



January 24, 2023

To the Board of Directors
Meals on Wheels Atlanta, Inc. and Affiliate

In planning and performing our audit of the combined financial statements of Meals on Wheels Atlanta, Inc. and Affiliate as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Wheels on Meals Atlanta, Inc., and Affiliate's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Meals on Wheels Atlanta, Inc. and Affiliate's internal control to be material weaknesses:

Donated materials and labor for fixed assets should be tracked and regularly recorded as contributions to ensure that all donated assets are properly recorded. We recommend developing policies to review all equipment and labor received, and verify if any items were donated to ensure that donated items are properly recorded as contributions.

Net assets for the affiliate should be regularly reconciled and reviewed for any changes. During audit procedures, it was noted that the net assets of the affiliate did not properly roll forward from the prior year audited ending balance. We recommend regularly reviewing the net assets reconciliation and agreeing to the prior year combined financial statements.

This communication is intended solely for the information and use of the Board of Directors and management of Meals on Wheels Atlanta, Inc. and Affiliate and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Mauldin & Jenkins, LLC



January 24, 2023

To the Board of Directors
Meals on Wheels Atlanta, Inc. and Affiliate

We have audited the combined financial statements of Meals on Wheels Atlanta, Inc. and Affiliate for the year ended December 31, 2021, and we will issue our report thereon dated January 24, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 13, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Meals on Wheels Atlanta, Inc. and Affiliate are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fair value of investments is based on various valuation methodologies and is the price that would be received to sell an asset or paid to transfer a liability. We evaluated the key factors and assumptions used to develop the estimated fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of functional allocation of expenses between program and supporting services is based on a reasonable basis, such as square footage or time spent. We evaluated the key factors and assumptions used to develop the functional allocation of expenses in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of the estimated useful life of property, equipment, and software is based on the intended purpose of the assets and an acceptable life in accordance with generally accepted accounting principles. We evaluated the key factors and assumptions used to develop the estimated useful life of property, equipment, and software in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of the allowance for doubtful accounts is based on individual collectability of the receivables. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 24, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. During the course of our audit, we noted the following:

Donated materials and labor for fixed assets should be tracked and regularly recorded as contributions to ensure that all donated assets are properly recorded. We recommend developing policies to review all equipment and labor received, and verify if any items were donated to ensure that donated items are properly recorded as contributions.

Net assets for the affiliate should be regularly reconciled and reviewed for any changes. During audit procedures, it was noted that the net assets of the affiliate did not properly roll forward from the prior year audited ending balance. We recommend regularly reviewing the net assets reconciliation and agreeing to the prior year combined financial statements.

This information is intended solely for the use of the Board of Directors and management of Meals on Wheels Atlanta, Inc. and Affiliate and is not intended to be, and should not be, used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

**MEALS ON WHEELS ATLANTA, INC.
AND AFFILIATE**

COMBINED FINANCIAL REPORT

DECEMBER 31, 2021

**MEALS ON WHEELS ATLANTA, INC.
AND AFFILIATE**

**COMBINED FINANCIAL REPORT
DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Meals on Wheels Atlanta, Inc. and Affiliate
Atlanta, Georgia**

Opinion

We have audited the accompanying combined financial statements of **Meals on Wheels Atlanta, Inc. and Affiliate** (the "Organization") (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2021 and 2020, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the combined 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 that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.

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- 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 combined financial statements.
 - Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Meals on Wheels Atlanta, Inc. and Affiliate'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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 24, 2023

MEALS ON WHEELS ATLANTA, INC. AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION

(\$ in thousands)

<u>ASSETS</u>	December 31	
	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 1,506	\$ 6,835
Accounts receivable:		
Grants and contracts receivable	709	198
Promises to give	52	-
	<u>761</u>	<u>198</u>
Prepaid expenses and deposits	46	8
Investments	1,236	1,076
Other current assets	1	1
Total current assets	<u>3,550</u>	<u>8,118</u>
Investments, long-term	37	37
Property and equipment, net of accumulated depreciation	6,826	1,487
Intangible assets	11	11
	<u>11</u>	<u>11</u>
Total Assets	<u>\$ 10,424</u>	<u>\$ 9,653</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 293	\$ 379
Accrued expenses and other liabilities	440	96
Line of credit	155	155
Total current liabilities	<u>888</u>	<u>630</u>
Total liabilities	<u>888</u>	<u>630</u>
Net Assets:		
Without donor restrictions	9,536	9,023
Total net assets	<u>9,536</u>	<u>9,023</u>
Total Liabilities and Net Assets	<u>\$ 10,424</u>	<u>\$ 9,653</u>

See accompanying notes to combined financial statements.

MEALS ON WHEELS ATLANTA, INC. AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (\$ in thousands)

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and revenue:			
General contributions	\$ 3,807	\$ 150	\$ 3,957
Government fees, grants and contracts	1,510	-	1,510
Special events revenues, net of \$335 in expenses	85	-	85
Social enterprise revenues, net of \$44 in expenses	170	-	170
In-kind contributions	916	-	916
Other	2	-	2
Investment gain	180	-	180
Net assets released from restrictions	150	(150)	-
Total Support and Revenue	<u>6,820</u>	<u>-</u>	<u>6,820</u>
Expenses:			
Program services	4,526	-	4,526
Fundraising	1,360	-	1,360
General and administrative	422	-	422
Total Expenses	<u>6,308</u>	<u>-</u>	<u>6,308</u>
Change in Net Assets	512	-	512
Net Assets, beginning of year	<u>9,023</u>	<u>-</u>	<u>9,023</u>
Net Assets, end of year	<u>\$ 9,535</u>	<u>\$ -</u>	<u>\$ 9,535</u>

See accompanying notes to combined financial statements.

MEALS ON WHEELS ATLANTA, INC. AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (\$ in thousands)

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and revenue:			
General contributions	\$ 9,153	\$ -	\$ 9,153
Government fees, grants and contracts	2,457	-	2,457
Special events revenues, net of \$62 in expenses	5	-	5
Social enterprise revenues, net of \$88 in expenses	176	-	-
In-kind contributions	75	-	75
Other	26	-	26
Investment gain	129	-	129
Net assets released from restrictions	30	(30)	-
Total Support and Revenue	<u>12,051</u>	<u>(30)</u>	<u>11,845</u>
Expenses:			
Program services	5,157	-	5,157
Fundraising	814	-	814
General and administrative	278	-	278
Total Expenses	<u>6,249</u>	<u>-</u>	<u>6,249</u>
Change in Net Assets	5,802	(30)	5,772
Net Assets, beginning of year	<u>3,221</u>	<u>30</u>	<u>3,251</u>
Net Assets, end of year	<u>\$ 9,023</u>	<u>\$ -</u>	<u>\$ 9,023</u>

See accompanying notes to combined financial statements.

MEALS ON WHEELS ATLANTA, INC. AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(\$ in thousands)

	Program Services	Supporting Services		Total expenses
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,332	\$ 285	\$ 513	\$ 2,130
Employee benefits	116	7	52	175
Payroll taxes	167	18	38	223
Total compensation	<u>1,615</u>	<u>310</u>	<u>603</u>	<u>2,528</u>
Meals	1,129	-	-	1,129
Home repairs	1,090	-	-	1,090
Supplies	33	7	38	78
Occupancy	173	1	5	179
Insurance	53	7	15	75
Professional fees and contract labor	121	78	619	818
Technology	80	12	57	149
Travel	1	1	3	5
Interest expense and bank fees	10	5	19	34
Other	2	1	1	4
Total expenses before depreciation	<u>4,307</u>	<u>422</u>	<u>1,360</u>	<u>6,089</u>
Depreciation	<u>219</u>	<u>-</u>	<u>-</u>	<u>219</u>
Total expenses	<u>\$ 4,526</u>	<u>\$ 422</u>	<u>\$ 1,360</u>	<u>\$ 6,308</u>

See accompanying notes to combined financial statements.

MEALS ON WHEELS ATLANTA, INC. AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(\$ in thousands)

	Program Services	Supporting Services		Totals
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,340	\$ 351	\$ 176	\$ 1,867
Employee benefits	191	24	6	221
Payroll taxes	177	23	13	213
Total compensation	<u>1,708</u>	<u>398</u>	<u>195</u>	<u>2,301</u>
Meals	1,325	-	-	1,325
Home repairs	1,381	-	-	1,381
Supplies	36	49	5	90
Occupancy	202	6	2	210
Insurance	100	12	11	123
Professional fees and contract labor	91	245	47	383
Technology	75	32	10	117
Other	21	72	8	101
Total expenses before depreciation	<u>4,939</u>	<u>814</u>	<u>278</u>	<u>6,031</u>
Depreciation	<u>218</u>	<u>-</u>	<u>-</u>	<u>218</u>
Total expenses	<u>\$ 5,157</u>	<u>\$ 814</u>	<u>\$ 278</u>	<u>\$ 6,249</u>

See accompanying notes to combined financial statements.

MEALS ON WHEELS ATLANTA, INC. AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(\$ in thousands)

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 512	\$ 5,772
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	219	218
Realized (gain) loss on investments	(79)	6
Unrealized (gain) loss on investments	(100)	(118)
Income from receipt of donated fixed assets	(864)	-
(Increase) decrease in grants and contracts receivable	(511)	181
(Increase) decrease in promises to give	(52)	54
(Increase) decrease in prepaid expenses and deposits	(38)	12
Decrease in other assets	-	19
(Decrease) in accounts payable	(86)	(228)
Increase (decrease) in accrued expenses and other liabilities	344	(77)
Net cash (used in) provided by operating activities	<u>(655)</u>	<u>5,839</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	(4,693)	(170)
Purchase of investments	-	(79)
Sale of investments	19	170
Net cash (used in) investing activities	<u>(4,674)</u>	<u>(79)</u>
(Decrease) increase in cash and cash equivalents	(5,329)	5,760
Cash and cash equivalents, beginning of year	<u>6,835</u>	<u>1,075</u>
Cash and cash equivalents, end of year	<u>\$ 1,506</u>	<u>\$ 6,835</u>
Supplemental disclosures of amounts paid for:		
Interest	<u>\$ 7</u>	<u>\$ 8</u>

See accompanying notes to combined financial statements.

MEALS ON WHEELS ATLANTA, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Meals On Wheels Atlanta, Inc. and Affiliate (“MOWA” or the “Organization”) is a voluntary health and welfare organization. MOWA’s mission is to assess, promote, and care for the interests and welfare of seniors in the metropolitan Atlanta area through programs to provide meals and home-repair services. MOWA’s main sources of revenues are: 1) public and private donations, 2) program grants from public, private, and governmental entities, and 3) revenues from social enterprise initiatives.

MOWA’s combined financial statements include its affiliate, the Senior Citizens Foundation, Inc. (the “Foundation”), which provides financial support to MOWA and is affiliated through common board members and MOWA’s authority to elect board members of the Foundation. MOWA and the Foundation are legally separate entities, and they file separate tax returns with different fiscal year-ends.

MOWA has two primary program activities:

- The Meals Services program provides seniors with meals delivered to home or to unrelated private or government providers of senior services.
- The Home Repairs program provides home repair services to seniors to enable them to live safely and comfortably at home.

To provide financial support to these program activities, MOWA solicits grants, service contracts, and contributions. All contributions are available without donor restriction, unless specifically restricted by the donor. MOWA also raises financial support through revenues from special events and from social enterprise initiatives, such as meal distribution to seniors for third-party providers, Chef’s Table catering, and the sale of Purposeful Gourmet Foods.

In addition to seeking monetary support, MOWA solicits in-kind contributions of food items, equipment, and services. MOWA also solicits and coordinates the assistance of volunteers, particularly for Meals Services programs

In early 2019, MOWA sharpened its operational focus and no longer offered certain services that it had offered in prior years, including the Senior Center Management and Congregate Meals programs (operating six senior center locations), as well as MOWA’s on-site adult day care center and related transportation services to and from the center.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

MOWA’s combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”).

Cash and Cash Equivalents

Cash equivalents consist of money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

MOWA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of \$250 thousand. MOWA has not experienced any losses in such accounts.

The Foundation holds cash and investments of \$1,336 thousand and \$1,109 thousand at December 31, 2021 and 2020 respectively, for the benefit of the MOWA, as determined in the bylaws of the Foundation. The investments held by the Foundation are subject to an average annual spending rate calculation of 5%, to be adjusted annually by direction of the Board of the Foundation.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In accordance with FASB's *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in equity securities with readily determinable fair values and all investments in debt securities shall be measured at fair value in the combined statements of financial position. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur, and investment income is recognized as revenue in the period earned. Gains and investment income that are limited to specific uses by donor-restrictions are reflected as increases in net assets without donor restriction, if the restrictions are met in the same reporting period.

Property and Equipment

Property and equipment is recorded at cost, or if donated, at the fair market value on the date the asset is donated. Depreciation is computed over the estimated useful lives of these assets (3 to 30 years) using the straight-line method. Depreciation expense charged to operations was \$219 thousand and \$218 thousand for the years ended December 31, 2021 and 2020, respectively. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$3 thousand are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation are removed, and any gain or loss is included in operations.

MOWA reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible Assets

MOWA amortizes intangible assets on a straight-line basis over their estimated useful lives. Intangible assets include package design costs for the Purposeful Gourmet Foods program, which are being amortized using the straight-line method over twenty years.

Expense Allocation

MOWA charges directly identifiable expenses to programs. MOWA also allocates to programs expenses that are not directly identifiable but provide for program support and management, such as personnel costs, occupancy, professional fees, and technology. The basis of allocation includes estimated time devoted to program support, relative square-footage of space used, or other reasonable relative measures based on the type of expense.

In-kind Contributions

MOWA's combined financial statements reflect in-kind contributions of goods or services at estimated fair value on the date of receipt. Typically, donors offer the same goods or services commercially, and so MOWA relies on the donor's estimate of the fair value of the in-kind item. Recognition of in-kind contributions of services depends on the following criteria: (a) the services create or increase non-financial assets, or (b) the services require specialized skills that MOWA would otherwise have to obtain from an independent service-provider.

Volunteers donate significant amounts of time to MOWA's program services. The value of this donated time is not included in the value of contributed services, as it does not meet the criteria for recognition.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

MOWA classifies net assets, revenues, gains, and losses based on whether there are specific restrictions imposed by a donor or grantor. Accordingly, MOWA reflects the following two asset classifications in reporting net assets and changes to net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor 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, such as if the donor limits program-spending to earnings from assets that are to be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires (i.e., the stipulated time for the restriction has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled, or both). There were no net assets with donor restrictions at December 31, 2021 or December 31, 2020.

Income Tax Status

MOWA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to MOWA's tax-exempt purpose is subject to taxation as unrelated business income. In addition, MOWA qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Foundation, which is included in the combined financial statements, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a fiscal year-end of June 30, 2021. The activity included in the combined financial statements reflects activity as of December 31, 2021. The Foundation has been determined by the Internal Revenue Service to be a "Private Foundation" within the meaning of Section 509(a) of the code and is subject to excise taxes on net investment income, including realized gains, as defined in the act. Accordingly, federal excise taxes have either been paid or accrued. The tax reform act requires that certain minimum distributions be made in accordance with a specified formula. As of June 30, 2021, the Foundation had made the appropriate distributions.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in MOWA's tax returns. Management has determined that MOWA does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that MOWA's tax returns will not be challenged by the taxing authorities and that MOWA will not be subject to additional tax, penalties, and interest as a result of such challenge.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may vary from these estimates.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets or decreases of liabilities or expenses, depending on the form of the benefits received. Contributions received are recorded as with donor restriction or without donor restriction support, depending on the existence and/or nature of any donor restrictions. There are \$52 thousand and \$- of unconditional promises to give at December 31, 2021 and 2020, respectively.

Grants and Contracts Receivable

Grants and contracts receivable represent amounts billed or due under contractual agreements. Any provision for uncollectible accounts is based on management estimates and past experience. MOWA considers grants and contracts receivable as of December 31, 2021 and 2020 to be fully collectible. Therefore, no provision for uncollectible accounts is recorded. Since all grants and contracts receivable are expected to be collected within one year, they are recorded at net realizable value.

For grants under cost-reimbursement agreements, MOWA recognizes grant revenue in the period that it spends grant funds on related program costs. MOWA reports unexpended grant funds, if any, as deferred revenue.

Benefits Received by Donors through Special Events and Social Enterprise

MOWA also solicits contributions through: (1) attendance fees to special events and (2) sales of food products and distribution services offered by MOWA's social enterprise initiatives. MOWA considers the fair value of benefits (such as meals, entertainment, activities, merchandise, food products, or distribution services) purchased by donors to be equal to MOWA's direct cost of providing these benefits. MOWA reports the excess of donations over direct costs of donor benefits as: (1) special events revenue, or (2) social enterprise revenue.

Recent Accounting Pronouncements

In February 2019, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the combined statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for combined financial statements issued for fiscal years beginning after December 15, 2019. In October 2019, FASB approved to defer the effective date of ASU 2016-02 by one year, or annual reporting periods beginning after December 15, 2020. In June 2020, FASB approved another deferral of the effective date of AS 2016-02 by one year, or annual reporting periods beginning after December 15, 2021. MOWA is assessing the impact the new guidance will have on its combined financial statements

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

MOWA reduces its reported financial assets by amounts not available for general use (because of contractual or donor-imposed restrictions or internal designations) within one year of the statement of financial position date. The following reflects MOWA's financial assets at December 31:

	<i>(in thousands)</i>	
	2021	2020
Cash and cash equivalents	\$ 1,505	\$ 6,835
Accounts receivable	760	198
Spending rate appropriation from the Foundation	56	52
	\$ 2,321	\$ 7,085

MOWA manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. MOWA expects to meet its cash needs on a monthly basis from program donations, grants, and revenues from social enterprise initiatives. In general, MOWA maintains sufficient financial assets on hand to meet at least 30 days of normal operating expenses.

The Foundation holds cash and investments for the benefit of MOWA, and these investments are subject to an average annual spending rate calculation of 5%, to be adjusted annually by direction of the Board of the Foundation.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021 and 2020:

	<i>(in thousands)</i>	
	2021	2020
Building and improvements	\$ 3,302	\$ 3,302
Construction in progress	5,680	149
Land	196	196
Equipment and vehicles	619	603
Furniture and fixtures	175	175
Technology	38	28
	10,010	4,453
Less: accumulated depreciation	(3,184)	(2,966)
Net property and equipment	\$ 6,826	\$ 1,487

NOTE 5. PROMISES TO GIVE

Promises to give at December 31, 2021 and 2020 were \$52 thousand and \$-, respectively.

All outstanding promises to give at December 31, 2021 and 2020 were due within one year, therefore there was no present value discount recorded at year-end.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN AND CONTINGENCY

MOWA sponsors a voluntary 403(b) defined contribution retirement plan for all eligible employees. Participant contributions are matched 50% by MOWA up to a maximum of 6% of the employee's salary. MOWA's contributions to these plans totaled \$32 thousand and \$23 thousand for the years ended December 31, 2021 and 2020, respectively.

The employee contributions are 100% vested and the employer contributions are vested as follows:

<u>Years of Service</u>	<u>Percent Vested</u>
Less than 1	0%
1	25%
2	50%
3	75%
4 or more	100%

NOTE 7. EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS AND GRANT FUNDING SOURCES

MOWA relies on contributions and grants from a well-established network of public, private, and government sources and the Foundation for its revenue. MOWA works continually to remain engaged with, and add to, its network of supporters, which enable the Organization to continue to grow its programs; but MOWA's ability to attract new contributors and grantors, or for current contributors and grantors to continue giving amounts comparable with prior years, also depends upon circumstances beyond MOWA's control, such as 1) favorable economic and equity market conditions, 2) continued deductibility for income tax purposes of contributions and grants to the Organization, 3) and government budget priorities.

The Organization is subject to possible examination by federal, state and county agencies to determine compliance with terms, conditions, laws and regulations governing the grants given to the Organization.

The Organization obtained approximately 23% and 20% of its total revenue from government assistance programs for the years ended December 31, 2021 and 2020, respectively. A decrease in funding of government assistance programs could adversely affect MOWA's current programs, and operations could be affected; however, MOWA receives numerous grants from various unrelated government entities and grant agencies, which enables MOWA to manage concentration risk to an acceptable level.

NOTE 8. LINE OF CREDIT

MOWA has an open line of credit with a financial institution. The outstanding balance on the line of credit at December 31, 2021 and 2020 was \$155 thousand.

The line of credit includes the following terms: (1) maximum borrowing arrangement of \$250 thousand, (2) all unpaid principal and interest is due on demand as an open-ended borrowing arrangement with no fixed maturity date, and (3) the line of credit carries at interest rate of prime plus 1.25% (4.50% at December 31, 2021).

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

There were no net assets with donor restrictions at December 31, 2021 and 2020.

There were releases from restrictions during the years ended December 31, 2021 and 2020 of \$150 thousand and \$30 thousand, respectively. For the year ended December 31, 2021, the releases were related to purchases of equipment, and for the year ended December 31, 2020, the releases were related to expenses incurred for the purpose of the Home Repairs program.

NOTE 10. FAIR VALUE MEASUREMENTS

GAAP (ASC Topic 820) prescribes that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is therefore a market-based measurement that should be determined based on the same assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier fair-value hierarchy that priorities the inputs used in measuring fair value, as follows:

Level 1 – Observable inputs consisting of quoted prices in active markets;

Level 2 – Inputs, other than quoted prices in active markets, that are directly or indirectly observable; and

Level 3 – Unobservable inputs for which there is little or no market data, and which require the reporting entity to develop its own assumptions.

Following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

In-kind contributions: Donors of in-kind contributions of goods or services typically offer for commercial sale the same or similar goods or services. Therefore, MOWA relies on the donor's estimate of the fair value of an in-kind item, which is based on the pricing of the same or similar items in previous commercial transactions.

Land held as investment: The carrying amount represents historical cost since the investment has not received a recent appraisal. In accordance with GAAP, carrying amount represents lower of cost or market of the investment.

Equities, fixed income, and inflation hedges: These assets are valued at the closing price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although MOWA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 10. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, MOWA's assets measured at fair value on a recurring basis as of December 31, 2021, in thousands:

	<i>(in thousands)</i>			Total
	Level 1	Level 2	Level 3	
U.S. equities	\$ 898	\$ -	\$ -	\$ 898
International equities	165	-	-	165
Fixed income	124	-	-	124
Inflation hedges	49	-	-	49
Land held as investment	-	37	-	37
Total assets as fair value	\$ 1,236	\$ 37	\$ -	\$ 1,273

The following table sets forth by level, within the fair value hierarchy, MOWA's assets measured at fair value on a recurring basis as of December 31, 2020:

	<i>(in thousands)</i>			Total
	Level 1	Level 2	Level 3	
U.S. equities	\$ 715	\$ -	\$ -	\$ 715
International equities	151	-	-	151
Fixed income	168	-	-	168
Inflation hedges	42	-	-	42
Land held as investment	-	37	-	37
Total assets as fair value	\$ 1,076	\$ 37	\$ -	\$ 1,113

NOTE 11. COMMITMENTS AND CONTINGENCIES

MOWA leases equipment under operating leases expiring in May 2026. Minimum future rental payments under these non-cancelable operating leases are:

Year Ending December 31:

	<i>(in thousands)</i>
2022	\$ 23
2023	23
2024	23
2025	23
2026	10
Total minimum future rental payments	\$ 102

The total expenses charged to operations for the years ended December 31, 2021 and 2020 on these leases were \$19 thousand and \$6 thousand, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES (Continued)

Since 2019, MOWA has been raising capital funds to renovate its facilities. The main goals of the facilities renovation are: 1) more than double the kitchen's capacity, 2) increase the efficiency of meal distribution, 3) enhance the volunteer experience, and 4) create opportunities for more engagement with the Atlanta community and MOWA's donors and volunteers. Consultation with designers and architects began in late 2020 and construction began in 2021. Management believes that MOWA has sufficient financial resources (donations already received or committed, as well as construction financing) to complete the project successfully in 2022; however, supply-chain uncertainties could cause unanticipated cost increases and schedule delays.

In late 2020, MOWA received a donation without donor restriction of \$4 million. The donor's only requirement is annual reporting by MOWA for three years about the impact of the donation on the community. MOWA has developed a long-term plan to use these proceeds to increase the number of seniors receiving MOWA home-delivered meals. Initially, a portion of the donation will help MOWA to renovate facilities and expand kitchen capacity for more efficient storage, production, and distribution; without these improvements, MOWA would be limited in its ability to serve additional seniors. Management expects that the remaining proceeds (representing most of the original donation) will pay for the expected full term of program participation by seniors added to MOWA's meals program as a result of this donation.

NOTE 12. PAYCHECK PROTECTION PROGRAM

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program ("PPP") which provides small businesses with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration ("SBA") with support from the Department of Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. MOWA applied for and was accepted to participate in this program. On May 29, 2020, MOWA received funding for \$364 thousand.

MOWA has elected to follow the guidance of Accounting Standards Codification (ASC) Subtopic 958-605 and record this loan as a conditional grant. Under this guidance, revenue for conditional grants is recognized when conditions are substantially met or explicitly waived. MOWA spent \$364 thousand of the funds on eligible expenses during the year ending December 31, 2020 and has recognized this amount as grant revenue in the accompanying statements of activities. Loan Forgiveness was received from the SBA on January 8, 2021.

NOTE 13. SUBSEQUENT EVENTS

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