

MANNA FOOD CENTER, INC.

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

For the Year Ended June 30, 2023

MANNA FOOD CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Manna Food Center, Inc.
Silver Spring, MD

Opinion

We have audited the accompanying financial statements of Manna Food Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.



Auditors' 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 auditors' 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 risks 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 include 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.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
October 30, 2023

MANNA FOOD CENTER, INC.
Statement of Financial Position
June 30, 2023

ASSETS

Assets:

Cash and cash equivalents	\$	7,242,583
Grants receivable		1,271,134
Investments		1,377,200
Prepaid expenses		57,326
Inventory		129,150
Property and equipment, net		561,931
Security deposits		14,557
Certificate of deposit		21,524
Operating lease - right of use asset		1,598,957
Finance lease - right of use asset		83,394
		83,394
TOTAL ASSETS	\$	12,357,756
		12,357,756

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$	427,284
Accrued payroll liabilities		188,587
Operating lease liability		1,703,667
Finance lease liabilities		81,394
		81,394
Total liabilities		2,400,932

Net Assets:

Without donor restrictions		9,941,698
With donor restrictions		15,126
		15,126
Total net assets		9,956,824
		9,956,824
TOTAL LIABILITIES AND NET ASSETS	\$	12,357,756
		12,357,756

MANNA FOOD CENTER, INC.
Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions	\$ 4,977,503	\$ -	\$ 4,977,503
Grants	3,995,593	-	3,995,593
Donated food and supplies	2,620,188	-	2,620,188
Donated stock	264,980	-	264,980
Contributed services	29,120	-	29,120
Special events, net of direct expenses of \$38,202 in 2023	31,781	-	31,781
Other income	500	-	500
Investment income	40,849	-	40,849
Total revenue and support	11,960,514	-	11,960,514
Expenses:			
Program expenses	10,423,591	-	10,423,591
Management and general	1,146,545	-	1,146,545
Fundraising	525,214	-	525,214
Total expenses	12,095,350	-	12,095,350
Change in net assets	(134,836)	-	(134,836)
Net assets at beginning of year	10,076,534	15,126	10,091,660
Net assets at end of year	\$ 9,941,698	\$ 15,126	\$ 9,956,824

MANNA FOOD CENTER, INC.
Statement of Functional Expenses
For the year ended June 30, 2023

	Program Services						Supporting Services			Total Expenses
	Food for Families	Smart Sacks	Community Food Rescue	Nutrition Education	Other Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
In-kind distributed food	\$ 2,556,228	\$ 516,309	\$ -	\$ -	\$ 329,504	\$ 3,402,041	\$ -	\$ -	\$ -	\$ 3,402,041
Purchased food	2,010,554	347,980	219,099	-	-	2,577,633	-	-	-	2,577,633
Salaries	1,307,254	177,202	103,484	160,458	163,481	1,911,879	345,272	293,476	638,748	2,550,627
Professional services	43,948	5,958	119,112	5,591	17,670	192,279	407,209	50,888	458,097	650,376
Occupancy	263,467	32,287	19,085	27,042	24,215	366,096	92,569	42,191	134,760	500,856
Grants	61,144	-	67,465	-	126,000	254,609	-	-	-	254,609
Inventory shrinkage	251,597	-	-	-	-	251,597	-	-	-	251,597
Payroll taxes	103,746	14,064	8,213	12,735	12,975	151,733	32,254	23,293	55,547	207,280
Food vouchers	-	-	-	-	196,765	196,765	-	-	-	196,765
Health insurance	120,508	16,355	10,036	17,998	5,438	170,335	25,295	-	25,295	195,630
Depreciation and amortization	109,371	14,827	8,659	13,426	32,533	178,816	5,701	10,060	15,761	194,577
Outreach	27,676	23	7	83	160,278	188,067	2,908	105	3,013	191,080
Technology	29,913	3,202	6,432	1,248	2,520	43,315	69,920	11,584	81,504	124,819
Warehouse supplies	94,026	14,334	7,525	-	-	115,885	2,544	-	2,544	118,429
Office expenses	2,590	773	4,184	7,246	19	14,812	70,888	7,764	78,652	93,464
Retirement plan	58,764	6,850	4,000	6,203	7,099	82,916	3,932	3,110	7,042	89,958
Contribution processing fee	-	-	-	-	-	-	34,503	28,465	62,968	62,968
Equipment rental	43,446	6,036	3,708	-	-	53,190	2,127	-	2,127	55,317
Workers compensation insurance	31,693	4,301	2,639	4,733	1,430	44,796	6,653	-	6,653	51,449
Repairs and maintenance	40,946	1,653	1,016	1,930	-	45,545	1,944	360	2,304	47,849
Gas, oil, and tolls	39,036	5,286	3,248	-	-	47,570	17	-	17	47,587
Vehicle and refrigeration repairs	33,171	3,769	2,764	730	-	40,434	-	-	-	40,434
Printing and reproduction	4,671	4,269	372	1,038	3,175	13,525	8,079	14,236	22,315	35,840
Postage and delivery	35	-	284	-	-	319	3,802	30,078	33,880	34,199
Vehicle insurance	17,901	2,429	1,491	2,673	808	25,302	3,757	-	3,757	29,059
Business insurance	15,445	2,096	1,286	2,307	697	21,831	3,242	-	3,242	25,073
Marketing and communication	6,733	-	1,518	378	-	8,629	578	8,914	9,492	18,121
In-kind non-food	-	-	-	-	-	-	16,120	-	16,120	16,120
Telephone and internet	8,601	1,167	716	1,285	388	12,157	1,806	-	1,806	13,963
Temporary labor	6,192	-	-	-	-	6,192	-	-	-	6,192
Travel	1,082	-	519	1,005	1,529	4,135	663	367	1,030	5,165
Dues and subscriptions	-	-	-	-	-	-	4,095	23	4,118	4,118
Permits and licensing	929	129	80	50	-	1,188	667	300	967	2,155
Total expenses	\$ 7,290,667	\$ 1,181,299	\$ 596,942	\$ 268,159	\$ 1,086,524	\$ 10,423,591	\$ 1,146,545	\$ 525,214	\$ 1,671,759	\$ 12,095,350

MANNA FOOD CENTER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2023

<u>Cash Flows From Operating Activities:</u>	
Change in net assets	\$ (134,836)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Donated food received	(2,620,188)
Donated food disbursed	2,577,633
Inventory shrinkage	251,597
Depreciation and amortization expense	194,577
Amortization of right of use asset	361,751
Donated investments	(264,980)
Realized and unrealized gain on investments	(13,818)
(Increase) decrease in operating assets:	
Grants receivable	(936,101)
Pledges receivable	12,500
Prepaid expenses	62,620
Inventory	(138,076)
Security deposits	3,850
Certificate of deposit	(506)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	263,787
Accrued payroll liabilities	(40,045)
Deferred revenue	(70,353)
Operating lease liability	(302,195)
Total adjustments	<u>(657,947)</u>
Net cash used in operating activities	(792,783)
<u>Cash Flows From Investing Activities:</u>	
Reinvested earnings on investments	(22,867)
Proceeds from sales of investments	262,389
Purchases of property and equipment	(10,050)
Net cash provided by investing activities	<u>229,472</u>
<u>Cash Flows From Financing Activities:</u>	
Principal payments on finance lease liability	<u>(53,669)</u>
Net cash used in investing activities	(53,669)
Net decrease in cash and cash equivalents	(616,980)
Cash and cash equivalents, beginning of year	<u>7,859,563</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,242,583</u></u>

MANNA FOOD CENTER, INC.
Notes to the Financial Statements
June 30, 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT PROGRAMS

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

Distributions are made to an average of 4,700 families approximately 45 pounds of fresh vegetables, pantry staples, breads, and frozen meats each month. This program serves more than 12,000 families with more than 2.4 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.

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT PROGRAMS (Continued)

Smart Sacks

Food is distributed 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 486,525 pounds of food to nearly 30,000 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

Community Food Rescue (CFR)

Community food rescue 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 Kitchen Cooking Class, Wellness Classes, Wellness Presentations, and chats with a Nutrition Expert. Manna provides the lessons, instructor, and cooking demonstration food (when applicable). 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 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.

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 2 - 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).

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.

Description of Net Assets

Net assets are classified based on existence or absence of donor imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets that are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.
- *Net Assets With Donor Restrictions* – Net assets that are stipulated by donors for specific operating purposes or are time restricted. These also include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose. Net assets with donor restrictions at June 30, 2023 was \$15,126.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other support that is either designated for future periods or that is restricted by the donor for specific purposes, if any, is reported as an increase in net assets with donor restrictions. When a restriction expires – that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement 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.

Grants, Pledges, and Other Receivables

Receivables represent amounts committed by donors and grantors that have not been received as of the date of the statement 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, 2023, management expects the amounts in receivables to be fully collected, and no provision for doubtful receivables was needed. Approximately 74% of the Organization's outstanding accounts receivable balance was due from two grants as of June 30, 2023.

Investments

Investments are reflected at their fair value as of the date of the statement 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 statement of activities.

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MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inventory

The Organization's inventory consists of purchased foods and donated foods. Purchased inventory is stated at cost. For the fiscal year ended June 30, 2023, purchased inventory average value was \$1.61 per pound. 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, 2023, donated inventory received and distributed was valued at \$1.92 per pound.

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Revenue from special events, net of direct expenses, is recognized at the time of the event.

Leases

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Operating and finance leases are included in right-of-use (ROU) assets and lease liabilities, respectively, in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payment over the lease term, using the risk free rate, and ROU assets also include prepaid or accrued rent. Operating and finance lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less).

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

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. 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 33,576 volunteer hours were provided to the Organization during each of the year ended June 30, 2023, for which no value has been assigned as these services did not require specialized skills.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents 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.

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 year ended June 30, 2023, since the Organization had no taxable income from unrelated business activities.

The Organization's tax filings are subject to audit by various taxing authorities, generally for three years after filing. The Organization's tax returns for tax years ending 2020 onward are, therefore, open to examination. None of the Organization's federal or state income tax returns are currently under examination.

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.

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which changes the accounting for leases. While both lessees and lessors are affected by the new guidance, the effects on lessors is largely unchanged. Under the new guidance, there was a material impact on the statement of financial position, in the lessee will be required to recognize the following for all long-term leases: (1) a lease liability, which is the lessee’s obligation to make lease payments measured on a discounted basis and (2) a right-of-use (ROU) asset, which represents the lessee’s right to use (or control use of) a specified asset for the lease term. The Organization adopted this new standard effective July 1, 2022 and utilized all of the available practical expedients. The Organization recorded operating lease - right of use assets and related lease liabilities in the amount of \$1,909,040 and \$2,005,863, respectively, and finance lease – right of use assets and related finance lease liabilities of \$135,063 and \$135,063, respectively, during fiscal year 2023 in connection with the adoption of this standard.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

The following are the major categories of assets measured at fair value on a recurring basis at June 30, 2023, using quoted prices in active markets for identical assets (Level 1):

Cash and cash equivalents	\$ 836,474
Money market funds	301,010
Stocks	217,959
Real estate investment trust	6,553
Mutual funds - open-end funds	12,610
Mutual funds - exchange traded funds	2,594
	<hr/>
Total investments	<u><u>\$ 1,377,200</u></u>

All assets have been valued using a market approach. There were no changes in the valuation techniques during the current year. For the year ended June 30, 2023, there were no transfers between Level 1 and Level 2 and no transfers in or out of Level 3.

Investment income for the year ended June 30, 2023 consisted of the following:

Interest and dividends	\$ 27,031
Unrealized gains	12,363
Realized gains	1,455
	<hr/>
	<u><u>\$ 40,849</u></u>

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2023:

Vehicles	\$ 612,499
Furniture and fixtures and equipment	639,015
Leasehold improvements	<u>831,190</u>
Subtotal	2,082,704
Less: accumulated depreciation and amortization	<u>(1,520,773)</u>
Property and equipment, net	<u>\$ 561,931</u>

Depreciation and amortization expense was \$194,577 for the year ended June 30, 2023.

NOTE 5 - LINE OF CREDIT

The Organization maintains a \$150,000 revolving line of credit with a variable interest rate of 8.25% as of June 30, 2023. There was no outstanding balance due as of June 30, 2023.

NOTE 6 - RESTRICTIONS AND DESIGNATION 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 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 the Financial Statements (Continued)
June 30, 2023

NOTE 6 - RESTRICTIONS AND DESIGNATION OF NET ASSETS (Continued)

Endowment (Continued)

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

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

Total net assets with donor restrictions consisted of the following at June 30, 2023:

Endowment fund	\$ 5,000
Net assets with donor restrictions for purpose:	
Breaking bread initiative	10,126
Total net assets with donor restrictions	15,126

NOTE 7 - IN-KIND CONTRIBUTIONS

During the year ended June 30, 2023, the organization was the beneficiary of donated goods and services, which allowed the Organization to provide greater resources toward various programs. These in-kind contributions consist primarily of food, to be distributed to various individuals, families, and organizations, and professional fees. All donated in-kind contributions have been recorded at their fair market value as of the date of the gift.

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 7 - IN-KIND CONTRIBUTIONS (Continued)

Donated services are recognized as in-kind contributions and expensed in accordance with U.S. GAAP. In order to meet the criteria for recognition in the financial statements, contributions of donated services must: (a) create or enhance non-financial assets or (b) require specialized skills, be performed by people with those skills and would otherwise have to be purchased by the organization. In addition, volunteers have donated significant amounts of their time to the Organization; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as in-kind contributed services.

In-kind contributions, which were all donated without restrictions, consisted of the following for the year ended June 30, 2023:

	<u>Revenue Recognized</u>	<u>Programs/Activities</u>
Food and supplies	<u>\$ 2,620,188</u>	Food for Families, Smart Snacks, Community Food Rescue
Monetized in-kind	2,620,188	
Legal services	16,120	Management and General
Advisory services	<u>13,000</u>	Management and General
Utilized in-kind	<u>29,120</u>	
	<u><u>\$ 2,649,308</u></u>	

NOTE 8 - 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% of the base rent. The lease contains two months of rent abatement. In addition, the Organization is liable for its proportionate share of the operating expenses.

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.

The Organization has leasing arrangements for four vehicles and two copiers. The lease for the first vehicle was entered in March 2017 and is for seven years. The lease for the second vehicle was entered in June 2019 and is for five years. The lease for the third vehicle was entered in January 2023 and is for 29 months. The lease for the fourth vehicle was entered February 2023 and is for 35 months.

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 8 - COMMITMENTS (Continued)

The statement of financial position as of June 30, 2023, presents an operating lease - ROU asset of \$1,598,957 and operating lease liability of \$1,703,667, removing the previously recorded deferred rent and deferred improvement allowance. Operating lease cost is recognized on a straight-line basis over the term of the lease. As of June 30, 2023, the remaining lease term was 6 years and 6 months, and the weighted-average discount rate applied was remaining lease term was 2.92%.

Future minimum lease payments under the operating leases at June 30, 2023, are as follows:

<u>Years Ending June 30:</u>	
2024	\$ 363,954
2025	373,914
2026	384,150
2027	238,927
2028	193,926
Thereafter	<u>284,595</u>
	<u>1,839,466</u>
Less: imputed interest	<u>(135,799)</u>
	<u>\$ 1,703,667</u>

For the year ended June 30, 2023, rent expense for all leases totaled \$439,116, respectively, and is included in occupancy costs in the statement of functional expenses.

The statement of financial position as of June 30, 2023, also presents a financing ROU assets of \$83,394 and financing lease liabilities of \$81,394. Amortization included in equipment rental expense for the year ended June 30, 2023 was \$51,669. The weighted average remaining lease term at June 30, 2023 is 2 years and 6 months. The weighted-average discount rate applied is 3.75%.

Future minimum lease payments under the operating leases at June 30, 2023, are as follows:

<u>Years Ending June 30:</u>	
2024	\$ 60,465
2025	20,270
2026	<u>3,190</u>
	<u>83,925</u>
Less: imputed interest	<u>(2,531)</u>
	<u>\$ 81,394</u>

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 9 - RETIREMENT PLAN

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 plan for the year ended June 30, 2023, totaled \$89,958.

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. Board designations could be drawn upon if the board approves that action.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2023 consists of the following:

Financial assets:	
Cash and cash equivalents	\$ 7,242,583
Grants receivable	1,271,134
Investments	<u>1,377,200</u>
Subtotal	9,890,917
Less expenditure within one year, due to:	
Donor restricted by purpose or time	10,126
Donor restricted endowments in perpetuity	<u>5,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 9,906,043</u></u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization maintains a line of credit in the amount of \$150,000.

MANNA FOOD CENTER, INC.
Notes to the Financial Statements (Continued)
June 30, 2023

NOTE 11 - 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, 2023.

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.

NOTE 12 - SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions that occurred after June 30, 2023, and through October 30, 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.