

MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE

**CONSOLIDATING FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2022 AND 2021



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**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
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YEARS ENDED JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Meals on Wheels San Antonio and
MOWSA Real Estate
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidating financial statements of Meals on Wheels San Antonio and MOWSA Real Estate (nonprofit organizations, collectively referred to as the Organization), which comprise the consolidating statements of financial position as of June 30, 2022 and 2021, and the related consolidating statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidating financial statements.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidating Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidating Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidating 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 GAAS and *Government 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 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidating 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 consolidating 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 the Organization'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 consolidating financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying 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 consolidating 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidating financial statements as a whole.

Board of Trustees
Meals on Wheels San Antonio and
MOWSA Real Estate

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023, on our consideration of the Organization'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 results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

San Antonio, Texas
January 24, 2023

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

| ASSETS | <u>Meals on Wheels San Antonio</u> | <u>MOWSA Real Estate</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|--|------------------------------|---------------------|----------------------|
| Cash | \$ 3,852,608 | 11,023,277 | \$ - | \$ 14,875,885 |
| Operating Investments | 2,814,117 | - | - | 2,814,117 |
| Accounts Receivable, Net | 1,557,238 | - | - | 1,557,238 |
| Intercompany Receivable | 155,098 | - | (155,098) | - |
| Inventory | 68,378 | - | - | 68,378 |
| Prepaid Expenses and Other Assets | 121,869 | - | - | 121,869 |
| Unconditional Promises to Give, Net | 1,105,918 | - | - | 1,105,918 |
| Property and Equipment, Net | 1,779,656 | 10,984,779 | - | 12,764,435 |
| NMTC CDE Reserve Fund | - | 890,441 | - | 890,441 |
| NMTC Leveraged Loan Receivable | 15,642,000 | - | - | 15,642,000 |
| Endowment Investments | 212,799 | - | - | 212,799 |
| | <u>\$ 27,309,681</u> | <u>\$ 22,898,497</u> | <u>\$ (155,098)</u> | <u>\$ 50,053,080</u> |
| Total Assets | \$ 27,309,681 | \$ 22,898,497 | \$ (155,098) | \$ 50,053,080 |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 314,889 | \$ 2,363,045 | \$ - | \$ 2,677,934 |
| Accrued Liabilities | 425,159 | - | - | 425,159 |
| Intercompany Payable | - | 155,098 | (155,098) | - |
| Notes Payable | 6,947,108 | 19,784,114 | - | 26,731,222 |
| Total Liabilities | <u>7,687,156</u> | <u>22,302,257</u> | <u>(155,098)</u> | <u>29,834,315</u> |
| NET ASSETS | | | | |
| Without Donor Restrictions: | | | | |
| Undesignated | 7,286,999 | 596,240 | - | 7,883,239 |
| Board Designated | 1,265,000 | - | - | 1,265,000 |
| Invested in Property and Equipment | 1,779,656 | - | - | 1,779,656 |
| Total Without Donor Restrictions | <u>10,331,655</u> | <u>596,240</u> | <u>-</u> | <u>10,927,895</u> |
| With Donor Restrictions: | | | | |
| Purpose Restrictions | 8,470,593 | - | - | 8,470,593 |
| Time-Restricted | 607,478 | - | - | 607,478 |
| Perpetual in Nature | 170,051 | - | - | 170,051 |
| Perpetual in Nature Until Appropriated for Expenditure | 42,748 | - | - | 42,748 |
| Total With Donor Restrictions | <u>9,290,870</u> | <u>-</u> | <u>-</u> | <u>9,290,870</u> |
| Total Net Assets | <u>19,622,525</u> | <u>596,240</u> | <u>-</u> | <u>20,218,765</u> |
| Total Liabilities and Net Assets | \$ 27,309,681 | \$ 22,898,497 | \$ (155,098) | \$ 50,053,080 |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

| | Meals on Wheels San Antonio | MOWSA Real Estate | Eliminations | Consolidated |
|---|--------------------------------|----------------------|--------------|----------------------|
| ASSETS | | | | |
| Cash | \$ 1,404,200 | \$ - | \$ - | \$ 1,404,200 |
| Operating Investments | 7,653,751 | - | - | 7,653,751 |
| Accounts Receivable, Net | 1,515,092 | - | - | 1,515,092 |
| Prepaid Expenses and Other Assets | 248,462 | - | - | 248,462 |
| Unconditional Promises to Give, Net | 1,965,105 | - | - | 1,965,105 |
| Property and Equipment, Net | 6,457,573 | - | - | 6,457,573 |
| Endowment Investments | 237,801 | - | - | 237,801 |
| | <u>19,481,984</u> | <u>-</u> | <u>-</u> | <u>19,481,984</u> |
| Total Assets | <u>\$ 19,481,984</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,481,984</u> |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 294,280 | \$ - | \$ - | \$ 294,280 |
| Accrued Liabilities | 361,977 | - | - | 361,977 |
| Notes Payable | 204,346 | - | - | 204,346 |
| Total Liabilities | <u>860,603</u> | <u>-</u> | <u>-</u> | <u>860,603</u> |
| NET ASSETS | | | | |
| Without Donor Restrictions: | | | | |
| Undesignated | 5,561,398 | - | - | 5,561,398 |
| Board Designated | 1,265,000 | - | - | 1,265,000 |
| Invested in Property and Equipment | 6,457,573 | - | - | 6,457,573 |
| Total Without Donor Restrictions | <u>13,283,971</u> | <u>-</u> | <u>-</u> | <u>13,283,971</u> |
| With Donor Restrictions: | | | | |
| Purpose Restrictions | 4,406,295 | - | - | 4,406,295 |
| Time-Restricted | 693,314 | - | - | 693,314 |
| Perpetual in Nature | 170,051 | - | - | 170,051 |
| Perpetual in Nature Until Appropriated for Expenditure | 67,750 | - | - | 67,750 |
| Total With Donor Restrictions | <u>5,337,410</u> | <u>-</u> | <u>-</u> | <u>5,337,410</u> |
| Total Net Assets | <u>18,621,381</u> | <u>-</u> | <u>-</u> | <u>18,621,381</u> |
| Total Liabilities and Net Assets | <u>\$ 19,481,984</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,481,984</u> |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| | Meals on Wheels San Antonio | | | MOWSA Real Estate | | Eliminations | Consolidated |
|---|-------------------------------|----------------------------|--------------|-------------------------------|------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | | | |
| OPERATING | | | | | | | |
| Public Support and Revenue | | | | | | | |
| Contributions and Grants | \$ 3,611,319 | \$ 186,889 | \$ 3,798,208 | \$ - | \$ - | | \$ 3,798,208 |
| United Way Contributions | 235,998 | - | 235,998 | - | - | | 235,998 |
| Special Events, Net | 223,131 | - | 223,131 | - | - | | 223,131 |
| In-Kind Contributions | 62,089 | - | 62,089 | - | - | | 62,089 |
| Fees and Grants from Government Agencies | 4,247,466 | 555,978 | 4,803,444 | - | - | | 4,803,444 |
| Program Fees | 3,385,982 | - | 3,385,982 | - | - | | 3,385,982 |
| Net Investment Return | (467,103) | (25,002) | (492,105) | - | - | | (492,105) |
| Interest Income | 939 | - | 939 | - | - | | 939 |
| Loss on Disposal of Assets | (443,225) | - | (443,225) | - | - | | (443,225) |
| Net Assets Released From Restrictions | 914,250 | (914,250) | - | - | - | | - |
| Total Public Support and Revenue | 11,770,846 | (196,385) | 11,574,461 | - | - | | 11,574,461 |
| Expenses | | | | | | | |
| Program Services | 11,678,185 | - | 11,678,185 | - | - | | 11,678,185 |
| Management and General | 1,213,433 | - | 1,213,433 | - | - | | 1,213,433 |
| Fundraising and Development | 1,134,480 | - | 1,134,480 | - | - | | 1,134,480 |
| Total Expenses | 14,026,098 | - | 14,026,098 | - | - | | 14,026,098 |
| DECREASE IN NET ASSETS FROM OPERATIONS | (2,255,252) | (196,385) | (2,451,637) | - | - | | (2,451,637) |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

| | Meals on Wheels San Antonio | | | MOWSA Real Estate | | Eliminations | Consolidated |
|---|-------------------------------|----------------------------|---------------|-------------------------------|--------------|--------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | | | |
| NONOPERATING | | | | | | | |
| Public Support and Revenue | | | | | | | |
| NMTC Contributions | \$ - | \$ - | \$ - | \$ 704,026 | \$ (704,026) | | \$ - |
| Capital Campaign Contributions | - | 4,494,082 | 4,494,082 | - | - | | 4,494,082 |
| In-Kind Contributions | - | 44,063 | 44,063 | - | - | | 44,063 |
| Interest Income | 118,184 | - | 118,184 | 1,150 | - | | 119,334 |
| Net Assets Released From Restrictions | 388,300 | (388,300) | - | - | - | | - |
| Total Public Support and Revenue | 506,484 | 4,149,845 | 4,656,329 | 705,176 | (704,026) | | 4,657,479 |
| Expenses | | | | | | | |
| Management and General | 982,706 | - | 982,706 | 108,936 | (704,026) | | 387,616 |
| Fundraising and Development | 220,842 | - | 220,842 | - | - | | 220,842 |
| Total Expenses | 1,203,548 | - | 1,203,548 | 108,936 | (704,026) | | 608,458 |
| INCREASE (DECREASE) IN NET ASSETS FROM NONOPERATING ACTIVITIES | (697,064) | 4,149,845 | 3,452,781 | 596,240 | - | | 4,049,021 |
| CHANGE IN NET ASSETS | (2,952,316) | 3,953,460 | 1,001,144 | 596,240 | - | | 1,597,384 |
| Net Assets - Beginning of Year | 13,283,971 | 5,337,410 | 18,621,381 | - | - | | 18,621,381 |
| NET ASSETS - END OF YEAR | \$ 10,331,655 | \$ 9,290,870 | \$ 19,622,525 | \$ 596,240 | \$ - | | \$ 20,218,765 |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| | Meals on Wheels San Antonio | | | MOWSA Real Estate | | Eliminations | Consolidated |
|---|-------------------------------|----------------------------|--------------|-------------------------------|------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | | | |
| OPERATING | | | | | | | |
| Public Support and Revenue | | | | | | | |
| Contributions and Grants | \$ 4,416,650 | \$ 346,745 | \$ 4,763,395 | \$ - | \$ - | | \$ 4,763,395 |
| United Way Contributions | 219,615 | - | 219,615 | - | - | | 219,615 |
| In-Kind Contributions | 62,978 | - | 62,978 | - | - | | 62,978 |
| Fees and Grants from Government Agencies | 3,897,963 | 443,314 | 4,341,277 | - | - | | 4,341,277 |
| Program Fees | 2,168,309 | - | 2,168,309 | - | - | | 2,168,309 |
| Paycheck Protection Program Loan Forgiveness | 774,200 | - | 774,200 | - | - | | 774,200 |
| Net Investment Return | 694,844 | 49,438 | 744,282 | - | - | | 744,282 |
| Interest Income | 1,227 | - | 1,227 | - | - | | 1,227 |
| Gain on Disposal of Assets | 17,280 | - | 17,280 | - | - | | 17,280 |
| Net Assets Released From Restrictions | 685,453 | (685,453) | - | - | - | | - |
| Total Public Support and Revenue | 12,938,519 | 154,044 | 13,092,563 | - | - | | 13,092,563 |
| Expenses | | | | | | | |
| Program Services | 8,502,418 | - | 8,502,418 | - | - | | 8,502,418 |
| Management and General | 1,025,463 | - | 1,025,463 | - | - | | 1,025,463 |
| Fundraising and Development | 943,466 | - | 943,466 | - | - | | 943,466 |
| Total Expenses | 10,471,347 | - | 10,471,347 | - | - | | 10,471,347 |
| INCREASE IN NET ASSETS FROM OPERATIONS | 2,467,172 | 154,044 | 2,621,216 | - | - | | 2,621,216 |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2021**

| | Meals on Wheels San Antonio | | | MOWSA Real Estate | Eliminations | Consolidated |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|--------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | | |
| NONOPERATING | | | | | | |
| Public Support and Revenue | | | | | | |
| Capital Campaign Contributions | \$ 1,265,000 | \$ 1,302,111 | \$ 2,567,111 | \$ - | \$ - | \$ 2,567,111 |
| In-Kind Contributions | - | 98,272 | 98,272 | - | - | 98,272 |
| Net Assets Released From Restrictions | 310,019 | (310,019) | - | - | - | - |
| Total Public Support and Revenue | 1,575,019 | 1,090,364 | 2,665,383 | - | - | 2,665,383 |
| Expenses | | | | | | |
| Management and General | 185,610 | - | 185,610 | - | - | 185,610 |
| Fundraising and Development | 124,409 | - | 124,409 | - | - | 124,409 |
| Total Expenses | 310,019 | - | 310,019 | - | - | 310,019 |
| INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES | 1,265,000 | 1,090,364 | 2,355,364 | - | - | 2,355,364 |
| CHANGE IN NET ASSETS | 3,732,172 | 1,244,408 | 4,976,580 | - | - | 4,976,580 |
| Net Assets - Beginning of Year | 9,551,799 | 4,093,002 | 13,644,801 | - | - | 13,644,801 |
| NET ASSETS - END OF YEAR | <u>\$ 13,283,971</u> | <u>\$ 5,337,410</u> | <u>\$ 18,621,381</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,621,381</u> |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

| | Meals on Wheels San Antonio | | | | MOWSA Real Estate | | Eliminations | Consolidated |
|---------------------------------|-----------------------------|----------------|---------------------------|--------------------------------|----------------------|---------------------------|--------------|---------------|
| | Program Services | | Management and General | Fundraising and Development | Total | Management and General | | |
| | Nutrition Services | Other Services | | | | | | |
| OPERATING | | | | | | | | |
| Advertising | \$ - | \$ - | \$ 1,008 | \$ 84,531 | \$ 85,539 | \$ - | \$ - | \$ 85,539 |
| Assistance to Individuals | - | 37,952 | - | - | 37,952 | - | - | 37,952 |
| Bad Debt | - | - | 6,559 | - | 6,559 | - | - | 6,559 |
| Contract Services | 355,006 | - | 102,022 | - | 457,028 | - | - | 457,028 |
| Depreciation | 243,050 | 11,815 | 65,633 | 176 | 320,674 | - | - | 320,674 |
| Employee Benefits | 380,578 | 35,251 | 32,498 | 31,090 | 479,417 | - | - | 479,417 |
| Equipment Lease and Maintenance | 90,550 | 3,250 | 12,343 | 2,320 | 108,463 | - | - | 108,463 |
| Food and Kitchen Supplies | 4,899,490 | 77,253 | 13,276 | 17,899 | 5,007,918 | - | - | 5,007,918 |
| Insurance | 134,043 | 5,794 | 39,271 | 3,219 | 182,327 | - | - | 182,327 |
| Interest | 4,987 | - | 18,787 | - | 23,774 | - | - | 23,774 |
| Meetings and Conferences | 3,054 | 1,663 | 13,198 | 14,305 | 32,220 | - | - | 32,220 |
| Miscellaneous | 447 | 24,919 | 997 | 1,496 | 27,859 | - | - | 27,859 |
| Occupancy | 221,595 | 24,940 | 16,269 | 29,964 | 292,768 | - | - | 292,768 |
| Office Expenses | 117,830 | 15,692 | 47,377 | 68,072 | 248,971 | - | - | 248,971 |
| Payroll Taxes | 280,270 | 22,017 | 65,087 | 22,027 | 389,401 | - | - | 389,401 |
| Professional Fees | 173,920 | 9,202 | 243,662 | 544,481 | 971,265 | - | - | 971,265 |
| Retirement Plan | 126,714 | 11,810 | 16,304 | 11,795 | 166,623 | - | - | 166,623 |
| Salaries | 3,817,510 | 314,725 | 518,598 | 300,438 | 4,951,271 | - | - | 4,951,271 |
| Travel | 30,400 | 4,602 | 544 | 2,667 | 38,213 | - | - | 38,213 |
| Vehicle Expenses | 197,816 | 40 | - | - | 197,856 | - | - | 197,856 |
| Total Operating Expenses | 11,077,260 | 600,925 | 1,213,433 | 1,134,480 | 14,026,098 | - | - | 14,026,098 |
| NONOPERATING | | | | | | | | |
| Advertising | - | - | - | 6,447 | 6,447 | - | - | 6,447 |
| Employee Benefits | - | - | 2,470 | 13,487 | 15,957 | - | - | 15,957 |
| Equipment Lease and Maintenance | - | - | 1,265 | - | 1,265 | - | - | 1,265 |
| Interest | - | - | 111,222 | - | 111,222 | 99,106 | - | 210,328 |
| Meetings and Conferences | - | - | - | 1,082 | 1,082 | - | - | 1,082 |
| Miscellaneous | - | - | - | 424 | 424 | - | - | 424 |
| NMTC Contribution | - | - | 704,026 | - | 704,026 | - | (704,026) | - |
| Occupancy | - | - | 12,836 | 108 | 12,944 | - | - | 12,944 |
| Office Expenses | - | - | 1,381 | 1,394 | 2,775 | 80 | - | 2,855 |
| Payroll Taxes | - | - | 9,019 | 7,031 | 16,050 | - | - | 16,050 |
| Professional Fees | - | - | 3,239 | 91,817 | 95,056 | 9,750 | - | 104,806 |
| Retirement Plan | - | - | 6,112 | 3,149 | 9,261 | - | - | 9,261 |
| Salaries | - | - | 131,136 | 95,775 | 226,911 | - | - | 226,911 |
| Travel | - | - | - | 128 | 128 | - | - | 128 |
| Total Nonoperating Expenses | - | - | 982,706 | 220,842 | 1,203,548 | 108,936 | (704,026) | 608,458 |
| Total Expenses | \$ 11,077,260 | \$ 600,925 | \$ 2,196,139 | \$ 1,355,322 | \$ 15,229,646 | \$ 108,936 | \$ (704,026) | \$ 14,634,556 |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

| | Meals on Wheels San Antonio | | | | MOWSA Real Estate | | Eliminations | Consolidated |
|---------------------------------|-----------------------------|-------------------|---------------------------|--------------------------------|----------------------|---------------------------|--------------|----------------------|
| | Program Services | | Management and General | Fundraising and Development | Total | Management and General | | |
| | Nutrition Services | Other Services | | | | | | |
| OPERATING | | | | | | | | |
| Advertising | \$ - | \$ - | \$ 1,717 | \$ 145,122 | \$ 146,839 | \$ - | \$ - | \$ 146,839 |
| Assistance to Individuals | 77,449 | 5,212 | - | 18,057 | 100,718 | - | - | 100,718 |
| Bad Debt | - | - | 47,982 | - | 47,982 | - | - | 47,982 |
| Contract Services | 112,644 | 6,210 | 10,801 | 11,136 | 140,791 | - | - | 140,791 |
| Depreciation | 243,744 | 64,185 | 19,024 | 264 | 327,217 | - | - | 327,217 |
| Employee Benefits | 222,480 | 60,405 | 57,435 | 30,651 | 370,971 | - | - | 370,971 |
| Equipment Lease and Maintenance | 78,766 | 345 | 20,654 | 4,242 | 104,007 | - | - | 104,007 |
| Food and Kitchen Supplies | 3,543,085 | 30,008 | 75 | 80 | 3,573,248 | - | - | 3,573,248 |
| Insurance | 125,879 | - | 30,756 | - | 156,635 | - | - | 156,635 |
| Interest | - | - | 1,469 | - | 1,469 | - | - | 1,469 |
| Meetings and Conferences | 8,837 | (73) | 1,601 | 1,763 | 12,128 | - | - | 12,128 |
| Miscellaneous | 13,130 | 1,333 | 2,218 | 2,616 | 19,297 | - | - | 19,297 |
| Occupancy | 212,068 | 1,445 | 15,641 | 5,980 | 235,134 | - | - | 235,134 |
| Office Expenses | 166,264 | 10,957 | 39,023 | 16,645 | 232,889 | - | - | 232,889 |
| Payroll Taxes | 201,641 | 13,136 | 100,128 | 14,823 | 329,728 | - | - | 329,728 |
| Professional Fees | 140,192 | 5,385 | 190,641 | 488,410 | 824,628 | - | - | 824,628 |
| Retirement Plan | 76,344 | 5,380 | 12,387 | 5,181 | 99,292 | - | - | 99,292 |
| Salaries | 2,749,244 | 182,849 | 473,146 | 198,528 | 3,603,767 | - | - | 3,603,767 |
| Travel | 9,763 | 1,056 | 765 | (32) | 11,552 | - | - | 11,552 |
| Vehicle Expenses | 133,055 | - | - | - | 133,055 | - | - | 133,055 |
| Total Operating Expenses | <u>8,114,585</u> | <u>387,833</u> | <u>1,025,463</u> | <u>943,466</u> | <u>10,471,347</u> | <u>-</u> | <u>-</u> | <u>10,471,347</u> |
| NONOPERATING | | | | | | | | |
| Advertising | - | - | - | 13,618 | 13,618 | - | - | 13,618 |
| Equipment Lease and Maintenance | - | - | - | 1,144 | 1,144 | - | - | 1,144 |
| Occupancy | - | - | 2,404 | 127 | 2,531 | - | - | 2,531 |
| Office Expenses | - | - | - | 2,510 | 2,510 | - | - | 2,510 |
| Payroll Taxes | - | - | 11,865 | - | 11,865 | - | - | 11,865 |
| Professional Fees | - | - | - | 106,410 | 106,410 | - | - | 106,410 |
| Retirement Plan | - | - | 5,984 | - | 5,984 | - | - | 5,984 |
| Salaries | - | - | 165,357 | - | 165,357 | - | - | 165,357 |
| Travel | - | - | - | 600 | 600 | - | - | 600 |
| Total Nonoperating Expenses | <u>-</u> | <u>-</u> | <u>185,610</u> | <u>124,409</u> | <u>310,019</u> | <u>-</u> | <u>-</u> | <u>310,019</u> |
| Total Expenses | <u>\$ 8,114,585</u> | <u>\$ 387,833</u> | <u>\$ 1,211,073</u> | <u>\$ 1,067,875</u> | <u>\$ 10,781,366</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,781,366</u> |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

| | Meals on Wheels San Antonio | MOWSA Real Estate | Eliminations | Consolidated |
|--|--------------------------------|----------------------|--------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Change in Net Assets | \$ 1,001,144 | \$ 596,240 | \$ - | \$ 1,597,384 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | | | |
| Depreciation Expense | 320,674 | - | - | 320,674 |
| Amortization of Debt Issuance Costs | 6,590 | 99,106 | - | 105,696 |
| Loss on Disposal of Assets | 443,225 | - | - | 443,225 |
| Bad Debt | 6,559 | - | - | 6,559 |
| Discount on Unconditional Promises to Give to Net Present Value | (2,859) | - | - | (2,859) |
| Net Realized and Unrealized Losses on Operating Investments | 467,232 | - | - | 467,232 |
| Net Realized and Unrealized Losses on Endowment Investments | 26,228 | - | - | 26,228 |
| Change in Operating Assets and Liabilities: | | | | |
| Accounts Receivable | (48,705) | - | - | (48,705) |
| Intercompany Receivable and Payable | (155,098) | 155,098 | - | - |
| Unconditional Promises to Give | 862,046 | - | - | 862,046 |
| Inventory | (68,378) | - | - | (68,378) |
| Prepaid Expenses and Other Assets | 126,593 | - | - | 126,593 |
| Accounts Payable | 20,609 | 2,363,045 | - | 2,383,654 |
| Accrued Liabilities | 63,182 | - | - | 63,182 |
| Net Cash Provided by Operating Activities | <u>3,069,042</u> | <u>3,213,489</u> | <u>-</u> | <u>6,282,531</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Operating Investments | (931,750) | - | - | (931,750) |
| Proceeds from Sale of Operating Investments | 5,304,152 | - | - | 5,304,152 |
| Purchase of Endowment Investments | (3,069) | - | - | (3,069) |
| Proceeds from Sale of Endowment Investments | 1,843 | - | - | 1,843 |
| Loan to NMTC Investment Fund | (15,642,000) | - | - | (15,642,000) |
| Intercompany Transfer of Assets | 3,044,857 | (3,044,857) | - | - |
| Purchase and Construction of Property and Equipment | <u>(323,902)</u> | <u>(7,939,922)</u> | <u>-</u> | <u>(8,263,824)</u> |
| Net Cash Used by Investing Activities | <u>(8,549,869)</u> | <u>(10,984,779)</u> | <u>-</u> | <u>(19,534,648)</u> |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

| | Meals on Wheels San Antonio | MOWSA Real Estate | Eliminations | Consolidated |
|--|--------------------------------|----------------------|--------------|----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from Notes Payable | \$ 8,000,000 | \$ 20,610,000 | \$ - | \$ 28,610,000 |
| Debt Issuance Costs | (26,366) | (924,992) | - | (951,358) |
| Repayments of Notes Payable | (44,399) | - | - | (44,399) |
| Net Cash Provided by Financing Activities | <u>7,929,235</u> | <u>19,685,008</u> | <u>-</u> | <u>27,614,243</u> |
| NET INCREASE IN CASH AND RESTRICTED CASH | 2,448,408 | 11,913,718 | - | 14,362,126 |
| Cash and Restricted Cash - Beginning of Year | <u>1,404,200</u> | <u>-</u> | <u>-</u> | <u>1,404,200</u> |
| CASH AND RESTRICTED CASH - END OF YEAR | <u>\$ 3,852,608</u> | <u>\$ 11,913,718</u> | <u>\$ -</u> | <u>\$ 15,766,326</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | |
| Cash Paid for Interest | <u>\$ 122,623</u> | <u>\$ 16,872</u> | <u>\$ -</u> | <u>\$ 139,495</u> |
| SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES | | | | |
| Proceeds from Sale of Assets used for Repayment of Notes Payable | <u>\$ 1,193,063</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,193,063</u> |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

| | Meals on Wheels San Antonio | MOWSA Real Estate | Eliminations | Consolidated |
|--|--------------------------------|----------------------|--------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Change in Net Assets | \$ 4,976,580 | \$ - | \$ - | \$ 4,976,580 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | | | |
| Depreciation Expense | 327,217 | - | - | 327,217 |
| Gain on Disposal of Assets | (17,280) | - | - | (17,280) |
| Contribution of Property and Equipment | (89,522) | - | - | (89,522) |
| Paycheck Protection Plan Loan Forgiveness | (774,200) | - | - | (774,200) |
| Bad Debt | 47,982 | - | - | 47,982 |
| Discount on Unconditional Promises to Give to Net Present Value | (9,460) | - | - | (9,460) |
| Donated Operating Investments | (1,848) | - | - | (1,848) |
| Net Realized and Unrealized Gains on Operating Investments | (691,759) | - | - | (691,759) |
| Net Realized and Unrealized Gains on Endowment Investments | (47,990) | - | - | (47,990) |
| Change in Operating Assets and Liabilities: | | | | |
| Accounts Receivable | (141,664) | - | - | (141,664) |
| Unconditional Promises to Give | 25,562 | - | - | 25,562 |
| Prepaid Expenses and Other Assets | 27,104 | - | - | 27,104 |
| Accounts Payable | (69,745) | - | - | (69,745) |
| Accrued Liabilities | 114,718 | - | - | 114,718 |
| Net Cash Provided by Operating Activities | <u>3,675,695</u> | <u>-</u> | <u>-</u> | <u>3,675,695</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Operating Investments | (3,040,522) | - | - | (3,040,522) |
| Proceeds from Sale of Operating Investments | 24,933 | - | - | 24,933 |
| Purchase of Endowment Investments | (3,132) | - | - | (3,132) |
| Proceeds from Sale of Endowment Investments | 1,684 | - | - | 1,684 |
| Proceeds from Sale of Property and Equipment | 27,719 | - | - | 27,719 |
| Purchase and Construction of Property and Equipment | <u>(491,397)</u> | <u>-</u> | <u>-</u> | <u>(491,397)</u> |
| Net Cash Used by Investing Activities | <u>(3,480,715)</u> | <u>-</u> | <u>-</u> | <u>(3,480,715)</u> |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

| | Meals on Wheels San Antonio | MOWSA Real Estate | Eliminations | Consolidated |
|---|--------------------------------|----------------------|--------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayments of Notes Payable | \$ (25,800) | \$ - | \$ - | \$ (25,800) |
| Net Cash Used by Financing Activities | <u>(25,800)</u> | <u>-</u> | <u>-</u> | <u>(25,800)</u> |
| NET INCREASE IN CASH | 169,180 | - | - | 169,180 |
| Cash - Beginning of Year | <u>1,235,020</u> | <u>-</u> | <u>-</u> | <u>1,235,020</u> |
| CASH - END OF YEAR | <u>\$ 1,404,200</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,404,200</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | |
| Cash Paid for Interest | <u>\$ 1,469</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,469</u> |
| SUPPLEMENTAL NONCASH INVESTING ACTIVITIES | | | | |
| Property and equipment acquired with notes payable | <u>\$ 230,146</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 230,146</u> |
| Disposal of fully depreciated property and equipment | <u>\$ 34,520</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,520</u> |

See accompanying Notes to Consolidating Financial Statements.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Meals on Wheels San Antonio is a nonprofit organization whose mission is to promote the dignity and independence of seniors who are in need of nutritious meals, companionship and Alzheimer's care. The following programs are provided by Meals on Wheels San Antonio:

Nutrition Services – These services consist of home delivered meals and contract meals. The home delivered meals program 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. The contract meals program 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 program services consist of Alzheimer Services, AniMeals, Friendly Visitor, and Comfy Casas. Services to those living with Alzheimer's disease or related dementia includes adult activity centers, graceful gatherings, caregiver support groups, Grace at Home, and Grace Notes. 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. These other services are supported by program fees, public donations, and grants from government agencies.

MOWSA Real Estate is a separate nonprofit organization established as part of the New Market Tax Credits (NMTC) transaction, to provide funding for Meals on Wheels San Antonio's new facility. MOWSA Real Estate operates exclusively for the benefit of Meals on Wheels San Antonio. MOWSA Real Estate is governed by a separate Board of Trustees, the majority of which are appointed by Meals on Wheels San Antonio's Board of Trustees. See Note 20 for additional information on the NMTC.

Principles of Consolidation

The consolidating financial statements include the accounts of Meals on Wheels San Antonio and MOWSA Real Estate because Meals on Wheels San Antonio has both control and an economic interest in MOWSA Real Estate. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization.

Use of Estimates

The preparation of consolidating 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 at the date of the consolidating 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.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and NMTC CDE Reserve Fund

Cash includes all cash on hand, in banks, in money markets, and highly liquid investments with initial maturity periods of three months or less. Cash equivalents includes gift cards. There were no cash equivalents at June 30, 2022 and 2021.

The Organization entered into financing agreements in 2021 to assist with the construction of the new facility. The financing agreements require the Organization to maintain cash received restricted for the construction of the new facility in two separate accounts. The accounts are pledged as collateral and subject to control of the lenders at June 30, 2022, for its debt resulting from the NMTC transaction (see Note 20). The accounts are considered to be restricted cash and are presented as NMTC CDE Reserve Funds on the consolidating statements of financial position. For purposes of the consolidating statements of cash flows, cash and restricted cash consists of the following at June 30, 2022 and 2021:

| June 30, 2022 | Meals on Wheels San Antonio | MOWSA Real Estate | Consolidated |
|---|--------------------------------|----------------------|----------------------|
| Cash | \$ 3,852,608 | \$ 11,023,277 | \$ 14,875,885 |
| NMTC CDE Reserve | - | 890,441 | 890,441 |
| Cash and Restricted Cash per Consolidating Statement of Cash Flows | <u>\$ 3,852,608</u> | <u>\$ 11,913,718</u> | <u>\$ 15,766,326</u> |
| June 30, 2021 | | | |
| Cash | \$ 1,404,200 | \$ - | \$ 1,404,200 |
| NMTC CDE Reserve | - | - | - |
| Cash and Restricted Cash per Consolidating Statement of Cash Flows | <u>\$ 1,404,200</u> | <u>\$ -</u> | <u>\$ 1,404,200</u> |

Accounts Receivable

Accounts receivable consist of noninterest-bearing amounts due from government agencies for home delivered meals and services provided to 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 consolidating statements of financial position.

NMTC Leveraged Loan Receivable

Notes receivable are carried at the unpaid principal balance. Management does not consider an allowance for uncollectible receivables to be necessary. Interest on note is recognized over the term of the note.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidating statements of activities.

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

Inventory

Inventory consists of food and supplies and is valued at the lower of cost or market on a first-in, first-out basis. Donated items are recorded at estimated fair value at the date of donation.

Property and Equipment

The Organization 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 consolidating statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization 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 the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

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 consolidating statements of financial position. Investment return is reported in the consolidating statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, and investment management and custodial fees.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidating 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 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 the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received but not yet earned are reported as a refundable advance in the consolidating statements of financial position.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Organization enters into contracts with its customers to provide adult activity 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. The Organization's contracts with customers typically include a single performance obligation to provide adult activity center services or to deliver meals.

The pricing and payment terms for contracts are based on the Organization's standard terms and conditions or the result of specific negotiations with each customer. Contracts do not contain significant financing component as the Organization'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 consolidating statements of financial position. The Organization did not have significant contract assets and contract liabilities as of June 30, 2022 and 2021. Contract accounts receivable at June 30, 2020 totaled \$84,910.

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 the Organization'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.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Organization 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:

| June 30, 2022 | Meals on Wheels San Antonio | MOWSA Real Estate | Consolidated |
|------------------------|--------------------------------|----------------------|---------------------|
| <u>Type of Service</u> | | | |
| COSA Meals | \$ 2,745,159 | \$ - | \$ 2,745,159 |
| MCO Meals | 298,668 | - | 298,668 |
| Private Contract Meals | 287,863 | - | 287,863 |
| Total | <u>\$ 3,331,690</u> | <u>\$ -</u> | <u>\$ 3,331,690</u> |
| | | | |
| <u>June 30, 2021</u> | | | |
| <u>Type of Service</u> | | | |
| COSA Meals | \$ 1,589,436 | \$ - | \$ 1,589,436 |
| MCO Meals | 270,167 | - | 270,167 |
| Private Contract Meals | 242,705 | - | 242,705 |
| Total | <u>\$ 2,102,308</u> | <u>\$ -</u> | <u>\$ 2,102,308</u> |

In-Kind Donations

The Organization receives various types of in-kind donations. Contributions of tangible assets are recognized at fair value when received using estimated U.S. retail prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Professional services are valued at estimated fair value based on current rates for similar professional services. Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidating financial statements do not reflect the value of these contributed services because they do not meet recognition criteria.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$91,986 and \$160,457 for the years ended June 30, 2022 and 2021, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidating statements of activities. The consolidating statements of functional expenses present 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.

MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Each entity believes it has appropriate support for any tax positions taken affecting their 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.

Financial Instruments and Credit Risk

The Organization 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, the Organization 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 the Organization and the Finance Committee of the Board of Trustees. 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidating financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Standard

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The Organization has adopted ASU 2020-07 beginning in July 2021. There was no cumulative-effect adjustment to net assets.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

Management has evaluated subsequent events through January 24, 2023, the date the consolidating financial statements were available to be issued.

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:

| | Meals on Wheels San Antonio | MOWSA Real Estate | Consolidated |
|-----------------------|--------------------------------|----------------------|---------------------|
| Cash | \$ 3,723,126 | \$ - | \$ 3,723,126 |
| Operating Investments | 2,814,117 | - | 2,814,117 |
| Accounts Receivable | 1,001,260 | - | 1,001,260 |
| Total | <u>\$ 7,538,503</u> | <u>\$ -</u> | <u>\$ 7,538,503</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.

All MOWSA Real Estate cash is reserved for the new facility not for operating expenditures, thus is excluded from the above analysis.

The Organization 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, the Organization 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, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 ACCOUNTS RECEIVABLE, NET

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

| June 30, 2022 | Meals on Wheels San Antonio | MOWSA Real Estate | Consolidated |
|---------------------------------------|--------------------------------|----------------------|---------------------|
| Government Fees and Grants Receivable | \$ 1,460,602 | \$ - | \$ 1,460,602 |
| Contracts Receivable | 91,493 | - | 91,493 |
| Other Receivable | 24,818 | - | 24,818 |
| Subtotal | 1,576,913 | - | 1,576,913 |
| Less: Allowance for Doubtful Accounts | (19,675) | - | (19,675) |
| Total Accounts Receivable, Net | <u>\$ 1,557,238</u> | <u>\$ -</u> | <u>\$ 1,557,238</u> |
| June 30, 2021 | | | |
| Government Fees and Grants Receivable | \$ 1,261,849 | \$ - | \$ 1,261,849 |
| Contracts Receivable | 257,472 | - | 257,472 |
| Subtotal | 1,519,321 | - | 1,519,321 |
| Less: Allowance for Doubtful Accounts | (4,229) | - | (4,229) |
| Total Accounts Receivable, Net | <u>\$ 1,515,092</u> | <u>\$ -</u> | <u>\$ 1,515,092</u> |

NOTE 4 PROMISES TO GIVE

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

| June 30, 2022 | Meals on Wheels San Antonio | MOWSA Real Estate | Consolidated |
|---|--------------------------------|----------------------|---------------------|
| Within One Year | \$ 871,261 | \$ - | \$ 871,261 |
| In One to Five Years | 267,203 | - | 267,203 |
| Total | 1,138,464 | - | 1,138,464 |
| Less: Discount to Net Present Value at Rate of 4.50% | (14,740) | - | (14,740) |
| Less: Allowance for Uncollectible Promises to Give | (17,806) | - | (17,806) |
| Total | <u>\$ 1,105,918</u> | <u>\$ -</u> | <u>\$ 1,105,918</u> |
| June 30, 2021 | | | |
| Within One Year | \$ 1,250,250 | \$ - | \$ 1,250,250 |
| In One to Five Years | 793,382 | - | 793,382 |
| Total | 2,043,632 | - | 2,043,632 |
| Less: Discount to Net Present Value at Rate of 4.50% | (17,599) | - | (17,599) |
| Less: Allowance for Uncollectible Promises to Give | (60,928) | - | (60,928) |
| Total | <u>\$ 1,965,105</u> | <u>\$ -</u> | <u>\$ 1,965,105</u> |

Unconditional promises to give include amounts due from board members totaling \$34,875 and \$18,003 at June 30, 2022 and 2021, respectively.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| June 30, 2022 | Meals on Wheels San Antonio | MOWSA Real Estate | Consolidated |
|--------------------------------|--------------------------------|----------------------|----------------------|
| Building and Improvements | \$ 1,193,541 | \$ - | \$ 1,193,541 |
| Vehicles | 1,140,154 | - | 1,140,154 |
| Furniture and Fixtures | 943,027 | - | 943,027 |
| Total | 3,276,722 | - | 3,276,722 |
| Less: Accumulated Depreciation | (2,144,372) | - | (2,144,372) |
| Total | 1,132,350 | - | 1,132,350 |
| Land | 632,956 | 2,137,552 | 2,770,508 |
| Construction in Progress | 14,350 | 8,847,227 | 8,861,577 |
| Property and Equipment, Net | <u>\$ 1,779,656</u> | <u>\$ 10,984,779</u> | <u>\$ 12,764,435</u> |
| <u>June 30, 2021</u> | | | |
| Building and Improvements | \$ 2,980,912 | \$ - | \$ 2,980,912 |
| Vehicles | 979,568 | - | 979,568 |
| Furniture and Fixtures | 871,040 | - | 871,040 |
| Total | 4,831,520 | - | 4,831,520 |
| Less: Accumulated Depreciation | (2,492,403) | - | (2,492,403) |
| Total | 2,339,117 | - | 2,339,117 |
| Land | 3,239,258 | - | 3,239,258 |
| Construction in Progress | 879,198 | - | 879,198 |
| Property and Equipment, Net | <u>\$ 6,457,573</u> | <u>\$ -</u> | <u>\$ 6,457,573</u> |

Depreciation expense totaled \$320,674 and \$327,217 for the years ended June 30, 2022 and 2021, respectively.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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:

| | 2022 | | 2021 | |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Operating Investments: | | | | |
| Bond Mutual Funds | \$ 601,195 | \$ 617,183 | \$ 507,573 | \$ 501,728 |
| Equity Mutual Funds | 7,885 | 5,031 | 9,443 | 4,257 |
| Money Market Funds | 107,923 | 107,923 | 5,573,651 | 5,573,652 |
| Stocks | 2,097,114 | 1,972,216 | 1,563,084 | 998,316 |
| Total | <u>\$ 2,814,117</u> | <u>\$ 2,702,353</u> | <u>\$ 7,653,751</u> | <u>\$ 7,077,953</u> |
| Endowment Investments: | | | | |
| Bond Mutual Funds | \$ - | \$ - | \$ 50,618 | \$ 42,497 |
| Money Market Funds | 60,686 | 60,686 | 4,974 | 4,974 |
| Stocks | 152,113 | 106,576 | 182,209 | 116,846 |
| Total | <u>\$ 212,799</u> | <u>\$ 167,262</u> | <u>\$ 237,801</u> | <u>\$ 164,317</u> |

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 6 INVESTMENTS (CONTINUED)

Investment return from these investments is summarized as follows for the years ended June 30, 2022 and 2021:

| June 30, 2022 | Meals on Wheels San Antonio | MOWSA Real Estate | Consolidated |
|----------------------------------|--------------------------------|----------------------|---------------------|
| Operating Investments: | | | |
| Interest and Dividends | \$ 27,611 | \$ - | \$ 27,611 |
| Net Realized Losses | (3,197) | - | (3,197) |
| Net Unrealized Losses | (464,035) | - | (464,035) |
| Less: Investment Management Fees | (27,482) | - | (27,482) |
| Total | <u>(467,103)</u> | - | <u>(467,103)</u> |
| Endowment Investments: | | | |
| Interest and Dividends | 3,069 | - | 3,069 |
| Net Realized Gains | 1,719 | - | 1,719 |
| Net Unrealized Losses | (27,947) | - | (27,947) |
| Less: Investment Management Fees | (1,843) | - | (1,843) |
| Total | <u>(25,002)</u> | - | <u>(25,002)</u> |
| Total Net Investment Return | <u>\$ (492,105)</u> | <u>\$ -</u> | <u>\$ (492,105)</u> |
| June 30, 2021 | | | |
| Operating Investments: | | | |
| Interest and Dividends | \$ 40,648 | \$ - | \$ 40,648 |
| Net Realized Gains | 324,701 | - | 324,701 |
| Net Unrealized Gains | 367,058 | - | 367,058 |
| Less: Investment Management Fees | (37,563) | - | (37,563) |
| Total | <u>694,844</u> | - | <u>694,844</u> |
| Endowment Investments: | | | |
| Interest and Dividends | 3,132 | - | 3,132 |
| Net Realized Losses | (2,372) | - | (2,372) |
| Net Unrealized Gains | 50,362 | - | 50,362 |
| Less: Investment Management Fees | (1,684) | - | (1,684) |
| Total | <u>49,438</u> | - | <u>49,438</u> |
| Total Net Investment Return | <u>\$ 744,282</u> | <u>\$ -</u> | <u>\$ 744,282</u> |

MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets at fair value in the consolidating 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 AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following tables present assets measured at fair value on a recurring basis at June 30:

| <u>June 30, 2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------------|---------------------|----------------|----------------|---------------------|
| Operating Investments: | | | | |
| Bond Mutual Funds | \$ 601,195 | \$ - | \$ - | \$ 601,195 |
| Equity Mutual Funds | 7,885 | - | - | 7,885 |
| Money Market Funds | 107,923 | - | - | 107,923 |
| Stocks | <u>2,097,114</u> | - | - | <u>2,097,114</u> |
| Total | <u>2,814,117</u> | - | - | <u>2,814,117</u> |
| Endowment Investments: | | | | |
| Money Market Funds | 60,686 | - | - | 60,686 |
| Stocks | <u>152,113</u> | - | - | <u>152,113</u> |
| Total | <u>212,799</u> | - | - | <u>212,799</u> |
| Total Investments at Fair Value | <u>\$ 3,026,916</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,026,916</u> |
| | | | | |
| <u>June 30, 2021</u> | | | | |
| 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 | <u>1,563,084</u> | - | - | <u>1,563,084</u> |
| Total | <u>7,653,751</u> | - | - | <u>7,653,751</u> |
| Endowment Investments: | | | | |
| Bond Mutual Funds | 50,618 | - | - | 50,618 |
| Money Market Funds | 4,974 | - | - | 4,974 |
| Stocks | <u>182,209</u> | - | - | <u>182,209</u> |
| Total | <u>237,801</u> | - | - | <u>237,801</u> |
| Total Investments at Fair Value | <u>\$ 7,891,552</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,891,552</u> |

MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, the Organization 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.

The Organization 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 the Organization'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, the Organization 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 the Organization's financial position.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 NOTES PAYABLE

Notes payable consist of the following at June 30:

| <u>Description</u> | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Notes Payable for Meals on Wheels San Antonio: | | |
| NMTC note payable, due in lump sum; bearing interest at 2.15%; due September 29, 2024; secured by capital campaign pledges, investments, property and equipment, and leveraged note receivable | \$ 6,806,937 | \$ - |
| 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 | 26,495 | 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 | 26,308 | 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 | 26,495 | 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 | 26,542 | 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 | 27,053 | 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 | <u>27,053</u> | <u>34,557</u> |
| Principal Amount | 6,966,883 | 204,346 |
| Less: Unamortized Debt Issuance Costs | <u>(19,775)</u> | <u>-</u> |
| Total Notes Payable for Meals on Wheels San Antonio | 6,947,108 | 204,346 |

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 NOTES PAYABLE (CONTINUED)

| <u>Description</u> | <u>2022</u> | <u>2021</u> |
|--|----------------------|-------------------|
| Notes Payable for MOWSA Real Estate: | | |
| NMTC note payable, due in quarterly payments of interest only through September 30, 2028 then due in quarterly payments of \$71,326 including interest at 1.04%; due September 28, 2051; secured by a deed of trust | \$ 5,827,500 | \$ - |
| NMTC note payable, due in quarterly payments of interest only through September 28, 2028 then principal payment of \$112,500 on September 29, 2028 then quarterly payments of \$93,431 including interest at 1.04%; due September 28, 2051; secured by a deed of trust | 1,672,500 | - |
| NMTC note payable, due in quarterly payments of interest only through September 30, 2028 then due in quarterly payments of \$93,431 including interest at 1.04%; due September 28, 2051; secured by a deed of trust | 7,633,500 | - |
| NMTC note payable, due in quarterly payments of interest only through September 30, 2028 then due in quarterly payments of \$30,311 including interest at 1.04%; due September 28, 2051; secured by a deed of trust | 2,476,500 | - |
| NMTC note payable, due in quarterly payments of interest only through September 30, 2028 then due in quarterly payments of \$26,694 including interest at 1.04%; due September 28, 2051; secured by a deed of trust | 2,181,000 | - |
| NMTC note payable, due in quarterly payments of interest only through September 30, 2028 then due in quarterly payments of \$10,024 including interest at 1.04%; due September 28, 2051; secured by a deed of trust | <u>819,000</u> | <u>-</u> |
| Principal Amount | 20,610,000 | - |
| Less: Unamortized Debt Issuance Costs | <u>(825,886)</u> | <u>-</u> |
| Total Notes Payable for MOWSA Real Estate | <u>19,784,114</u> | <u>-</u> |
| Total Consolidated Notes Payable | <u>\$ 26,731,222</u> | <u>\$ 204,346</u> |

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 NOTES PAYABLE (CONTINUED)

Maturity requirements on notes payable are as follows:

| <u>Year Ending June 30,</u> | <u>Meals on Wheels San Antonio</u> | <u>MOWSA Real Estate</u> | <u>Consolidated</u> |
|-----------------------------|--|------------------------------|----------------------|
| 2023 | \$ 45,516 | \$ - | \$ 45,516 |
| 2024 | 46,678 | - | 46,678 |
| 2025 | 6,854,817 | - | 6,854,817 |
| 2026 | 19,872 | - | 19,872 |
| Thereafter | - | 20,610,000 | 20,610,000 |
| Total | <u>\$ 6,966,883</u> | <u>\$ 20,610,000</u> | <u>\$ 27,576,883</u> |

Interest expense on notes payable totaled \$234,102 and \$1,469 for the years ended June 30, 2022 and 2021, respectively.

All of the NMTC notes payable were obtained to finance the new facility and contain affirmative and negative covenants, all of which were in compliance. Except as contemplated under and in connection with the NMTC program, the Organization has agreed not to:

- make any material changes in the nature of its business;
- liquidate, merge, or consolidate with or into any other entity;
- sell, transfer, or otherwise dispose of any of its assets or properties, other than in the ordinary course of business;
- create or incur any lien or encumbrance on any of its assets;
- create, incur or assume any indebtedness for borrowed money or issue or assume any other note, debenture, bond or other evidences of indebtedness, or guarantee any such indebtedness;
- make any loans to any person or entity; and
- enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate.

NOTE 10 BOARD-DESIGNATED NET ASSETS

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

| | <u>2022</u> | <u>2021</u> |
|-------------------|---------------------|---------------------|
| Capital Campaign | \$ 1,200,000 | \$ 1,200,000 |
| Kitchen Equipment | 65,000 | 65,000 |
| Total | <u>\$ 1,265,000</u> | <u>\$ 1,265,000</u> |

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows at June 30:

| | 2022 | 2021 |
|--|--------------|--------------|
| Subject to Expenditure for Specified Purpose: | | |
| AniMeals Program | \$ 10,000 | \$ 77,433 |
| Capital Campaign | 8,381,111 | 4,275,330 |
| Comfy Casas Program | 39,132 | 38,401 |
| Equipment Fund | 30,000 | - |
| Friendly Visitor Program | - | 4,781 |
| Grace Place Program | 10,350 | 10,350 |
| Total | 8,470,593 | 4,406,295 |
| Subject to the Passage of Time: | | |
| Home Delivered Meals Program | 555,978 | 443,314 |
| Promises to Give, Restricted by Donors for: | | |
| Home Delivered Meals Program | 51,500 | 250,000 |
| Total | 607,478 | 693,314 |
| Endowments: | | |
| Subject to Spending Policy and Appropriation: | | |
| Endowment Funds Restricted in Perpetuity | 170,051 | 170,051 |
| Accumulated Gains Restricted by Donor for Appropriation: | | |
| Meals on Wheels Program | 14,250 | 22,584 |
| Grace Place Program | 14,249 | 22,583 |
| Friendly Visitor Program | 14,249 | 22,583 |
| Subtotal | 42,748 | 67,750 |
| Total | 212,799 | 237,801 |
| Total Net Assets With Donor Restrictions | \$ 9,290,870 | \$ 5,337,410 |

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 11 NOTES PAYABLE (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:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Satisfaction of Purpose Restrictions: | | |
| AniMeals Program | \$ 164,788 | \$ 29,958 |
| Comfy Casas Program | 51,367 | 87,817 |
| Equipment Fund | - | 45,000 |
| Friendly Visitor Program | 4,781 | 47,278 |
| Gas Cards | - | 25,000 |
| Expiration of Time Restrictions | 693,314 | 450,400 |
| Total Releases from Restrictions - Operating | <u>\$ 914,250</u> | <u>\$ 685,453</u> |
| Satisfaction of Purpose Restrictions: | | |
| Capital Campaign | \$ 388,300 | \$ 310,019 |
| Total Releases from Restrictions - Nonoperating | <u>\$ 388,300</u> | <u>\$ 310,019</u> |

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 ENDOWMENTS

The endowment funds consist 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 Visitor) – 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 Visitor 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, 2022 and 2021, 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.

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

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 ENDOWMENTS (CONTINUED)

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

| June 30, 2022 | 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 | - | 42,748 | 42,748 |
| Total Endowment Funds | <u>\$ -</u> | <u>\$ 212,799</u> | <u>\$ 212,799</u> |
| | | | |
| June 30, 2021 | | | |
| 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 | <u>\$ -</u> | <u>\$ 237,801</u> | <u>\$ 237,801</u> |

Investment and Spending Policies

The Organization has adopted an investment policy, approved by the board of trustees, 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.

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

| June 30, 2022 | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Endowment Net Assets - Beginning of Year | \$ - | \$ 237,801 | \$ 237,801 |
| Net Investment Return | - | (25,002) | (25,002) |
| Endowment Net Assets - End of Year | <u>\$ -</u> | <u>\$ 212,799</u> | <u>\$ 212,799</u> |
| | | | |
| June 30, 2021 | | | |
| Endowment Net Assets - Beginning of Year | \$ - | \$ 188,363 | \$ 188,363 |
| Net Investment Return | - | 49,438 | 49,438 |
| Endowment Net Assets - End of Year | <u>\$ -</u> | <u>\$ 237,801</u> | <u>\$ 237,801</u> |

There were no underwater endowments for the years ended June 30, 2022 and 2021.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 13 RETIREMENT PLAN

The Organization 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. The Organization matches 100% of the employee contributions up to 4% of the employee's compensation. In addition, the Organization 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 \$175,884 and \$105,276 for the years ended June 30, 2022 and 2021, respectively.

NOTE 14 OPERATING LEASES

The Organization leases office space and equipment under various operating leases expiring at various dates through 2024. In addition to the monthly lease payments, the Organization 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>Meals on Wheels San Antonio</u> | <u>MOWSA Real Estate</u> | <u>Consolidated</u> |
|-----------------------------|--|------------------------------|---------------------|
| 2023 | \$ 153,268 | \$ - | \$ 153,268 |
| 2024 | 101,041 | - | 101,041 |
| 2025 | 4,698 | - | 4,698 |
| Total | <u>\$ 259,007</u> | <u>\$ -</u> | <u>\$ 259,007</u> |

Rent expense under operating leases totaled \$263,671 and \$120,494 for the years ended June 30, 2022 and 2021, respectively.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 15 IN-KIND CONTRIBUTIONS

The Organization received donated services and goods as follows during the years ended June 30, 2022 and 2021:

| <u>June 30, 2022</u> | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising and Development</u> | <u>Total</u> |
|------------------------|-----------------------------|-----------------------------------|--|-------------------|
| Meals on Wheels | | | | |
| San Antonio: | | | | |
| Car Wash Vouchers | \$ - | \$ - | \$ 3,600 | \$ 3,600 |
| Engineering Services | - | 27,350 | - | 27,350 |
| Entertainment Services | - | - | 550 | 550 |
| Gift Cards | 1,000 | - | 4,400 | 5,400 |
| Pet Food | 43,063 | - | - | 43,063 |
| Supplies | 63 | 13,277 | 12,849 | 26,189 |
| Total | <u>\$ 44,126</u> | <u>\$ 40,627</u> | <u>\$ 21,399</u> | <u>\$ 106,152</u> |
| | | | | |
| <u>June 30, 2021</u> | | | | |
| Meals on Wheels | | | | |
| San Antonio: | | | | |
| 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 | <u>\$ 58,276</u> | <u>\$ 8,750</u> | <u>\$ 4,702</u> | <u>\$ 71,728</u> |

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

NOTE 16 UNEMPLOYMENT TAXES

The Organization 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 the Organization. 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 \$37,858 and \$15,272 at June 30, 2022 and 2021, respectively, and is not included in the accompanying consolidating statements of financial position. Contributions paid to UST during the years ended June 30, 2022 and 2021 totaled \$26,510 and \$56,788, respectively, and are included in the accompanying consolidating statements of activities.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 17 ECONOMIC DEPENDENCY AND CONCENTRATIONS

Meals on Wheels San Antonio

Meals on Wheels San Antonio purchased food items costing \$2,797,160 and \$2,380,823 from two vendors during the years ended June 30, 2022 and 2021, respectively. This represents 69% and 79% of total food purchased for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022, 33% of accounts payable is due to two vendors. At June 30, 2021, 56% of accounts payable was due to three vendors. Management believes that suitable vendors could be located in the event these vendors could not be utilized.

At June 30, 2022, three donors accounted for 67% of total promises to give, three customers accounted for 80% of total contracts receivable, and three grantors accounted for 88% of total government grants receivable. At June 30, 2021, four donors accounted for 94% of total promises to give, two customers accounted for 82% of total contracts receivable, and two grantors accounted for 91% of total government grants receivable.

For the year ended June 30, 2022, one donor accounted for 14% of total contributions, one customer accounted for 81% of total program fees and three grantors accounted for 93% of total fees and grants from government agencies. 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. It is always considered reasonably possible that contributors or grantors might be lost in the near term.

MOWSA Real Estate

At June 30, 2022, 72% of accounts payable is due to one vendor. Management believes that suitable vendors could be located in the event this vendor could not be utilized.

NOTE 18 COMMITMENTS AND CONTINGENCIES

The Organization 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 the Organization 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 management, 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 consolidating financial statements for such contingencies.

MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 19 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 the Organization 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 the Organization 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.

NOTE 20 NEW MARKET TAX CREDIT TRANSACTION

On September 29, 2021, Meals on Wheels San Antonio entered into a financing transaction with Chase Community Equity, LLC (the NMTC Investor) under a qualified New Markets Tax Credit (NMTC) program related to the construction of a 44,371 square foot facility including a new commercial kitchen, adult day care space, and administrative offices. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the Act) and is intended to induce capital investment in qualified lower income communities. The Act permits taxpayers to claim credits against their Federal income taxes for up to 39% of qualified investments in the equity of community development entities (CDEs). CDEs are privately managed investment institutions that are certified to make qualified low-income community investments.

In connection with the financing, Meals on Wheels San Antonio loaned \$15,642,000 to Chase NMTC MOWSA Investment Fund, LLC (the Investment Fund) at an interest rate of 1.000% per year until maturity on September 28, 2047. Repayments on the loan commence on December 15, 2028. NMTC Investor contributed \$5,733,000 to the Investment Fund and, by virtue of such contribution, is entitled to substantially all of the tax benefits derived from the NMTC. The Investment Fund is a wholly owned subsidiary of NMTC Investor. The loan to the Investment Fund is recorded in the consolidating statement of financial position.

The Investment Fund then contributed the proceeds to CDEs, which, in turn, loaned combined funds of \$20,610,000, net of debt issuance costs, to MOWSA Real Estate, an affiliate of Meals on Wheels San Antonio, at an interest rate of 1.043% per year with a maturity date of September 28, 2051. These loans are secured by the building and the equipment related to the construction of a 44,371 square foot facility. Repayment of the loans commences on December 5, 2028. The proceeds of the loans from the CDEs will be used to fund the construction of a 44,371 square foot facility. The notes payable related to New Markets Tax Credit, net of debt issuance costs, are recorded in the consolidating statement of financial position.

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 20 NEW MARKET TAX CREDIT TRANSACTION (CONTINUED)

The NMTC is subject to 100% recapture for a period of seven years. Meals on Wheels San Antonio is required to be in compliance with various regulations and contractual provisions that apply to the New Markets Tax Credit arrangement. Noncompliance could result in NMTC Investor's projected tax benefits not being realized and, therefore, require Meals on Wheels San Antonio to indemnify NMTC Investor for any loss or recapture of NMTCs. Meals on Wheels San Antonio does not anticipate any credit recapture will be required in connection with this financing arrangement. The transaction includes a put/call provision whereby Meals on Wheels San Antonio may be obligated or entitled to repurchase NMTC Investor's interest in the Investment Fund at the end of the 7-year compliance period. The value attributed to the put/call is de minimis.



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 Trustees
Meals on Wheels San Antonio and
MOWSA Real Estate
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 consolidating financial statements of Meals on Wheels San Antonio and MOWSA Real Estate (collectively referred to as the Organization), which comprise the consolidating statement of financial position as of June 30, 2022 and the related consolidating statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated January 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidating financial statements, we considered the Organization'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 consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's consolidating 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s consolidating financial statements are free from 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 consolidating 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*.

The Organization’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the other auditing procedures applied in the audit of the consolidating financial statements and, accordingly, we express no opinion on the response.

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 results of that testing, and not to provide an opinion on the effectiveness of the Organization’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 Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

San Antonio, Texas
January 24, 2023



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

Board of Trustees
Meals on Wheels San Antonio and
MOWSA Real Estate
San Antonio, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Meals on Wheels San Antonio's and MOWSA Real Estate's (collectively referred to as the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Board of Trustees
Meals on Wheels San Antonio and
MOWSA Real Estate

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
January 24, 2023

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

Name of Federal Program or Cluster

93.045

Special Program for the Aging, Title III, Part C, Nutrition Services

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 AND MOWSA REAL ESTATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS ON FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-001

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our testing we noted that a conditional promise to give was recorded in the wrong period.

Criteria or specific requirement: Revenue from conditional promises to give should be recognized when the conditions on which they depend have been met. The Organization should have internal controls designed to ensure compliance with these revenue recognition policies and to communicate these conditional promises to accounting.

Effect: The conditions were met on June 30, 2021, and conditional revenue of \$100,000 should have been recognized in June 2021. The Organization recognized the revenue upon receipt of the payment in July 2022. Revenues for the year ended June 30, 2022 were overstated by \$100,000.

Cause: Conditional promises to give are not common for the Organization. When the conditional promise to give was awarded, the Organization was in the process of hiring a CFO so the grant was only monitored by Development rather than by Development and Accounting. Development did not communicate to Accounting that the grant was part of a matching challenge.

Repeat Finding: The finding is not a repeat finding.

Recommendation: We recommend that the Organization design controls to communicate the nature of conditional promises to give to Accounting, possibly by a unique designation in their donor database. Procedures should also be enhanced to ensure that the receipt of a conditional promise to give is recorded in the correct period upon the conditions being met.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. Management has implemented a process where all conditional promises must be communicated and approved by the CEO, CFO, and CDO before Development can accept a conditional promise to give. In the donor database, the donor's profile will be updated to include a task notating a conditional promise and an estimated date of when the condition is projected to be met so Development can track the status of conditional promises. When the condition is met, the conditional promise is entered into donor database with the appeal of Conditional Gift. During month-end reconciliation of contributions, Accounting will reconcile all Conditional Gifts working directly with the Director of Individual Giving to verify all conditional promises are accurately recorded and conditions have been met.

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 AND MOWSA REAL ESTATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

| Federal Grantor/Pass through Grantor/ Program or Cluster Title | Federal 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 | \$ 1,344,924 |
| COVID-19 Passed-through Alamo Area Council of Governments Home Delivered Meals - CARES | 93.045 | 539-16-0020-00001 | 53,073 |
| COVID-19 Passed-through Alamo Area Council of Governments Home Delivered Meals - ARPA | 93.045 | 539-16-0020-00001 | <u>307,529</u> |
| Total Passed-through Alamo Area Council of Governments | | | 1,705,526 |
| Passed-through Texas Health and Human Services Commission Home Delivered Meals | 93.045 | 000172500 | 672,002 |
| Nutrition Services Incentive Program | | | |
| Passed-through Alamo Area Council of Governments Home Delivered Meals | 93.053 | 539-16-0020-00001 | <u>763,094</u> |
| Total Aging Cluster | | | <u>3,140,622</u> |
| Total U.S. Department of Health and Human Services | | | 3,140,622 |
| U.S. Department of Housing and Urban Development | | | |
| Community Development Block Grants/Entitlement Grants | | | |
| Passed-through Bexar County, Texas CDBG-CV Program Funds | 14.218 | B-20-UW-48-0500 | <u>179,294</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>179,294</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 3,319,916</u></u> |

**MEALS ON WHEELS SAN ANTONIO AND MOWSA REAL ESTATE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

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 and MOWSA Real Estate (collectively referred to as the Organization) under programs of the federal government for the year ended June 30, 2022. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization's 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, the Organization provided no federal awards to subrecipients.

NOTE 4 NONCASH ASSISTANCE

The Organization did not receive any noncash assistance from federal awards for the year ended June 30, 2022.

NOTE 5 LOANS

At year-end, the Organization had no loans or loan guarantees outstanding with federal awarding agencies.

NOTE 6 INDIRECT COST RATES

The Organization has not elected to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.