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**MANNA FOOD CENTER, INC.**

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

**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**MANNA FOOD CENTER, INC.**

**For the Years Ended June 30, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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 – Change in Accounting Principle ASU 2018-08**

As discussed in Note 3 to the financial statements, Manna Food Center, Inc. adopted the new accounting guidance in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*E. Cohen and Company, CPAs*

January 8, 2021

# MANNA FOOD CENTER, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

### ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 3,883,276	\$ 706,681
Grants receivable	424,167	132,305
Capital campaign pledges, current portion	80,416	454,637
Other receivables	1,075	600
Investments	923,089	895,352
Prepaid expenses, current portion	59,238	83,487
Inventory	142,610	121,550
<b>Total current assets</b>	<u>5,513,871</u>	<u>2,394,612</u>
Noncurrent assets		
Property and equipment, net	1,022,946	481,503
Capital campaign pledges, net of current portion	11,667	124,475
Security deposits	14,907	14,907
Certificate of deposit	19,633	18,591
Prepaid expenses, net of current portion	-	2,000
<b>Total noncurrent assets</b>	<u>1,069,153</u>	<u>641,476</u>
<b>Total assets</b>	<u>\$ 6,583,024</u>	<u>\$ 3,036,088</u>

# MANNA FOOD CENTER, INC.

## STATEMENTS OF FINANCIAL POSITION (CONTINUED) JUNE 30, 2020 AND 2019

### LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 80,928	\$ 36,220
Accrued payroll liabilities	137,815	68,771
Loan payable	372,210	-
Deferred rent, current portion	-	1,613
<b>Total current liabilities</b>	<u>590,953</u>	<u>106,604</u>
Noncurrent liabilities		
Deferred rent, net of current portion	56,958	-
<b>Total noncurrent liabilities</b>	<u>56,958</u>	<u>-</u>
<b>Total liabilities</b>	<u>647,911</u>	<u>106,604</u>
Net assets		
Without donor restrictions	5,919,987	2,063,399
With donor restrictions	15,126	866,085
<b>Total net assets</b>	<u>5,935,113</u>	<u>2,929,484</u>
<b>Total liabilities and net assets</b>	<u>\$ 6,583,024</u>	<u>\$ 3,036,088</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>	<b>11,122,262</b>	<b>(850,959)</b>	<b>10,271,303</b>
<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>	<b>8,259,741</b>	<b>-</b>	<b>8,259,741</b>
Transfer of capital campaign expenses from operations	169,251		169,251
<b>Operating revenues in excess of operating expenses and transfers</b>	<b>3,031,772</b>	<b>(850,959)</b>	<b>2,180,813</b>
<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>	<b>3,856,588</b>	<b>(850,959)</b>	<b>3,005,629</b>
<b>Net assets, beginning</b>	<b>2,063,399</b>	<b>866,085</b>	<b>2,929,484</b>
<b>Net assets, ending</b>	<b>\$ 5,919,987</b>	<b>\$ 15,126</b>	<b>\$ 5,935,113</b>

## MANNA FOOD CENTER, INC.

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Donated food and supplies	\$ 4,429,414	\$ -	\$ 4,429,414
Contributions	2,072,311		2,072,311
Governmental grants	946,140	-	946,140
Special events, less direct expenses of \$23,544	43,931		43,931
Contributed services	76,689	-	76,689
Other income	4,570	-	4,570
Net assets released from restriction	53,587	(53,587)	-
<b>Total revenue and support</b>	<u>7,626,642</u>	<u>(53,587)</u>	<u>7,573,055</u>
<b>Program and operating expenses</b>			
Program services	7,031,512	-	7,031,512
Management and general	253,434	-	253,434
Fundraising	399,237	-	399,237
<b>Total program and operating expenses</b>	<u>7,684,183</u>	<u>-</u>	<u>7,684,183</u>
Transfer of capital campaign expenses from operations	145,165		145,165
<b>Operating revenues in excess of operating expenses and transfers</b>	87,624	(53,587)	34,037
<b>Other changes</b>			
Investment income	28,654	-	28,654
Capital campaign pledges	362,120	578,787	940,907
Transfer of expenses from operating activities Capital campaign expenses	(145,165)	-	(145,165)
<b>Change in net assets</b>	333,233	525,200	858,433
<b>Net assets, beginning</b>	<u>1,730,166</u>	<u>340,885</u>	<u>2,071,051</u>
<b>Net assets, ending</b>	<u>\$ 2,063,399</u>	<u>\$ 866,085</u>	<u>\$ 2,929,484</u>



**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.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

	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	\$ 2,959,574	\$ 664,145	\$ 481,787	\$ -	\$ -	\$ 4,105,506	\$ -	\$ -	\$ 4,105,506
Salaries	674,904	143,599	104,185	143,993	49,136	1,115,817	88,340	119,688	1,323,845
Purchased food	87,599	272,808	-	380	66,525	427,312	-	-	427,312
Inventory shrinkage	292,566	61,350	44,505	-	-	398,421	-	-	398,421
Professional services	41,549	4,428	121,796	8,538	1,517	177,828	75,713	3,845	257,386
Occupancy	121,813	23,600	17,113	21,474	7,526	191,526	18,279	18,979	228,784
Capital campaign expenses	-	-	-	-	-	-	-	145,165	145,165
Payroll taxes	53,475	11,388	8,250	11,361	3,897	88,371	5,410	9,477	103,258
Health insurance	20,963	4,457	3,232	4,454	1,526	34,632	42,994	3,757	81,383
Grants	26,468	-	30,000	12,525	-	68,993	-	-	68,993
Depreciation	31,745	6,750	4,897	6,773	2,311	52,476	3,685	5,629	61,790
Printing and reproduction	5,888	1,732	1,425	334	115	9,494	641	51,131	61,266
Warehouse supplies	42,360	8,644	6,217	644	-	57,865	230	352	58,447
Office expense	15,790	6,490	7,621	4,132	1,301	35,334	3,852	4,415	43,601
Technology	9,394	383	20,343	1,068	127	31,315	1,557	6,072	38,944
Retirement plan	16,243	3,456	2,508	498	4,150	26,855	1,885	2,880	31,620
Gas, oil, and tolls	20,152	5,250	3,079	1,743	971	31,195	-	-	31,195
Workers compensation insurance	14,814	3,152	2,287	3,161	1,078	24,492	1,719	2,627	28,838
Vehicle and refrigeration repairs	20,522	4,297	3,115	-	-	27,934	-	-	27,934
Contribution processing fee	13,503	2,873	2,084	2,881	983	22,324	1,567	2,394	26,285
Equipment rental	16,447	3,469	2,517	196	293	22,922	112	169	23,203
Vehicle insurance	11,879	2,526	1,833	2,535	865	19,638	-	-	19,638
Temporary labor	17,460	-	-	-	-	17,460	-	-	17,460
Telephone and internet	7,856	1,672	1,213	1,676	572	12,989	912	1,393	15,294
Postage and delivery	31	60	62	12	-	165	2	12,160	12,327
Business insurance	4,539	964	699	964	330	7,496	2,719	805	11,020
Repairs and maintenance	7,249	1,437	1,078	388	141	10,293	286	368	10,947
Travel	1,934	415	1,675	1,417	-	5,441	2,701	1,342	9,484
Marketing and communication	707	16	145	5	2	875	3	5,047	5,925
Outreach	1,046	527	760	-	1,108	3,441	109	769	4,319
Permits and licensing	1,438	304	249	261	-	2,252	120	535	2,907
Dues and subscriptions	600	100	71	58	21	850	598	238	1,686
<b>Total expenses</b>	<b>\$ 4,540,508</b>	<b>\$ 1,240,292</b>	<b>\$ 874,746</b>	<b>\$ 231,471</b>	<b>\$ 144,495</b>	<b>\$ 7,031,512</b>	<b>\$ 253,434</b>	<b>\$ 399,237</b>	<b>\$ 7,684,183</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, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 3,005,629	\$ 858,433
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Donated food received	(3,751,982)	(4,429,414)
Donated food disbursed	3,393,101	4,105,506
Inventory shrinkage	465,060	398,421
Depreciation and amortization expense	167,200	61,790
Capital campaign contributions	(979,184)	(940,907)
Unrealized gain on investments	(3,865)	(19,220)
(Increase) decrease in assets		
Grants receivable	(291,862)	(37,259)
Other receivables	(475)	(600)
Prepaid expenses	26,249	(24,186)
Inventory	(127,239)	-
Security deposits	-	(14,557)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	44,708	10,926
Accrued payroll liabilities	69,044	5,590
Deferred rent	55,345	(19,006)
<b>Net cash provided by (used in) operating activities</b>	<b>2,071,729</b>	<b>(44,483)</b>
Cash flows from investing activities		
Reinvested earnings on investments	(9,508)	(5,279)
Purchases of investments	(14,364)	(680,871)
Purchases of property and equipment	(709,685)	(350,675)
<b>Net cash used in investing activities</b>	<b>(733,557)</b>	<b>(1,036,825)</b>
Cash flows from financing activities		
Proceeds from loan	372,210	-
Cash collected from capital campaign pledges	1,466,213	543,365
<b>Net cash provided by financing activities</b>	<b>1,838,423</b>	<b>543,365</b>
Net increase (decrease) in cash and cash equivalents	3,176,595	(537,943)
Cash and cash equivalents, beginning of year	706,681	1,244,624
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,883,276</b>	<b>\$ 706,681</b>

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 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 each month to a monthly average of 3,261 families. Distributions rose to approximately 4,000 per month due to the COVID-19 pandemic in the fourth quarter of the year ended June 30, 2020. Qualifying families must report income below Maryland's self-sufficiency standard. This program is run at 18 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 in order 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. The total number of weekend bags distributed in the year ended June 30, 2020 was 148,144 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 new program for school-based pantries began this year serving two schools, Harmony Hills Elementary and Highland Elementary, and provided families both produce and shelf-stable food items in a choice setting. School-based pantries distributed a total of 13,153 pounds of food to 700 distinct families over 10 pantry events.

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 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 also identifies new donors. State-of-the-art technology makes real-time matches based on geography and transportation options. Trainings and mini-grants are offered in order to build capacity and increase food-rescuing capabilities.

**Nutrition Education:** Nutrition educators teach clients about unit price comparison and reading nutrition labels in order 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 will reach 10,000 more hungry children, seniors and working poor by 2020. The Organization is poised to expand to a second location in East County to include a choice market, nutrition education services, and community meeting space. Their goal is to raise \$2 million to \$2.5 million to both create this new East County center and renovate/relocate the current warehouse. The renovation was completed during fiscal year 2020.

#### 2. Summary of significant accounting polices

##### **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, 2020 AND 2019

#### 2. Summary of significant accounting polices (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. As of June 30, 2020 and 2019, the Organization held \$18,043 and \$18,547, respectively, in money market accounts. The Organization considers all highly liquid investments with the investment custodian to facilitate investment transactions as investments in the consolidated 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 the 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, 2020.

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, 2020 AND 2019

#### 2. Summary of significant accounting polices (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, 2020 and 2019, 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**

Inventories of food that have been purchased for food distribution but have not been distributed, are valued at lower of cost or market. Inventories of food contributed by donors are valued at the approximate wholesale value which is determined annually by Feeding America.

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, 2020, inventory received and distributed was valued at \$1.62 per pound and inventory purchased was valued at \$1.49 per pound. For the fiscal year ended June 30, 2019, the inventory received and distributed was valued at \$1.73 per pound. As of June 30, 2020, the inventory on hand was adjusted to \$1.62 per pound for donated inventory and \$1.49 per pound for purchased inventory. As of June 30, 2019, the inventory on hand was adjusted to \$1.73 per pound. Donated inventory valuation for both years was based on the most recent average wholesale value, determined by Feeding America. Purchased inventory valuation was based on management's analysis of actual average cost of various dry staples, produce, dairy and meat.

##### **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.

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 2. Summary of significant accounting polices (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.

Donated food and supplies are recognized when received. Revenue from special events is recognized at the time of the event. The Organization recognizes the fair value of donated services. For a donated service to be recognized, the service must either create or enhance a non-financial asset or require specialized skills. In addition, approximately 43,401 and 61,935 volunteer hours were provided to the Organization during the years ended June 30, 2020 and 2019, respectively, for which no value has been assigned as these services did not require specialized skills.

##### 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, 2020 or 2019, 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.

##### 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.

##### Reclassifications

Certain reclassifications were made to the prior-year financial statements to conform to the current-year presentation.



## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 2. Summary of 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 used to maximize the use of observable inputs and minimize the use of unobservable inputs.

##### Pending accounting standards

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 subsequent issued clarifying ASUs replace most existing revenue recognition guidance with U.S. GAAP. ASC 606 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 outside parties. As a result of ASU 2020-05 issued in June 2020, the Organization has elected to defer adopting this guidance until the start of the year ended June 30, 2022. The effects of this change on the Organization's financial statements have not yet been determined.

Effective for its annual financial statements ended June 30, 2022 and thereafter, the Organization expects to adopt new accounting standards issued by FASB that will require 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 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.

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 3. Adoption of new accounting standard

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update provides clarifying guidance on accounting for contributions, grants, and contracts of nonprofit organizations as they relate to the revenue recognition standard discussed in Note 2. The Organization adopted ASU 2018-08 effective July 1, 2019, the first day of the Organization's fiscal year, using the modified prospective approach. The results of applying ASU 2018-08, using the modified prospective approach, did not have a material impact on the statements of financial position, statements of activities, cash flows, controls or systems of the Organization.

#### 4. 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, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Total assets at year end	\$ 6,583,024	3,036,088
Less:		
Prepaid expenses	(59,238)	(85,487)
Property and equipment, net	(1,022,946)	(481,503)
Inventory	(142,610)	(121,550)
Certificate of deposit	(19,633)	(18,591)
Security deposit	(14,907)	(14,907)
Net asset with donor restrictions	(15,126)	(866,085)
Financial assets available for general expenditure	<u>\$ 5,308,564</u>	<u>\$ 1,447,965</u>

#### 5. 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, 2020 and 2019, using quoted prices in active markets for identical assets (Level 1).

	<u>2020</u>	<u>2019</u>
Equities	\$ 166,568	\$ 160,351
Cash and cash equivalents	751,805	730,167
Real estate investment trust	4,716	4,834
	<u>\$ 923,089</u>	<u>\$ 895,352</u>

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

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, 2020 and 2019, there were no transfers between Level 1 and Level 2 and no transfers in or out of Level 3.

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 11,032	\$ 9,434
Unrealized gains	3,851	19,220
	<u>\$ 14,883</u>	<u>\$ 28,654</u>

#### 6. Capital campaign pledges

Pledges receivable represent promises to give which have been made by donors, but have not yet been received by the Organization. Pledges which will not be received in the subsequent year have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year.

Pledges receivable consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Pledges expected to be collected in Less than one year	\$ 80,416	\$ 454,637
One to five years	11,667	131,929
Discount to present value (5.5%)	-	(7,454)
Subtotal	<u>11,667</u>	<u>124,475</u>
Total capital campaign pledges receivable	<u>\$ 92,083</u>	<u>\$ 579,112</u>

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 7. Property and equipment

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 582,293	\$ 570,973
Furnitures, fixtures, and equipment	540,352	303,477
Leasehold improvements	<u>831,190</u>	<u>153,926</u>
Subtotal of depreciable property and equipment	1,953,835	1,028,376
Less accumulated depreciation and amortization	<u>(930,889)</u>	<u>(837,499)</u>
Subtotal of net depreciable property and equipment	1,022,946	190,877
Leasehold improvements not placed in service	<u>-</u>	<u>290,626</u>
Total property and equipment, net	<u>\$ 1,022,946</u>	<u>\$ 481,503</u>

Depreciation and amortization expense on property and equipment for the years ended June 30, 2020 and 2019, was \$167,200 and \$61,790, respectively.

#### 8. 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.

In 2017, the Organization entered into leasing arrangements for a truck and a copier. The lease arrangement for the truck was entered in March 2017 and is for seven years. The lease arrangement for the copier was entered in November 2016 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, 2020 and 2019, rent expense for all leases totaled \$287,764 and \$203,696, respectively, and is included in occupancy and equipment rental costs in the statements of functional expenses.

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 8. Commitments (continued)

Future minimum lease payments under the operating leases at June 30, 2020, are as follows:

<u>Years ending June 30,</u>	
2021	\$ 360,000
2022	368,000
2023	377,000
2024	382,000
2025	375,000
Thereafter	<u>1,052,184</u>
Total	<u>\$ 2,914,184</u>

#### 9. Line of credit

In April 2020, the Organization obtained a \$150,000 revolving line of credit with interest rate equal to prime rate plus margin. There was no outstanding balance due as of June 30, 2020.

#### 10. Retirement plan

Effective January 1, 2010, the Organization initiated a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). All employees are eligible for this Plan. For the years ended June 30, 2020 and 2019, the Organization contributed 3% of annual compensation for each eligible employee to the Plan. Contributions to the Plan for the years ended June 30, 2020 and 2019 totaled \$33,617 and \$31,620, respectively.

#### 11. Loan payable

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 provides for loans to qualifying businesses for 250% of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are 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. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period. Any unforgiven portion of the PPP loan is payable over two-years at an interest rate of 1%. The Organization expects to receive full forgiveness. The loan will be converted to a contribution once notification is confirmed by SBA.

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 12. 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.

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.

## MANNA FOOD CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

#### 12. Restrictions and designations of net assets (continued)

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

	<u>2020</u>	<u>2019</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>2020</u>	<u>2019</u>
Breaking Bread initiative	\$ 10,126	\$ 10,228
Capital campaign	-	850,857
Net assets with donor restrictions	<u>\$ 10,126</u>	<u>\$ 861,085</u>

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

	<u>2020</u>	<u>2019</u>
Endowment fund	\$ 5,000	\$ 5,000
Net assets with donor restrictions for purpose	<u>10,126</u>	<u>861,085</u>
Total net assets with donor restrictions	<u>\$ 15,126</u>	<u>\$ 866,085</u>

#### 13. Subsequent events

Management of the Organization has evaluated events and transactions that occurred after June 30, 2020, through January 8, 2021, 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 with the exceptions stated below.

As a result of the COVID-19 pandemic in the United States, economic circumstances have arisen which may have a negative impact on the Organization's cash flow, revenue and expenses going forward. The continuation of the pandemic may result in other financial impacts which are unknown at this time.