

MEALS ON WHEELS SAN ANTONIO
FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Meals on Wheels San Antonio
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Meals on Wheels San Antonio, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 Meals on Wheels San Antonio as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of Meals on Wheels San Antonio’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Meals on Wheels San Antonio’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meals on Wheels San Antonio’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

San Antonio, Texas
March 1, 2022

**MEALS ON WHEELS SAN ANTONIO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 1,404,200	\$ 1,235,020
Operating Investments	7,653,751	3,944,555
Accounts Receivable, Net	1,515,092	1,421,410
Prepaid Expenses and Other Assets	248,462	275,566
Unconditional Promises to Give, Net	1,965,105	1,981,207
Property and Equipment, Net	6,457,573	5,984,164
Endowment Investments	237,801	188,363
Total Assets	\$ 19,481,984	\$ 15,030,285
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 294,280	\$ 364,025
Accrued Liabilities	361,977	247,259
Paycheck Protection Program Loan	-	774,200
Notes Payable	204,346	-
Total Liabilities	860,603	1,385,484
NET ASSETS		
Without Donor Restrictions:		
Undesignated	5,561,398	3,567,635
Board Designated	1,265,000	-
Invested in Property and Equipment	6,457,573	5,984,164
Total Without Donor Restrictions	13,283,971	9,551,799
With Donor Restrictions:		
Purpose Restrictions	4,406,295	3,454,239
Time-Restricted	693,314	450,400
Perpetual in Nature	170,051	170,051
Perpetual in Nature Until Appropriated for Expenditure	67,750	18,312
Total With Donor Restrictions	5,337,410	4,093,002
Total Net Assets	18,621,381	13,644,801
Total Liabilities and Net Assets	\$ 19,481,984	\$ 15,030,285

See Accompanying Notes to Financial Statements.

**MEALS ON WHEELS SAN ANTONIO
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING						
Public Support and Revenue						
Contributions and Grants	\$ 4,416,650	\$ 346,745	\$ 4,763,395	\$ 4,301,123	\$ 237,353	\$ 4,538,476
United Way Contributions	219,615	-	219,615	245,259	-	245,259
Special Events	-	-	-	89,692	-	89,692
In-Kind Contributions	62,978	-	62,978	40,008	-	40,008
Fees and Grants from Government Agencies	3,897,963	443,314	4,341,277	3,493,649	450,400	3,944,049
Program Fees	2,168,309	-	2,168,309	958,197	-	958,197
Paycheck Protection Program Loan Forgiveness	774,200	-	774,200	-	-	-
Net Investment Return	694,844	49,438	744,282	189,360	18,312	207,672
Interest Income	1,227	-	1,227	1,020	-	1,020
Miscellaneous Income	-	-	-	708	-	708
Gain (Loss) on Disposal of Assets	17,280	-	17,280	(685)	-	(685)
Net Assets Released From Restrictions	685,453	(685,453)	-	659,176	(659,176)	-
Total Public Support and Revenue	12,938,519	154,044	13,092,563	9,977,507	46,889	10,024,396
Expenses						
Program Services	8,502,418	-	8,502,418	6,626,599	-	6,626,599
Management and General	1,025,463	-	1,025,463	699,817	-	699,817
Fundraising and Development	943,466	-	943,466	1,053,518	-	1,053,518
Total Expenses	10,471,347	-	10,471,347	8,379,934	-	8,379,934
INCREASE IN NET ASSETS FROM OPERATIONS	2,467,172	154,044	2,621,216	1,597,573	46,889	1,644,462

See Accompanying Notes to Financial Statements.

**MEALS ON WHEELS SAN ANTONIO
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING						
Public Support and Revenue						
Capital Campaign Contributions	1,265,000	1,302,111	2,567,111	-	3,283,238	3,283,238
In-Kind Contributions	-	98,272	98,272	-	-	-
Net Assets Released From Restrictions	310,019	(310,019)	-	-	-	-
Total Public Support and Revenue	<u>1,575,019</u>	<u>1,090,364</u>	<u>2,665,383</u>	<u>-</u>	<u>3,283,238</u>	<u>3,283,238</u>
Expenses						
Management and General	185,610	-	185,610	7,681	-	7,681
Fundraising and Development	124,409	-	124,409	157,190	-	157,190
Total Expenses	<u>310,019</u>	<u>-</u>	<u>310,019</u>	<u>164,871</u>	<u>-</u>	<u>164,871</u>
INCREASE (DECREASE) IN NET ASSETS FROM NON-OPERATING ACTIVITIES	1,265,000	1,090,364	2,355,364	(164,871)	3,283,238	3,118,367
CHANGE IN NET ASSETS	3,732,172	1,244,408	4,976,580	1,432,702	3,330,127	4,762,829
Net Assets - Beginning of Year	<u>9,551,799</u>	<u>4,093,002</u>	<u>13,644,801</u>	<u>8,119,097</u>	<u>762,875</u>	<u>8,881,972</u>
NET ASSETS - END OF YEAR	<u>\$ 13,283,971</u>	<u>\$ 5,337,410</u>	<u>\$ 18,621,381</u>	<u>\$ 9,551,799</u>	<u>\$ 4,093,002</u>	<u>\$ 13,644,801</u>

See Accompanying Notes to Financial Statements.

**MEALS ON WHEELS SAN ANTONIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Services			Management and General	Fundraising and Development	Total
	Nutrition Services	Other Services	Total			
OPERATING						
Advertising	\$ -	\$ -	\$ -	\$ 1,717	\$ 153,480	\$ 155,197
Assistance to Individuals	77,449	5,212	82,661	-	18,057	100,718
Bad Debt	-	-	-	47,982	-	47,982
Contract Services	112,644	6,210	118,854	10,801	11,136	140,791
Depreciation	243,744	64,185	307,929	19,024	264	327,217
Employee Benefits	222,480	60,405	282,885	57,435	30,651	370,971
Equipment Lease and Maintenance	78,766	345	79,111	20,654	4,242	104,007
Food and Kitchen Supplies	3,543,085	30,008	3,573,093	75	80	3,573,248
Insurance	125,879	-	125,879	30,756	-	156,635
Interest	-	-	-	1,469	-	1,469
Meetings and Conferences	8,837	(73)	8,764	1,601	1,763	12,128
Miscellaneous	13,130	1,333	14,463	2,218	2,616	19,297
Occupancy	212,068	1,445	213,513	15,641	5,980	235,134
Office Expenses	159,174	10,903	170,077	39,023	89,224	298,324
Payroll Taxes	201,641	13,136	214,777	100,128	14,823	329,728
Printing, Publications, and Artwork	7,090	54	7,144	-	255,605	262,749
Professional Fees	140,192	5,385	145,577	190,641	151,868	488,086
Retirement Plan	76,344	5,380	81,724	12,387	5,181	99,292
Salaries	2,749,244	182,849	2,932,093	473,146	198,528	3,603,767
Travel	9,763	1,056	10,819	765	(32)	11,552
Vehicle Expenses	133,055	-	133,055	-	-	133,055
Total Operating Expenses	<u>8,114,585</u>	<u>387,833</u>	<u>8,502,418</u>	<u>1,025,463</u>	<u>943,466</u>	<u>10,471,347</u>
NON-OPERATING						
Advertising	-	-	-	-	13,618	13,618
Equipment Lease and Maintenance	-	-	-	-	1,144	1,144
Occupancy	-	-	-	2,404	127	2,531
Office Expenses	-	-	-	-	1,168	1,168
Payroll Taxes	-	-	-	11,865	-	11,865
Printing, Publications, and Artwork	-	-	-	-	1,342	1,342
Professional Fees	-	-	-	-	106,410	106,410
Retirement Plan	-	-	-	5,984	-	5,984
Salaries	-	-	-	165,357	-	165,357
Travel	-	-	-	-	600	600
Total Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,610</u>	<u>124,409</u>	<u>310,019</u>
Total Expenses	<u>\$ 8,114,585</u>	<u>\$ 387,833</u>	<u>\$ 8,502,418</u>	<u>\$ 1,211,073</u>	<u>\$ 1,067,875</u>	<u>\$ 10,781,366</u>

See Accompanying Notes to Financial Statements.

**MEALS ON WHEELS SAN ANTONIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services			Management and General	Fundraising and Development	Total
	Nutrition Services	Other Services	Total			
OPERATING						
Advertising	\$ -	\$ -	\$ -	\$ 41,080	\$ 53,089	\$ 94,169
Assistance to Individuals	44,739	7,617	52,356	-	827	53,183
Bad Debt	9,607	15,233	24,840	-	-	24,840
Contract Services	85,286	36,022	121,308	1,330	2,600	125,238
Depreciation	184,416	64,720	249,136	20,916	3,281	273,333
Employee Benefits	238,212	90,588	328,800	18,457	23,503	370,760
Equipment Lease and Maintenance	22,621	3,759	26,380	10,775	990	38,145
Food and Kitchen Supplies	2,089,170	8,005	2,097,175	-	679	2,097,854
Insurance	13,481	8,029	21,510	5,521	5,257	32,288
Interest	7,339	-	7,339	3,715	-	11,054
Meetings and Conferences	6,125	1,680	7,805	11,845	1,015	20,665
Miscellaneous	1,263	1,782	3,045	27	(144)	2,928
Occupancy	111,445	70,155	181,600	52,566	2,302	236,468
Office Expenses	47,734	13,214	60,948	39,849	52,833	153,630
Payroll Taxes	159,510	48,204	207,714	29,355	32,812	269,881
Printing, Publications, and Artwork	877	987	1,864	1,642	361,992	365,498
Professional Fees	86,300	13,059	99,359	118,786	36,485	254,630
Retirement Plan	68,782	22,516	91,298	32,284	12,055	135,637
Salaries	2,129,993	652,835	2,782,828	303,372	461,559	3,547,759
Travel	36,072	5,240	41,312	8,277	2,361	51,950
Vehicle Expenses	219,982	-	219,982	20	22	220,024
Total Operating Expenses	<u>5,562,954</u>	<u>1,063,645</u>	<u>6,626,599</u>	<u>699,817</u>	<u>1,053,518</u>	<u>8,379,934</u>
NON-OPERATING						
Advertising	-	-	-	-	1,570	1,570
Employee Benefits	-	-	-	-	1,628	1,628
Interest	-	-	-	7,339	-	7,339
Meetings and Conferences	-	-	-	-	3,012	3,012
Office Expenses	-	-	-	342	608	950
Printing, Publications, and Artwork	-	-	-	-	6,357	6,357
Professional Fees	-	-	-	-	144,000	144,000
Travel	-	-	-	-	15	15
Total Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,681</u>	<u>157,190</u>	<u>164,871</u>
Total Expenses	<u>\$ 5,562,954</u>	<u>\$ 1,063,645</u>	<u>\$ 6,626,599</u>	<u>\$ 707,498</u>	<u>\$ 1,210,708</u>	<u>\$ 8,544,805</u>

See Accompanying Notes to Financial Statements.

**MEALS ON WHEELS SAN ANTONIO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,976,580	\$ 4,762,829
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	327,217	273,333
(Gain) Loss on Disposal of Assets	(17,280)	685
Contribution of Property and Equipment	(89,522)	-
Paycheck Protection Plan Loan Forgiveness	(774,200)	-
Bad Debt	47,982	24,840
Discount on Unconditional Promises to Give to Net Present Value	(9,460)	15,477
Donated Operating Investments	(1,848)	(10,965)
Net Realized and Unrealized Gains on Operating Investments	(691,759)	(167,679)
Net Realized and Unrealized Gains on Endowment Investments	(47,990)	(16,074)
Change in Operating Assets and Liabilities:		
Accounts Receivable	(141,664)	(653,109)
Unconditional Promises to Give	25,562	(1,828,166)
Prepaid Expenses and Other Assets	27,104	(113,523)
Accounts Payable	(69,745)	225,050
Accrued Liabilities	114,718	(28,092)
Grace Place Deposits	-	(36,330)
Net Cash Provided by Operating Activities	3,675,695	2,448,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating investments	(3,040,522)	(1,552,897)
Proceeds from sale of operating investments	24,933	17,059
Purchase of endowment investments	(3,132)	(3,255)
Proceeds from sale of endowment investments	1,684	15,173
Proceeds from sale of property and equipment	27,719	4,290
Purchase and construction of property and equipment	(491,397)	(585,727)
Net Cash Used by Investing Activities	(3,480,715)	(2,105,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	500,000
Repayments of Line of Credit	-	(750,000)
Proceeds from PPP Loan	-	774,200
Repayments of Notes Payable	(25,800)	-
Net Cash Provided (Used) by Financing Activities	(25,800)	524,200
NET INCREASE IN CASH AND CASH EQUIVALENTS	169,180	867,119
Cash and Cash Equivalents - Beginning of Year	1,235,020	367,901
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,404,200	\$ 1,235,020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 1,469	\$ 16,872
SUPPLEMENTAL NONCASH INVESTING ACTIVITIES		
Property and equipment acquired with notes payable	\$ 230,146	\$ -
Disposal of fully depreciated property and equipment	\$ 34,520	\$ -

See Accompanying Notes to Financial Statements.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Meals on Wheels San Antonio (MOWSA) (previously known as Christian Senior Services) is a nonprofit corporation whose mission is to promote the dignity and independence of seniors who are in need of nutritious meals, companionship and Alzheimer's care. There are two primary programs provided by MOWSA:

Nutrition Services – This program services, prepares and distributes hot, nutritious lunches and provides safety checks to homebound senior adults in the following counties: Bexar, Atascosa, Frio, Comal, Guadalupe, Edwards, Karnes, Uvalde and Wilson. This program is primarily supported by public contributions and grants as well as fees and grants from government agencies. Nutrition Services also provides and delivers meals to the City of San Antonio senior centers as well as other senior service nutrition centers in the region and is supported by program fees.

Other Services – Other MOWSA services consists of Grace Place, AniMeals, Friendly Visitor, Comfy Casas, and Grace Notes Community Choir. Grace Place provides a day center where those living with Alzheimer's disease or related dementia participate in socialization and activities, improving their quality of life and providing a low-cost respite for their caregivers. AniMeals aids in caring for the pets of seniors in San Antonio. Friendly Visitor provides much-needed companionship to combat loneliness and social isolation that homebound seniors and disabled neighbors face. Comfy Casas helps improve the health of seniors and disabled adults by addressing their living conditions and home safety needs. Grace Notes Community Choir is an intergenerational choir for people living with dementia, Parkinson's Disease, and other neurodegenerative disorders, and their care partners. These other services are supported by program fees, public donations, and grants from government agencies.

In April 2021, MOWSA established an entity called MOWSA Real Estate (MOWSARE) as part of the New Market Tax Credits (NMTC) transaction, which will provide funding for MOWSA's new facility in 2022. MOWSARE operates exclusively for the benefit of MOWSA. MOWSARE did not have any transactions for the year ended June 30, 2021. See Note 21 for additional information on the NMTC.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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 those differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand, in banks, in money markets, gift cards, and highly liquid investments with initial maturity periods of three months or less. Cash equivalents totaled \$0 and \$25,000 at June 30, 2021 and 2020, respectively.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist of noninterest-bearing amounts due from government agencies for home delivered meals and services provided to Grace Place clients and other senior centers. Accounts receivable are stated at net realizable value and are unsecured. Management provides an allowance for doubtful accounts, which is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Because of the inherent uncertainty in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimate used will change within the near term. Accounts receivable are written off when all collection efforts have been exhausted; the accounts are written off against the related allowance.

Receivables from contracts with customers are included in accounts receivable, net in the accompanying statement of financial position.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent. Promises to give are written off when deemed uncollectable. Because of the inherent uncertainty in estimating the allowance for uncollectable promises to give, it is at least reasonably possible that the estimate used will change within the near term.

Conditional Promise to Give

On January 12, 2021 the Organization received a challenge grant of \$1,200,000 from the Mabee Foundation. To meet the challenge, the Organization must raise contributions of \$4,143,193 by January 12, 2022. No amounts are recorded in the financial statements for this grant.

Property and Equipment

MOWSA capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

MOWSA reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, and investment management and custodial fees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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 the capital campaign and kitchen equipment purchases.

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as donor restricted revenue when received and released from restrictions when the assets are placed in service. 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.

Contributions restricted by donors are reported 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. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Revenues derived from cost-reimbursable grants are recognized as earned and are reported as revenue when MOWSA has incurred expenditures in compliance with specific grant provisions. Amounts received but not yet earned are reported as a refundable advance in the statement of financial position.

MOWSA enters into contracts with its customers to provide day center services and congregate meal delivery services, which are generally short-term contracts allowing for the satisfaction of all performance obligations in less than one year. A contract exists when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. MOWSA's contracts with customers typically include a single performance obligation to provide day center services or to deliver meals.

The pricing and payment terms for contracts are based on MOWSA's standard terms and conditions or the result of specific negotiations with each customer. Contracts do not contain significant financing component as MOWSA's standard terms and conditions generally require payment within 30 days from the invoice date.

Program fees derived from Grace Place are recognized at a point in time when the performance obligation is satisfied, that is, when services are rendered. Program fees derived from congregate meals are recognized at a point in time when the performance obligation is satisfied, upon delivery of meals. Program fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

The timing of revenue recognition, billings, and cash collections results in receivables, contract assets and liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the statements of financial position. Accounts receivable as of July 1, 2019 and 2020 are \$793,141 and \$1,421,410, respectively. MOWSA does not have significant contract assets and contract liabilities as of June 30, 2021.

The transaction price includes estimates for reductions in revenue from prompt payment discounts. These amounts are estimated based upon the most likely amount of consideration to which the customer will be entitled. All estimates are based on historical experience, anticipated performance and MOWSA's best judgment at the time to the extent it is probable that a significant reversal of revenue recognized will not occur. All estimates for variable consideration are reassessed periodically.

MOWSA disaggregates its revenue from contracts with customers by type of service as the Organization believes it best depicts the nature, amount, timing, and uncertainty of its revenue and cash flows as follows on the next page.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Type of Service	2021	2020
Contract Meal Delivery Program Fees	\$ 2,168,309	\$ 523,182
Grace Place Program Fees	-	435,015
Total	\$ 2,168,309	\$ 958,197

In-Kind Donations

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$168,815 and \$95,739 for the years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Most expenses are charged directly to program services, management and general, or fundraising and development based on specific identification. Certain administrative salaries are allocated based on an estimate of time spent for each function. Utilities and other occupancy costs are allocated based on space usage.

Income Taxes

Meals on Wheels San Antonio (MOWSA) is organized as a Texas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. MOWSA is required to file a Return of Organization Exempt from Income Tax (Form 990) annually with the IRS. In addition, MOWSA may be subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. MOWSA has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

MOWSA believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Future accrued interest and penalties related to unrecognized tax benefits and liabilities would be recognized in income tax expense if such interest and penalties were incurred.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments and Credit Risk

MOWSA manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market funds. To date, MOWSA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of its mission. Investments are made by diversified investment managers whose performance is monitored by MOWSA and the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

MOWSA's financial statements reflect the application of ASC 606 guidance beginning in July 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the organization's reported historical revenue.

Recent Accounting Pronouncements, Not Yet Adopted

Leases (ASC 842): Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) whereby lessees will need to recognize almost all leases on their balance sheet as a right of use asset and a lease liability measured on a discounted basis. This guidance is effective for annual reporting periods beginning after December 15, 2021. Management is evaluating the impact of this ASU on the organization's financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Public support and revenue and expenses from non-operating activities related to the capital campaign were reclassified from operating activities. The reclassifications had no impact on previously reported net assets.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,404,200	\$ 1,235,020
Operating Investments	7,653,751	3,944,555
Accounts Receivable	1,515,092	1,421,410
Unconditional Promises to Give Due Over Next 12 Months	<u>1,250,250</u>	<u>1,207,417</u>
Total Financial Assets	\$ 11,823,293	\$ 7,808,402
Less:		
Donor-Imposed Restrictions:		
Subject to Specified Purpose	<u>(4,406,295)</u>	<u>(3,454,239)</u>
Financial Assets Available to Meet Cash Needs for		
Operating Expenditures Within One Year	<u>\$ 7,416,998</u>	<u>\$ 4,354,163</u>

The endowment funds are donor-restricted. Income from donor-restricted endowments is restricted for specific purposes not for operating expenditures, thus donor-restricted endowment funds are excluded from the above analysis.

MOWSA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of its liquidity management plan, MOWSA invests cash in excess of requirements in stocks, mutual funds and money market funds.

In addition to the financial assets available to meet general expenditures over the next 12 months, MOWSA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. MOWSA also has a revolving line of credit available to meet short-term needs.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Amounts due from Government Agencies for Home Delivered Meals	\$ 1,261,849	\$ 1,348,013
Amounts due from Contracts with Customers	257,472	84,910
Amounts due from MOW-T Conference	-	2,922
Subtotal	<u>1,519,321</u>	<u>1,435,845</u>
Less Allowance for Doubtful Accounts	(4,229)	(14,435)
Total Accounts Receivable, Net	<u>\$ 1,515,092</u>	<u>\$ 1,421,410</u>

NOTE 4 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30:

	<u>2021</u>	<u>2020</u>
Within One Year	\$ 1,250,250	\$ 1,207,417
In One to Five Years	793,382	800,849
Total	<u>2,043,632</u>	<u>2,008,266</u>
Less: Discount to Net Present Value at 4.50%	(17,599)	(27,059)
Less: Allowance for Uncollectible Promises to Give	(60,928)	-
Total	<u>\$ 1,965,105</u>	<u>\$ 1,981,207</u>

Unconditional promises to give include amounts due from board members totaling \$18,003 and \$111,207 at June 30, 2021 and 2020, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Building and Improvements	\$ 2,980,912	\$ 2,980,912
Vehicles	979,568	1,035,452
Furniture and Fixtures	871,040	662,385
Total	<u>4,831,520</u>	<u>4,678,749</u>
Less Accumulated Depreciation	(2,492,403)	(2,518,662)
Total	<u>2,339,117</u>	<u>2,160,087</u>
Land	3,239,258	3,142,261
Construction in Progress	879,198	681,816
Property and Equipment, Net	<u>\$ 6,457,573</u>	<u>\$ 5,984,164</u>

Depreciation expense totaled \$327,217 and \$273,333 for the years ended June 30, 2021 and 2020, respectively.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 INVESTMENTS

Investments are carried at fair value. Fair values are dependent on changes in the prices of the various investments held. An analysis of investments held at June 30 follows:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Operating Investments:				
Bond Mutual Funds	\$ 507,573	\$ 501,728	\$ 2,016,582	\$ 2,003,610
Equity Mutual Funds	9,443	4,257	6,793	3,881
Money Market Funds	5,573,651	5,573,652	112,176	112,176
Stocks	1,563,084	998,316	1,809,004	1,617,250
Total	<u>\$ 7,653,751</u>	<u>\$ 7,077,953</u>	<u>\$ 3,944,555</u>	<u>\$ 3,736,917</u>
Endowment Investments:				
Bond Mutual Funds	\$ 50,618	\$ 42,497	\$ 51,437	\$ 42,701
Money Market Funds	4,974	4,974	1,549	1,549
Stocks	182,209	116,846	135,377	120,991
Total	<u>\$ 237,801</u>	<u>\$ 164,317</u>	<u>\$ 188,363</u>	<u>\$ 165,241</u>

Investment return from these investments is summarized as follows for the years ended June 30:

	2021	2020
Operating Investments:		
Interest and Dividends	\$ 40,648	\$ 38,740
Net Realized Gains	324,701	9,928
Net Unrealized Gains	367,058	157,751
Less: Investment Management and Custodial Fees	(37,563)	(17,059)
Total	<u>694,844</u>	<u>189,360</u>
Endowment Investments:		
Interest and Dividends	3,132	3,255
Net Realized Gains (Losses)	(2,372)	4,146
Net Unrealized Gains	50,362	11,928
Less: Investment Management and Custodial Fees	(1,684)	(1,017)
Total	<u>49,438</u>	<u>18,312</u>
Total Net Investment Return	<u>\$ 744,282</u>	<u>\$ 207,672</u>

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 FAIR VALUE MEASUREMENTS AND DISCLOSURES

MOWSA reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, management develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk or liquidity profile of the asset.

Bond mutual funds and equity mutual funds are valued based on the closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the valuation hierarchy.

Stocks and money market funds are valued at the closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the valuation hierarchy.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table presents assets measured at fair value on a recurring basis at June 30:

	2021			Total
	Level 1	Level 2	Level 3	
Operating Investments:				
Bond Mutual Funds	\$ 507,573	\$ -	\$ -	\$ 507,573
Equity Mutual Funds	9,443	-	-	9,443
Money Market Funds	5,573,651	-	-	5,573,651
Stocks	1,563,084	-	-	1,563,084
Total	<u>7,653,751</u>	<u>-</u>	<u>-</u>	<u>7,653,751</u>
Endowment Investments:				
Bond Mutual Funds	50,618	-	-	50,618
Money Market Funds	4,974	-	-	4,974
Stocks	182,209	-	-	182,209
Total	<u>237,801</u>	<u>-</u>	<u>-</u>	<u>237,801</u>
Total Investments at Fair Value	<u>\$ 7,891,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,891,552</u>
	2020			
	Level 1	Level 2	Level 3	Total
Operating Investments:				
Bond Mutual Funds	\$ 2,016,582	\$ -	\$ -	\$ 2,016,582
Equity Mutual Funds	6,793	-	-	6,793
Money Market Funds	112,176	-	-	112,176
Stocks	1,809,004	-	-	1,809,004
Total	<u>3,944,555</u>	<u>-</u>	<u>-</u>	<u>3,944,555</u>
Endowment Investments:				
Bond Mutual Funds	51,437	-	-	51,437
Money Market Funds	1,549	-	-	1,549
Stocks	135,377	-	-	135,377
Total	<u>188,363</u>	<u>-</u>	<u>-</u>	<u>188,363</u>
Total Investments at Fair Value	<u>\$ 4,132,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,132,918</u>

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, MOWSA received a loan from Broadway Bank in the amount of \$774,200 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender, or if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 15, 2020 to June 15, 2020 is the time that a business has to spend their PPP Loan funds.

MOWSA recorded the initial receipt of the PPP Loan as debt for the year ended June 30, 2020 in accordance with ASC 470, *Debt*. On March 24, 2021, the SBA processed MOWSA's PPP Loan forgiveness application and notified Broadway Bank the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, MOWSA was legally released from the debt and the loan forgiveness was recorded as a gain on extinguishment of debt in the year ended June 30, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on MOWSA's financial position.

NOTE 9 LETTER OF CREDIT

MOWSA has a standby letter of credit with a bank in the amount of \$876,123. Advances under this letter of credit bear interest at the lesser of 18.00% or the variable Wall Street Journal Prime Rate (3.25% at June 30, 2021). The principal and accrued interest are due at maturity, on September 13, 2021. The letter of credit is secured by investment securities. There were no advances under this letter of credit as of June 30, 2021.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 NOTES PAYABLE

Notes payable consist of the following at June 30:

	2021	2020
Note payable, due in 60 monthly installments of \$678 beginning December 13, 2020; bearing interest at 2.5%; due November 13, 2025, secured by a vehicle	\$ 33,860	\$ -
Note payable, due in 60 monthly installments of \$672 beginning December 13, 2020; bearing interest at 2.5%; due November 13, 2025, secured by a vehicle	33,607	-
Note payable, due in 60 monthly installments of \$678 beginning December 13, 2020; bearing interest at 2.5%; due November 13, 2025, secured by a vehicle	33,860	-
Note payable, due in 60 monthly installments of \$678 beginning December 13, 2020; bearing interest at 2.5%; due November 13, 2025, secured by a vehicle	33,905	-
Note payable, due in 60 monthly installments of \$691 beginning December 13, 2020; bearing interest at 2.5%; due November 13, 2025, secured by a vehicle	34,557	-
Note payable, due in 60 monthly installments of \$691 beginning December 13, 2020; bearing interest at 2.5%; due November 13, 2025, secured by a vehicle	34,557	-
Total Notes Payable	\$ 204,346	\$ -

Maturity requirements on notes payable are as follows:

Year Ending June 30,	Amount
2022	\$ 44,377
2023	45,515
2024	46,677
2025	47,879
	19,898
	\$ 204,346

Interest expense on notes payable totaled \$1,469 and \$0 for the years ended June 30, 2021 and 2020, respectively.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 BOARD DESIGNATED NET ASSETS

MOWSA's board has designated net assets without donor restrictions for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Capital Campaign	\$ 1,200,000	\$ -
Kitchen Equipment	65,000	-
	<u>\$ 1,265,000</u>	<u>\$ -</u>

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
AniMeals	\$ 77,433	\$ 63,350
Capital Campaign	4,275,330	3,283,238
Equipment Fund	-	45,000
Friendly Visitor Program	4,781	4,779
Gas Cards	-	25,000
Grace Place Program	10,350	10,350
Home Modifications for Meals On Wheels Clients	38,401	22,522
Total	<u>4,406,295</u>	<u>3,454,239</u>
Subject to the Passage of Time:		
Meals on Wheels Program	443,314	450,400
Promises to Give, Restricted by Donors for:		
Meals on Wheels Program	250,000	-
Total	<u>693,314</u>	<u>450,400</u>
Endowments:		
Subject to MOWSA's Spending Policy and Appropriation:		
Endowment Funds Restricted in Perpetuity	170,051	170,051
Accumulated Gains Restricted by Donor for Appropriation:		
Meals on Wheels Program	22,584	6,104
Grace Place Program	22,583	6,104
Friendly Visitor Program	22,583	6,104
	<u>67,750</u>	<u>18,312</u>
Total	<u>237,801</u>	<u>188,363</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,337,410</u>	<u>\$ 4,093,002</u>

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows during the years ended June 30:

	2021	2020
Satisfaction of Purpose Restrictions:		
AniMeals	\$ 29,958	\$ 39,842
Capital Campaign	310,019	-
Equipment Fund	45,000	25,000
Friendly Visitor Program	47,278	-
Grace Place Program	-	798
Home Modifications for Meals On Wheels Clients	87,817	50,440
Gas Cards	25,000	25,000
Expiration of Time Restrictions	450,400	503,940
Board Appropriations	-	14,156
Total Releases from Restrictions	\$ 995,472	\$ 659,176

NOTE 13 ENDOWMENTS

The endowment funds consists of 3 individual funds established by a donor to provide annual funding for specific activities as follows:

Colonel Marjorie A. Ferrandino Endowment Fund (Meals on Wheels) – As required by its governing document, the original corpus is to be invested in perpetuity with only the investment return to be used for the Meals on Wheels program.

Colonel Marjorie A. Ferrandino Endowment Fund (Grace Place) – As required by its governing document, the original corpus is to be invested in perpetuity with only the investment return to be used for the Grace Place program.

Colonel Marjorie A. Ferrandino Endowment Fund (Friendly Visitors) – As required by its governing document, the original corpus is to be invested in perpetuity with only the investment return to be used for the Friendly Visitors program.

The Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 ENDOWMENTS (CONTINUED)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset composition by type of fund is as follows at June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount Required to be Maintained in Perpetuity by Donor	\$ -	\$ 170,051	\$ 170,051
Accumulated Investment Gains	-	67,750	67,750
Total Endowment Funds	\$ -	\$ 237,801	\$ 237,801
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount Required to be Maintained in Perpetuity by Donor	\$ -	\$ 170,051	\$ 170,051
Accumulated Investment Gains	-	18,312	18,312
Total Endowment Funds	\$ -	\$ 188,363	\$ 188,363

Investment and Spending Policies

MOWSA has adopted an investment policy, approved by the board of directors, that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to make the required annual distributions. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at June 30, 2019	\$ -	\$ 184,207	\$ 184,207
Net Investment Return	-	18,312	18,312
Amounts Appropriated for Expenditure	-	(14,156)	(14,156)
Endowment Net Assets at June 30, 2020	-	188,363	188,363
Net Investment Return	-	49,438	49,438
Amounts Appropriated for Expenditure	-	-	-
Endowment Net Assets at June 30, 2021	<u>\$ -</u>	<u>\$ 237,801</u>	<u>\$ 237,801</u>

There were no underwater endowments for the years ended June 30, 2021 and 2020.

NOTE 14 RETIREMENT PLAN

MOWSA sponsors a 403(b) plan for all qualified employees. There is no minimum service requirement and employees are automatically enrolled in the plan at 3% of their compensation. MOWSA matches 100% of the employee contributions up to 4% of the employee's compensation. In addition, MOWSA provides employer base contributions equal to 1% of the employee's compensation. Employees are 100% vested after three years of service. Employer contributions to the retirement plan totaled \$105,276 and \$135,637 for the years ended June 30, 2021 and 2020, respectively.

NOTE 15 OPERATING LEASES

MOWSA leases office space and equipment under various operating leases expiring at various dates through 2024. In addition to the monthly lease payments, MOWSA is responsible for certain usage charges in excess of established minimums.

Future minimum lease payments, excluding usage charges, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 208,608
2023	193,133
2024	92,987
Total	<u>\$ 494,728</u>

Rent expense under these operating leases totaled \$120,494 and \$78,367 and for the years ended June 30, 2021 and 2020, respectively.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 16 IN-KIND CONTRIBUTIONS

MOWSA received donated services and goods as follows during the years ended June 30:

	2021			
	Program Services	Management and General	Fundraising and Development	Total
Car Wash Packages	\$ -	\$ -	\$ 4,702	\$ 4,702
Engineering Services	-	8,750	-	8,750
Optometrist Services	1,000	-	-	1,000
Sanitizing Supplies	57,276	-	-	57,276
Total	\$ 58,276	\$ 8,750	\$ 4,702	\$ 71,728
	2020			
	Program Services	Management and General	Fundraising and Development	Total
Food and Kitchen Supplies	\$ 40,008	\$ -	\$ -	\$ 40,008
Total	\$ 40,008	\$ -	\$ -	\$ 40,008

In addition, MOWSA received donated land valued at \$89,522 for the Danbury project for the year ended June 30, 2021.

NOTE 17 UNEMPLOYMENT TAXES

MOWSA participates in Unemployment Services Trust (UST) to fund unemployment costs instead of paying state unemployment taxes. Like state unemployment taxes, UST contributions are driven by unemployment claims history and the size of payroll. However, unlike state unemployment taxes, UST contributions are held in a reserve, earn investment income and remain the asset of MOWSA. Management has chosen to treat contributions paid to UST as expenses instead of recording an asset and liability because the losses resulting from unreported claims cannot be estimated by management. The balance in the reserve account totaled \$15,272 and \$30,321 at June 30, 2021 and 2020 and is not included in the accompanying statements of financial position. Contributions paid to UST during the years ended June 30, 2021 and 2020 totaled \$56,788 and \$4,663, respectively, and are included in the accompanying statements of activities.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 18 ECONOMIC DEPENDENCY AND CONCENTRATIONS

MOWSA purchased food items costing \$2,380,823 from two vendors and \$1,417,826 from one vendor during the years ended June 30, 2021 and 2020, respectively. This represents 79% and 82% of total food purchased for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, 56% and 58% of accounts payable is due to three vendors, respectively. Management believes that suitable vendors could be located in the event these vendors could not be utilized.

At June 30, 2021, four donors accounted for 94% of total promises to give, two customers accounted for 91% of total contracts receivable, and two customers accounted for 82% of total program fees receivable. At June 30, 2020, two donors accounted for 75% of total promises to give and two customers accounted for 91% of total contracts receivable, and four customers accounted for 59% of total program fees receivable.

For the year ended June 30, 2021, two donors accounted for approximately 27% of total contributions, one customer accounted for 73% of total program fees and three grantors accounted for 97% of total fees and grants from government agencies. For the year ended June 30, 2020, two donors accounted for 31% of total contributions, two customer accounted for 60% of total program fees and three grantors accounted for 96% of total fees and grants from government agencies. It is always considered reasonably possible that contributors or grantors might be lost in the near term.

NOTE 19 COMMITMENTS AND CONTINGENCIES

MOWSA participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that MOWSA has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of MOWSA, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 20 RISKS AND UNCERTAINTIES

The World Health Organization has declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The pandemic is having significant effects on global markets, supply chains, businesses and communities. Although MOWSA is considered an essential business, there is uncertainty regarding supply chains and the impact of the pandemic on the labor force and job sites. Management believes MOWSA is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as the pandemic continues and its impact is still developing.

**MEALS ON WHEELS SAN ANTONIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 21 SUBSEQUENT EVENTS

Subsequent to year-end, MOWSA entered into a NMTC transaction with Chase NMTC MOWSA Investment Fund, LLC, the “investor” of the tax credits, and Jefferson Bank, an entity making community investment loans to MOWSA. MOWSARE was the “leverage lender” in the NMTC transaction. As a result of the NMTC transaction, MOWSA has a leverage loan receivable of \$15,642,000, a loan payable for \$8,000,000, and investment in MOWSARE of \$704,026.

Management has evaluated subsequent events through March 1, 2022, the date the financial statements were available to be issued.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Meals on Wheels San Antonio
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Meals on Wheels San Antonio, which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Meals on Wheels San Antonio's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meals on Wheels San Antonio's internal control. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels San Antonio's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meals on Wheels San Antonio’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

San Antonio, Texas
March 1, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Meals on Wheels San Antonio
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Meals on Wheels San Antonio's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Meals on Wheels San Antonio's major federal programs for the year ended June 30, 2021. Meals on Wheels San Antonio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Meals on Wheels San Antonio's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meals on Wheels San Antonio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Meals on Wheels San Antonio's compliance.

Opinion on Each Major Federal Program

In our opinion, Meals on Wheels San Antonio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Meals on Wheels San Antonio is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Meals on Wheels San Antonio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Meals on Wheels San Antonio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

San Antonio, Texas
March 1, 2022

**MEALS ON WHEELS SAN ANTONIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS ON FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors’ report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes X no

Identification of Major Federal Programs

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-------------------------------------	---

93.045	Aging Cluster: Special Programs for the Aging, Title III, Part C, Nutrition Services
93.053	Nutrition Services Incentive Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**MEALS ON WHEELS SAN ANTONIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS ON FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs - Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**MEALS ON WHEELS SAN ANTONIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Aging Cluster			
Special Programs for the Aging, Title III, Part C, Nutrition Services			
Passed-through Alamo Area Council of Governments Home Delivered Meals	93.045	539-16-0020-00001	\$ 1,068,852
COVID-19 Passed-through Alamo Area Council of Governments Home Delivered Meals	93.045	539-16-0020-00001	<u>743,294</u>
Total Passed-through Alamo Area Council of Governments			1,812,146
Passed-through Texas Health and Human Services Commission Home Delivered Meals	93.045	00172500	509,082
Nutrition Services Incentive Program Passed-through Alamo Area Council of Governments Home Delivered Meals	93.053	539-16-0020-00001	<u>680,932</u>
Total Aging Cluster			<u>3,002,160</u>
Total U.S. Department of Health and Human Services			3,002,160
U.S. Department of Homeland Security			
Passed-through Federal Emergency Management Agency Emergency Food and Shelter National Board Program	97.024	37-7886-00-028	6,300
COVID-19 Passed-through Federal Emergency Management Agency Emergency Food and Shelter National Board Program	97.024	37-7886-00-028	<u>23,172</u>
Total U.S. Department of Homeland Security			<u>29,472</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,031,632</u></u>

**MEALS ON WHEELS SAN ANTONIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Meals on Wheels San Antonio under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Meals on Wheels San Antonio, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Meals on Wheels San Antonio.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, Meals on Wheels San Antonio provided no federal awards to subrecipients.

NOTE 4 NONCASH ASSISTANCE

Meals on Wheels San Antonio did not receive any noncash assistance from federal awards for the year ended June 30, 2021.

NOTE 5 LOANS

At year-end, Meals on Wheels San Antonio had no loans or loan guarantees outstanding with federal awarding agencies.

NOTE 6 INDIRECT COST RATES

Meals on Wheels San Antonio has not elected to use the 10% de minimis indirect cost rate, as allowed under the Uniform Guidance.

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