



*Meals on Wheels
New Mexico*

Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2023 and 2022

Schlenker &

Cantwell, P.A.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Meals on Wheels New Mexico (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023, and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meals on Wheels New Mexico as of December 31, 2023, and 2022, 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 New Mexico 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 New Mexico'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 New Mexico'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 New Mexico'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

April 26, 2024
Albuquerque, New Mexico

MEALS ON WHEELS NEW MEXICO

Statements of Financial Position

December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 1,284,068	\$ 2,144,844
Certificate of deposits	211,250	-
Accounts receivable	121,039	277,029
Grants receivable	147,726	117,697
Inventory	47,081	36,090
Prepaid expenses	35,256	88,950
	<u>1,846,420</u>	<u>2,664,610</u>
Property and equipment, net	254,122	34,362
Other assets		
Right-of-use asset	31,255	8,313
Investments, board-designated endowment fund	223,378	193,363
Albuquerque Community Foundation Endowment	88,192	82,616
	<u>342,825</u>	<u>284,292</u>
Total assets	<u>\$ 2,443,367</u>	<u>\$ 2,983,264</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 68,174	\$ 65,642
Right-of-use lease liability, short term	6,367	5,868
Accrued liabilities	95,538	57,352
	<u>170,079</u>	<u>128,862</u>
Right-of-use lease liability, long term	24,888	2,445
	<u>194,967</u>	<u>131,307</u>
Net assets		
Without donor restrictions		
Undesignated	1,834,757	2,147,600
Designated endowment fund	223,378	193,363
Designated - other	4,685	4,685
Total net assets without donor restrictions	<u>2,062,820</u>	<u>2,345,648</u>
With donor restrictions		
Restricted for purpose	140,897	461,626
Restricted in perpetuity	44,683	44,683
Total net assets with donor restrictions	<u>185,580</u>	<u>506,309</u>
Total net assets	<u>2,248,400</u>	<u>2,851,957</u>
Total liabilities and net assets	<u>\$ 2,443,367</u>	<u>\$ 2,983,264</u>

See independent auditors' report and notes to the financial statements

MEALS ON WHEELS NEW MEXICO
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Meal delivery	\$ 943,887	\$ -	\$ 943,887
Contributions	1,088,914	146,015	1,234,929
In-kind contributions	337,492	-	337,492
Special events and appeals income	355,936	-	355,936
Interest income	19,905	-	19,905
Board/Donor-designated endowment income, net	30,871	5,576	36,447
Perpetual endowment income, net	6,455	-	6,455
Net assets released from restrictions	472,320	(472,320)	-
	3,255,780	(320,729)	2,935,051
 Expenses			
Program services			
Meal delivery	2,526,751	-	2,526,751
Deli and catering	253,638	-	253,638
Management and general	142,761	-	142,761
Fundraising	615,458	-	615,458
	3,538,608	-	3,538,608
Changes in net assets	(282,828)	(320,729)	(603,557)
Net assets, beginning of year	2,345,648	506,309	2,851,957
Net assets, end of year	\$ 2,062,820	\$ 185,580	\$ 2,248,400

See independent auditors' report and notes to the financial statements

MEALS ON WHEELS NEW MEXICO
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Meal delivery	\$ 669,222	\$ -	\$ 669,222
Contributions	1,171,015	256,980	1,427,995
In-kind contributions	284,450	-	284,450
Special events and appeals income	337,810	320,989	658,799
Board-designated endowment loss, net	(22,581)	-	(22,581)
Perpetual endowment loss, net	(4,655)	-	(4,655)
Net assets released from restrictions	446,445	(446,445)	-
	<u>2,881,706</u>	<u>131,524</u>	<u>3,013,230</u>
Total revenue and support			
Expenses			
Program services			
Meal delivery	1,744,712	-	1,744,712
Deli and catering	3,400	-	3,400
Management and general	173,958	-	173,958
Fundraising	483,334	-	483,334
	<u>2,405,404</u>	<u>-</u>	<u>2,405,404</u>
Total expenses			
Changes in net assets	476,302	131,524	607,826
Net assets, beginning of year	<u>1,869,346</u>	<u>374,785</u>	<u>2,244,131</u>
Net assets, end of year	<u>\$ 2,345,648</u>	<u>\$ 506,309</u>	<u>\$ 2,851,957</u>

See independent auditors' report and notes to the financial statements

MEALS ON WHEELS NEW MEXICO
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Changes in net assets	\$ (603,557)	\$ 607,826
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	25,422	3,407
Albuquerque Community Foundation earnings	(5,235)	7,589
Investment dividends, net	(10,240)	(1,221)
Unrealized (gain) loss on marketable securities	(30,385)	30,063
Decrease (increase) in operating assets:		
Accounts receivable	155,990	(155,792)
Grants receivable	(30,029)	(67,136)
Inventory	(10,991)	(3,956)
Prepaid expenses	53,694	(59,994)
Increase in operating liabilities:		
Accounts payable	2,532	28,316
Accrued liabilities	38,186	12,805
	<u>(414,613)</u>	<u>401,907</u>
Cash flows from investing activities		
Purchases of property and equipment	(245,182)	(17,800)
Purchases of investments	(200,981)	-
Contributions to board-designated endowment funds	-	(64,223)
	<u>(446,163)</u>	<u>(82,023)</u>
Net cash used by investing activities		
Net (decrease) increase in cash	(860,776)	319,884
Cash and cash equivalents, beginning of year	<u>2,144,844</u>	<u>1,824,960</u>
Cash and cash equivalents, end of year	<u>\$ 1,284,068</u>	<u>\$ 2,144,844</u>
Supplemental cash flow information:		
Acquisition of right-of-use assets via lease obligation	<u>\$ 22,942</u>	<u>\$ 8,313</u>

See independent auditors' report and notes to the financial statements

MEALS ON WHEELS NEW MEXICO

Statement of Functional Expenses

For the year ended December 31, 2023

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Meal Delivery</u>	<u>Forage</u>			
Personnel expenses					
Salaries	\$ 561,859	\$ 86,526	\$ 22,574	\$ 246,058	\$ 917,017
Payroll taxes	68,019	7,614	1,775	18,524	95,932
Employee benefits	54,349	29,275	2,128	19,358	105,110
Total personnel expenses	684,227	123,415	26,477	283,940	1,118,059
Direct costs of meal program	935,469	28,277	-	-	963,746
Contract and professional fees	211,781	2,923	18,735	72,710	306,149
Other expenses	43,569	10,741	2,446	183,137	239,893
Office expenses	109,914	32,710	26,226	24,631	193,481
Occupancy	105,704	10,611	55,217	-	171,532
Donated vehicle mileage	133,792	-	-	-	133,792
Equipment	82,569	21,071	6,462	3,381	113,483
Advertising	63,742	17,440	3,085	28,347	112,614
Bad debt expense	34,983	-	-	8,752	43,735
Insurance	36,629	-	-	-	36,629
Volunteer expense	31,418	-	363	-	31,781
Professional development	20,994	638	641	2,344	24,617
Bank and service charges	12,350	-	3,109	8,216	23,675
Total expenses before depreciation	2,507,141	247,826	142,761	615,458	3,513,186
Depreciation	19,610	5,812	-	-	25,422
Total expenses	<u>\$ 2,526,751</u>	<u>\$ 253,638</u>	<u>\$ 142,761</u>	<u>\$ 615,458</u>	<u>\$ 3,538,608</u>

See independent auditors' report and notes to the financial statements

MEALS ON WHEELS NEW MEXICO

Statement of Functional Expenses

For the year ended December 31, 2022

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Meal Delivery</u>	<u>Forage</u>			
Personnel expenses					
Salaries	\$ 382,433	\$ 3,289	\$ 18,688	\$ 97,418	\$ 501,828
Payroll taxes	46,797	111	1,385	7,277	55,570
Employee benefits	55,587	-	1,489	5,914	62,990
Total personnel expenses	484,817	3,400	21,562	110,609	620,388
Direct costs of meal program	645,527	-	-	-	645,527
Contract and professional fees	116,856	-	10,579	148,824	276,259
Other expenses	48,795	-	-	146,387	195,182
Office expenses	25,580	-	76,741	48,151	150,472
Occupancy	114,706	-	54,227	-	168,933
Donated vehicle mileage	114,892	-	-	-	114,892
Equipment	45,279	-	9,869	2,903	58,051
Advertising	87,175	-	-	11,888	99,063
Bad debt expense	4,416	-	-	4,000	8,416
Insurance	17,824	-	551	-	18,375
Volunteer expense	13,003	-	-	-	13,003
Professional development	8,584	-	429	1,717	10,730
Bank and service charges	13,851	-	-	8,855	22,706
Total expenses before depreciation	1,741,305	3,400	173,958	483,334	2,401,997
Depreciation	3,407	-	-	-	3,407
Total expenses	<u>\$ 1,744,712</u>	<u>\$ 3,400</u>	<u>\$ 173,958</u>	<u>\$ 483,334</u>	<u>\$ 2,405,404</u>

See independent auditors' report and notes to the financial statements

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 1 - NATURE OF ORGANIZATION

Meals on Wheels New Mexico (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.

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

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, 2023, and 2022, there were \$98,889 and \$880,141 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.

Contributed Nonfinancial Assets

In September 2020, FASB issued amended guidance for contributed nonfinancial assets with ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type, and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. Total in-kind professional services were \$337,492 and \$284,450 for the years ended December 31, 2023, and 2022, respectively.

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Received and Contributions Made (continued)

- 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.

Meal Delivery

Meal delivery revenues are recognized when the service is provided.

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 \$43,735 and \$8,416 for the years ended December 31, 2023, and 2022, respectively. An allowance in the amount of zero has been recorded as of December 31, 2023, and 2022.

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

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

Leases

The Organization adopted FASB Accounting Standards Update 2016-02, *Leases* (ASC 842). The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) assets – operating and lease liability – operating, and finance leases are included in right-of-use (“ROU”) assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

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

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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 relate to uncertain tax positions for the year ended December 31, 2023, 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.

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.

Advertising

The costs of advertising are expensed as incurred. Advertising expenses incurred for the years ended December 31, 2023, and 2022 were \$112,614 and \$99,063, 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.

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

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- PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Equipment and furnishings	\$ 336,248	\$ 91,066
Vehicles	49,181	49,181
Total property and equipment	385,429	140,247
Accumulated depreciation	(131,307)	(105,885)
Property and equipment, net	<u>\$ 254,122</u>	<u>\$ 34,362</u>

Depreciation expense totaled \$25,422 and \$3,407 for the years ended December 31, 2023, and 2022, respectively.

NOTE 4 - INVESTMENTS, BOARD-DESIGNATED ENDOWMENT FUND

The cost, fair value, and unrealized depreciation of investments as of December 31, 2023, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 3,199	\$ 3,199	\$ -
Mutual funds	206,537	220,179	13,642
Total investments	<u>\$ 209,736</u>	<u>\$ 223,378</u>	<u>\$ 13,642</u>

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 4 - INVESTMENTS, BOARD-DESIGNATED ENDOWMENT FUND (continued)

Investment income consists of the following for the year ended December 31, 2023:

Dividends and interest income	\$	9,389
Unrealized gain		<u>30,385</u>
Total investment gain		39,774
Investment fees		<u>(3,327)</u>
Net investment income	\$	<u><u>36,447</u></u>

The cost, fair value, and unrealized depreciation of investments as of December 31, 2022, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 2,727	\$ 2,727	\$ -
Mutual funds	<u>125,689</u>	<u>190,636</u>	<u>64,947</u>
Total investments	<u>\$ 128,416</u>	<u>\$ 193,363</u>	<u>\$ 64,947</u>

Investment income consists of the following for the year ended December 31, 2022:

Dividends and interest income	\$	9,196
Unrealized loss		<u>(30,063)</u>
Total investment loss		(20,867)
Investment fees		<u>(1,714)</u>
Net investment loss	\$	<u><u>(22,581)</u></u>

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 5 – BOARD-DESIGNATED NET ASSETS

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

	<u>2023</u>	<u>2022</u>
UNA Funds	\$ 1,792	\$ 1,792
UNA Estate	2,893	2,893
Endowment Fund	223,378	193,363
Total designated net assets	<u>\$ 228,063</u>	<u>\$ 198,048</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
LIFE	\$ 20,492	\$ 115,337
Long Leash on Life	47,173	57,224
Local Harvest	-	18,250
Kitchen	-	150,000
Donor restricted endowment	43,509	37,933
Other	-	11,842
Collaboration Program Grant	29,723	71,040
Restricted in perpetuity	44,683	44,683
Total net assets with donor restrictions	<u>\$ 185,580</u>	<u>\$ 506,309</u>

NOTE 7 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
LIFE	\$ 313,854	\$ 422,931
Love on a Leash	8,466	8,775
Kitchen	150,000	-
Other	-	14,739
Total net assets released from donor restrictions	<u>\$ 472,320</u>	<u>\$ 446,445</u>

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

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. Net assets without donor restrictions 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, 2023:

	Board Designated	Restricted for Time or Purpose	Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 43,509	\$ 44,683	\$ 88,192
Board-designated endowment funds	223,378	-	-	223,378
Total	\$ 223,378	\$ 43,509	\$ 44,683	\$ 311,570

Changes in Endowment Net Assets for the fiscal year ended December 31, 2023:

	Board Designated	Restricted for Time or Purpose	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 193,363	\$ 37,933	\$ 44,683	\$ 275,979
Investment return:				
Dividends and interest income	3,249	1,509	-	4,758
Net appreciation (realized and unrealized)	26,766	4,788	-	31,554
Total investment return	30,015	6,297	-	36,312
Appropriation of endowment assets for expenditure	-	(721)	-	(721)
Endowment net assets, end of year	\$ 223,378	\$ 43,509	\$ 44,683	\$ 311,570

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 8 - ENDOWMENTS (continued)

Endowment Net Assets composition by type of fund as of December 31, 2022:

	<u>Board Designated</u>	<u>Restricted for Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 37,933	\$ 44,683	\$ 82,616
Board-designated endowment funds	193,363	-	-	193,363
Total	<u>\$ 193,363</u>	<u>\$ 37,933</u>	<u>\$ 44,683</u>	<u>\$ 275,979</u>

Changes in Endowment Net Assets for the fiscal year ended December 31, 2022:

	<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	\$ 160,917	\$ 42,587	\$ 44,683	\$ 248,187
Investment return:				
Dividends and interest income	-	1,873	-	1,873
Net depreciation (realized and unrealized)	(30,063)	(5,823)	-	(35,886)
Total investment return	(30,063)	(3,950)	-	(34,013)
Appropriation of endowment assets for expenditure	(1,714)	(704)	-	(2,418)
Other changes:				
Contributions	64,223	-	-	64,223
Endowment net assets, end of year	<u>\$ 193,363</u>	<u>\$ 37,933</u>	<u>\$ 44,683</u>	<u>\$ 275,979</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

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 8 - ENDOWMENTS (continued)

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.

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.

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 8 - ENDOWMENTS (continued)

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, 2023, and 2022.

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 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, 2023, and 2022.

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 9 - FAIR VALUE MEASUREMENT (continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 44,822	\$ -	\$ -	\$ 44,822
Mutual funds	178,556	-	-	178,556
ACF funds	-	88,192	-	88,192
Total fair market value	<u>\$ 223,378</u>	<u>\$ 88,192</u>	<u>\$ -</u>	<u>\$ 311,570</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

Money market funds	\$ 2,727	\$ -	\$ -	\$ 2,727
Mutual funds	190,636	-	-	190,636
ACF funds	-	82,616	-	82,616
Total fair market value	<u>\$ 193,363</u>	<u>\$ 82,616</u>	<u>\$ -</u>	<u>\$ 275,979</u>

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

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, 2023, and 2022. The Organization did not have any non-cash transaction activity for the years ended December 31, 2023, and 2022.

NOTE 11 – RIGHT-OF-USE ASSETS AND LIABILITIES

The Organization leases copiers that expire in 2028. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Organization's leases accounted for under FASC ASC 842:

	<u>2023</u>
Lease Costs:	
Operating lease cost	\$ 7,748
	<u>7,748</u>
Total lease cost	\$ 7,748
	<u>7,748</u>
Right-of-Use Assets obtained in exchange for new operating lease liabilities	\$ 33,138
	<u>33,138</u>
Weighted-average remaining lease term:	
Operating lease	54 months
Weighted-average discount rate:	
Operating lease	5.44%

Future maturities as of December 31 are as follows:

2024	\$ 7,748
2025	7,748
2026	7,748
2027	7,748
2028	263
	<u>263</u>
Total lease payments	\$ 31,255
	<u>31,255</u>

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

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 95% and 81% of annual program funding in 2023 and 2022, 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 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, 2023, and 2022, the Organization had working capital of approximately \$1,465,091 and \$2,535,748 and average days cash on hand of 132 days and 323 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.

MEALS ON WHEELS NEW MEXICO

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 12 - LIQUIDITY AND AVAILABILITY (continued)

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

	<u>2023</u>	<u>2022</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 1,284,068	\$ 2,144,844
Certificates of deposit	211,250	-
Accounts receivable	121,039	277,029
Grants receivable	147,726	117,697
Investments, board-designated endowment fund	223,378	193,363
Albuquerque Community Foundation endowment	88,192	82,616
Total financial assets	<u>2,075,653</u>	<u>2,815,549</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(185,580)	(506,309)
Plus net assets with purpose restrictions expected to be met within one year	<u>130,000</u>	<u>300,000</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 2,020,073</u></u>	<u><u>\$ 2,609,240</u></u>

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 14 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events after the balance sheet date of December 31, 2023, through April 26, 2024, 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, 2023.