ 362,403	\$ 942,257
Professional development	-	-	-	378	4,756	5,134	5,134
Promotions and outreach	553	12	565	42	146,109	146,151	146,716
Food costs	567,907	5,284	573,191	-	-	-	573,191
Equipment leasing and maintenance	15,890	438	16,328	3,113	5,420	8,533	24,861
Vehicles and transportation	51,039	1,631	52,670	545	5,496	6,041	58,711
Contract services	28,034	865	28,899	7,710	14,144	21,854	50,753
Other	44,714	5,505	50,219	26,126	35,417	61,543	111,762
Occupancy costs	54,858	1,479	56,337	22,366	2,177	24,543	80,880
Depreciation	57,477	1,009	58,486	528	829	1,357	59,843
Interest	4,018	70	4,088	-	-	-	4,088
Total Expenses	\$ 1,387,477	\$ 33,160	\$ 1,420,637	\$ 220,614	\$ 416,945	\$ 637,559	\$ 2,058,196

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.

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
Vehicles and transportation	50,168	982	51,150	829	1,701	2,530	53,680
Contract services	35,822	10,019	45,841	2,783	34,936	37,719	83,560
Other	66,172	11,897	78,069	14,529	11,458	25,987	104,056
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
Interest	2,579	45	2,624	-	-	-	2,624
Total Expenses	<u>\$ 1,459,980</u>	<u>\$ 206,358</u>	<u>\$ 1,666,338</u>	<u>\$ 60,476</u>	<u>\$ 273,148</u>	<u>\$ 333,624</u>	<u>\$ 1,999,962</u>

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (46,860)	\$ 201,782
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	59,843	46,566
(Increase) decrease in operating assets:		
Grants and contract receivables	(43,117)	70,166
Unconditional promises to give	(5,150)	102,609
Inventory	(23)	690
Prepaid expenses	(10,123)	(4,744)
Deposit	(2,452)	2,121
Land held for sale	162,500	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	28,955	(109,146)
Wages payable	4,918	(232)
Vacation payable	3,128	3,532
Other payables	-	(641)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	151,619	312,703
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of furniture and equipment	-	(610,399)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	(610,399)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	-	65,000
Payments on notes payable	(85,547)	(37,258)
Net proceeds from (payments on) line of credit	(31,000)	31,000
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(116,547)	58,742
NET INCREASE (DECREASE) IN CASH	35,072	(238,954)
BEGINNING CASH	259,155	498,109
ENDING CASH	\$ 294,227	\$ 259,155
NONCASH INVESTING ACTIVITIES:		
Contributions of equipment	\$ -	\$ 41,865

The accompanying notes are an integral part of these financial statements

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Meals on Wheels North Central Texas, Inc.' (the "Organization"), a Texas nonprofit corporation, provides home-delivered meals and various caregiver services to needy senior citizens and disabled persons throughout North Central Texas. 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. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are on the basis of estimates of time and effort devoted to each function.

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 NORTH CENTRAL TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018

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

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The unconditional promises to give consist primarily of donations from United Way. At September 30, 2019 and 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, 2019 and 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, 2019 and 2018, volunteers donated 12,756 and 24,368 hours, respectively, 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 \$219,930 and \$588,244 for the year ended September 30, 2019 and 2018, respectively.

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018

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

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.

New Accounting Pronouncement

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 Organization has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted net assets are now reported as net assets with donor restrictions.

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 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts at several financial institutions which is subject to credit risk by the amount such balances exceed the Federal Deposit Insurance Corporation limits. At September 30, 2019 and 2018, the Organization had an uninsured cash balance at one financial institution totaling \$31,683 and \$0, respectively.

NOTE 4 - 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.

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 5 - 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.

NOTE 6 - NOTES PAYABLE

Notes payable at September 30, 2019 and 2018 consist of the following:

	2019	2018
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.	6,422	14,767
Note payable to a bank, interest at 3%, due monthly to June 17, 2020, secured by equipment.	6,038	14,639
Note payable to a bank, interest at 5.5%, due monthly to June 21, 2025, secured by property.	-	63,075
	12,460	98,007
Less current portion	(12,460)	(30,132)
	\$ -	\$ 67,875

Maturities on long-term debt at September 30, 2019 are summarized as follows:

Year Ending September 30	Amount
2020	\$ 12,460

NOTE 7 - 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. The amounts outstanding as of September 30, 2019 and 2018 were \$0 and \$31,000, respectively.

MEALS ON WHEELS NORTH CENTRAL TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at September 30:

	2019	2018
Animeals and ensure	\$ 11,120	\$ 6,462
Capital projects	19,828	-
Secondary meals	823	-
	\$ 31,771	\$ 6,462

NOTE 9 - 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 \$19,150 and \$17,103 for the years ended September 30, 2019 and 2018, respectively.

NOTE 10 - LEASE COMMITMENTS

At September 30, 2019, 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, 2019 are as follows:

Years Ending September 30	Annual Payment
2020	\$ 18,600
2021	18,600
2022	9,300
	\$ 46,500

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 25, 2020, the date which the financial statements were issued, and noted no events that require disclosure.

NOTE 12 –RECLASSIFICATIONS

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



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 North Central Texas, Inc.

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 North Central Texas, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meals on Wheels North Central Texas, Inc.' 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 North Central Texas, Inc.' internal control. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels North Central Texas, Inc.' 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 North Central Texas, Inc.' 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.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Ennis, Texas
February 25, 2020