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**MANNA FOOD CENTER, INC.**

**INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

# **MANNA FOOD CENTER, INC.**

**For the Years Ended June 30, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Manna Food Center, Inc.  
Silver Spring, Maryland

We have audited the accompanying financial statements of Manna Food Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's 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 audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manna Food Center, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Adoption of New Accounting Standard**

As discussed in Note 3 to the financial statements, for the year ended June 30, 2021, the Organization adopted new accounting guidance in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Accounting Standards Codification (ASC) 606). Our opinion is not modified with respect to this matter.

*E. Cohen and Company, CPAs*

March 1, 2022

# MANNA FOOD CENTER, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

### ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 7,465,307	\$ 3,883,276
Grants receivable	96,540	424,167
Capital campaign pledges, current portion	44,431	80,416
Other receivables	200	1,075
Investments	1,198,530	923,089
Prepaid expenses	39,677	59,238
Inventory	<u>287,152</u>	<u>142,610</u>
<b>Total current assets</b>	<u>9,131,837</u>	<u>5,513,871</u>
Noncurrent assets		
Property and equipment, net	980,853	1,022,946
Capital campaign pledges, net of current portion	-	11,667
Security deposits	18,407	14,907
Certificate of deposit	<u>19,633</u>	<u>19,633</u>
<b>Total noncurrent assets</b>	<u>1,018,893</u>	<u>1,069,153</u>
<b>Total assets</b>	<u><u>\$ 10,150,730</u></u>	<u><u>\$ 6,583,024</u></u>

# MANNA FOOD CENTER, INC.

## STATEMENTS OF FINANCIAL POSITION (CONTINUED) JUNE 30, 2021 AND 2020

### LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 100,327	\$ 80,928
Accrued payroll liabilities	118,841	137,815
Loan payable	372,210	372,210
Deferred revenue	131,965	-
<b>Total current liabilities</b>	<u>723,343</u>	<u>590,953</u>
Noncurrent liabilities		
Deferred rent	80,202	56,958
<b>Total noncurrent liabilities</b>	<u>80,202</u>	<u>56,958</u>
<b>Total liabilities</b>	<u>803,545</u>	<u>647,911</u>
Net assets		
Without donor restrictions	9,332,059	5,919,987
With donor restrictions	15,126	15,126
<b>Total net assets</b>	<u>9,347,185</u>	<u>5,935,113</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 10,150,730</u></u>	<u><u>\$ 6,583,024</u></u>

# MANNA FOOD CENTER, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Contributions	\$ 7,733,285	\$ -	\$ 7,733,285
Donated food and supplies	3,684,038	-	3,684,038
Governmental grants	2,666,377	-	2,666,377
Other income	12,445	-	12,445
Contributed services	13,407	-	13,407
<b>Total revenue and support</b>	<u>14,109,552</u>	<u>-</u>	<u>14,109,552</u>
<b>Program and operating expenses</b>			
Program services	9,843,783	-	9,843,783
Management and general	550,067	-	550,067
Fundraising	501,835	-	501,835
<b>Total program and operating expenses</b>	<u>10,895,685</u>	<u>-</u>	<u>10,895,685</u>
<b>Transfer of capital campaign expenses from operations</b>	<u>8,227</u>	<u>-</u>	<u>8,227</u>
<b>Operating revenues in excess of operating expenses and transfers</b>	3,222,094	-	3,222,094
<b>Other changes</b>			
Investment income	47,920	-	47,920
Capital campaign pledges	150,285	-	150,285
Transfer of expenses from operating activities			
Capital campaign expenses	<u>(8,227)</u>	<u>-</u>	<u>(8,227)</u>
<b>Change in net assets</b>	3,412,072	-	3,412,072
<b>Net assets, beginning</b>	<u>5,919,987</u>	<u>15,126</u>	<u>5,935,113</u>
<b>Net assets, ending</b>	<u><u>\$ 9,332,059</u></u>	<u><u>\$ 15,126</u></u>	<u><u>\$ 9,347,185</u></u>

# MANNA FOOD CENTER, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Contributions	\$ 5,204,689	\$ -	\$ 5,204,689
Donated food and supplies	3,751,982	-	3,751,982
Governmental grants	1,223,726	-	1,223,726
Special events, less direct expenses of \$200	27,985	-	27,985
Contributed services	60,000	-	60,000
Other income	2,921	-	2,921
Net assets released from restriction	850,959	(850,959)	-
<b>Total revenue and support</b>	11,122,262	(850,959)	10,271,303
<b>Program and operating expenses</b>			
Program services	7,255,870	-	7,255,870
Management and general	416,202	-	416,202
Fundraising	587,669	-	587,669
<b>Total program and operating expenses</b>	8,259,741	-	8,259,741
<b>Transfer of capital campaign expenses from operations</b>	169,251	-	169,251
<b>Operating revenues in excess of operating expenses and transfers</b>	3,031,772	(850,959)	2,180,813
<b>Other changes</b>			
Investment income	14,883	-	14,883
Capital campaign pledges	979,184	-	979,184
Transfer of expenses from operating activities			
Capital campaign expenses	(169,251)	-	(169,251)
<b>Change in net assets</b>	3,856,588	(850,959)	3,005,629
<b>Net assets, beginning</b>	2,063,399	866,085	2,929,484
<b>Net assets, ending</b>	\$ 5,919,987	\$ 15,126	\$ 5,935,113



**MANNA FOOD CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

	Food for Family	Smart Sacks	Community Food Rescue	Nutrition Education	Other Program Services	Total Program Services	Management and General	Fundraising	Total
In-kind distributed food	\$ 2,503,140	\$ 433,236	\$ 272,778	\$ -	\$ -	\$ 3,209,154	\$ -	\$ -	\$ 3,209,154
Purchased food	1,667,136	504,354	3,300	-	144,994	2,319,784	-	-	2,319,784
Salaries	1,161,998	157,249	101,070	180,818	194,558	1,795,693	94,778	147,194	2,037,665
Occupancy	320,911	34,783	21,372	38,331	11,548	426,945	24,636	41,149	492,730
Inventory shrinkage	443,342	-	-	-	-	443,342	-	-	443,342
Professional services	62,231	10,156	103,026	6,527	18,490	200,430	140,240	24,351	365,021
Grants	52,518	-	30,000	14,675	242,795	339,988	-	-	339,988
Depreciation	130,066	17,642	10,839	19,425	5,865	183,837	10,557	16,751	211,145
Temporary labor	75,369	-	-	-	-	75,369	107,651	-	183,020
Payroll taxes	102,720	14,591	8,976	16,305	4,733	147,325	8,510	14,372	170,207
Outreach	143,366	125	207	110	-	143,808	2,057	-	145,865
Contribution processing fee	-	-	30	-	-	30	-	134,128	134,158
Health insurance	70,346	9,854	6,062	10,958	3,222	100,442	5,757	8,942	115,141
Warehouse supplies	89,191	9,749	4,947	2,958	-	106,845	250	-	107,095
Technology	16,014	1,212	37,430	312	1,520	56,488	43,111	350	99,949
Office expense	12,418	1,291	809	1,542	429	16,489	52,367	4,506	73,362
Vehicle and refrigeration repairs	35,287	4,763	3,017	12,617	22	55,706	606	-	56,312
Printing and reproduction	2,469	9,386	376	302	91	12,624	424	42,892	55,940
Equipment rental	41,391	4,481	2,885	350	106	49,213	524	-	49,737
Marketing and communication	1,309	-	10	-	-	1,319	3,292	41,868	46,479
Workers compensation insurance	13,709	1,860	1,142	2,048	618	19,377	19,133	-	38,510
Repairs and maintenance	28,488	1,864	1,186	198	63	31,799	2,351	-	34,150
Retirement plan	20,624	2,902	1,787	3,238	981	29,532	1,707	2,894	34,133
Telephone and internet	15,715	2,115	1,489	2,339	685	22,343	1,270	1,792	25,405
Vehicle insurance	10,045	1,363	837	1,241	375	13,861	8,330	-	22,191
Gas, oil, and tolls	17,455	2,384	1,478	-	209	21,526	-	-	21,526
Business insurance	4,198	571	351	630	190	5,940	734	8,001	14,675
In-kind non-food	-	-	-	-	-	-	13,407	-	13,407
Postage and delivery	-	-	-	-	-	-	-	12,645	12,645
Bad debt	6,783	1,210	583	305	619	9,500	-	-	9,500
Dues and subscriptions	871	97	60	117	27	1,172	6,851	-	8,023
Travel	2,415	60	-	80	-	2,555	1,214	-	3,769
Permits and licensing	1,141	128	78	-	-	1,347	310	-	1,657
<b>Total expenses</b>	<b>\$ 7,052,666</b>	<b>\$ 1,227,426</b>	<b>\$ 616,125</b>	<b>\$ 315,426</b>	<b>\$ 632,140</b>	<b>\$ 9,843,783</b>	<b>\$ 550,067</b>	<b>\$ 501,835</b>	<b>\$ 10,895,685</b>

See independent auditor's report and notes to financial statements.

**MANNA FOOD CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020**

	Food for Family	Smart Sacks	Community Food Rescue	Nutrition Education	Other Program Services	Total Program Services	Management and General	Fundraising	Total
In-kind distributed food	\$ 2,649,944	\$ 458,922	\$ 284,235	\$ -	\$ -	\$ 3,393,101	\$ -	\$ -	\$ 3,393,101
Salaries	895,541	166,365	106,884	198,553	59,535	1,426,878	162,786	155,814	1,745,478
Purchased food	173,194	449,002	-	-	-	622,196	-	-	622,196
Inventory shrinkage	348,102	66,114	41,815	2,533	6,496	465,060	-	-	465,060
Occupancy	221,415	39,880	24,819	47,837	11,200	345,151	76,470	34,423	456,044
Professional services	30,876	4,688	121,497	9,777	18,512	185,350	74,434	6,432	266,216
Capital campaign expenses	-	-	-	-	-	-	-	169,251	169,251
Depreciation	90,384	16,863	10,494	20,309	4,751	142,801	8,824	15,575	167,200
Payroll taxes	70,408	13,200	8,309	15,732	4,626	112,275	8,391	12,114	132,780
Contribution processing fee	246	-	31	-	-	277	184	102,698	103,159
Health insurance	29,345	5,591	3,543	6,581	1,608	46,668	49,092	5,220	100,980
Grants	-	-	-	-	84,200	84,200	-	-	84,200
Warehouse supplies	63,455	8,153	4,077	273	546	76,504	118	210	76,832
Printing and reproduction	5,230	1,452	367	353	4,766	12,168	153	41,689	54,010
Vehicle and refrigeration repairs	-	-	-	-	53,887	53,887	-	-	53,887
Office expense	3,936	3,612	8,806	6,307	8,613	31,274	19,029	3,171	53,474
Technology	8,554	525	22,611	562	317	32,569	761	5,411	38,741
Retirement plan	18,100	3,412	2,150	4,059	976	28,697	1,792	3,128	33,617
Workers compensation insurance	17,608	3,289	2,047	3,962	927	27,833	1,721	3,038	32,592
Gas, oil, and tolls	22,051	4,245	2,362	2,004	461	31,123	23	-	31,146
Temporary labor	25,573	259	168	237	63	26,300	2,744	582	29,626
Equipment rental	20,261	3,744	2,357	430	620	27,412	187	330	27,929
Postage and delivery	4	83	104	-	1,828	2,019	153	21,134	23,306
Telephone and internet	10,392	1,941	1,208	2,339	547	16,427	1,016	1,791	19,234
Repairs and maintenance	10,031	1,853	1,158	226	3,355	16,623	102	53	16,778
Vehicle insurance	10,253	2,077	1,292	2,501	585	16,708	-	-	16,708
Business insurance	5,768	1,078	672	1,294	304	9,116	2,755	995	12,866
Outreach	4,712	1,066	31	1,247	1,754	8,810	2,276	700	11,786
In-kind non-food	-	-	-	-	6,000	6,000	-	-	6,000
Travel	1,200	34	63	1,406	588	3,291	1,621	501	5,413
Dues and subscriptions	172	-	60	100	1,301	1,633	1,546	1,252	4,431
Permits and licensing	1,692	256	509	151	-	2,608	-	540	3,148
Marketing and communication	255	-	-	99	557	911	24	1,617	2,552
<b>Total expenses</b>	<b>\$ 4,738,702</b>	<b>\$ 1,257,704</b>	<b>\$ 651,669</b>	<b>\$ 328,872</b>	<b>\$ 278,923</b>	<b>\$ 7,255,870</b>	<b>\$ 416,202</b>	<b>\$ 587,669</b>	<b>\$ 8,259,741</b>

See independent auditor's report and notes to financial statements.

# MANNA FOOD CENTER, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 3,412,072	\$ 3,005,629
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated food received	(3,684,038)	(3,751,982)
Donated food disbursed	3,209,154	3,393,101
Inventory shrinkage	443,342	465,060
Depreciation and amortization expense	211,146	167,200
Capital campaign contributions	47,652	487,029
Realized and unrealized gain on investments	(40,859)	(3,865)
Gain of sale of equipment	(1,342)	-
(Increase) decrease in assets		
Grants receivable	327,627	(291,862)
Other receivables	875	(475)
Prepaid expenses	19,561	26,249
Inventory	(112,998)	(127,239)
Security deposits	(3,500)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	19,399	44,708
Accrued payroll liabilities	(18,974)	69,044
Deferred revenue	131,965	-
Deferred rent	23,244	55,345
<b>Net cash provided by operating activities</b>	<u>3,984,326</u>	<u>3,537,942</u>
Cash flows from investing activities		
Reinvested earnings on investments	(4,091)	(9,508)
Proceeds from sales of investments	155,987	-
Purchases of investments	(386,480)	(14,364)
Purchases of property and equipment	(167,711)	(709,685)
<b>Net cash used in investing activities</b>	<u>(402,295)</u>	<u>(733,557)</u>
Cash flows provided by financing activities		
Proceeds from loan	-	372,210
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>372,210</u>
Net increase in cash and cash equivalents	3,582,031	3,176,595
Cash and cash equivalents, beginning of year	<u>3,883,276</u>	<u>706,681</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 7,465,307</u></u>	<u><u>\$ 3,883,276</u></u>

See independent auditor's report and notes to financial statements.

# MANNA FOOD CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

### 1. Description of organization and operations

Manna Food Center, Inc. (the Organization) is a non-profit organization that is Montgomery County, Maryland's largest and most far-reaching provider of food assistance. The Organization strives to meet its neighbors' requests for services by serving as both a food bank and a food pantry. For more than three decades, the Organization 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.

The Organization'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 Montgomery 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.

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

**Food for Families:** Distributes roughly 50 pounds of perishable and nonperishable food per family each month to a monthly average of 4,005 families during the year ended June 30, 2021. Qualifying families must report income below Maryland's self-sufficiency standard. This program is run at 22 sites.

**Smart Sacks:** Distributes food through a network of almost 60 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 to ensure they have nutritious food to eat during the weekend. Due to the COVID-19 pandemic, the Organization altered their weekend bag program with school closures. Starting in March 2020 the Organization collaborated with Montgomery County Public School (MCPS) Department of Food and Nutrition Services and Department of Transportation to provide up to 7,200 weekend bags every week at 14 different bulk distribution sites. The Organization also served 11 schools directly to meet the needs of families at those schools. From March to June 2020, the Organization provided 75,914 bags through the MCPS partnership and 8,587 bags through serving schools directly. As the effects of the pandemic crossed fiscal years, the adaptation continued. The total number of weekend bags distributed in the year ended June 30, 2021, was 187,816 bags. The food bags are full of nutritious food that is selected by the Organization'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. A program for school-based pantries serving two schools, Harmony Hills Elementary and Highland Elementary, provided families both produce and shelf-stable food items in a choice setting. School-based pantries distributions were halted during the year ended June 30, 2021.

# MANNA FOOD CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

### 1. Description of organization and operations (continued)

**Community Food Rescue (CFR):** Is a first-of-its kind, coordinated food recovery network led by the Organization 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 to build capacity and increase food-rescuing capabilities.

**Community Food Education:** Nutrition educators teach clients about unit price comparison and reading nutrition labels to stretch tight budgets when purchasing health food. The Organization also hosts workshops, cooking demos, and tours where neighbors gather. The free programs make crucial health information more accessible. In 2018, the Organization started the Manna Mobile Kitchen and Pop-Up Pantry, known as “Manny”. Manny serves two separate functions, as a classroom to teach general nutrition principles through cooking, and as a food distribution vehicle.

**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 for 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 series of dinners and conversations are open to all residents of Montgomery County and are held monthly.

**Food For All Campaign:** The Organization created a Capital Campaign/Food For All Campaign focused on bringing food and programs to the high-poverty communities where poor transportation and other barriers make access to food incredibly challenging. The Food For All campaign reached 10,000 more hungry children, seniors and working poor during 2021. The Organization expanded a second location in east county to include a choice market, nutrition education services, and community meeting space, and renovated/relocated the current warehouse.

These programs were adapted to virtual and contact-free formats in response to the restriction for in person gatherings.

### 2. Summary of significant accounting policies

#### **Basis of accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### **Basis of presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

# MANNA FOOD CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

### 2. Summary of significant accounting policies (continued)

#### **Basis of presentation (continued)**

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### **Cash and cash equivalents**

The Organization considers all cash and highly liquid investments with initial maturities of three months or less to be cash equivalents. The Organization considers all highly liquid investments with the investment custodian to facilitate investment transactions as investments in the statements of financial position, and not cash equivalents.

#### **Certificate of deposit**

The Organization invests in a certificate of deposit (CD) that is not a debt instrument. CDs with original maturities of less than one year are classified as short-term. CDs with original maturities greater than one year are classified as long-term. The CD is pledged as the security deposit on its leased warehouse space.

#### **Concentration of credit risk**

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has never experienced any losses related to these balances. The Organization's cash management policies limit its exposure to concentrations of credit risk by allocating their cash balance across multiple financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). There is no cash in excess of FDIC-insured limits as of June 30, 2021.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the accompanying financial statements.

# **MANNA FOOD CENTER, INC.**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

### **2. Summary of significant accounting policies (continued)**

#### **Grants, contributions, and pledges receivable**

Receivables represent amounts committed by donors and grantors that have not been received as of the date of the statements of financial position. Receivables 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 as revenue when received. At June 30, 2021 and 2020, management expects the amounts in receivables to be fully collected.

#### **Investments**

Investments are reflected at their fair value as of the date of the statements of financial position, which may differ from the amount ultimately realized at the time of sale. Realized and unrealized gains and losses are reflected in the statements of activities.

#### **Property and equipment**

All purchases of property and equipment in excess of \$1,000 are capitalized at cost and depreciated using the straight-line method over estimated useful lives ranging from five to ten years. Costs of repairs and maintenance are expensed as incurred.

Leasehold improvements are amortized over the estimated economic life of the improvements or the estimated remaining term of the lease, whichever is shorter.

#### **Inventory**

For purpose of valuing food donated to and distributed by the Organization during the year, the Organization uses the average wholesale value determined annually by Feeding America, the nation's largest domestic hunger-relief organization, in effect at the beginning of the year. For the fiscal year ended June 30, 2021, inventory received and distributed was valued at \$1.74 per pound and inventory purchased was valued at \$0.99 per pound. For the fiscal year ended June 30, 2020, the inventory received and distributed was valued at \$1.62 per pound. Purchased inventory valuation was based on management's analysis of actual average cost of various dry staples, produce, dairy and meat.

#### **Endowment funds**

The Organization follows the Financial Accounting Standard Board (FASB) ASC 958 relating to endowments. Management has determined that the Organization's funds with donor-imposed, perpetual restriction, which are included in net assets with donor restrictions, meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and FASB ASC 958.

# MANNA FOOD CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

### 2. Summary of significant accounting policies (continued)

#### Revenue recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Donated equipment and materials, if any, are reflected in the accompanying financial statements at their estimated fair values at the date of donation.

Revenue from contracts and grants that provide for cost reimbursement is recognized when the related direct and allocated indirect expenses are incurred, deliverables are met, or per-diem services are provided.

Donated food and supplies are recognized when received. The Organization recognizes the fair value of contributed services. For a contributed service to be recognized, the service must either create or enhance a non-financial asset or require specialized skills. In addition, approximately 25,692 and 43,401 volunteer hours were provided to the Organization during the years ended June 30, 2021 and 2020, respectively, for which no value has been assigned as these services did not require specialized skills.

Revenue from special events is recognized at the time of the event.

In accordance with FASB Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606), the Organization recognizes revenue when control of the promised goods or services is transferred to the Organization's members or outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services (a reciprocal transaction). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization does not have any significant financing components as payment is received at or shortly after the goods or services are provided.

#### Income taxes

The Organization is exempt from federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Services as "other than a private foundation". No provision for income taxes is required for the years ended June 30, 2021 or 2020, since the Organization had no taxable income from unrelated business activities.

The income tax positions taken by the Organization for years open under the various statutes of limitations are that the Organization continues to be exempt from income taxes and that it has properly reported unrelated business income that is subject to income taxes. The Organization believes there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reporting date. None of the Organization's federal or state income tax returns are currently under examination.



# MANNA FOOD CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

### 2. Summary of significant accounting policies (continued)

#### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Costs that can be identified with a particular program or supporting function are charge directly to that program function. Expenses that are not specifically identified are allocated among programs and supporting services based on management's best estimate of allocation of hours.

#### Fair value measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- *Level 1:* Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange).
- *Level 2:* Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).
- *Level 3:* Level 3 inputs are unobservable (e. g., a company's own data) and are used to measure fair value to the extent that observable inputs are not available.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

# MANNA FOOD CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

### 2. Summary of significant accounting policies (continued)

#### Pending accounting standard

Effective for its annual financial statements for 2022 and thereafter, the Organization expects to adopt two new accounting standards issued by FASB. The first standard requires significant changes in accounting for leases under which the Organization is a lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. The second standard requires entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. These changes will entail certain retrospective adjustments. The quantitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

### 3. Adoption of new accounting standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606). This ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition within accounting principles generally accepted in the United States of America. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with members or outside parties. The Organization adopted ASC 606 effective July 1, 2020, the first day of the Organization's fiscal year, using the modified retrospective approach. The results of applying ASC 606, using the modified retrospective approach, did not have a material impact on the statements of financial position, statements of activities, cash flows, business processes, controls or systems of the Organization.

### 4. Investments and fair value measurement

The following are the major categories of assets measured at fair value on a recurring basis as of ended June 30, 2021 and 2020, using quoted prices in active markets for identical assets (Level 1).

	2021	2020
Cash and cash equivalents	\$ 984,097	\$ 751,805
Equities and ETF	207,842	166,568
Real estate investment trust	6,591	4,716
	<u>\$ 1,198,530</u>	<u>\$ 923,089</u>

All assets have been valued using a market approach. There were no changes in the valuation techniques during the current year. For the years ended June 30, 2021 and 2020, there were no transfers between Level 1 and Level 2 and no transfers in or out of Level 3.

# MANNA FOOD CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

### 4. Investments and fair value measurement (continued)

Investment income consisted of the following for the years ended June 30:

	2021	2020
Interest and dividend income	\$ 7,061	\$ 11,018
Unrealized gains	40,459	3,865
Realized gains	400	-
	<u>\$ 47,920</u>	<u>\$ 14,883</u>

### 5. Liquidity and availability

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the statements of financial position dates, are calculated as of June 30, 2021 and 2020, as follows:

	2021	2020
Total assets at year end	\$ 10,150,730	\$ 6,583,024
Less:		
Prepaid expenses	(39,677)	(59,238)
Property and equipment, net	(980,853)	(1,022,946)
Inventory	(287,152)	(142,610)
Security deposits	(18,407)	(14,907)
Certificate of deposit	(19,633)	(19,633)
Net asset with donor restrictions	<u>(15,126)</u>	<u>(15,126)</u>
Financial assets available for general expenditure	<u>\$ 8,789,882</u>	<u>\$ 5,308,564</u>

### 6. Property and equipment

Property and equipment consisted of the following at June 30:

	2021	2020
Vehicles	\$ 653,186	\$ 582,293
Furnitures, fixtures, and equipment	617,010	540,352
Leasehold improvements	<u>831,190</u>	<u>831,190</u>
Subtotal of property and equipment	2,101,386	1,953,835
Less accumulated depreciation and amortization	<u>(1,120,533)</u>	<u>(930,889)</u>
Total property and equipment, net	<u>\$ 980,853</u>	<u>\$ 1,022,946</u>

Depreciation and amortization expense on property and equipment for the years ended June 30, 2021 and 2020, was \$211,146 and \$167,200, respectively.

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

#### 7. Commitments

The Organization entered a lease agreement for its primary warehouse and food storage facility with an occupancy date of October 1, 2009, for an initial term of ten years expiring September 2019. The lease was renewed until November 30, 2029. The lease calls for annual rental increases of 3.0% of the base rent. The lease contains of two months of rent abatement. In addition, the Organization is liable for its proportionate share of the operating expenses.

The Organization has leasing arrangements for a truck and two copiers. The lease for the truck was entered in March 2017 and is for seven years. The lease for the first copier was entered in November 2016 and is for five years. The lease for the second copier was entered in August 2019 and is for five years.

During fiscal year 2019, the Organization entered a lease agreement for new office and market space with a rent commencement date of July 1, 2019. The initial term of the lease is seven years expiring on June 30, 2026 with one renewal option of additional five years. The lease is subject to a 2.5% annual escalation of the base rent. The lease contains a purchase option through December 31, 2021. The purchase price under the option is \$5,200,000.

For the years ended June 30, 2021 and 2020, rent expense for all leases totaled \$502,586 and \$287,764, respectively, and is included in occupancy and equipment rental costs in the statements of functional expenses.

Future minimum lease payments under the operating leases at June 30, 2021, are as follows:

<u>Years ending June 30,</u>	
2022	\$ 368,000
2023	377,000
2024	382,000
2025	375,000
2026	385,000
Thereafter	<u>667,000</u>
Total	<u>\$ 2,554,000</u>

#### 8. Line of credit

The Organization has a \$150,000 revolving line of credit with 3.5% annual interest rate. There was no outstanding balance due as of June 30, 2021 and June 30, 2020.

# **MANNA FOOD CENTER, INC.**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

### **9. Retirement plan**

The Organization maintains a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). All employees are eligible for this Plan. For the years ended June 30, 2021 and 2020, the Organization contributed 3% of annual compensation for each eligible employee to the Plan. Contributions to the Plan for the years ended June 30, 2021 and 2020 totaled \$34,133 and \$33,617, respectively.

### **10. Loan payable (Paycheck Protection Program funding)**

In May 2020, the Organization was approved and received a loan in the amount of \$372,210 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), and provided for loans to qualifying organizations for 250% of the average monthly payroll expenses of the qualifying organizations. The loan and accrued interest were forgivable after approval by the Small Business Administration (SBA) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its salary and staff head count levels. Subsequent to June 30, 2021, the Organization received full forgiveness of the loan. The loan will be recognized as a contribution during the fiscal year ended June 30, 2022.

### **11. Restrictions and designations of net assets**

#### **Endowment**

The Organization'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 restricted and preserved in perpetuity as long as the Organization exists. Annual income generated by the fund does not have any donor restrictions.

The Organization reports its endowment funds and related activity in accordance with U.S. GAAP. The endowments of not-for-profit organizations accounting guidance provides guidance on the net assets classification of donor-restricted endowments funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The management of the Organization 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 Organization 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 Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

# MANNA FOOD CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

### 11. Restrictions and designations of net assets

#### Endowment (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- i. The duration and preservation of the fund
- ii. The purposes of the Organization and donor-restricted endowment funds
- iii. The general economic conditions
- iv. The possible effect of inflation and deflation
- v. The expected total return from income and appreciation of investments
- vi. The investment policies of the Organization

The Organization 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 net assets with donor restrictions until appropriated for expenditure to support the endowment's stated purpose or are reflected as net assets without restrictions when permitted by the donor.

The following table presents the endowment fund of the Organization as of June 30:

	<u>2021</u>	<u>2020</u>
Donor restricted endowment funds	<u>\$ 5,000</u>	<u>\$ 5,000</u>

#### Net assets with donor restrictions

Net assets with donor restrictions are available for the following purpose as of June 30:

	<u>2021</u>	<u>2020</u>
Breaking Bread initiative	<u>\$ 10,126</u>	<u>\$ 10,126</u>

Total net assets with donor restrictions consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Endowment fund	\$ 5,000	\$ 5,000
Net assets with donor restrictions for purpose	<u>10,126</u>	<u>10,126</u>
Total net assets with donor restrictions	<u>\$ 15,126</u>	<u>\$ 15,126</u>

# **MANNA FOOD CENTER, INC.**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

### **12. Risks and uncertainties**

In early March 2020, there was a global outbreak of COVID-19 that has resulted in changes in the global supply and demand for certain products and services. These changes, including a potential economic downturn and any potential resulting direct and indirect negative effects on the Organization cannot be determined, but they could have a prospective material impact on the Organization's activities, cash flows and liquidity. Nonetheless, the Organization will continue to monitor the financial and business implications of the pandemic on its operations and will implement new strategies as appropriate.

### **13. Subsequent events**

Management of the Organization has evaluated events and transactions that occurred after June 30, 2021, through March 1, 2022 the date the financial statements were available to be issued. Except for as discussed in Note 10, management of the Organization has determined that there were no subsequent events or transactions that should be disclosed in the financial statements.