

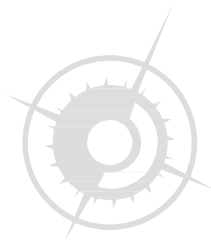
**ALBUQUERQUE MEALS ON WHEELS, INC.**

Financial Statements  
and  
Independent Auditors' Report

For the Years Ended  
December 31, 2019 and 2018

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SCHLENKER & CANTWELL, P.A.  
Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Albuquerque Meals on Wheels, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

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

***Emphasis of Matter – Uncertainty Related to the COVID-19 Outbreak***

As discussed in Note 15 to the financial statements, the State of New Mexico has issued a stay-at-home order affecting Albuquerque Meals on Wheels, Inc. as a result of the COVID-19 outbreak. The extent to which the outbreak may impact Albuquerque Meals on Wheels, Inc. will depend on future developments, which are highly uncertain and cannot be predicted. Our opinion is not modified with respect to this matter.

*Schlenker & Cantwell, P.A.*

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SCHLENKER & CANTWELL, P.A.  
Certified Public Accountants

July 15, 2020  
Albuquerque, New Mexico

**ALBUQUERQUE MEALS ON WHEELS, INC.**

## Statements of Financial Position

December 31, 2019 and 2018

**ASSETS**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Current assets		
Cash and cash equivalents	\$ 128,074	\$ 158,439
Accounts receivable, net of allowance	81,064	43,741
Pledges receivable	85,182	68,670
Inventory	43,917	24,534
Prepaid expenses	<u>20,802</u>	<u>24,905</u>
Total current assets	359,039	320,289
Property and equipment, net	15,309	16,923
Other assets		
Investments, board designated endowment fund	136,544	192,194
Albuquerque Community Foundation endowment	<u>67,629</u>	<u>61,142</u>
Total other assets	<u>204,173</u>	<u>253,336</u>
Total assets	<u><u>\$ 578,521</u></u>	<u><u>\$ 590,548</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 62,633	\$ 15,831
Accrued liabilities	<u>46,470</u>	<u>33,370</u>
Total current liabilities	<u>109,103</u>	<u>49,201</u>
Total liabilities	109,103	49,201
Net assets		
Without donor restrictions		
Undesignated	62,583	93,050
Designated endowment fund	136,544	192,194
Designated - other	<u>4,685</u>	<u>5,687</u>
Total net assets without donor restrictions	203,812	290,931
With donor restrictions		
Restricted for purpose	220,923	205,733
Restricted in perpetuity	<u>44,683</u>	<u>44,683</u>
Total net assets with donor restrictions	<u>265,606</u>	<u>250,416</u>
Total net assets	<u>469,418</u>	<u>541,347</u>
Total liabilities and net assets	<u><u>\$ 578,521</u></u>	<u><u>\$ 590,548</u></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, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and support			
Meal delivery	\$ 617,334	\$ -	\$ 617,334
Contributions	282,074	272,868	554,942
In-kind contributions	238,487	-	238,487
Special events and appeals income	95,806	56,372	152,178
Deli and catering, net	51,356	-	51,356
Board designated endowment income, net	29,060	-	29,060
Perpetual endowment income, net	8,917	-	8,917
Net assets released from restrictions	314,050	(314,050)	-
Total revenue and support	1,637,084	15,190	1,652,274
Expenses			
Program services			
Meal delivery	1,316,145	-	1,316,145
Deli and catering	62,866	-	62,866
Management and general	140,791	-	140,791
Fundraising	204,401	-	204,401
Total expenses	1,724,203	-	1,724,203
Changes in net assets	(87,119)	15,190	(71,929)
Net assets, beginning of year	290,931	250,416	541,347
Net assets, end of year	\$ 203,812	\$ 265,606	\$ 469,418

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, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and support			
Meal delivery	\$ 607,577	\$ -	\$ 607,577
Contributions	219,899	294,917	514,816
In-kind contributions	229,015	-	229,015
Special events and appeals income	109,287	31,501	140,788
Deli and catering	46,535	-	46,535
Board designated endowment loss, net	(13,558)	-	(13,558)
Perpetual endowment loss, net	(1,851)	-	(1,851)
Other income	4,212	-	4,212
Net assets released from restrictions	361,536	(361,536)	-
	<hr/>	<hr/>	<hr/>
Total revenue and support	1,562,652	(35,118)	1,527,534
Expenses			
Program services			
Meal delivery	1,302,929	-	1,302,929
Deli and catering	43,781	-	43,781
Management and general	124,180	-	124,180
Fundraising	97,547	-	97,547
	<hr/>	<hr/>	<hr/>
Total expenses	1,568,437	-	1,568,437
Changes in net assets	(5,785)	(35,118)	(40,903)
Net assets, beginning of year	296,716	285,534	582,250
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 290,931	\$ 250,416	\$ 541,347
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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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ (71,929)	\$ (40,903)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	1,614	5,738
Albuquerque Community Foundation (earnings) loss	(8,917)	1,851
Donated stock	-	(3,043)
Investment dividends, net	(1,519)	(1,035)
Realized gain on sale of securities	(16,152)	(14,412)
Unrealized (gain) loss on marketable securities	(11,389)	29,005
(Increase) decrease in operating assets:		
Accounts receivable	(37,323)	31,430
Pledges receivable	(16,512)	(10,668)
Inventory	(19,383)	(422)
Prepaid expenses	4,103	(19,442)
Increase (decrease) in operating liabilities:		
Accounts payable	46,802	(7,292)
Accrued liabilities	13,100	(10,366)
Net cash used by operating activities	(117,505)	(39,559)
Cash flows from investing activities		
Contributions to board designated endowment funds	(2,500)	(45,000)
Board designated endowment fund distributions	87,210	55,804
Albuquerque Community Foundation distribution	2,430	2,354
Net cash provided by investing activities	87,140	13,158
Net decrease in cash	(30,365)	(26,401)
Cash and cash equivalents, beginning of year	158,439	184,840
Cash and cash equivalents, end of year	<u>\$ 128,074</u>	<u>\$ 158,439</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, 2019

	<b>Program Services</b>		<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
	<b>Meal Delivery</b>	<b>Deli and Catering</b>			
Personnel expenses					
Salaries	\$ 433,313	\$ 23,937	\$ 40,772	\$ 30,731	\$ 528,753
Payroll taxes	35,210	1,823	3,669	2,383	43,085
Employee benefits	25,795	720	2,369	1,371	30,255
Total personnel expenses	494,318	26,480	46,810	34,485	602,093
Direct costs of meal program	474,264	22,093	-	-	496,357
Occupancy	98,515	9,889	51,249	-	159,653
Contract and professional fees	10,705	177	28,634	77,510	117,026
Donated vehicle mileage	78,165	-	-	-	78,165
Other expenses	19,116	1,339	288	68,226	88,969
Advertising	15,363	-	-	11,709	27,072
Office expenses	43,396	462	8,029	9,992	61,879
Equipment	27,751	381	2,340	483	30,955
Insurance	16,189	-	1,676	-	17,865
Bank and service charges	8,926	2,045	-	1,996	12,967
Volunteer expense	22,708	-	-	-	22,708
Professional development	4,244	-	1,765	-	6,009
Bad debt expense	871	-	-	-	871
Total expenses before depreciation	1,314,531	62,866	140,791	204,401	1,722,589
Depreciation	1,614	-	-	-	1,614
Total expenses	<u>\$ 1,316,145</u>	<u>\$ 62,866</u>	<u>\$ 140,791</u>	<u>\$ 204,401</u>	<u>\$ 1,724,203</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, 2018

	<b>Program Services</b>		<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
	<b>Meal Delivery</b>	<b>Deli and Catering</b>			
Personnel expenses					
Salaries	\$ 395,605	\$ 24,243	\$ 24,516	\$ 27,173	\$ 471,537
Payroll taxes	35,644	2,166	2,165	2,353	42,328
Employee benefits	22,758	601	708	1,409	25,476
Total personnel expenses	454,007	27,010	27,389	30,935	539,341
Direct cost of meal program	441,837	-	-	-	441,837
Occupancy	99,982	10,408	45,761	8	156,159
Contract and professional fees	25,264	598	7,785	42,231	75,878
Donated vehicle mileage	72,415	-	-	-	72,415
Other expenses	24,101	2,537	34,733	5,317	66,688
Advertising	32,963	-	-	10,157	43,120
Office expenses	78,609	247	4,214	4,097	87,167
Equipment	27,320	1,074	2,614	657	31,665
Insurance	21,754	-	1,564	-	23,318
Bank and service charges	6,952	1,907	-	3,635	12,494
Volunteer expense	8,688	-	-	36	8,724
Professional development	3,299	-	120	474	3,893
Total expenses before depreciation	1,297,191	43,781	124,180	97,547	1,562,699
Depreciation	5,738	-	-	-	5,738
Total expenses	<u>\$ 1,302,929</u>	<u>\$ 43,781</u>	<u>\$ 124,180</u>	<u>\$ 97,547</u>	<u>\$ 1,568,437</u>

See independent auditors' report and notes to the financial statements

# ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

## **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 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.

### Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications have no impact on the Organization's changes in net assets.

## ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

### **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, 2019 and 2018, there were no uninsured balances. 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.

#### New Accounting Pronouncements

##### *Changes in Revenue Recognition for Contracts with Customers*

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the 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. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

ASU 2014-19 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted the requirements of the new guidance retrospectively to all periods presented in this report. Adoption of the new guidance did not result in significant changes to the accounting policies for revenue recognition, receivables, and deferred revenues since most of the Organization's revenue sources are not included in the scope of ASU 2014-19.

## ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### New Accounting Pronouncements (continued)

##### *Changes in Lease Accounting*

In February 2016, the FASB issued ASU 2016-02, Topic 842, *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position, a liability to make lease payments (the lease liability), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2020. As of the date of these financial statements, management has not determined the impact these new accounting pronouncements will have on future reporting periods.

#### 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.

#### 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 \$871 and zero for the years ended December 31, 2019 and 2018, respectively. An allowance in the amount of zero and \$2,000 has been recorded as of December 31, 2019 and 2018, respectively.

## ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Inventory

Inventory is stated at 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 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.

#### 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, 2019, and has evaluated its tax positions taken for all open tax years. Currently, the 2016, 2017, and 2018 tax years are open and subject to examination by the Internal Revenue Service. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. 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.

## ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Revenue and Support (continued)

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.

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, 2019 and 2018 were \$27,072 and \$43,120, respectively.

# ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### 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, 2019 and 2018. The Organization evaluated the discount for the time value of money and determined that the present value of pledges receivable approximates their recorded value as of December 31, 2019 and 2018, therefore no discount has been recorded.

## **NOTE 4 - PROPERTY AND EQUIPMENT**

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

	<b><u>2019</u></b>	<b><u>2018</u></b>
Equipment and furnishings	\$ 72,902	\$ 72,902
Vehicles	49,181	49,181
Total property and equipment	122,083	122,083
Accumulated depreciation	(106,774)	(105,160)
Property and equipment, net	<b><u>\$ 15,309</u></b>	<b><u>\$ 16,923</u></b>



**ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2019 and 2018

**NOTE 4 - PROPERTY AND EQUIPMENT (continued)**

Depreciation expense totaled \$1,614 and \$5,738 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 5 - INVESTMENTS, BOARD DESIGNATED ENDOWMENT FUND**

The cost, fair value, and unrealized depreciation of investments as of December 31, 2019, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Cash equivalents	\$ 66,170	\$ 66,170	\$ -
Mutual funds	57,150	70,374	13,224
Total investments	<u>\$ 123,320</u>	<u>\$ 136,544</u>	<u>\$ 13,224</u>

Investment income consists of the following for the year ended December 31, 2019:

Dividends and interest income	\$ 3,935
Realized gains	16,152
Unrealized gains	<u>11,389</u>
Total investment gains	31,476
Investment fees	<u>(2,416)</u>
Net investment income	<u>\$ 29,060</u>

The cost, fair value, and unrealized depreciation of investments as of December 31, 2018, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Cash equivalents	\$ 10,976	\$ 10,976	\$ -
Mutual funds	190,371	181,218	(9,153)
Total investments	<u>\$ 201,347</u>	<u>\$ 192,194</u>	<u>\$ (9,153)</u>

**ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2019 and 2018

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

Investment loss consists of the following for the year ended December 31, 2018:

Dividends and interest income	\$	4,833
Realized gains		14,412
Unrealized losses		<u>(29,005)</u>
Total investment losses		(9,760)
Investment fees		<u>(3,798)</u>
Net investment loss	\$	<u><u>(13,558)</u></u>

**NOTE 6 - BOARD DESIGNATED NET ASSETS**

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

	<u>2019</u>	<u>2018</u>
UNA Funds	\$ 1,792	\$ 2,794
UNA Estate	2,893	2,893
Endowment Fund	<u>136,544</u>	<u>192,194</u>
Total designated net assets	<u>\$ 141,229</u>	<u>\$ 197,881</u>

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
LIFE	\$ 189,557	\$ 178,669
Love on a Leash	17,386	10,271
Local Harvest	10,001	14,000
Kitchen	1,219	2,563
Other	2,760	230
Restricted in perpetuity	<u>44,683</u>	<u>44,683</u>
Total net assets with donor restrictions	<u>\$ 265,606</u>	<u>\$ 250,416</u>

## ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

### **NOTE 7 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

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

	<b><u>2019</u></b>	<b><u>2018</u></b>
LIFE	\$ 294,719	\$ 334,771
Local Harvest	13,999	20,664
Love on a Leash	3,519	4,027
Kitchen	1,344	1,344
Other	469	730
Total net assets released from donor restrictions	<b><u>\$ 314,050</u></b>	<b><u>\$ 361,536</u></b>

### **NOTE 8 - 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.

Endowment Net Assets Composition by Type of Fund as of December 31, 2019:

	<b><u>Board Designated</u></b>	<b><u>Restricted for Purpose</u></b>	<b><u>Restricted in Perpetuity</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$ 22,946	\$ 44,683	\$ 67,629
Board designated endowment funds	136,544	-	-	136,544
Total	<b><u>\$ 136,544</u></b>	<b><u>\$ 22,946</u></b>	<b><u>\$ 44,683</u></b>	<b><u>\$ 204,173</u></b>

**ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2019 and 2018

**NOTE 8 - ENDOWMENTS (continued)**

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019:

	<b><u>Board Designated</u></b>	<b><u>Restricted for Time or Purpose</u></b>	<b><u>Restricted in Perpetuity</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 192,194	\$ 16,459	\$ 44,683	\$ 253,336
Investment return:				
Dividends and interest income	17,671	190	-	17,861
Net appreciation (realized and unrealized)	<u>11,389</u>	<u>8,727</u>	<u>-</u>	<u>20,116</u>
Total investment return	29,060	8,917	-	37,977
Appropriation of endowment assets for expenditure	(87,210)	(2,430)	-	(89,640)
Other changes:				
Contributions	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Endowment net assets, end of year	<u><u>\$ 136,544</u></u>	<u><u>\$ 22,946</u></u>	<u><u>\$ 44,683</u></u>	<u><u>\$ 204,173</u></u>

Endowment Net Assets Composition by Type of Fund as of December 31, 2018:

	<b><u>Board Designated</u></b>	<b><u>Restricted for Purpose</u></b>	<b><u>Restricted in Perpetuity</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$ 16,459	\$ 44,683	\$ 61,142
Board designated endowment funds	<u>192,194</u>	<u>-</u>	<u>-</u>	<u>192,194</u>
Total	<u><u>\$ 192,194</u></u>	<u><u>\$ 16,459</u></u>	<u><u>\$ 44,683</u></u>	<u><u>\$ 253,336</u></u>

**ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2019 and 2018

**NOTE 8 - ENDOWMENTS (continued)**

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018:

	<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	\$ 213,513	\$ 20,664	\$ 44,683	\$ 278,860
Investment return:				
Dividends and interest income	15,447	385	-	15,832
Net depreciation (realized and unrealized)	<u>(29,005)</u>	<u>(2,236)</u>	<u>-</u>	<u>(31,241)</u>
Total investment return	(13,558)	(1,851)	-	(15,409)
Appropriation of endowment assets for expenditure	(55,804)	(2,354)	-	(58,158)
Other changes:				
Contributions	<u>48,043</u>	<u>-</u>	<u>-</u>	<u>48,043</u>
Endowment net assets, end of year	<u>\$ 192,194</u>	<u>\$ 16,459</u>	<u>\$ 44,683</u>	<u>\$ 253,336</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, 2019 and 2018

### **NOTE 8 - 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 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, 2019 and 2018.

## ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

### **NOTE 9 - 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's 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 at December 31, 2019 and 2018.

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

*Mutual funds and fixed income 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, 2019 and 2018

### **NOTE 9 - 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, 2019:

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 66,170	\$ -	\$ -	\$ 66,170
Mutual funds	70,374	-	-	70,374
ACF funds	-	67,629	-	67,629
Total fair market value	<u>\$ 136,544</u>	<u>\$ 67,629</u>	<u>\$ -</u>	<u>\$ 204,173</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 10,976	\$ -	\$ -	\$ 10,976
Mutual funds	181,218	-	-	181,218
ACF funds	-	61,142	-	61,142
Total fair market value	<u>\$ 192,194</u>	<u>\$ 61,142</u>	<u>\$ -</u>	<u>\$ 253,336</u>

### **NOTE 10 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS**

The Organization was not under obligation to pay interest or income taxes for the years ended December 31, 2019 and 2018. The Organization did not have any non-cash transaction activity for the years ended December 31, 2019 and 2018.

### **NOTE 11 - 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; such support has historically represented approximately 80% and 79% of annual program funding in 2019 and 2018, respectively, 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, 2019 and 2018

## **NOTE 11 - 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, 2019 and 2018, the Organization had a working capital of approximately \$249,936 and \$271,088 and average days cash on hand of 27 days and 37 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 and
- Maintaining adequate liquid assets

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

	<b><u>2019</u></b>	<b><u>2018</u></b>
Financial assets as of year end:		
Cash and cash equivalents	\$ 128,074	\$ 158,439
Accounts receivable	81,064	43,741
Pledges receivable	85,182	68,670
Investments, board designated endowment fund	136,544	192,194
Albuquerque Community Foundation endowment	<u>67,629</u>	<u>61,142</u>
Total financial assets	498,493	524,186
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(265,606)	(250,416)
Plus net assets with purpose restrictions expected to be met within one year	<u>200,000</u>	<u>60,000</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 432,887</u></u>	<u><u>\$ 333,770</u></u>

## **ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2019 and 2018

### **NOTE 12 - LEASES**

The Organization currently has an operating lease for a copier that expired in September 2019. Rental expenses related to the operating lease totaled \$5,586 for December 31, 2019 and 2018.

### **NOTE 13 - 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, 2019, through June 15, 2020, which was the date the financial statements were available to be issued, and concluded that no subsequent events have occurred which would require recognition in the financial statements or disclosure in the notes to the financial statements.

In December 2019, the World Health Organization declared the outbreak from the novel strain of coronavirus to constitute a "Public Health Emergency of International Concern". The outbreak has resulted in a disruption of supply chains, production, and sales across a broad range of industries. The extent of the impact on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, donors, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which the outbreak may impact the Organization's financial condition and results of operations is uncertain.