

ALBUQUERQUE MEALS ON WHEELS, INC.

Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2021 and 2020

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SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Meals on Wheels of Albuquerque
Albuquerque, New Mexico

Opinion

We have audited the accompanying financial statements of Meals on Wheels of Albuquerque (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels of Albuquerque as of December 31, 2021, and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Meals on Wheels of Albuquerque and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Meals on Wheels of Albuquerque's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Meals on Wheels of Albuquerque's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Meals on Wheels of Albuquerque's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

May 11, 2022
Albuquerque, New Mexico

ALBUQUERQUE MEALS ON WHEELS, INC.

Statements of Financial Position

December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 1,824,960	\$ 1,557,545
Accounts receivable, net of allowance	121,237	126,901
Pledges receivable	50,561	103,513
Inventory	32,134	35,871
Prepaid expenses	28,956	9,653
	<u>2,057,848</u>	<u>1,833,483</u>
Total current assets	2,057,848	1,833,483
Property and equipment, net	19,969	19,265
Other assets		
Investments, board-designated endowment fund	160,917	148,241
Albuquerque Community Foundation Endowment	87,270	74,387
	<u>248,187</u>	<u>222,628</u>
Total other assets	248,187	222,628
Total assets	<u>\$ 2,326,004</u>	<u>\$ 2,075,376</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 37,326	\$ 34,273
Accrued liabilities	44,547	47,610
	<u>81,873</u>	<u>81,883</u>
Total current liabilities	81,873	81,883
Paycheck Protection Program (PPP) - Refundable Advance	-	107,923
	<u>81,873</u>	<u>189,806</u>
Total liabilities	81,873	189,806
Net assets		
Without donor restrictions		
Undesignated	1,742,950	1,334,070
Designated endowment fund	159,644	148,241
Designated - other	4,685	4,685
	<u>1,907,279</u>	<u>1,486,996</u>
Total net assets without donor restrictions	1,907,279	1,486,996
With donor restrictions		
Restricted for purpose	292,169	353,891
Restricted in perpetuity	44,683	44,683
	<u>336,852</u>	<u>398,574</u>
Total net assets with donor restrictions	336,852	398,574
Total net assets	<u>2,244,131</u>	<u>1,885,570</u>
Total liabilities and net assets	<u>\$ 2,326,004</u>	<u>\$ 2,075,376</u>

See independent auditors' report and notes to the financial statements

ALBUQUERQUE MEALS ON WHEELS, INC.

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Meal delivery	\$ 519,659	\$ -	\$ 519,659
Contributions	433,084	373,813	806,897
In-kind contributions	253,684	-	253,684
Special events and appeals income	399,683	-	399,683
Board-designated endowment income, net	11,403	-	11,403
Perpetual endowment income, net	12,883	-	12,883
Net assets released from restrictions	435,535	(435,535)	-
	<u>2,065,931</u>	<u>(61,722)</u>	<u>2,004,209</u>
Total revenue and support			
Expenses			
Program services			
Meal delivery	1,225,907	-	1,225,907
Deli and catering	15,453	-	15,453
Management and general	110,730	-	110,730
Fundraising	293,558	-	293,558
	<u>1,645,648</u>	<u>-</u>	<u>1,645,648</u>
Total expenses			
Changes in net assets	420,283	(61,722)	358,561
Net assets, beginning of year	1,486,996	398,574	1,885,570
Net assets, end of year	<u>\$ 1,907,279</u>	<u>\$ 336,852</u>	<u>\$ 2,244,131</u>

See independent auditors' report and notes to the financial statements

ALBUQUERQUE MEALS ON WHEELS, INC.

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Meal delivery	\$ 702,233	\$ -	\$ 702,233
Contributions	1,351,334	514,858	1,866,192
In-kind contributions	256,187	-	256,187
Special events and appeals income	226,450	73,002	299,452
Deli and catering	10,528	-	10,528
Board-designated endowment income, net	11,697	-	11,697
Perpetual endowment loss, net	6,758	-	6,758
Net assets released from restrictions	454,892	(454,892)	-
	<u>3,020,079</u>	<u>132,968</u>	<u>3,153,047</u>
Total revenue and support			
	3,020,079	132,968	3,153,047
Expenses			
Program services			
Meal delivery	1,407,408	-	1,407,408
Deli and catering	35,981	-	35,981
Management and general	108,386	-	108,386
Fundraising	185,120	-	185,120
	<u>1,736,895</u>	<u>-</u>	<u>1,736,895</u>
Total expenses			
	1,736,895	-	1,736,895
Changes in net assets	1,283,184	132,968	1,416,152
Net assets, beginning of year	203,812	265,606	469,418
Net assets, end of year	<u>\$ 1,486,996</u>	<u>\$ 398,574</u>	<u>\$ 1,885,570</u>

See independent auditors' report and notes to the financial statements

ALBUQUERQUE MEALS ON WHEELS, INC.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets	\$ 358,561	\$ 1,416,152
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,186	1,351
Albuquerque Community Foundation earnings	(11,400)	(6,758)
Investment dividends, net	(2,685)	(1,401)
Realized gain on sale of securities	-	(1,243)
Unrealized gain on marketable securities	(11,474)	(9,053)
Decrease (Increase) in operating assets:		
Accounts receivable	5,664	(45,837)
Pledges receivable	52,952	(18,331)
Inventory	3,737	8,046
Prepaid expenses	(19,303)	11,149
Increase (decrease) in operating liabilities:		
Accounts payable	3,053	(28,360)
Accrued liabilities	(3,063)	1,140
Paycheck Protection Program (PPP) - Refundable Advance	(107,923)	107,923
Net cash provided by operating activities	270,305	1,434,778
Cash flows from investing activities		
Purchases of property and equipment	(2,890)	(5,307)
Net cash used by investing activities	(2,890)	(5,307)
Net increase in cash	267,415	1,429,471
Cash and cash equivalents, beginning of year	1,557,545	128,074
Cash and cash equivalents, end of year	<u>\$ 1,824,960</u>	<u>\$ 1,557,545</u>

See independent auditors' report and notes to the financial statements

ALBUQUERQUE MEALS ON WHEELS, INC.

Statement of Functional Expenses

For the year ended December 31, 2021

	Program Services		Management and General	Fundraising	Total
	Meal Delivery	Deli and Catering			
Personnel expenses					
Salaries	\$ 406,560	\$ -	\$ 25,916	\$ 90,986	\$ 523,462
Payroll taxes	28,688	-	2,007	7,030	37,725
Employee benefits	30,354	-	1,498	4,454	36,306
Total personnel expenses	465,602	-	29,421	102,470	597,493
Direct costs of meal program	297,124	-	-	-	297,124
Contract and professional fees	116,435	2,001	9,006	99,235	226,677
Occupancy	102,093	10,249	53,111	-	165,453
Office expenses	62,870	1,966	14,523	13,858	93,217
Other expenses	15,041	26	115	69,765	84,947
Donated vehicle mileage	73,316	-	-	-	73,316
Volunteer expense	24,609	-	-	-	24,609
Equipment	20,148	171	2,422	1,269	24,010
Advertising	16,531	61	104	2,278	18,974
Insurance	16,535	-	2,028	-	18,563
Bank and service charges	10,879	979	-	4,648	16,506
Bad debt expense	2,152	-	-	-	2,152
Professional development	386	-	-	35	421
Total expenses before depreciation	1,223,721	15,453	110,730	293,558	1,643,462
Depreciation	2,186	-	-	-	2,186
Total expenses	<u>\$ 1,225,907</u>	<u>\$ 15,453</u>	<u>\$ 110,730</u>	<u>\$ 293,558</u>	<u>\$ 1,645,648</u>

See independent auditors' report and notes to the financial statements

ALBUQUERQUE MEALS ON WHEELS, INC.

Statement of Functional Expenses

For the year ended December 31, 2020

	Program Services		Management and General	Fundraising	Total
	Meal Delivery	Deli and Catering			
Personnel expenses					
Salaries	\$ 478,282	\$ 10,039	\$ 30,679	\$ 35,675	\$ 554,675
Payroll taxes	42,424	770	2,206	2,545	47,945
Employee benefits	26,318	577	1,579	1,746	30,220
Total personnel expenses	547,024	11,386	34,464	39,966	632,840
Direct cost of meal program	414,857	7,582	-	-	422,439
Contract and professional fees	81,207	1,681	8,702	86,462	178,052
Occupancy	100,282	10,067	52,169	-	162,518
Office expenses	55,646	2,183	7,161	7,786	72,776
Other expenses	32,070	1,425	481	40,559	74,535
Donated vehicle mileage	76,301	-	-	-	76,301
Volunteer expense	21,645	-	-	-	21,645
Equipment	23,603	217	3,055	541	27,416
Advertising	9,702	20	-	907	10,629
Insurance	18,210	-	1,354	2,794	22,358
Bank and service charges	12,653	1,420	-	6,105	20,178
Bad debt expense	12,857	-	-	-	12,857
Professional development	-	-	1,000	-	1,000
Total expenses before depreciation	1,406,057	35,981	108,386	185,120	1,735,544
Depreciation	1,351	-	-	-	1,351
Total expenses	<u>\$ 1,407,408</u>	<u>\$ 35,981</u>	<u>\$ 108,386</u>	<u>\$ 185,120</u>	<u>\$ 1,736,895</u>

See independent auditors' report and notes to the financial statements

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 1 - NATURE OF ORGANIZATION

Albuquerque Meals on Wheels, Inc. (the Organization), is a New Mexico nonprofit organization that was formed in 1972. Its mission is to nourish bodies and spirits with balanced meals and friendship. The Organization prepares and delivers nutritious meals to homebound disabled and elderly members of the community to 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. The Organization is currently the only home-delivered meal program in the Greater Albuquerque Area preparing special medical diets.

The Organization's programs include Low Income Food Enrichment (LIFE), 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 the Organization is largely accomplished by the volunteers who deliver meals each day and care for those on their routes. Currently, the Organization serves over 122,000 meals annually.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Presentation

The Organization's financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 2016-14, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Organization is required to present a statement of cash flows and a statement of functional expenses.

Basis of Accounting

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

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 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 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Major estimates of the Organization include depreciable lives and estimated residual value of property and equipment.

Concentrations of Credit Risk

The Organization maintains its cash balances in various financial institutions located in Albuquerque, New Mexico. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the Organization's cash balances have exceeded federally insured limits. As of December 31, 2021, and 2020, there were \$567,447 and \$1,197,017 of uninsured balances, respectively. Management does not consider there to be significant risk from uninsured balances.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued expenses, and other liabilities approximate fair value due to the short maturity periods of these instruments.

Revenue Recognition

The Organization's financial states are presented in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. Under, ASC 2014-09 the Organization is required to recognize revenue to transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Revenue recognition for the Organization is as follows:

Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. We

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Grants (continued)

report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Contributions received and contributions made

The Organization adopted FASB ASU No. 2018-08 – *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. To accomplish this, the ASU clarifies how a not-for-profit organization determines whether a resource provider is receiving value in return for the resources transferred based on the following criteria:

- A resource provider (including a private foundation, a government agency, or other) is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider.
- Execution of a resource provider's mission or the positive sentiment from acting as a donor would not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange.

In addition, this ASU also requires an organization to determine whether a contribution is conditional based on whether the agreement includes a barrier that must be overcome or whether a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Functional Expense Allocation

Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Common costs are allocated among the classifications benefited based upon estimated usage.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly-liquid investments with original maturity dates of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts Receivable

Accounts receivable consist of amounts due from customers for services rendered. Management reviews the collectability of its receivables and records a reserve for its estimate of uncollectible accounts. Historical bad debts and current facts and circumstances are the primary bases for this estimate.

The Organization had bad debt expense of \$2,152 and \$12,857 for the years ended December 31, 2021, and 2020, respectively. An allowance in the amount of zero has been recorded as of December 31, 2021, and 2020.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

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 cost in excess of \$1,500 and an estimated useful life in excess of two years. Maintenance, repairs, and renewals, which neither materially add to the value nor appreciably prolong its life, are expensed. Depreciation is computed using primarily the straight-line method over the estimated useful life of the assets ranging from five to seven years.

Investments

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair values in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. If restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized, the investment income is reported as without donor restrictions.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted accounting principles generally accepted in the United States of America as they related to uncertain tax positions for the year ended December 31, 2021, and has evaluated its tax positions taken for all open tax years. Management believes that the activities of the Organization are within their tax-exempt purpose and that there are no uncertain tax positions.

Revenue and Support

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received.

All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets.

Unconditional and Conditional Promises to Give

Contributions received, including unconditional promises to give, are recognized at fair value as revenues in the period received. Additionally, contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Materials and Services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services (continued)

Donated services are recognized as contributions in accordance with FASB ASC 958-605 *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, performed by people with those skills, which would otherwise be purchased by the Organization. No amounts have been recorded in the financial statements as they do not meet the criteria for recognition; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's programs.

Advertising

The costs of advertising are expensed as incurred. Advertising expenses incurred for the years ended December 31, 2021, and 2020 were \$18,974 and \$10,629, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 3 - PLEDGES RECEIVABLE

Bad debt history and current facts and circumstances are the primary bases for this estimate. When a pledge is deemed uncollectible, it is charged off against the allowance. There were no pledges deemed uncollectible as of December 31, 2021, and 2020.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Equipment and furnishings	\$ 73,266	\$ 72,326
Vehicles	49,181	49,181
Total property and equipment	122,447	121,507
Accumulated depreciation	(102,478)	(102,242)
Property and equipment, net	<u>\$ 19,969</u>	<u>\$ 19,265</u>

Depreciation expense totaled \$2,186 and \$1,351 for the years ended December 31, 2021, and 2020, respectively.

NOTE 5 - INVESTMENTS, BOARD DESIGNATED ENDOWMENT FUND

The cost, fair value, and unrealized depreciation of investments as of December 31, 2021, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 3,717	\$ 3,717	\$ -
Mutual funds	131,672	157,200	25,528
Total investments	<u>\$ 135,389</u>	<u>\$ 160,917</u>	<u>\$ 25,528</u>

Investment income consists of the following for the year ended December 31, 2021:

Dividends and interest income	\$ 1,412
Unrealized gains	9,991
Total investment gains	11,403
Investment fees	(1,273)
Net investment income	<u>\$ 10,130</u>

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 5 - INVESTMENTS, BOARD DESIGNATED ENDOWMENT FUND (continued)

The cost, fair value, and unrealized depreciation of investments as of December 31, 2020, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 67,639	\$ 67,639	\$ -
Mutual funds	57,139	79,109	21,970
Equity securities	911	1,493	582
Total investments	<u>\$ 125,689</u>	<u>\$ 148,241</u>	<u>\$ 22,552</u>

Investment income consists of the following for the year ended December 31, 2020:

Dividends and interest income	\$ 1,701
Realized gains	1,243
Unrealized gains	<u>9,053</u>
Total investment gains	11,997
Investment fees	<u>(300)</u>
Net investment income	<u>\$ 11,697</u>

NOTE 6 - BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions have been designated for the following as of December 31:

	<u>2021</u>	<u>2020</u>
UNA Funds	\$ 1,792	\$ 1,792
UNA Estate	2,893	2,893
Endowment Fund	<u>160,917</u>	<u>148,241</u>
Total designated net assets	<u>\$ 165,602</u>	<u>\$ 152,926</u>

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
LIFE	\$ 217,279	\$ 241,091
Love on a Leash	48,310	33,912
Local Harvest	12,501	17,501
Kitchen	-	99
Other	14,079	61,288
Restricted in perpetuity	<u>44,683</u>	<u>44,683</u>
Total net assets with donor restrictions	<u>\$ 336,852</u>	<u>\$ 398,574</u>

NOTE 8 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
LIFE	\$ 417,416	\$ 273,338
Love on a Leash	11,869	3,663
Kitchen	100	1,120
Other	<u>6,150</u>	<u>176,771</u>
Total net assets released from donor restrictions	<u>\$ 435,535</u>	<u>\$ 454,892</u>

NOTE 9 - ENDOWMENTS

The Organization's endowment funds include both donor-restricted and Board-designated assets. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include monies designated for endowment purposes pursuant to the Board of Director's resolution and monies that have been appropriated for expenditures but are retained in the investment portfolio to earn better returns.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 9 - ENDOWMENTS (continued)

Endowment Net Assets Composition by Type of Fund as of December 31, 2021:

	Board Designated	Restricted for Time or Purpose	Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 42,587	\$ 44,683	\$ 87,270
Board designated endowment funds	159,644	-	-	159,644
Total	\$ 159,644	\$ 42,587	\$ 44,683	\$ 246,914

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021:

	Board Designated	Restricted for Time or Purpose	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 148,241	\$ 29,704	\$ 44,683	\$ 222,628
Investment return:				
Dividends and interest income	1,412	1,483	-	2,895
Net appreciation (realized and unrealized)	9,991	11,400	-	21,391
Total investment return	11,403	12,883	-	24,286
Appropriation of endowment assets for expenditure	-	-	-	-
Other changes:				
Contributions	-	-	-	-
Endowment net assets, end of year	\$ 159,644	\$ 42,587	\$ 44,683	\$ 246,914

Endowment Net Assets Composition by Type of Fund as of December 31, 2020:

	Board Designated	Restricted for Purpose	Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 29,704	\$ 44,683	\$ 74,387
Board designated endowment funds	148,241	-	-	148,241
Total	\$ 148,241	\$ 29,704	\$ 44,683	\$ 222,628

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 9 - ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020:

	<u>Board Designated</u>	<u>Restricted for Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 136,544	\$ 22,946	\$ 44,683	\$ 204,173
Investment return:				
Dividends and interest income	2,644	741	-	3,385
Net depreciation (realized and unrealized)	9,053	6,017	-	15,070
Total investment return	11,697	6,758	-	18,455
Appropriation of endowment assets for expenditure	-	-	-	-
Other changes:				
Contributions	-	-	-	-
Endowment net assets, end of year	<u>\$ 148,241</u>	<u>\$ 29,704</u>	<u>\$ 44,683</u>	<u>\$ 222,628</u>

Interpretation of Relevant Law

The Organization complies with the New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has adopted its statement of investment policy in accordance with UPMIFA. The Organization classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted for time or purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence.

The Organization considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation/depreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 9 - ENDOWMENTS (continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the consumer price index (CPI) plus 4%, net of expenses, while assuming a moderate level of investment risk. The Organization recognizes the need to accept the inherent risks of various investments, including the diminution of principal during periodic market fluctuations. The Organization will assess the portfolio as a whole in measuring risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation to achieve long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowments while seeking to maintain the purchasing power of the endowments. In determining the prudent amount to distribute in a given year, the Organization considers the donor's intent that the fund continues in perpetuity, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The Organization's current spending policy is to distribute an amount as determined each year by the Board of Directors.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund in perpetuity. In accordance with accounting principles generally accepted in the United States of America, the deficiencies are reported as unrestricted net assets. There were no such deficiencies as of December 31, 2021, and 2020.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 10 - FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that 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 that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability'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. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used on December 31, 2021, and 2020.

Although not required, the table below includes cash restricted for long-term purposes to reconcile the tables to the statements of financial position.

Money Market Funds: Valued at the net asset value for shares held by the Organization as of year-end as determined by quoted market prices.

Mutual funds and equity securities: Valued at the net asset value for shares held by the Organization as of year-end as determined by quoted market prices.

Albuquerque Community Foundation (ACF) funds: Valued at the net realizable value for shares held by the Organization as of year-end as determined by quoted market prices.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 10 - FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,717	\$ -	\$ -	\$ 3,717
Mutual funds	157,200	-	-	157,200
ACF funds	-	87,270	-	87,270
Total fair market value	<u>\$ 160,917</u>	<u>\$ 87,270</u>	<u>\$ -</u>	<u>\$ 248,187</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 67,639	\$ -	\$ -	\$ 67,639
Mutual funds	79,109	-	-	79,109
Equity securities	1,493	-	-	1,493
ACF funds	-	74,387	-	74,387
Total fair market value	<u>\$ 148,241</u>	<u>\$ 74,387</u>	<u>\$ -</u>	<u>\$ 222,628</u>

NOTE 11 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The Organization was not under obligation to pay interest or income taxes for the years ended December 31, 2021, and 2020. The Organization did not have any non-cash transaction activity for the years ended December 31, 2021, and 2020.

NOTE 12 - LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Organization receives support without donor restrictions, which represented approximately 81% of annual program funding in 2021 and 2020, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 12 - LIQUIDITY AND AVAILABILITY (continued)

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

As part of the Organization's liquidity management, it ensures its financial assets are available as its general expenditures, liabilities and other obligations come due. As of December 31, 2021, and 2020, the Organization had working capital of approximately \$1,975,975 and \$1,751,600 and average days cash on hand of 405 days and 327 days, respectively.

The Organization manages its cash available to meet general expenditures following two guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that obligations and commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

Financial assets available for general expenditures within one year as of December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 1,824,960	\$ 1,557,545
Accounts receivable, net of allowance	121,237	126,901
Pledges receivable	50,561	103,513
Investments, board designated endowment fund	160,917	148,241
Albuquerque Community Foundation endowment	87,270	74,387
Total financial assets	<u>2,244,945</u>	<u>2,010,587</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(336,852)	(398,574)
Plus net assets with purpose restrictions expected to be met within one year	<u>300,000</u>	<u>300,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,208,093</u>	<u>\$ 1,912,013</u>

ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 13 - LEASES

The Organization currently has operating leases for equipment that will expire at various dates through 2025. Rental expenses related to the operating leases totaled \$7,516 and \$7,213 for the years ended December 31, 2021, and 2020, respectively, and are included in “Equipment” in the statements of functional expenses. Minimum future lease payments under these operating leases are as follows for the years ended December 31:

2022	\$	5,868
2023		5,868
2024		5,868
2025		<u>2,934</u>
Total	\$	<u><u>20,538</u></u>

NOTE 14 - RETIREMENT PLAN

The Organization formed a 403(b) plan in 2004 for its employees. Employees are eligible to participate at their date of hire. The plan does not match any of the employee’s contributions.

NOTE 15 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events after the balance sheet date of December 31, 2021, through May 11, 2022, which was the date the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended December 31, 2021.