

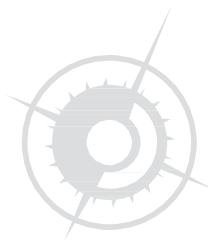
**ALBUQUERQUE MEALS ON WHEELS, INC.**

Financial Statements  
and  
Independent Auditors' Report

For the Years Ended  
December 31, 2018 and 2017

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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 statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albuquerque Meals on Wheels, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of Albuquerque Meals on Wheels, Inc. as of December 31, 2017, were audited by other auditors whose report, dated October 2, 2018, expressed an unmodified opinion on those statements.



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SCHLENKER & CANTWELL, P.A.  
Certified Public Accountants

June 19, 2019  
Albuquerque, New Mexico

**ALBUQUERQUE MEALS ON WHEELS, INC.**

## Statements of Financial Position

December 31, 2018 and 2017

**ASSETS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
Current assets		
Cash and cash equivalents	\$ 158,439	\$ 184,840
Accounts receivable, net of allowance of \$2,000 as of 2018 and 2017	43,741	75,171
Pledges receivable	68,670	58,002
Inventory	24,534	24,112
Prepaid expenses	24,905	5,463
Total current assets	320,289	347,588
Property and equipment, net	16,923	22,661
Other assets		
Investments, board designated endowment fund	192,194	213,513
Albuquerque Community Foundation endowment	61,142	65,347
Total other assets	253,336	278,860
Total assets	<u>\$ 590,548</u>	<u>\$ 649,109</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 15,831	\$ 23,123
Accrued liabilities	33,370	43,736
Total current liabilities	49,201	66,859
Total liabilities	49,201	66,859
Net assets		
Without donor restrictions		
Undesignated	93,050	65,416
Designated endowment fund	192,194	213,513
Designated - other	5,687	17,787
Total net assets without donor restrictions	290,931	296,716
With donor restrictions		
Perpetual in nature	44,683	44,683
Purpose restrictions	205,733	240,851
Total net assets with donor restrictions	250,416	285,534
Total net assets	541,347	582,250
Total liabilities and net assets	<u>\$ 590,548</u>	<u>\$ 649,109</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, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and support			
Meal delivery	\$ 607,577	\$ -	\$ 607,577
Deli and catering, net	25,821	-	25,821
In-kind contributions	229,015	-	229,015
Contributions	188,398	326,418	514,816
Special events, net	92,183	-	92,183
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	1,493,333	(35,118)	1,458,215
Expenses			
Program services			
Meal delivery	1,233,610	-	1,233,610
Deli and catering	43,781	-	43,781
Management and general	124,180	-	124,180
Fundraising	97,547	-	97,547
	<hr/>	<hr/>	<hr/>
Total expenses	1,499,118	-	1,499,118
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.**

## Statement of Activities and Changes in Net Assets

For the year ended December 31, 2017

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and support			
Meal delivery	\$ 581,894	\$ -	\$ 581,894
Deli and catering, net	31,847	-	31,847
In-kind contributions	238,646	-	238,646
Contributions	162,557	226,063	388,620
Special events, net	62,968	-	62,968
Board designated endowment income, net	30,118	-	30,118
Perpetual endowment income, net	-	7,319	7,319
Other income	275	-	275
Net assets released from restrictions	356,369	(356,369)	-
	<hr/>	<hr/>	<hr/>
Total revenue and support	1,464,674	(122,987)	1,341,687
Expenses			
Program services			
Meal delivery	1,157,277	-	1,157,277
Deli and catering	40,283	-	40,283
Management and general	90,374	-	90,374
Fundraising	69,763	-	69,763
	<hr/>	<hr/>	<hr/>
Total expenses	1,357,697	-	1,357,697
Changes in net assets	106,977	(122,987)	(16,010)
Net assets, beginning of year	189,739	408,521	598,260
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 296,716	\$ 285,534	\$ 582,250
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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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Changes in net assets	\$ (40,903)	\$ (16,010)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	5,738	6,042
Albuquerque Community Foundation earnings (loss)	1,851	(7,319)
Donated stock	(3,043)	(2,010)
Investment dividends, net	(1,035)	(730)
Realized gain on sale of securities	(14,412)	(16,160)
Unrealized loss (gain) on marketable securities	29,005	(13,228)
(Increase) decrease in operating assets:		
Accounts receivable	31,430	(22,449)
Pledges receivable	(10,668)	82,310
Inventory	(422)	982
Prepaid expenses	(19,442)	5,334
Increase (decrease) in operating liabilities:		
Accounts payable	(7,292)	10,091
Accrued liabilities	(10,366)	14,991
Net cash (used) provided by operating activities	(39,559)	41,844
Cash flows from investing activities		
Contributions to board designated endowment funds	(45,000)	(1,556)
Board designated endowment fund distribution	55,804	-
Albuquerque Community Foundation distribution	2,354	2,256
Net cash provided by investing activities	13,158	700
Net (decrease) increase in cash	(26,401)	42,544
Cash and cash equivalents, beginning of year	184,840	142,296
Cash and cash equivalents, end of year	<u>\$ 158,439</u>	<u>\$ 184,840</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>Total</b>
	<b>Meal Delivery</b>	<b>Deli and Catering</b>	<b>Management and General</b>	<b>Fundraising</b>	
Personnel expenses					
Salaries	\$ 395,604	\$ 24,243	\$ 24,516	\$ 27,173	\$ 471,536
Payroll taxes	35,645	2,166	2,165	2,353	42,329
Employee benefits	22,758	601	708	1,409	25,476
Total personnel expenses	454,007	27,010	27,389	30,935	539,341
Direct costs 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	10,606	2,537	34,733	5,317	53,193
Advertising	32,963	-	-	10,157	43,120
Office expenses	24,585	247	4,214	4,097	33,143
Equipment	25,520	1,074	2,614	657	29,865
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
Bad debt expense	-	-	-	-	-
Total expenses before depreciation	1,227,872	43,781	124,180	97,547	1,493,380
Depreciation	5,738	-	-	-	5,738
Total expenses	<u>\$ 1,233,610</u>	<u>\$ 43,781</u>	<u>\$ 124,180</u>	<u>\$ 97,547</u>	<u>\$ 1,499,118</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, 2017

	<b>Program Services</b>				<b>Total</b>
	<b>Meal Delivery</b>	<b>Deli and Catering</b>	<b>Management and General</b>	<b>Fundraising</b>	
Personnel expenses					
Salaries	\$ 372,949	\$ 22,855	\$ 23,112	\$ 25,617	\$ 444,533
Payroll taxes	28,075	1,706	1,705	1,853	33,339
Employee benefits	24,777	654	771	1,534	27,736
Total personnel expenses	425,801	25,215	25,588	29,004	505,608
Direct cost of meal program	398,746	-	-	-	398,746
Occupancy	108,082	11,251	49,469	9	168,811
Contract and professional fees	12,751	302	3,929	21,315	38,297
Donated vehicle mileage	71,343	-	-	-	71,343
Other expenses	790	189	2,587	396	3,962
Advertising	33,233	-	-	10,240	43,473
Office expenses	25,737	259	4,411	4,289	34,696
Equipment	26,948	1,134	2,760	694	31,536
Insurance	22,327	-	1,605	-	23,932
Bank and service charges	7,046	1,933	-	3,684	12,663
Volunteer expense	8,029	-	-	33	8,062
Professional development	689	-	25	99	813
Bad debt expense	9,713	-	-	-	9,713
Total expenses before depreciation	1,151,235	40,283	90,374	69,763	1,351,655
Depreciation	6,042	-	-	-	6,042
Total expenses	<u>\$ 1,157,277</u>	<u>\$ 40,283</u>	<u>\$ 90,374</u>	<u>\$ 69,763</u>	<u>\$ 1,357,697</u>

See independent auditors' report and notes to the financial statements

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

Notes to the Financial Statements

December 31, 2018 and 2017

### **NOTE 1 - NATURE OF ORGANIZATION**

Albuquerque Meals on Wheels, Inc. (the Organization), is a New Mexico nonprofit organization that was formed in 1972. Their 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 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 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 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.

#### **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 2017 financial statements to conform to the 2018 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, 2018 and 2017

### **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, 2018 and 2017, 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.

#### 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.

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

Notes to the Financial Statements

December 31, 2018 and 2017

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

#### Accounts Receivable (continued)

The Organization had bad debt expense of zero and \$9,713 for the years ended December 31, 2018 and 2017, respectively. An allowance in the amount of \$2,000 has been recorded as of December 31, 2018 and 2017.

#### 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, 2018, and has evaluated its tax positions taken for all open tax years. Currently, the 2015, 2016 and 2017 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.

## ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

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

#### 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.

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, 2018 and 2017 were \$43,120 and \$43,473, respectively.

# ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

## **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 an operating reserve and 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**

During the spring of every year, the Organization is notified of the amount of allocated United Way funds it will be receiving during the upcoming fiscal year. The amount of the expected funding is recorded as a pledge receivable in the year in which notification is received. It is recognized as a restricted contribution in the statement of activities and changes in net assets until the funds are received, at which time it is recorded as a release from restriction.

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

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

	<u>2018</u>	<u>2017</u>
Equipment and furnishings	\$ 72,902	\$ 72,902
Vehicles	49,181	69,851
Total property and equipment	122,083	142,753
Accumulated depreciation	(105,160)	(120,092)
Property and equipment, net	<u>\$ 16,923</u>	<u>\$ 22,661</u>

**ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2018 and 2017

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

Depreciation expense totaled \$5,738 and \$6,042 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 5 - INVESTMENTS, ENDOWMENT FUND**

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

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

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

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

The cost, fair value, and unrealized appreciation (depreciation) of investments as of December 31, 2017, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash	\$ 14,468	\$ 14,468	\$ -
Mutual Funds	<u>169,808</u>	<u>199,045</u>	<u>29,237</u>
Total investments	<u>\$ 184,276</u>	<u>\$ 213,513</u>	<u>\$ 29,237</u>



**ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2018 and 2017

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

Investment income consists of the following for the year ended December 31, 2017:

Dividends and interest income	\$	4,410
Realized gains		16,160
Unrealized losses		13,228
Fees		<u>(3,680)</u>
Investment loss	\$	<u>30,118</u>

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2018</u>	<u>2017</u>
LIFE	\$ 165,354	\$ 202,169
ACF	16,459	20,664
Other	11,086	4,275
Pet Food	10,271	9,836
Kitchen	<u>2,563</u>	<u>3,907</u>
Total	<u>\$ 205,733</u>	<u>\$ 240,851</u>

**NOTE 7 - 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, 2018 and 2017

**NOTE 7 - ENDOWMENTS (continued)**

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

	<b><u>Board Designated</u></b>	<b><u>Purpose Restricted</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	192,194	-	-	192,194
 Total funds	 \$ 192,194	 \$ 16,459	 \$ 44,683	 \$ 253,336

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

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

Endowment Net Assets Composition by Type of Fund as of December 31, 2017:

	<b><u>Board Designated</u></b>	<b><u>Purpose Restricted</u></b>	<b><u>Restricted in Perpetuity</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$ 20,664	\$ 44,683	\$ 65,347
Board designated endowment funds	213,513	-	-	213,513
 Total funds	 \$ 213,513	 \$ 20,664	 \$ 44,683	 \$ 278,860

# ALBUQUERQUE MEALS ON WHEELS, INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

### **NOTE 7 - ENDOWMENTS (continued)**

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017:

	<u>Board Designated</u>	<u>Purpose Restricted</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 179,829	\$ 15,601	\$ 44,683	\$ 240,113
Investment return:				
Interest and dividends	16,890	7,319	-	24,209
Net appreciation (realized and unrealized)	13,228	-	-	13,228
Total investment return	30,118	7,319	-	37,437
Appropriation of endowment assets for expenditure	-	(2,256)	-	(2,256)
Other changes:				
Contributions	3,566	-	-	3,566
Endowment net assets, end of year	<u>\$ 213,513</u>	<u>\$ 20,664</u>	<u>\$ 44,683</u>	<u>\$ 278,860</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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets 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.

#### 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.

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

Notes to the Financial Statements

December 31, 2018 and 2017

### **NOTE 7 - ENDOWMENTS (continued)**

#### Return Objectives and Risk Parameters (continued)

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, 2018 and 2017.

### **NOTE 8 - 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:

# ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

## **NOTE 8 - FAIR VALUE MEASUREMENT (continued)**

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, 2018 and 2017.

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

*Mutual funds and fixed income securities:* Valued at the NAV for shares held by the Organization at year-end as determined by quoted market prices.

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 endowment	<u>\$ 192,194</u>	<u>\$ 61,142</u>	<u>\$ -</u>	<u>\$ 253,336</u>

## ALBUQUERQUE MEALS ON WHEELS, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

### **NOTE 8 - 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, 2017:

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 14,468	\$ -	\$ -	\$ 14,468
Mutual funds	199,045	-	-	199,045
ACF funds	-	65,347	-	65,347
Total endowment	<u>\$ 213,513</u>	<u>\$ 65,347</u>	<u>\$ -</u>	<u>\$ 278,860</u>

### **NOTE 9 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS**

The Organization was not under obligation to pay interest or income taxes for the years ended December 31, 2018 and 2017. The Organization did not have any non-cash transaction activity for the years ended December 31, 2018 and 2017.

### **NOTE 10 - 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 78% and 80% of annual program funding in 2018 and 2017, respectively, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

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 administrative 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, 2018 and 2017, the Organization had a working capital of approximately \$271,088 and \$117,981 and average days cash on hand of 39 days and 50 days; respectively.

**ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2018 and 2017

**NOTE 10 - LIQUIDITY AND AVAILABILITY (continued)**

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:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 158,439	\$ 184,840
Accounts receivable	43,741	75,171
Pledges receivable	68,670	58,002
Investments, unrestricted	192,194	213,513
Endowment investments held in perpetuity	44,683	44,683
Total financial assets	507,727	576,209
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(250,416)	(285,534)
Plus net assets with purpose restrictions expected to be met within one year	60,000	122,987
Total financial assets available for general expenditures within one year	<u>\$ 317,311</u>	<u>\$ 413,662</u>

**NOTE 11 - LEASES**

The Organization currently has an operating lease for a copier that expires in September 2019. Rental expenses related to the operating lease totaled \$5,586 for December 31, 2018 and 2017. The future minimum annual rental payments are as follows:

2019	\$ 4,655
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**ALBUQUERQUE MEALS ON WHEELS, INC.**

Notes to the Financial Statements

December 31, 2018 and 2017

**NOTE 12 - 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 13 - SUBSEQUENT EVENTS**

The Organization evaluated subsequent events after the balance sheet date of December 31, 2018, through June 19, 2019, 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.