Manna Food Center, Inc.
Financial Statements
June 30, 2016 and 2015

manna
food center
fighting hunger and feeding hope in montgomery county

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Manna Food Center, Inc., a non-profit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to Manna Food Center, Inc.'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, 2016 and 2015, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of cash receipts and cash disbursements on page 18 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, Lemkin + Co., LLP

November 11, 2016

MANNA FOOD CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30, 2016	JUNE 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,066,107	$ 1,049,181
Grants and contributions receivable	92,380	135,967
Other receivables	1,100	2,300
Investments	169,464	141,993
Prepaid expenses	32,407	23,992
Inventory	286,199	395,227
TOTAL CURRENT ASSETS	$ 1,647,657	$ 1,748,660
NONCURRENT ASSETS:		
Certificate of deposit	$ 18,591	$ 18,591
Property and equipment, net	189,374	302,067
Security deposit	350	-
TOTAL NONCURRENT ASSETS	$ 208,315	$ 320,658
TOTAL ASSETS	$ 1,855,972	$ 2,069,318
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 18,518	$ 20,529
Accrued expenses	44,121	68,452
TOTAL CURRENT LIABILITIES	$ 62,639	$ 88,981
NET ASSETS:		
Unrestricted	$ 1,733,547	$ 1,954,378
Temporarily restricted	54,786	20,959
Permanently restricted	5,000	5,000
TOTAL NET ASSETS	$ 1,793,333	$ 1,980,337
TOTAL LIABILITIES AND NET ASSETS	$ 1,855,972	$ 2,069,318

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

MANNA FOOD CENTER, INC.

STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED JUNE 30,							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Contributions	$ 1,629,374	$ 44,000	$ -	$ 1,673,374	$ 1,570,469	$ 10,500	$ -	$ 1,580,969
Grants from government agencies	611,479	-	-	611,479	581,017	-	-	581,017
Donated food and supplies	4,324,317	-	-	4,324,317	6,033,712	-	-	6,033,712
Contributed services	48,524	-	-	48,524	79,000	-	-	79,000
Investment income	27,951	27	-	27,978	13,535	44	-	13,579
Other income (losses)	(922)	-	-	(922)	18,689	-	-	18,689
Net assets released from restriction	10,200	(10,200)	-	-	31,251	(9,585)	(21,666)	-
Subtotal Support and Revenue	$ 6,650,923	$ 33,827	$ -	$ 6,684,750	$ 8,327,673	$ 959	$ (21,666)	$ 8,306,966
Anniversary gala/special events:								
Contributions and tickets	$ 54,368	$ -	$ -	$ 54,368	$ 31,135	$ -	$ -	$ 31,135
Direct donor benefits	(7,991)	-	-	(7,991)	(4,694)			(4,694)
Total anniversary gala/special event	$ 46,377	$ -	$ -	$ 46,377	$ 26,441	$ -	$ -	$ 26,441
TOTAL SUPPORT AND REVENUE	$ 6,697,300	$ 33,827	$ -	$ 6,731,127	$ 8,354,114	$ 959	$ (21,666)	$ 8,333,407
EXPENSES:								
Program services	$ 6,477,699	$ -	$ -	$ 6,477,699	$ 7,763,076	$ -	$ -	$ 7,763,076
Management and general	238,113	-	-	238,113	300,081	-	-	300,081
Fundraising	202,319	-	-	202,319	211,711	-	-	211,711
TOTAL EXPENSES	$ 6,918,131	$ -	$ -	$ 6,918,131	$ 8,274,868	$ -	$ -	$ 8,274,868
CHANGE IN NET ASSETS	$ (220,831)	$ 33,827	$ -	$ (187,004)	$ 79,246	$ 959	$ (21,666)	$ 58,539
NET ASSETS, BEGINNING OF YEAR	1,954,378	20,959	5,000	1,980,337	1,875,132	20,000	26,666	1,921,798
NET ASSETS, END OF YEAR	$ 1,733,547	$ 54,786	$ 5,000	$ 1,793,333	$ 1,954,378	$ 20,959	$ 5,000	$ 1,980,337

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, 2016

	Program Services	Management and General	Fundraising	Total Expenses
FUNCTIONAL EXPENSES:				
Personnel costs:				
Salaries	$ 791,701	$ 122,289	$ 98,850	$ 1,012,840
Payroll taxes	72,990	11,274	9,113	93,377
Group health insurance	44,001	6,797	5,494	56,292
Retirement contributions	20,189	3,118	2,521	25,828
Workers compensation insurance	18,515	2,860	2,311	23,686
Total personnel costs	$ 947,396	$ 146,338	$ 118,289	$ 1,212,023
In-kind distributed foods	4,433,345	-	-	4,433,345
Purchased foods	253,352	-	-	253,352
Warehouse supplies	61,297	274	531	62,102
Gas and oil - vehicles	31,924	6	-	31,930
Repairs - vehicles and refrigeration	61,097	30	47	61,174
Insurance - vehicles	11,439	-	-	11,439
Occupancy costs	184,977	13,562	19,492	218,031
Depreciation	114,480	3,141	-	117,621
Repairs and maintenance	5,475	285	140	5,900
Professional fees	93,262	57,431	10,439	161,132
Permits and licenses	2,060	100	300	2,460
Consultants	22,250	506	6,676	29,432
Food & nutrition assistance	35,138	-	-	35,138
Community Food Rescue	65,306	-	-	65,306
Grants	96,755	-	-	96,755
Membership fees	280	746	-	1,026
Liability insurance	5,803	2,486	426	8,715
Bulk mail and postage	6,982	829	16,194	24,005
Office supplies	5,048	5,955	1,242	12,245
Printing	11,568	1,299	20,234	33,101
Telephone	9,412	-	1,260	10,672
Temporary help	3,975	159	70	4,204
Miscellaneous	15,078	4,966	3,672	23,716
Outreach	-	-	3,307	3,307
TOTAL FUNCTIONAL EXPENSES	$ 6,477,699	$ 238,113	$ 202,319	$ 6,918,131

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, 2015

	Program Services	Management and General	Fundraising	Total Expenses
FUNCTIONAL EXPENSES:				
Personnel costs:				
Salaries	$ 770,411	$ 132,018	$ 105,398	$ 1,007,827
Payroll taxes	76,873	7,018	10,552	94,443
Group health insurance	20,391	15,215	2,072	37,678
Retirement contributions	18,396	1,554	2,270	22,220
Workers compensation insurance	34,280	2,620	3,801	40,701
Total personnel costs	$ 920,351	$ 158,425	$ 124,093	$ 1,202,869
In-kind distributed foods	5,876,251	-	-	5,876,251
Purchased foods	236,317	-	-	236,317
Warehouse supplies	45,228	392	276	45,896
Gas and oil - vehicles	33,214	1,419	-	34,633
Repairs - vehicles and refrigeration	65,873	3,939	261	70,073
Insurance - vehicles	16,613	-	-	16,613
Occupancy costs	176,699	14,946	20,238	211,883
Depreciation	108,762	-	-	108,762
Repairs and maintenance	6,724	-	-	6,724
Professional fees	69,088	91,478	7,873	168,439
Permits and licenses	2,146	470	-	2,616
Consultants	32,299	8,937	-	41,236
Food & nutrition assistance	36,260	-	-	36,260
Community Food Rescue	48,303	-	-	48,303
Grants	37,500	-	-	37,500
Membership fees	230	393	466	1,089
Liability insurance	4,740	2,042	526	7,308
Bulk mail and postage	5	500	13,625	14,130
Office supplies	3,616	8,312	523	12,451
Printing	2,970	4,559	35,216	42,745
Telephone	8,760	-	967	9,727
Temporary help	1,200	617	-	1,817
Miscellaneous	29,043	-	4,906	33,949
Outreach	884	3,652	2,741	7,277
TOTAL FUNCTIONAL EXPENSES	$ 7,763,076	$ 300,081	$ 211,711	$ 8,274,868

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, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (187,004)	$ 58,539
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated food received	(4,324,317)	(6,033,712)
Donated food provided	4,433,345	5,876,251
Donated securities	(13,387)	-
Depreciation	117,621	108,762
Realized and unrealized gains on investments	(19,865)	(3,045)
Loss on disposal of property and equipment	222	-
Decrease (increase) in assets:		
Grants and contributions receivable	43,587	(58,681)
Other receivables	1,200	(2,300)
Prepaid expenses	(8,415)	34,643
Security deposit	(350)	-
Increase (decrease) in liabilities:		
Accounts payable	(2,011)	(11,043)
Accrued expenses	(24,331)	12,297
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 16,295	$ (18,289)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	$ (5,150)	$ (65,996)
Proceeds from sales of investments	17,276	-
Reinvested earnings on investments	(11,495)	(8,188)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVTIES	$ 631	$ (74,184)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 16,926	$ (92,473)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,049,181	1,141,654
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,066,107	$ 1,049,181
SUPPLEMENTAL INFORMATION:		
Noncash operating activities:		
Contributed services	$ 48,524	$ 79,000
Disposal of property and equipment	$ 8,202	$ -

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

Note 1. **Nature of the Organization -** Manna Food Center, Inc. (“Manna”) is a non-profit organization that is Montgomery County, Maryland’s largest and most far-reaching provider of food assistance. Manna strives to meet its neighbors’ requests for services by serving as both a food bank and a food pantry. For more than three decades, Manna has been a reliable “thread” in the social safety net for the vulnerable: the elderly, the disabled, individuals and families in crisis that require a supplement of nutritious food.

Manna’s work is built on three pillars that create a unique and comprehensive approach to hunger relief.

Pillar 1: Reduce hunger and improve access to nutritious food for County residents who experience food insecurity.
Pillar 2: Strengthen community food skills and knowledge to encourage and enable healthy eating.
Pillar 3: Connect Montgomery County neighbors to service providers and to each other.

Manna is the main food bank in Montgomery County, and nearly every county and nonprofit organization relies on Manna to provide essential food to their clients through our referral system. The vision for Manna is to be at the center of ending hunger in their community. Manna’s signature programs include:

Food for Families: Distributes roughly 60 pounds of perishable and nonperishable food each month to an average of 3,650 families. Qualifying families must report income below Maryland’s self-sufficiency standard. This program is run at 24 sites.

Smart Sacks: Distributes food through a network of sixty Montgomery County public elementary schools. The program fills a critical gap by providing food to children and their families on Fridays during the school year in order to ensure they have nutritious food to eat during the weekend. The program reaches about 2,450 children each week. The food bags are full of nutritious food that is selected by Manna’s registered dietitian. Use of the ingredients provided and sustained healthy eating is encouraged through educational materials included in the Smart Sacks bags throughout the school year.

Community Food Rescue (CFR): Is a first-of-its kind, coordinated food recovery network led by Manna and building on the former Food for Agencies program. By partnering with a range of hunger relief organizations, volunteers and business, the initiative is making sure that edible food reaches hungry neighbors. CFR builds upon the work of establishments already recovering good food before it is thrown away and identifies new donors. State-of-the-art technology makes real-time matches based on geography and transportation options. Trainings and mini-grants are offered in order to build capacity and increase food-rescuing capabilities.

Note 1. **Nature of the Organization** (Continued)

Nutrition Education: Using a curriculum developed by Share our Strength, Manna offers low-income grocery shoppers free onsite assistance at local grocery stores. Nutrition educators teach clients about unit price comparison and reading nutrition labels in order to stretch tight budgets when purchasing healthy food. Manna also hosts workshops, cooking demos, and store tours at shopping centers where neighbors gather. The free programs make crucial health information more accessible.

Breaking Bread: Breaking Bread is a conversation series to help identify and solidify common values necessary to successfully combat hunger. Breaking Bread creates a space and intentional conversations to nurture dialogue around critical issues, such as race, class, and a culture of dependency, that create or contribute to hunger and food insecurity in our community. The first series of dinners began in 2015 and conversations open to all residents of Montgomery County are held monthly.

Note 2. **Significant Accounting Policies**

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

Basis of Presentation - Manna 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 Manna 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, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of Manna and changes therein are classified and reported as follows:

<u>Unrestricted net assets</u> - Net assets that are not subject to donor-imposed stipulations.

<u>Temporarily restricted net assets</u> - Net assets from grants and contributions subject to donor-imposed stipulations that may or will be met either by actions of Manna 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 grants and contributions are reported as unrestricted grants and contributions.

Note 2. **Significant Accounting Policies** (Continued)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained by Manna 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, Manna considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable - Grants and contributions receivable represents amounts committed by donors that have not been received by Manna as of the statements of financial position dates. Grants and contributions receivable are stated at their original amount, less an estimate for doubtful receivables based on an annual review of outstanding amounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2016, management expects the amount in grants and contributions receivable to be fully collected within the next fiscal year.

Investments - Investments are recorded at estimated fair value based on quoted prices provided by the investment custodian. Realized and unrealized gains or losses are 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. Interest and dividends are recorded as revenue when earned.

Fair Value - Manna 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.

Note 2. **Significant Accounting Policies** (Continued)

Other Receivables - Other receivables are stated at gross amount, less an allowance for doubtful accounts, and are unsecured. Manna does not require collateral and no interest is charged on outstanding other receivables. 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.

Inventory - Manna's purchased inventory is stated at the lower of average cost or market. Donated food items are recorded as donations when received and inventoried at average estimated market value, which was $1.72 per pound during the fiscal years ended June 30, 2016 and 2015.

Certificate of Deposit - The certificate of deposit is recorded at fair value which approximates cost and accumulated interest.

Property and Equipment - Property and equipment are recorded at cost less accumulated depreciation. Expenditures for property and equipment are capitalized at cost using a capitalization policy threshold of $500. Depreciation for furniture, fixtures, equipment and trucks is calculated utilizing the straight-line method over estimated lives of five to ten years. Leasehold improvements are amortized over the lesser of the useful life or the term of the lease. 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 revenue. Repairs and maintenance are expensed in the year incurred.

Revenue Recognition - Contributions are recognized as revenue when they are received or unconditionally pledged. Revenue from grants from government agencies is recognized when the service is provided.

Contributed services are related to pro-bono legal fees and information technology services. Revenue from contributed services is measured based on the fair value of those services and is recorded in revenue when the service is rendered. Donated food and supplies are recorded when received. Revenue from special events is recorded at the time of the event.

In addition, approximately 72,800 and 71,500 of volunteer hours were provided to Manna for the years ended June 30, 2016 and 2015, 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 statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2. **Significant Accounting Policies** (Continued)

Tax Exempt Status - Manna is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Manna's tax-exempt purpose is subject to taxation as unrelated business income. Manna had no net unrelated business income for the years ended June 30, 2016 and 2015.

Accounting for Uncertain Tax Provisions - Manna complies with the provisions of the FASB Accounting Standards Codification topic *Accounting for Uncertainty in Income Taxes.* For the years ended June 30, 2016 and 2015, 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. Manna's returns for the fiscal years ended June 30, 2013 through 2015 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 2015 financial statements have been reclassified to conform with the 2016 presentation. These reclassifications had no impact on net assets.

Note 3. **Concentration of Credit Risk** - Financial instruments which potentially subject Manna to concentrations of credit risk include cash deposits with commercial banks. Manna'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 4. **Grants Receivable** - Grants receivable consists of the following at:

	June 30, 2016	June 30, 2015
Montgomery County Government	$ 25,008	$ 33,717
City of Gaithersburg	18,305	--
Community Food Rescue	41,467	87,500
Other County Grants	--	14,750
Network for Good	7,600	--
Totals	$ 92,380	$ 135,967

Note 5. **Investments** - The following is a description of the valuation methodology used for investments 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 the 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 Manna's investment assets at fair value.

At June 30, 2016 investments consisted of the following:

	Level 1	Level 2	Level 3	Total
Money market accounts	$ 26,562	$ --	$ --	$ 26,562
U.S. Equities	142,902	--	--	142,902
Totals	$ 169,464	$ --	$ --	$ 169,464

At June 30, 2015 investments consisted of the following:

	Level 1	Level 2	Level 3	Total
Money market accounts	$ 15,067	$ --	$ --	$ 15,067
U.S. Equities	126,926	--	--	126,926
Totals	$ 141,993	$ --	$ --	$ 141,993

For the years ended June 30, 2016 and 2015, investment income, including interest earned on interest-bearing cash accounts, consists of the following:

	2016	2015
Interest and dividend income	$ 8,113	$ 10,534
Realized and unrealized gains on investments	19,865	3,045
Total investment income	$ 27,978	$ 13,579

Note 6. **Property and Equipment** - Property and equipment consists of the following:

	June 30, 2016	June 30, 2015
Furniture, fixtures and equipment	$ 214,155	$ 217,207
Trucks	543,268	543,268
Leasehold improvements	145,869	145,869
Totals	$ 903,292	$ 906,344
Less, Accumulated depreciation	(713,918)	(604,277)
Property and equipment, net	$ 189,374	$ 302,067

Depreciation expense was $117,621 and $108,762 for the years ended June 30, 2016 and 2015, respectively.

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

	2016	2015
Montgomery County Government	$ 200,889	$ 211,470
City of Gaithersburg	73,219	72,030
City of Rockville	35,000	35,000
Maryland Emergency Food Program	15,000	19,500
SNAP grants	9,967	10,197
Community Food Rescue	160,000	90,001
Food recovery	35,000	45,500
Other county grants	82,404	97,319
Totals	$ 611,479	$ 581,017

Note 8. **Commitments** - Manna entered into a lease agreement for their headquarters and storage facility with an occupancy date of October 1, 2009, for an initial term of ten years expiring September 2019. The lease can be renewed for two consecutive five year terms. 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, Manna is liable for its proportionate share of the operating expenses. During 2016, Manna entered into a lease agreement for additional space from the Silver Spring United Methodist Church beginning on May 1, 2016 and expiring on September 30, 2016. Rent payments are $175 per month over the five-month lease.

For the years ended June 30, 2016 and 2015, rent expense totaled $178,084 and $173,418, respectively, and is included in occupancy costs in the statements of functional expenses.

The following is a schedule of the future minimum lease payments due under the leases as of June 30, 2016.

Years ending June 30,	
2017	$ 146,442
2018	149,929
2019	154,059
2020	12,867
Total	$ 463,297

Note 9. **Retirement Plan** - Effective January 1, 2010, Manna initiated a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). All employees of Manna are eligible for this plan. For the years ended June 30, 2016 and 2015, Manna contributed 3% of annual compensation for each eligible employee to the plan. Contributions to the plan for the years ended June 30, 2016 and 2015 totaled $25,828 and $22,220, respectively.

Note 10. **Temporarily Restricted Net Assets** - Temporarily restricted net assets consisted of the following as of June 30, 2016 and 2015, respectively.

	2016	2015
Time restrictions	$ --	$ 5,000
Breaking Bread Initiative	10,786	15,959
Community food rescue technology and marketing	44,000	--
Totals	$ 54,786	$ 20,959

Note 11. **Permanently Restricted Net Assets and Endowment** - 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. Manna's endowment consists of The Samuel and Harriet Miller Feed the Hungry Fund. During the year ended June 30, 2015, the charter of the Samuel and Harriet Miller Feed the Hungry Fund was restated in that the initial principal sum of $5,000 was to be permanently restricted and must be preserved in perpetuity as long as Manna exists. The balance of $21,666 was transferred to temporarily restricted and is to be used to fund the Breaking Bread initiative.

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 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, Manna 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 Manna in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Manna considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 11. **Permanently Restricted Net Assets and Endowment** (Continued)

1. The duration and preservation of the fund
2. The purposes of Manna 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 Manna

Manna 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 tables present the changes in the net asset classes of Manna's endowment funds as of:

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ --	$ 10,786	$ 5,000	$ 15,786
Endowment net assets, beginning of year	$ --	$ 15,959	$ 5,000	$ 20,959
Investment income	--	27	--	27
Appropriation of endowment assets for expenditure	--	(5,200)	--	(5,200)
Endowment net assets, end of year	$ --	$ 10,786	$ 5,000	$ 15,786

Note 11. **Permanently Restricted Net Assets and Endowment** (Continued)

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ --	$ 15,959	$ 5,000	$ 20,959
Endowment net assets, beginning of year	$ --	$ --	$ 26,666	$ 26,666
Investment income	--	44	--	44
Contributions	--	500	--	500
Reclassification	--	21,666	(21,666)	--
Appropriation of endowment assets for expenditure	--	(6,251)	--	(6,251)
Endowment net assets, end of year	$ --	$ 15,959	$ 5,000	$ 20,959

Note 12. **Subsequent Events** - Manna evaluated subsequent events for potential required disclosure through November 11, 2016 which is the date financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

MANNA FOOD CENTER, INC.

SCHEDULES OF CASH RECEIPTS AND CASH DISBURSEMENTS

	FOR THE YEARS ENDED JUNE 30, 2016	2015
CASH RECEIPTS:		
Contributions	$ 1,661,187	$ 1,578,669
Grants from government agencies	655,066	522,336
Investment and other income	7,191	29,223
Anniversary gala/other special events, net	46,377	26,441
TOTAL CASH RECEIPTS	$ 2,369,821	$ 2,156,669
CASH DISBURSEMENTS:		
Salaries	$ 1,037,171	$ 995,530
Payroll taxes	93,377	94,443
Professional fees	112,608	89,439
Purchased foods	253,352	236,317
Warehouse supplies	62,102	45,896
Permits and licenses	2,460	2,616
Gas and oil - vehicles	31,930	34,633
Repairs - vehicles and refrigeration	61,174	70,073
Insurance - vehicles	11,439	16,613
Bulk mail and postage	24,005	14,130
Office supplies	12,245	12,451
Printing	33,101	42,745
Telephone	10,672	9,727
Temporary help	4,204	1,817
Occupancy costs	226,796	177,240
Membership fees	1,026	1,089
Miscellaneous	25,505	44,992
Workers compensation insurance	23,686	40,701
Repairs and maintenance	5,900	6,724
Liability insurance	8,715	7,308
Group health insurance	56,292	37,678
Retirement contributions	25,828	22,220
Food & nutrition assistance	35,138	36,260
Community Food Rescue	65,306	48,303
Consultants	29,432	41,236
Grants and subgrants	96,755	37,500
Outreach	3,307	7,277
TOTAL CASH DISBURSEMENTS	$ 2,353,526	$ 2,174,958
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 16,295	$ (18,289)