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MANNA FOOD CENTER, INC.

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

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

MANNA FOOD CENTER, INC.

For the Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the results of its operations and 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, 2022, the Organization adopted new accounting guidance in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Manna Food Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Manna Food Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Manna Food Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

E. Cohen and Company, CPAs

January 20, 2023

MANNA FOOD CENTER, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	\$ 7,859,563	\$ 7,465,307
Grants receivable	321,386	96,540
Pledges receivable	26,147	44,431
Other receivables	-	200
Investments	1,337,924	1,198,530
Prepaid expenses	119,946	39,677
Inventory	200,117	287,152
Total current assets	9,865,083	9,131,837
Noncurrent assets		
Property and equipment, net	746,458	980,853
Security deposits	18,407	18,407
Certificate of deposit	21,018	19,633
Total noncurrent assets	785,883	1,018,893
Total assets	\$ 10,650,966	\$ 10,150,730

MANNA FOOD CENTER, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED) JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable and accrued expenses	\$ 163,497	\$ 100,327
Accrued payroll liabilities	228,632	118,841
Loan payable	-	372,210
Deferred revenue	70,353	131,965
Deferred rent, current portion	7,695	17,166
Total current liabilities	<u>470,177</u>	<u>740,509</u>
Noncurrent liabilities		
Deferred rent, net of current portion	<u>89,128</u>	<u>63,036</u>
Total liabilities	<u>559,305</u>	<u>803,545</u>
Net assets		
Without donor restrictions	10,076,535	9,332,059
With donor restrictions	<u>15,126</u>	<u>15,126</u>
Total net assets	<u>10,091,661</u>	<u>9,347,185</u>
Total liabilities and net assets	<u><u>\$ 10,650,966</u></u>	<u><u>\$ 10,150,730</u></u>

MANNA FOOD CENTER, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions	\$ 5,471,747	\$ -	\$ 5,471,747
Governmental grants	2,611,701	-	2,611,701
Donated food and supplies	2,592,290	-	2,592,290
Contributed services	64,202	-	64,202
Special events, net of direct expenses of \$19,689	43,641	-	43,641
Other income	41,557	-	41,557
Total revenue and support	<u>10,825,138</u>	<u>-</u>	<u>10,825,138</u>
Program and operating expenses			
Program services	9,102,075	-	9,102,075
Management and general	939,810	-	939,810
Fundraising	422,787	-	422,787
Total program and operating expenses	<u>10,464,672</u>	<u>-</u>	<u>10,464,672</u>
Operating revenues in excess of operating expenses and transfers	360,466	-	360,466
Other changes			
PPP loan forgiveness	372,210	-	372,210
Investment income	11,800	-	11,800
Change in net assets	744,476	-	744,476
Net assets, beginning	<u>9,332,059</u>	<u>15,126</u>	<u>9,347,185</u>
Net assets, ending	<u><u>\$ 10,076,535</u></u>	<u><u>\$ 15,126</u></u>	<u><u>\$ 10,091,661</u></u>

MANNA FOOD CENTER, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
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
Contributed services	13,407	-	13,407
Other income	12,445	-	12,445
Total revenue and support	<u>14,109,552</u>	<u>-</u>	<u>14,109,552</u>
Program and operating expenses			
Program services	9,843,783	-	9,843,783
Management and general	550,067	-	550,067
Fundraising	501,835	-	501,835
Total program and operating expenses	<u>10,895,685</u>	<u>-</u>	<u>10,895,685</u>
Transfer of capital campaign expenses from operations	<u>8,227</u>	<u>-</u>	<u>8,227</u>
Operating revenues in excess of operating expenses and transfers	3,222,094	-	3,222,094
Other changes			
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>
Change in net assets	3,412,072	-	3,412,072
Net assets, beginning	<u>5,919,987</u>	<u>15,126</u>	<u>5,935,113</u>
Net assets, ending	<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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Food for Family	Smart Sacks	Community Food Rescue	Community Food Education	Other Program Services	Total Program Services	Management and General	Fundraising	Total
Purchased food	\$ 1,878,694	\$ 390,789	\$ 14,287	\$ -	\$ 354,827	\$ 2,638,597	\$ -	\$ -	\$ 2,638,597
In-kind distributed food	1,794,162	310,528	195,518	-	-	2,300,208	-	-	2,300,208
Salaries	1,245,145	168,969	103,707	185,962	56,188	1,759,971	210,714	160,300	2,130,985
Professional services	43,355	7,365	122,039	3,430	43,702	219,891	519,015	36,406	775,312
Occupancy	304,238	36,789	22,491	39,163	21,524	424,205	20,688	27,392	472,285
Inventory shrinkage	258,578	-	-	-	-	258,578	-	-	258,578
Grants	79,000	-	30,000	-	119,806	228,806	-	-	228,806
Depreciation and amortization	138,257	18,754	11,521	20,649	6,235	195,416	11,222	17,806	224,444
Payroll taxes	99,070	13,444	8,251	14,796	4,471	140,032	16,766	12,754	169,552
Outreach	40,624	-	-	-	103,625	144,249	2,136	2,511	148,896
Health insurance	90,897	12,336	7,570	13,576	4,102	128,481	7,378	11,702	147,561
Office expenses	26,709	9,374	3,858	9,527	1,477	50,945	37,857	51,332	140,134
Equipment rental	89,886	6,857	4,213	194	10,125	111,275	120	168	111,563
Warehouse supplies	76,908	11,098	11,217	-	9,616	108,839	544	-	109,383
Repairs and maintenance	54,933	7,573	4,630	18,976	10,748	96,860	5,326	464	102,650
Technology	38,023	3,459	5,331	4,364	3,934	55,111	13,491	13,549	82,151
Contribution processing fee	-	-	-	-	-	-	-	71,473	71,473
Food vouchers	-	-	-	-	70,399	70,399	-	-	70,399
In-kind non-food	-	-	-	-	-	-	64,202	-	64,202
Temporary labor	34,802	-	-	-	-	34,802	19,978	-	54,780
Business insurance	32,287	4,382	2,689	4,822	1,457	45,637	2,621	4,156	52,414
Retirement Plan	29,749	4,081	2,532	4,440	1,368	42,170	2,430	3,878	48,478
Travel	28,266	4,101	2,863	32	2,932	38,194	3,640	60	41,894
Marketing and communication	5,375	-	361	-	-	5,736	872	8,836	15,444
Permits and licensing	2,909	374	340	50	-	3,673	810	-	4,483
Total expenses	\$ 6,391,867	\$ 1,010,273	\$ 553,418	\$ 319,981	\$ 826,536	\$ 9,102,075	\$ 939,810	\$ 422,787	\$ 10,464,672

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

MANNA FOOD CENTER, INC.

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

	Food for Family	Smart Sacks	Community Food Rescue	Community Food 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 and amortization	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
Office expenses	31,473	12,889	2,734	4,300	1,232	52,628	60,912	61,835	175,375
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
Repairs and maintenance	63,775	6,627	4,203	12,815	85	87,505	2,957	-	90,462
Business insurance	27,952	3,794	2,330	3,919	1,183	39,178	28,197	8,001	75,376
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
Retirement plan	20,624	2,902	1,787	3,238	981	29,532	1,707	2,894	34,133
Travel	19,870	2,444	1,478.00	80	209.00	24,081	1,214	-	25,295
In-kind non-food	-	-	-	-	-	-	13,407	-	13,407
Bad debt	6,783	1,210	583	305	619	9,500	-	-	9,500
Permits and licensing	1,141	128	78	-	-	1,347	310	-	1,657
Total expenses	\$ 7,052,666	\$ 1,227,426	\$ 616,125	\$ 315,426	\$ 632,140	\$ 9,843,783	\$ 550,067	\$ 501,835	\$ 10,895,685

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

MANNA FOOD CENTER, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 744,476	\$ 3,412,072
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated food received	(2,592,290)	(3,684,038)
Donated food disbursed	2,300,208	3,209,154
Inventory shrinkage	249,901	443,342
Depreciation and amortization expense	224,444	211,145
PPP loan forgiveness	(372,210)	-
Capital campaign contributions	18,284	47,653
Realized and unrealized gain on investments	(301)	(40,859)
(Gain) loss on sale/disposal of fixed assets	29,851	(1,342)
(Increase) decrease in assets		
Grants receivable	(224,846)	327,627
Other receivables	200	875
Prepaid expenses	(80,269)	19,561
Inventory	129,216	(112,998)
Security deposits	-	(3,500)
Certificate of deposit	(1,385)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	63,170	19,399
Accrued payroll liabilities	109,791	(18,974)
Deferred revenue	(61,612)	131,965
Deferred rent	16,621	23,244
Net cash provided by operating activities	<u>553,249</u>	<u>3,984,326</u>
Cash flows from investing activities		
Reinvested earnings on investments	(6,336)	(4,091)
Proceeds from sales of investments	132,757	155,987
Purchases of investments	(265,514)	(386,480)
Purchases of property and equipment	(19,900)	(167,711)
Net cash used in investing activities	<u>(158,993)</u>	<u>(402,295)</u>
Net increase in cash and cash equivalents	394,256	3,582,031
Cash and cash equivalents, beginning of year	<u>7,465,307</u>	<u>3,883,276</u>
Cash and cash equivalents, end of year	<u>\$ 7,859,563</u>	<u>\$ 7,465,307</u>

Supplemental disclosure of non-cash financing activities:

The Organization's PPP loan was forgiven by the SBA in the amount of \$372,210.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 nearly four 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 its community. The Organization's signature programs include:

Food for Families: Distributes to an average of 4,850 families approximately 50 pounds of fresh vegetables, pantry staples, breads, and frozen meats each month. This program serves 38,326 individuals with more than 3.5 million pounds of food. Qualifying families must report income below Maryland's self-sufficiency standard; however, this requirement has been waived since the start of the pandemic. This program is run at 22 sites and includes delivery to qualifying families.

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. The program distributed 429,610 pounds of food to nearly 27,000 children this past school year. One of the Organization's newer initiatives, School-Based Pantries, continued to expand by adding Kemp Mill Elementary school. With Harmony Hills and Highland Elementary School, the 3 Pantries resulted in the Organization's doubling service numbers, supporting 6,773 school-age children and families overall, including 38,000 pounds of produce and pantry staples at the pantries.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 businesses, 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: The Organization offers free Community Food Education that makes crucial health information more accessible to the communities that we serve. This includes Manny/Mobile Kitchen Cooking Class, Wellness Presentations, and chats with a Nutrition Expert. Manna provides the lessons, instructor, and cooking demonstration food (when applicable). Last year, the programs reached nearly 400 students and adults. The Organization invested in significant upgrades to the Organization's website, where the Organization now shares valuable information in English and Spanish and offers on-line scheduling.

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 the community. The series of dinners and conversations are open to all residents of Montgomery County and are held monthly.

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, 2022 AND 2021

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 was no cash in excess of FDIC-insured limits as of June 30, 2022.

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.

Deferred rent

The Organization recognized the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recognized as expenses and amounts actually paid are reported as deferred rent in the financial statements.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021, management expects the amounts in receivables to be fully collected. Approximately 65% of the Organization's outstanding accounts receivable balance was due from two grants on June 30, 2022.

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

The Organization's inventory consists of purchased foods and donated foods. Purchased inventory is stated at cost. For the fiscal years ended June 30, 2022 and 2021, purchased inventory average value was \$1.15 per pound and \$0.99 per pound, respectively. 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 years ended June 30, 2022 and 2021, donated inventory received and distributed was valued at \$1.79 per pound and \$1.74 per pound, respectively.

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.

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.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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.

Contributed nonfinancial assets, including donated equipment, materials, food, and services are recognized, when received, within revenue. Donated equipment, materials, and services, if any, are reflected in the accompanying financial statements at their estimated fair values at the date of donation. For a contributed service to be recognized, the service must either create or enhance a non-financial asset or require specialized skills. The Organization received \$64,202 and \$13,407 of donated legal services during fiscal years ended June 30, 2022 and 2021, respectively. Donated food is valued based on the average wholesale value determined annually by Feeding America, the nation's largest domestic hunger-relief organization. In addition, approximately 25,700 volunteer hours were provided to the Organization during each of the years ended June 30, 2022 and 2021, for which no value has been assigned as these services did not require specialized skills.

Revenue from special events, net of direct expenses, 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, 2022 or 2021, 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, 2022 AND 2021

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 charged 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 are 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, 2022 AND 2021

2. Summary of significant accounting policies (continued)

Pending accounting standard

Effective for its annual financial statements for fiscal year starting July 1, 2022 and thereafter, the Organization expects to adopt a new accounting standard issued by FASB. The 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. These changes may 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

Effective July 1, 2021, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit 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 a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements.

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, 2022 and 2021, using quoted prices in active markets for identical assets (Level 1).

	2022	2021
Cash and cash equivalents	\$ 810,437	\$ 683,087
Money market funds	301,010	301,010
Mutual funds, exchange-traded and close-end funds		
Equities	10,649	-
Fixed Income	2,615	2,675
Stocks	207,734	205,168
Real estate investment trust	5,480	6,591
Total investments	<u>\$ 1,337,924</u>	<u>\$ 1,198,530</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, 2022 and 2021, 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, 2022 AND 2021

4. Investments and fair value measurement (continued)

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

	2022	2021
Interest and dividend income	\$ 11,499	7,061
Unrealized gains	301	40,459
Realized gains	-	400
	<u>\$ 11,800</u>	<u>\$ 47,920</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, 2022 and 2021, as follows:

	2022	2021
Total assets at year end	\$ 10,650,966	\$ 10,150,730
Less:		
Prepaid expenses	(119,946)	(39,677)
Inventory	(200,117)	(287,152)
Property and equipment, net	(746,458)	(980,853)
Security deposits	(18,407)	(18,407)
Certificate of deposit	(21,018)	(19,633)
Net asset with donor restrictions	<u>(15,126)</u>	<u>(15,126)</u>
Financial assets available for general expenditure	<u>\$ 9,529,894</u>	<u>\$ 8,789,882</u>

6. Property and equipment

Property and equipment consisted of the following at June 30:

	2022	2021
Vehicles	\$ 612,499	\$ 653,186
Furnitures, fixtures, and equipment	628,965	617,010
Leasehold improvements	<u>831,190</u>	<u>831,190</u>
Subtotal of property and equipment	2,072,654	2,101,386
Less accumulated depreciation and amortization	<u>(1,326,196)</u>	<u>(1,120,533)</u>
Total property and equipment, net	<u>\$ 746,458</u>	<u>\$ 980,853</u>

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

7. Commitments

The Organization has a leasing arrangement for its primary warehouse and food storage facility with an occupancy date of October 1, 2009, for an initial term of ten years that expired on 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 two trucks and two copiers. The lease for the first truck was entered in March 2017 and is for seven years. The lease for the second truck was entered in June 2019 and is for five years. The lease for the first copier was entered in November 2016 and expired in November 2021. The lease for the second copier was entered in August 2019 and expires in August 2021.

During fiscal year 2019, the Organization entered into 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.

For the years ended June 30, 2022 and 2021, rent expense for all leases totaled \$540,973 and \$502,586, 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, 2022, are as follows:

<u>Years ending June 30,</u>	
2023	\$ 401,000
2024	403,000
2025	375,000
2026	385,000
2027	188,000
Thereafter	<u>479,000</u>
Total	<u>\$ 2,231,000</u>

8. Line of credit

The Organization has a \$150,000 revolving line of credit with variable interest rate of 6% as of June 30, 2022. There was no outstanding balance due as of June 30, 2022 and June 30, 2021.

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

9. Retirement plans

The Organization maintained a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) that was terminated on December 31, 2021. All employees were eligible for this Plan. The Plan also provided for a matching employer contribution equal to 3% of annual compensation for each eligible participant.

Effective January 1, 2022, the Organization adopted a 403(b) defined contribution plan covering all employees of the Organization. Employees are eligible to make elective deferrals following the date of hire. The plan provides for an employer matching contribution equal 2% of annual compensation for all eligible employees.

Employer contributions to the retirement plans for the years ended June 30, 2022 and 2021, totaled \$48,477 and \$34,133, respectively.

10. Loan payable (Paycheck Protection Program funding)

In May 2020, the Organization 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. In August 2021, the Organization received full forgiveness of the loan.

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).

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

11. Restrictions and designations of net assets (continued)

Endowment (continued)

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.

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:

	2022	2021
Donor restricted endowment funds	\$ 5,000	\$ 5,000

Net assets with donor restrictions

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

	2022	2021
Breaking Bread initiative	\$ 10,126	\$ 10,126

MANNA FOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

11. Restrictions and designations of net assets (continued)

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

	2022	2021
Endowment fund	\$ 5,000	\$ 5,000
Net assets with donor restrictions for purpose	10,126	10,126
Total net assets with donor restrictions	<u>\$ 15,126</u>	<u>\$ 15,126</u>

12. Risks and uncertainties

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization has been able to continue operations; however, at this point, the extent to which COVID-19 will impact the Organization's financial condition or results of operations remains uncertain. 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, 2022, and through January 20, 2023, the date the financial statements were available to be issued. Management of the Organization has determined that there were no subsequent events or transactions that should be disclosed in the financial statements.