

Manna Food Center, Inc.
Financial Statements
June 30, 2014 and 2013



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JOHN T SQUIRE CPA

SUSAN A LEMKIN CPA

CHRISTOPHER J MATHEWS CPA

BART J LANMAN CPA CFP®

CLINTON L LEHMAN CPA CMA CFM

ROBERT J KOPERA CPA

NANCY C JOHNSON CPA

SQUIRE, LEMKIN + COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

111 ROCKVILLE PIKE

SUITE 475

ROCKVILLE MARYLAND 20850

301 424 6800 TELEPHONE

301 424 6892 FACSIMILE

EMAIL SUPPORT@MYCPAS.COM

WWW.MYCPAS.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Manna Food Center, Inc.
Gaithersburg, Maryland

We have audited the accompanying financial statements of Manna Food Center, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manna Food Center, Inc. as of June 30, 2014 and 2013, 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of cash receipts and disbursements on page 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Squire, Zimlin + Company, LLP

August 28, 2014

MANNA FOOD CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,141,654	\$ 1,069,062
Grants receivable	77,286	44,329
Investments	132,908	118,056
Prepaid expenses	58,635	18,540
Inventory	237,766	426,093
TOTAL CURRENT ASSETS	\$ 1,648,249	\$ 1,676,080
NONCURRENT ASSETS:		
Certificate of deposit	\$ 16,443	\$ 16,443
Notes receivable (net of allowance of \$0 and \$8,245 respectively)	-	6,495
Property and equipment, net	344,833	447,409
TOTAL NONCURRENT ASSETS	\$ 361,276	\$ 470,347
TOTAL ASSETS	\$ 2,009,525	\$ 2,146,427
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 31,572	\$ 17,254
Accrued expenses	56,155	24,521
TOTAL LIABILITIES	\$ 87,727	\$ 41,775
NET ASSETS:		
Unrestricted	\$ 1,875,132	\$ 2,048,638
Temporarily restricted	20,000	30,000
Permanently restricted	26,666	26,014
TOTAL NET ASSETS	\$ 1,921,798	\$ 2,104,652
TOTAL LIABILITIES AND NET ASSETS	\$ 2,009,525	\$ 2,146,427

The accompanying notes are an integral part of these financial statements.

MANNA FOOD CENTER, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
SUPPORT AND REVENUE:								
Contributions revenue	\$ 1,566,104	\$ 20,000	\$ 652	\$ 1,586,756	\$ 1,482,351	\$ 30,000	\$ 1,090	\$ 1,513,441
Grants from government agencies	360,001	-	-	360,001	354,788	-	-	354,788
Donated food and supplies	5,644,619	-	-	5,644,619	6,172,309	-	-	6,172,309
Contributed services	22,005	-	-	22,005	-	-	-	-
Investment income	18,600	-	-	18,600	21,495	-	-	21,495
Anniversary gala/other special events	9,635	-	-	9,635	10,523	-	-	10,523
Net assets released from restriction	30,000	(30,000)	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	\$ 7,650,964	\$ (10,000)	\$ 652	\$ 7,641,616	\$ 8,041,466	\$ 30,000	\$ 1,090	\$ 8,072,556
EXPENSES:								
Program services	\$ 7,338,378	\$ -	\$ -	\$ 7,338,378	\$ 7,689,815	\$ -	\$ -	\$ 7,689,815
General management	374,043	-	-	374,043	339,415	-	-	339,415
Fundraising	112,049	-	-	112,049	119,191	-	-	119,191
TOTAL EXPENSES	\$ 7,824,470	\$ -	\$ -	\$ 7,824,470	\$ 8,148,421	\$ -	\$ -	\$ 8,148,421
CHANGE IN NET ASSETS	\$ (173,506)	\$ (10,000)	\$ 652	\$ (182,854)	\$ (106,955)	\$ 30,000	\$ 1,090	\$ (75,865)
NET ASSETS, BEGINNING OF YEAR	2,048,638	30,000	26,014	2,104,652	2,155,593	-	24,924	2,180,517
NET ASSETS, END OF YEAR	\$ 1,875,132	\$ 20,000	\$ 26,666	\$ 1,921,798	\$ 2,048,638	\$ 30,000	\$ 26,014	\$ 2,104,652

The accompanying notes are an integral part of these financial statements.

MANNA FOOD CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program services</u>	<u>General management</u>	<u>Fundraising</u>	<u>Total expenses</u>
FUNCTIONAL EXPENSES:				
Salaries	\$ 588,683	\$ 248,351	\$ 82,784	\$ 919,817
Payroll taxes	53,509	22,574	7,525	83,608
Group health insurance	25,622	10,809	3,603	40,035
Retirement contribution	11,012	4,646	1,549	17,206
Workers compensation insurance	21,639	9,129	3,043	33,811
In-kind distributed foods	5,832,946	-	-	5,832,946
Purchased foods	188,172	-	-	188,172
Warehouse supplies	46,986	-	-	46,986
Equipment rental	2,400	-	-	2,400
Gas and oil - vehicles	47,127	-	-	47,127
Repairs - vehicles and refrigeration	44,722	-	-	44,722
Insurance - vehicles	15,861	-	-	15,861
Occupancy costs	192,654	3,993	2,995	199,641
Depreciation	113,756	-	-	113,756
Repairs and maintenance	18,274	-	-	18,274
Professional fees	-	42,751	-	42,751
Permits and licenses	2,724	-	-	2,724
Subcontractors	24,072	-	-	24,072
Director's insurance	-	1,680	-	1,680
Membership	-	1,013	-	1,013
Liability insurance	4,342	719	266	5,327
Bulk mail and postage	19,558	-	-	19,558
Office supplies	3,272	1,586	176	5,034
Printing	20,612	9,989	1,110	31,710
Telephone	4,942	706	6,118	11,766
Temporary help	8,457	-	-	8,457
Miscellaneous	35,532	9,603	2,881	48,016
Bad debt	-	6,495	-	6,495
Nutrition education	7,268	-	-	7,268
Outreach	4,237	-	-	4,237
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 7,338,378</u></u>	<u><u>\$ 374,043</u></u>	<u><u>\$ 112,049</u></u>	<u><u>\$ 7,824,470</u></u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONAL EXPENSES:	<u>Program services</u>	<u>General management</u>	<u>Fundraising</u>	<u>Total expenses</u>
Salaries	\$ 578,164	\$ 243,913	\$ 81,304	\$ 903,381
Payroll taxes	56,474	23,825	7,942	88,241
Group health insurance	32,859	13,862	4,621	51,342
Retirement contribution	10,390	4,383	1,462	16,235
Workers compensation insurance	24,839	10,479	3,493	38,811
In-kind distributed foods	6,194,149	-	-	6,194,149
Purchased foods	190,342	-	-	190,342
Farm/produce	4,700	-	-	4,700
Warehouse supplies	73,871	-	-	73,871
Equipment rental	15,438	-	-	15,438
Gas and oil - vehicles	45,368	-	-	45,368
Repairs - vehicles and refrigeration	27,152	-	-	27,152
Insurance - vehicles	16,970	-	-	16,970
Occupancy costs	190,377	3,946	2,959	197,282
Depreciation	107,488	-	-	107,488
Repairs and maintenance	3,296	-	-	3,296
Professional fees	-	19,735	-	19,735
Permits and licenses	1,481	-	-	1,481
Subcontractors	18,500	-	-	18,500
Director's insurance	-	1,680	-	1,680
Membership	-	1,441	-	1,441
Liability insurance	3,488	578	214	4,280
Gala expenses	-	-	591	591
Bulk mail and postage	18,387	-	-	18,387
Office supplies	3,945	1,911	213	6,069
Printing	24,236	5,593	7,457	37,286
Telephone	5,521	855	6,770	13,146
Temporary help	4,698	-	-	4,698
Miscellaneous	26,742	7,214	2,165	36,121
Nutrition education	8,574	-	-	8,574
Outreach	2,366	-	-	2,366
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 7,689,815</u></u>	<u><u>\$ 339,415</u></u>	<u><u>\$ 119,191</u></u>	<u><u>\$ 8,148,421</u></u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD CENTER, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (182,854)	\$ (75,865)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated food received	(5,644,619)	(6,172,309)
Donated food provided	5,832,946	6,194,149
Depreciation	113,756	107,488
Bad debts	6,495	-
Unrealized gain on securities	(11,210)	(16,516)
Changes in assets and liabilities:		
Grants receivable	(32,957)	(11,231)
Prepaid expenses	(40,095)	(790)
Accounts payable	14,318	4,071
Accrued expenses	31,634	4,759
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 87,414	\$ 33,756
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayments of notes receivable	\$ -	\$ 380
Purchase of fixed assets	(11,180)	(44,178)
Purchase of investments	(3,642)	(101,540)
Proceeds from sale of investments	-	39,410
NET CASH USED IN INVESTING ACTIVITIES	\$ (14,822)	\$ (105,928)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 72,592	\$ (72,172)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,069,062	1,141,234
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,141,654	\$ 1,069,062
SUPPLEMENTAL INFORMATION:		
Noncash operating activities:		
Contributed services	\$ 22,005	\$ -

The accompanying notes are an integral part of these financial statements.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 1. Organization and Significant Accounting Policies

Organization - Manna Food Center, Inc. (the Center) is a non-profit organization committed to assisting the hungry and poor in Montgomery County, Maryland by distributing collected food, free of charge, to qualified organizations and individuals. In addition, the Center distributes food to needy families that are referred by social service agencies. A substantial portion of food is donated by various supermarkets and the U.S.D.A. An insignificant amount of non-food items are contributed and distributed. Due to the nature and value of the non-food items they are not reflected in the financial statements.

Accounting Method - The Center uses the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation - The Center presents its financial statements in accordance with requirements of the Financial Accounting Standards Board (FASB) as set forth in the codification topics, *Accounting for Contributions Received and Contributions Made, and Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of the Center are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets from grants and contributions subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. When donor restrictions are met in the same reporting period, temporarily restricted contributions are reported as unrestricted contributions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained by the Center in perpetuity. Generally, donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Center considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 1. Organization and Significant Accounting Policies (Continued)

Grants Receivable - Grants receivable are stated at original invoice amount, less an estimate for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management feels the amount in grants receivable is fully collectible within the next year. At June 30, 2014, management expects all outstanding grants receivable to be collected.

Notes Receivable - Notes receivable are stated at gross amount, less an allowance for doubtful accounts, and are unsecured. The Center does not require collateral and no interest is charged on outstanding notes receivable. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible.

Investments - Investments are recorded at estimated fair value based on quoted prices provided by the investment custodian. Investment income or loss is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Fair Value - The Center complies with the Statement of Financial Accounting Standards Codification topic *Fair Value Measurements*. This defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under this topic are described below:

Basis of Fair Value Measurement

- | | |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. |

Inventory - The Center's purchased inventory is stated at the lower of average cost or market. Donated food items are recorded as donations and inventoried at average estimated market value, which during the fiscal years ended June 30, 2014 and 2013 was \$1.69 and \$1.50 per pound, respectively.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 1. Organization and Significant Accounting Policies (Continued)

Property and Equipment - Furniture and equipment are recorded at cost less accumulated depreciation. Expenditures for furniture and equipment are capitalized at cost using a capitalization policy threshold of \$500. Depreciation is calculated utilizing the straight-line method over estimated lives of five to ten years. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Repairs and maintenance are expensed in the year incurred.

Contributed Services - Contributed services were related to the pro-bono legal fees and IT services. Contribution revenue from contributed services was measured based on the fair value of those services. In-kind contribution revenue was \$22,005 and \$0 for the years ending June 30, 2014 and 2013.

In addition, approximately 71,900 and 64,000 of volunteer hours were provided to the Center for the years ended June 30, 2014 and 2013, respectively, for which no value has been assigned.

Functional Allocation of Expenses - The costs of providing the various programs and other supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Exempt Status - The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. The Center had no net unrelated business income for the years ended June 30, 2014 and 2013.

Income Taxes - The Center complies with the provisions of the FASB Accounting Standards codification topic *Accounting for Uncertainty in Income Taxes*. For the years ended June 30, 2014 and 2013, no unrecognized tax provision or benefit exists.

Tax returns are subject to examination by federal and state taxing authorities, generally for three years after filing. The Center's returns for the years ended 2010 through 2012 are open to such examination.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Reclassifications - Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation. These reclassifications had no impact on net assets.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 2. Concentration of Credit Risk - Financial instruments which potentially subject the Center to concentrations of credit risk include cash deposits with commercial banks. The Center's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may, however, exceed the FDIC insurable limits at times throughout the year. Management does not consider this a significant concentration of credit risk.

Note 3. Investments - As of June 30, 2014 and 2013, the Center had investment accounts totaling \$132,908 and \$118,056, respectively. The following is a description of the valuation methodology used for instruments measured at fair value and their classification in the valuation hierarchy:

U.S. Equities - Comprised of corporate stock listed on the national markets or exchanges which are valued at last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

The following tables set forth by level within the fair value hierarchy the Center's investment assets at fair value.

At June 30, 2014 investments consisted of the following:

	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 10,995	\$ --	\$ --	\$ 10,995
U.S. Equities	121,913	--	--	121,913
Totals	<u>\$ 132,908</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 132,908</u>

At June 30, 2013 investments consisted of the following:

	Level 1	Level 2	Level 3	Total
U.S. Equities	\$ 118,056	\$ --	\$ --	\$ 118,056
Totals	<u>\$ 118,056</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 118,056</u>

For the years ended June 30, 2014 and 2013, investment return, including returns from interest-bearing cash accounts, consists of the following:

	2014	2013
Interest income	\$ 7,390	\$ 4,979
Net realized and unrealized gains	11,210	16,516
Total investment return	<u>\$ 18,600</u>	<u>\$ 21,495</u>

Note 4. Notes Receivable - During fiscal year 2010 the Center entered into four separate notes receivable ranging in payment terms from 10 months to 24 months with zero percent interest rate. The Center has allocated allowances of \$0 and \$8,245 as of June 30, 2014 and 2013 for the portion of the notes receivable that it deems uncollectible. Management has chosen to write off the remaining balance in notes receivable for the year ended June 30, 2014 due to the amounts being uncollectible.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 5. Property and Equipment - Property and equipment consist of the following:

	June 30,	
	2014	2013
Furniture, fixtures and equipment	\$ 157,041	\$ 147,705
Trucks	543,268	541,424
Leasehold improvements	140,039	140,039
Totals	\$ 840,348	\$ 829,168
Less, Accumulated depreciation	(495,515)	(381,759)
Property and equipment, net	<u>\$ 344,833</u>	<u>\$ 447,409</u>

Depreciation expense was \$113,756 and \$107,488 for the years ended June 30, 2014 and 2013, respectively.

Note 6. Grants Receivable - Grants receivable consist of the following at:

	June 30,	
	2014	2013
Montgomery County Government	\$ 33,287	\$ 28,819
U.S. Department of Agriculture	--	4,023
Foundation Grants	20,000	--
City of Rockville Grant	7,500	--
Other County Grants	16,499	11,487
Totals	<u>\$ 77,286</u>	<u>\$ 44,329</u>

Note 7. Grants from Government Agencies - A significant portion of the Center's revenue is received from government agencies. The following summarizes revenues provided by government agencies for the years ended June 30:

	2014	2013
Montgomery County Government	\$ 191,344	\$ 187,170
City of Gaithersburg	51,500	50,000
U.S. Department of Agriculture	1,816	35,130
City of Rockville	30,000	30,000
Maryland Emergency Food Program	20,000	12,682
SNAP Grants	11,332	--
Other County Grants	54,009	39,806
Totals	<u>\$ 360,001</u>	<u>\$ 354,788</u>

The majority of the grants is subject to audit and review by representatives or agents of the respective grantor. The Center relies on the continued receipt of grants and contributions of cash and food in order to provide ongoing programs.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 8. **Commitments** - During fiscal year ending June 30, 2010 the Center entered into a lease agreement for its new headquarters and storage facility with an occupancy date of October 1, 2009, for an initial term of ten years and two months expiring September 2019. There are renewal options for two consecutive periods of five years. The lease calls for annual rental increases of 3.0% of the base rent. The lease contains a total of two months of rent abatement. In addition, the Center is liable for its proportionate share of the operating expenses.

Total rent expense for the years ended June 30, 2014 and 2013 was \$163,786 and \$159,537, respectively.

The following is a schedule of the future minimum lease payments due under the leases as of June 30, 2014.

Years ending June 30,	
2015	\$ 138,516
2016	142,332
2017	146,244
2018	150,264
2019	154,404
Total	<u>\$ 731,760</u>

Note 9. **Retirement Plan** - The Center sponsored a Section 403(b) Tax Sheltered Annuity Plan for all eligible employees, which was terminated on December 31, 2009. Effective January 1, 2010 the Center initiated a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). All employees of the Center are eligible for this plan. For each eligible employee, the Center contributed 3% of annual compensation to the plan for the years ended June 30, 2014 and 2013. Contributions to the plan for the years ended June 30, 2014 and 2013 were \$17,206 and \$16,235, respectively.

Note 10. **Net Assets** - Assets are classified as permanently restricted when donors have placed permanent restrictions on the use of the principal of the gift. In the absence of restrictions on the use of the income generated by these assets, the unused investment income and realized and unrealized gains and losses are accumulated in unrestricted net assets.

Temporarily restricted assets of \$20,000 and \$30,000 consisted of time restricted grants as of June 30, 2014 and 2013, respectively.

Permanently restricted net assets consisted of The Samuel and Harriet Miller Feed the Hungry Fund in the amounts of \$26,666 and \$26,014 as of June 30, 2014 and 2013, respectively.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 10. Net Assets (Continued)

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FAS 117-1 addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006.

The management of Manna Food Center, Inc. has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets, the original value of cash gifts donated to permanent endowments. The remaining portion of donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Center and donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of the Center

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the program supported by its endowment while seeking to maintain purchasing power of the endowment assets.

Earnings of the endowments are reflected as temporarily restricted net assets until appropriated for expenditure to support the endowment's stated purpose, or are reflected as unrestricted net assets when permitted by the donor.

The following represents the changes in the net asset classes of the Center's endowment funds as of:

June 30, 2014				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	\$ --	\$ 26,014	\$ 26,014
Total funds	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 26,014</u>	<u>\$ 26,014</u>

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 10. Net Assets (Continued)

Endowment net assets, beginning of year	\$	--	\$	--	\$	26,014	\$	26,014
Investment income		--		--		--		--
Contributions		--		--		652		652
Appropriation of endowment assets for expenditure		--		--		--		--
Endowment net assets, end of year	\$	--	\$	--	\$	26,666	\$	26,666

June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	\$ --	\$ 26,014	\$ 26,014
Total funds	\$ --	\$ --	\$ 26,014	\$ 26,014

Endowment net assets, Beginning of year	\$	--	\$	--	\$	24,924	\$	24,924
Investment income		--		--		--		--
Contributions		--		--		1,090		1,090
Appropriation of endowment assets for expenditure		--		--		--		--
Endowment net assets, end of year	\$	--	\$	--	\$	26,014	\$	26,014

Note 11. Subsequent Events - The Center evaluated subsequent events for potential required disclosure through August 28, 2014, which is the date financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

MANNA FOOD CENTER, INC.

SCHEDULES OF CASH RECEIPTS AND CASH DISBURSMENTS

	FOR THE YEARS ENDED JUNE 30,	
	2014	2013
CASH RECEIPTS:		
Contribution revenue	\$ 1,586,756	\$ 1,513,441
Grants from government agencies	327,044	343,557
Miscellaneous income	7,390	4,979
Anniversary gala/other special events	9,635	10,523
TOTAL CASH RECEIPTS	\$ 1,930,825	\$ 1,872,500
CASH DISBURSMENTS:		
Salaries	\$ 888,183	\$ 898,622
Payroll taxes	83,608	88,240
Professional fees	20,746	19,735
Purchased foods	188,172	190,342
Farm/produce	-	4,700
Warehouse supplies	46,986	73,871
Permits and licenses	2,724	1,481
Equipment rental	2,400	15,438
Gas and oil - vehicles	47,127	45,368
Repairs - vehicles and refrigeration	44,722	27,152
Insurance - vehicles	15,861	16,970
Bulk mail and postage	19,558	18,387
Office supplies	5,034	6,069
Printing	31,710	37,286
Telephone	11,766	13,146
Temporary help	8,457	4,698
Occupancy costs	239,736	198,072
Director's insurance	1,680	1,680
Memberships	1,013	1,441
Miscellaneous	33,698	32,051
Workers compensation insurance	33,811	38,811
Repairs and maintenance	18,274	3,296
Liability insurance	5,327	4,280
Group health insurance	40,035	51,342
Nutrition education	7,268	8,574
Retirement plan contributions	17,206	16,235
Gala expenses	-	591
Subcontractors	24,072	18,500
Outreach expenses	4,237	2,366
TOTAL CASH DISBURSEMENTS	\$ 1,843,411	\$ 1,838,744
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 87,414	\$ 33,756