

ALBUQUERQUE MEALS ON WHEELS, INC.

FINANCIAL REPORT

DECEMBER 31, 2014

ALBUQUERQUE MEALS ON WHEELS, INC.

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Kharyn L. Cover, CPA

Independent Auditor's Report

To the Board of Directors of
Albuquerque Meals on Wheels, Inc.

I have audited the accompanying financial statements of Albuquerque Meals on Wheels, Inc., which comprises the Statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albuquerque Meals on Wheels, Inc. as of December 31, 2014 and 2013, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kharyn Cover, CPA, PC

Albuquerque, New Mexico
May 6, 2015

ALBUQUERQUE MEALS ON WHEELS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash	\$ 174,396	147,287
Accounts receivable, net of allowance for uncollectible accounts of \$4,000 and \$1,000 as of 2014 and 2013, respectively	59,488	54,129
Pledges receivable (Note 2)	62,089	27,000
Total current assets	<u>295,973</u>	<u>228,416</u>
PROPERTY AND EQUIPMENT		
Equipment and furnishings	56,182	51,078
Vehicles	69,851	69,851
	<u>126,033</u>	<u>120,929</u>
Accumulated depreciation	(96,097)	(84,591)
Total property and equipment	<u>29,936</u>	<u>36,338</u>
OTHER ASSETS		
Investments, endowment fund (Notes 3 and 9)	169,685	163,881
Albuquerque Community Foundation Endowment (Notes 4 and 9)	60,086	56,950
Total other assets	<u>229,771</u>	<u>220,831</u>
Total assets	<u>\$ 555,680</u>	<u>485,585</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 17,560	11,415
Accrued liabilities	19,538	19,514
Total current liabilities	<u>37,098</u>	<u>30,929</u>
Net assets		
Unrestricted:		
Undesignated	116,197	156,414
Designated endowment fund (Notes 3 and 9)	169,685	163,881
Total unrestricted net assets	<u>285,882</u>	<u>320,295</u>
Temporarily restricted (Notes 6 and 9)	188,017	89,678
Permanently restricted (Notes 4 and 9)	44,683	44,683
Total net assets	<u>518,582</u>	<u>454,656</u>
Total liabilities and net assets	<u>\$ 555,680</u>	<u>485,585</u>

See Notes to Financial Statements.

ALBUQUERQUE MEALS ON WHEELS, INC.
STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS
Years Ended December 31, 2014 and 2013

	2014	2013
UNRESTRICTED SUPPORT AND REVENUES		
Revenues		
Income from meals	\$ 501,740	450,665
Deli and catering, net of costs of sales for 2014 and 2013 of \$76,297 and \$64,546, respectively	76,962	68,442
Investment income	5,804	20,720
Total revenues	<u>584,506</u>	<u>539,827</u>
Public Support		
Non-cash contributions (Note 7)	211,104	203,885
Contributions	110,256	74,083
Fundraising events, net of direct costs for 2014 and 2013 of \$28,454 and \$23,754, respectively	32,174	30,703
Net assets released from restrictions (Note 6)	169,563	134,673
Total public support	<u>523,097</u>	<u>443,344</u>
Total unrestricted support and revenues	1,107,603	983,171
Expenses		
Program:		
Meal delivery	879,292	800,521
Deli and catering	76,106	54,130
Total programs	<u>955,398</u>	<u>854,651</u>
Management and general	145,698	140,245
Fundraising	40,920	17,130
Total expenses	<u>1,142,016</u>	<u>1,012,026</u>
Change in unrestricted net assets	<u>(34,413)</u>	<u>(28,855)</u>
TEMPORARILY RESTRICTED		
Contributions	264,766	116,114
Net earnings on endowments (Note 9)	3,136	4,252
Release of restrictions (Note 6)	(169,563)	(134,673)
Change in temporarily restricted net assets	<u>98,339</u>	<u>(14,307)</u>
Change in total net assets	63,926	(43,162)
Net assets at beginning of year	<u>454,656</u>	<u>497,818</u>
Net assets at end of year	<u>\$ 518,582</u>	<u>454,656</u>

See Notes to Financial Statements.

ALBUQUERQUE MEALS ON WHEELS, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in total net assets	\$ 63,926	(43,162)
Adjustments to reconcile changes in net assets to net cash provided by (applied to) operating activities		
Depreciation	11,506	8,791
Loss on disposition of assets	-	2,316
Albuquerque Community Foundation earnings	(3,136)	(4,252)
Endowment fund dividends, net of fees	(6,327)	(3,882)
Realized gain on sale of securities	(6,924)	(5,413)
Unrealized gains on marketable securities	7,447	(11,425)
Changes in assets and liabilities		
Accounts receivable	(5,359)	4,334
Pledges receivable	(35,089)	(7,000)
Accounts payable	6,145	(897)
Accrued liabilities	24	3,309
Net cash applied to operating activities	<u>32,213</u>	<u>(57,281)</u>
Cash Flows From Investing Activities		
Acquisition of equipment	<u>(5,104)</u>	<u>(1,453)</u>
Increase (decrease) in cash	27,109	(58,734)
Cash at beginning of year	<u>147,287</u>	<u>206,021</u>
Cash at end of year	<u><u>\$ 174,396</u></u>	<u><u>147,287</u></u>

See Notes to Financial Statements.

ALBUQUERQUE MEALS ON WHEELS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Management and				Total
	Meal Delivery	Deli & Catering	Total Programs	General	
Personnel expenses:					
Salaries	\$ 254,872	50,223	305,095	49,712	379,049
Payroll taxes	20,142	4,101	24,243	3,782	29,872
Employee benefits	9,692	341	10,033	1,822	12,471
Total personnel expenses	284,706	54,665	339,371	55,316	421,392
Bad debt expense	9,771	-	9,771	-	9,771
Direct costs of meal program	309,215	-	309,215	-	309,215
Donated vehicle mileage (Note 7)	65,567	-	65,567	-	65,567
Occupancy (Note 7)	107,444	2,009	109,453	47,425	156,878
Equipment expenses	26,724	4,339	31,063	3,992	35,918
Contract and professional fees	4,777	11,773	16,550	26,439	48,822
Marketing	-	14	14	-	6,382
Volunteer expense	7,149	-	7,149	-	7,149
Insurance	39,435	-	39,435	3,209	42,644
Office expenses	7,386	325	7,711	1,755	10,238
Professional development	271	-	271	2,611	2,987
Bank and service charges	5,341	2,981	8,322	1,628	10,224
Other expenses	-	-	-	3,323	3,323
Total expenses before depreciation	867,786	76,106	943,892	145,698	1,130,510
Depreciation	11,506	-	11,506	-	11,506
Total expenses	\$ 879,292	76,106	955,398	145,698	1,142,016

See Notes to Financial Statements.

ALBUQUERQUE MEALS ON WHEELS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Management and				Total
	Meal Delivery	Deli & Catering	Programs	General	
Personnel expenses:					
Salaries	\$ 258,082	38,875	296,957	55,416	367,932
Payroll taxes	20,772	2,951	23,723	4,207	29,120
Employee benefits	8,278	1,372	9,650	1,806	11,837
Total personnel expenses	287,132	43,198	330,330	61,429	408,889
Direct costs of meal program	247,298	-	247,298	-	247,298
Donated vehicle mileage (Note 7)	60,934	-	60,934	-	60,934
Occupancy (Note 7)	104,977	2,999	107,976	46,563	154,539
Equipment expenses	42,205	3,155	45,360	7,614	52,974
Contract and professional fees	1,825	347	2,172	13,907	16,079
Marketing	5,504	727	6,231	-	6,231
Volunteer expense	5,016	-	5,016	-	5,016
Insurance	16,100	4,311	20,411	5,661	26,072
Office expenses	4,398	200	4,598	4,114	8,712
Professional development	4,593	-	4,593	-	4,593
Bank and service charges	7,919	-	7,919	-	7,919
Other expenses	3,829	(807)	3,022	957	3,979
Total expenses before depreciation	791,730	54,130	845,860	140,245	1,003,235
Depreciation	8,791	-	8,791	-	8,791
Total expenses	\$ 800,521	54,130	854,651	140,245	1,012,026

See Notes to Financial Statements.

ALBUQUERQUE MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Activity. Albuquerque Meals on Wheels, Inc. (MOW), located in Albuquerque, New Mexico is a not-for-profit organization formed in 1972. The mission of MOW is to nourish bodies and spirits with balanced meals and friendship. MOW prepares and delivers nutritious meals to homebound disabled and the elderly to help ensure their dietary health and other needs are met. There are no restrictions on age or disability, and clients may or may not be homebound while receiving services. MOW is currently the only home delivered meal program in the greater Albuquerque area preparing special medical diets.

MOW programs include a Low Income Medical Meal Program which provides meals to homebound clients at no charge, or at a reduced charge. These meals are subsidized by grants and donations, and clients' eligibility for this program is based on household income requirements. The mission of MOW is largely accomplished by the army of volunteers who deliver meals each day, and care for those on their routes. Currently, MOW serves over 122,000 meals annually.

Basis of Presentation. The accompanying financial statements are prepared in accordance with the Not-for-Profit Organizations Audit Guide issued by the American Institute of Certified Public Accountants. Net assets of Albuquerque Meals on Wheels, Inc. and changes therein are classified and reported as follows:

Unrestricted Net Assets. Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

Temporarily Restricted Net Assets. Net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets. Net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor imposed restrictions.

Contributions. Contributions received, including unconditional promises to give, are recorded in the year received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Non-cash donations of goods are recorded at their estimated fair value at the date of donation.

Donated Services. Albuquerque Meals on Wheels, Inc. recognizes any donated services which require specific expertise to perform the services that otherwise would have been paid for if not donated. The value of such services is recorded at the fair value of such services. MOW receives a substantial amount of services donated by volunteers. No amounts have been reflected for those services since they do not meet the above requirements.

ALBUQUERQUE MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment. Purchased property and equipment is recorded at cost. Donated property is recorded at the estimated fair value at the date of donation. Assets are capitalized that have a useful life in excess of two years and cost in excess of \$1,500. Maintenance, repairs and renewals, which neither materially add to the value nor appreciably prolong its life, are expensed. Depreciation on buildings and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are five to seven years for furnishings, equipment and vehicles.

Functional Allocation of Expenses. The costs of providing services and various programs and supporting services have been allocated to functions in the Statements of functional expenses based on relative costs in each program or project. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising. MOW uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred.

Income Taxes. The organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

MOW adopted FASB Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and disclosure required. MOW has no unrecognized tax benefit which would require an adjustment to the January 1, 2014 beginning balance of net assets and had no unrecognized tax benefits at December 31, 2014. MOW files an exempt organization return in the U.S. federal jurisdiction. MOW is no longer subject to income tax examinations by taxing authorities for years beginning before 2011 for its federal filings.

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

Fair Value of Financial Instruments. In determining fair value, MOW uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

There are three general valuation techniques that may be used to measure fair value, as described below:

Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades or other sources.

Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

NOTE 2. PLEDGES RECEIVABLE

During the spring each year, MOW is notified of the amount of allocation of United Way funds it will be receiving during the upcoming year from July through June. The amount of the expected funding from United Way is recorded as a pledge receivable in the year in which notification is received. It is recognized as temporarily restricted contributions in the statements of activities until funds are received, at which time it is recorded as a release from restriction.

ALBUQUERQUE MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3. ENDOWMENT FUND INVESTMENTS

Investments are presented in the financial statements at fair value based on quoted market prices (Level 1). Fair values, cost and unrealized appreciation (depreciation) consist of the following:

2014

	Cost	Fair Value	Appreciation (Depreciation)
Cash	\$ 2,521	2,521	-
Mutual funds	<u>156,935</u>	<u>167,164</u>	<u>10,229</u>
	<u>\$ 159,456</u>	<u>169,685</u>	<u>10,229</u>

	Cost	Market Value	Excess (Deficit) Market or Cost
Balance at end of year	<u>\$ 159,456</u>	<u>\$ 169,685</u>	\$ 10,229
Balance at beginning of year	<u>\$ 146,205</u>	<u>\$ 163,881</u>	<u>17,676</u>
Unrealized loss			<u>\$ (7,447)</u>

2013

	Cost	Fair Value	Appreciation (Depreciation)
Cash	\$ 3,638	3,638	-
Mutual funds	<u>142,567</u>	<u>160,243</u>	<u>17,676</u>
	<u>\$ 146,205</u>	<u>163,881</u>	<u>17,676</u>

	Cost	Market Value	Excess (Deficit) Market or Cost
Balance at end of year	<u>\$ 146,205</u>	<u>\$ 163,881</u>	\$ 17,676
Balance at beginning of year	<u>\$ 136,910</u>	<u>\$ 143,161</u>	<u>6,251</u>
Unrealized gain			<u>\$ 11,425</u>

ALBUQUERQUE MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3. ENDOWMENT FUND INVESTMENTS (CONTINUED)

Net investment income consists of the following:

	2014	2013
Dividends and interest	\$ 8,796	6,095
Realized gains (losses)	6,924	5,413
Unrealized gains (losses)	(7,447)	11,425
Investment fees	<u>(2,469)</u>	<u>(2,213)</u>
	<u>\$ 5,804</u>	<u>20,720</u>

NOTE 4. ALBUQUERQUE COMMUNITY FOUNDATION ENDOWMENT

MOW established a donor-restricted endowment fund at the Albuquerque Community Foundation (ACF) to be used to support the operations of MOW (Level 3). The funds are to be permanently set aside to provide resources for the benefit of MOW. The 2014 balance consists of permanently restricted principal contributions of \$44,683 plus \$15,403 of accumulated earnings temporarily restricted until distributed to support the operations of MOW. The 2013 balance consists of permanently restricted principal contributions of \$44,683 plus \$12,267 of accumulated earnings temporarily restricted until distributed to support the operations of MOW

NOTE 5. DESIGNATED NET ASSETS

As discussed in Notes 3 and Note 9, The Board of Directors of MOW has established an endowment fund to help ensure the future of MOW. There were no donor restricted contributions to the endowment fund.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are comprised of:

	2014	2013
Pledges receivable (time restricted):		
United Way of Central NM	\$ 37,089	27,000
Anderson Foundation	25,000	-
Purpose restricted contributions:		
Low Income Medical Meals Program	98,633	48,117
Pet Food Program	3,196	2,294
Kitchen	7,901	-
Other	795	-
Albuquerque Community Foundation		
Endowment earnings	<u>15,403</u>	<u>12,267</u>
	<u>\$ 188,017</u>	<u>89,678</u>

ALBUQUERQUE MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Releases of temporarily restricted net assets at December 31 are comprised of:

	2014	2013
Low Income Medical Meals Program	\$ 143,468	131,229
Social Purpose Workplace Initiative	22,115	-
Pet Food Program	2,881	828
Kitchen equipment	<u>1,099</u>	<u>2,616</u>
	<u>\$ 169,563</u>	<u>134,673</u>

NOTE 7. DONATED SERVICES AND FACILITIES

MOW has an agreement with Presbyterian Health Care Services (PHCS) to lease the office and kitchen facilities in which they conduct their operations. The terms of the lease include annual rent of \$1.00 per year. Additionally, PHCS pays the utilities associated with the leased space. The difference between the fair market value of the facility rent and utilities and the amount paid is recorded as a non-cash contribution and as occupancy expense. In addition, volunteers use their own vehicles to provide meals to the MOW clients, a cost which would be required to be paid by MOW if not donated. During the year ended December 31, 2014, MOW reported \$145,537 of donated rent and utilities and \$65,567 of donated vehicle mileage costs. During the year ended December 31, 2013, MOW reported \$142,951 of donated rent and utilities and \$60,934 of donated vehicle mileage costs. The following is a schedule of unrecorded hours donated to MOW during the year, by area:

Coordinators	2,730
Drivers	18,850
Kitchen office	1,040
Kitchen	<u>4,472</u>
Total	<u>27,092</u>

NOTE 8. CONCENTRATION OF RISK

As previously noted, Presbyterian Hospital donates the facilities used by MOW to conduct its operations. If this support were to end, the services provided by MOW could be significantly reduced in scope.

Additionally, MOW has a contract to provide meal services for a local adult daycare program. During 2014 and 2013, this contract provided approximately 30% and 30%, respectively, of all program service revenue. If this contract were to terminate, the services provided by MOW could be significantly reduced in scope.

ALBUQUERQUE MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 9. ENDOWMENTS

Effective July 1, 2009, the State of New Mexico enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to funds existing on or established after that date. MOW adopted the provisions of FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and*

Enhanced Disclosures for All Endowment Funds (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The MOW endowment consists of funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

Based on the interpretation of UPMIFA by the Board of Directors of MOW, the guidance in FSP 117-1, and absent explicit donor stipulations to the contrary, MOW classifies the endowment contributions made at the direction of the donor as permanently restricted net assets. The remaining portion of any donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by MOW in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

1. The duration and preservation of the fund
2. The purposes of MOW and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MOW
7. The investment policies of MOW

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. MOW currently has no such deficiencies.

NOTE 9. ENDOWMENTS (CONTINUED)

(c) To fulfill the stated objectives of the endowment, current funds, as well as future contributions made to the endowment, will remain invested for long term growth until such time as the board shall determine that all or part of the endowment shall be used to provide an income stream for specific MOW operational expenses. Under this policy, as approved by the Board of Directors, the endowment assets are invested with the care, skill, prudence, and diligence under circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims. Investment of each fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. All donor-restricted endowment contributions have been invested with the Albuquerque Community Foundation (ACF). As a result of the irrevocable transfer, the spending policy and investment objectives of the endowment are determined by the Board of Directors of the ACF. Accordingly, the amount and timing of distributions to MOW are determined by the ACF, although MOW may elect to receive all or part of each distribution.

(d) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, MOW relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MOW targets a diversified asset allocation, with a goal to protect the purchasing power of the assets from inflation. Total return is expected to outperform a benchmark composite return for a similar asset mix.

(e) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

To fulfill the stated objectives of the endowment, current funds, as well as future contributions made to the endowment, will remain invested for long term growth until such time as the board shall determine that all or part of the endowment shall be used to provide an income stream for specific MOW operational expenses.

The board may choose to utilize or borrow funds from the endowment in the event of “extraordinary circumstances or opportunity”. Such an event must be deemed a necessary or of significant benefit to the long term health of MOW.

ALBUQUERQUE MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 9. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31 are as follows:

	2014			
	Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets 12-31-13	\$ 163,881	12,267	44,683	220,831
Investment return:				
Investment income	13,251	3,136	-	16,387
Net appreciation (depreciation)	(7,447)	-	-	(7,447)
Total investment return	5,804	3,136	-	8,940
Contributions	-	-	-	-
Appropriated for expenditure	-	-	-	-
Endowment net assets 12-31-14	<u>\$ 169,685</u>	<u>15,403</u>	<u>44,683</u>	<u>229,771</u>
	2013			
	Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets 12-31-12	\$ 143,161	8,015	44,683	195,859
Investment return:				
Investment income	9,295	4,252	-	13,547
Net appreciation (depreciation)	11,425	-	-	11,425
Total investment return	20,720	4,252	-	24,972
Contributions	-	-	-	-
Appropriated for expenditure	-	-	-	-
Endowment net assets 12-31-13	<u>\$ 163,881</u>	<u>12,267</u>	<u>44,683</u>	<u>220,831</u>

NOTE 10. SUBSEQUENT EVENTS

MOW evaluated subsequent events after the balance sheet date of December 31, 2014 through May 6, 2015, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

ALBUQUERQUE MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11. RELATED PARTY TRANSACTION

One of the board members is a partner of the accounting firm that provides financial services to MOW. These services began in 2014. During the year ended December 31, 2014, MOW incurred \$16,050 in fees for these services.