

# **MANNA FOOD BANK, INC.**

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2013



**MANNA FOOD BANK, INC.**

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Janie Wilson  
Jim Mathews  
Kip Marshall  
Carla Sutherland

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Vice-President  
Treasurer  
Secretary  
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**MANNA FOOD BANK, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
MANNA Food Bank, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of MANNA Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 presentation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Bank, Inc. as of June 30, 2013, 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.

### **Report on Summarized Comparative Information**

We have previously audited MANNA Food Bank, Inc.'s 2012 financial statements, and our report dated November 5, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors  
MANNA Food Bank, Inc.  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2013, on our consideration of MANNA Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MANNA Food Bank, Inc.'s internal control over financial reporting and compliance.

*CARTER, P.C.*

Asheville, North Carolina  
November 10, 2013

**MANNA FOOD BANK, INC.**

Statement of Financial Position  
June 30, 2013  
(With Comparative Totals for 2012)

	2013	2012
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 1,230,977	\$ 1,435,452
Accounts and grants receivable	99,820	148,415
Other receivables	151,280	86,272
Prepaid expenses	3,875	8,519
Other assets	24,301	
Food inventories	734,465	695,327
Total current assets	2,244,718	2,373,985
Beneficial interest in funds held by a community foundation	939,749	686,557
Property and equipment	1,901,123	1,750,482
Total assets	\$ 5,085,590	\$ 4,811,024
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 74,552	\$ 56,681
Accrued liabilities	24,607	21,648
Accrued compensated absences	120,328	121,551
Unearned revenue	2,269	4,593
Total current liabilities	221,756	204,473
Net assets:		
Unrestricted:		
Undesignated	1,957,328	2,065,932
Board designated	594,276	336,081
Investment in property and equipment	1,796,629	1,750,482
Total unrestricted	4,348,233	4,152,495
Temporarily restricted	202,215	141,170
Permanently restricted	313,386	312,886
Total net assets	4,863,834	4,606,551
Total liabilities and net assets	\$ 5,085,590	\$ 4,811,024

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

**MANNA FOOD BANK, INC.**

Statement of Activities  
Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Revenues and other support</b>					
Contributions and private grants	\$ 1,932,513	\$ 388,114	\$ 500	\$ 2,321,127	\$ 2,408,773
United Way	135,206			135,206	127,723
Government grants	629,712			629,712	850,076
In-kind contributions	243,942			243,942	175,480
USDA food receipts	1,219,011			1,219,011	896,547
Privately donated food, net of unusable food	13,247,937			13,247,937	10,834,635
Administrative reimbursement	138,944			138,944	263,630
Shared maintenance fees	482,212			482,212	452,697
Co-op food program	541,241			541,241	488,081
Reclaim scanning fees	222,047			222,047	190,803
Gain (loss) on disposal of assets	2,500			2,500	(1,434)
Other	9,703			9,703	22,910
Net assets released from restrictions	<u>327,069</u>	<u>(327,069)</u>			
Total revenues and other support	<u>19,132,037</u>	<u>61,045</u>	<u>500</u>	<u>19,193,582</u>	<u>16,709,921</u>
<b>Expenses</b>					
Program services	17,788,212			17,788,212	15,331,661
Supporting services	<u>1,237,514</u>			<u>1,237,514</u>	<u>1,189,012</u>
Total expenses	<u>19,025,726</u>			<u>19,025,726</u>	<u>16,520,673</u>
Increase in net assets before investment activity	<u>106,311</u>	<u>61,045</u>	<u>500</u>	<u>167,856</u>	<u>189,248</u>
<b>Investment activity</b>					
Investment income	19,523			19,523	11,479
Realized losses on sale of investments	(714)			(714)	(644)
Unrealized gains (losses) on beneficial interest in funds held by a community foundation	<u>70,618</u>			<u>70,618</u>	<u>(18,321)</u>
Total investment activity	<u>89,427</u>			<u>89,427</u>	<u>(7,486)</u>
Increase in net assets	195,738	61,045	500	257,283	181,762
Net assets at beginning of year	<u>4,152,495</u>	<u>141,170</u>	<u>312,886</u>	<u>4,606,551</u>	<u>4,424,789</u>
Net assets at end of year	<u>\$ 4,348,233</u>	<u>\$ 202,215</u>	<u>\$ 313,386</u>	<u>\$ 4,863,834</u>	<u>\$ 4,606,551</u>

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



# MANNA FOOD BANK, INC.

Statement of Functional Expenses  
Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	Program Services				Supporting Services			2012 Total		
	Food Distribution	Public Awareness Outreach	Agency Services	Youth Programs	Total	Management & General	Resource Development		Total	
Salaries	\$ 735,563	\$ 56,195	\$ 269,094	\$	\$ 1,060,852	\$ 282,191	\$ 167,505	\$ 449,696	\$ 1,510,548	\$ 1,434,913
Payroll taxes	57,067	4,594	18,902		80,563	25,768	13,875	39,643	120,206	117,637
Employee benefits	192,556	7,559	65,502		265,617	46,670	20,186	66,856	332,473	302,193
PEO fees	61,488	5,696	14,848		82,032	13,432	8,837	22,269	104,301	100,088
Total salaries and related expenses	1,046,674	74,044	368,346		1,489,064	368,061	210,403	578,464	2,067,528	1,954,831
USDA food cost	1,215,936				1,215,936				1,215,936	925,205
Distributed food	13,212,047				13,212,047				13,212,047	10,810,186
Food purchases	920,113			309,875	1,229,988	3,557			1,229,988	1,540,019
Food packing supplies	40,957			13,030	53,987				53,987	49,713
Reclaim scanning fees	48,806				48,806				48,806	42,652
Telephone	12,114	325	7,134	300	19,873	4,448	525	4,973	24,846	27,958
Occupancy	104,744				104,744	3,557			108,301	101,960
Repairs and maintenance	14,755				14,886	30		30	14,916	12,976
Furniture and equipment	23,630				23,948	1,166	720	1,886	25,834	55,622
Supplies	7,405	158	946		8,509	6,065	1,633	7,698	16,207	9,557
Travel/mileage reimbursement	278	296	15,978	505	17,057	365	740	1,105	18,162	17,635
Product handling fees	30,722				30,722				30,722	42,292
Organizational/membership dues	35		360		395	22,383	1,743	24,126	24,521	7,527
Insurance	3,625				3,625	15,733		15,733	19,358	19,654
Postage	4,638	161	624		5,423	4,687	8,403	13,090	18,513	13,000
Professional fees		481	160		641	46,621	48,401	95,022	95,663	57,380
Contract trucking	52,805				52,805				52,805	37,215
Printing/publications	1,046	10,461	1,779		13,286	2,029	6,329	8,358	21,644	5,320
Contract labor	19,849	2,193	716		22,758	3,260	915	4,175	26,933	70,097
Conferences and training	5,562	2,354	8,002	941	16,859	3,155	4,815	7,970	24,829	32,167
Cost of events	300		902		1,202		53,283	53,283	54,485	78,815
Public relations/communications		52			52				52	19,025
Vehicle expense	143,769				143,769				143,769	115,416
Direct mail	4,765	312	15,855		20,932	18,553	219,638	219,638	219,638	203,910
Software and equipment	9,531	2,143	25,134	90	36,898	29,895	3,469	19,809	40,741	77,406
Other	16,924,106	92,980	446,385	324,741	17,788,212	530,008	562,273	1,092,281	18,880,493	53,164
Total expenses before depreciation										16,380,702
Depreciation						145,233		145,233	145,233	139,971
Total expenses	\$ 16,924,106	\$ 92,980	\$ 446,385	\$ 324,741	\$ 17,788,212	\$ 675,241	\$ 562,273	\$ 1,237,514	\$ 19,025,726	\$ 16,520,673

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

**MANNA FOOD BANK, INC.**

Statement of Cash Flows  
Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	2013	2012
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 257,283	\$ 181,762
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	145,233	139,971
(Gain) loss on disposal of assets	(2,500)	1,434
Non-cash receipts of inventory	(14,466,948)	(11,731,183)
Disbursements of donated inventory	14,457,664	11,654,152
Receipt of donated stock	(40,565)	(42,629)
Receipt of donated property and equipment	(114,494)	
Receipt of donated assets	(24,301)	
Unrealized (gains) losses on beneficial interest in funds held by a community foundation	(70,618)	18,321
Realized losses on sale of investments	714	644
Changes in working capital - sources (uses):		
Accounts and grants receivable	48,595	41,860
Other receivables	(65,008)	(36,561)
Prepaid expenses	4,644	1,024
Food inventories	(29,854)	81,240
Accounts payable	17,871	1,812
Accrued liabilities	2,959	21,648
Accrued compensated absences	(1,223)	4,541
Unearned revenue	(2,324)	3,314
Net cash provided by operating activities	117,128	341,350
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	39,851	41,985
Proceeds from sale of property and equipment	2,500	4,850
Purchase of property and equipment	(181,380)	(70,189)
Change in beneficial interest in funds held by a community foundation	(182,574)	19,419
Net cash used by investing activities	(321,603)	(3,935)
Increase (decrease) in cash and equivalents	(204,475)	337,415
Cash and equivalents at beginning of year	1,435,452	1,098,037
Cash and equivalents at end of year	\$ 1,230,977	\$ 1,435,452

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

# MANNA FOOD BANK, INC.

Notes to Financial Statements  
June 30, 2013

## **Note 1 - Summary of Significant Accounting Policies**

### Organization

MANNA Food Bank, Inc. (Organization) is a nonprofit entity established for the purpose of collecting and salvaging edible, but commercially unmarketable, food and groceries from food suppliers and distributing the food to eligible recipients. The Organization was incorporated as a nonprofit organization under the laws of the State of North Carolina on August 19, 1982. During the year ended June 30, 2013, the Organization served over 231 agency sites in sixteen Western North Carolina counties.

### Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### Financial Statement Presentation

The Organization reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted Net Assets:** Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.
- **Temporarily Restricted Net Assets:** Temporarily restricted net assets represent resources whose use is limited by donors or applicable laws for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are released to unrestricted as their time and purpose requirements are met.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Financial Statement Presentation (continued)

- **Permanently Restricted Net Assets:** Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by the donor or applicable laws. However, permanently restricted net assets generally do not get reclassified since, by definition, their restrictions never expire. The income may be unrestricted or restricted, according to the donors' wishes.

### Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### Donated Services and Materials

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received \$21,353 and \$0 in donated services for the years ended June 30, 2013 and 2012, respectively. Donated services in 2013 include a professional discount of audit services, architectural fees, and trucking services. Also, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance. The Organization received approximately 47,500 and 42,000 volunteer hours for the years ended June 30, 2013 and 2012, respectively.

Donated materials and equipment are reflected as in-kind contributions in the accompanying financial statements at their estimated fair value at the date of the donation. For the years ended June 30, 2013 and 2012, the Organization received \$243,942 and \$175,480, respectively, of in-kind contributions.

### Cash and Equivalents

The Organization considers all cash and short-term investments with an initial maturity of three months or less to be cash equivalents.

### Accounts and Grants Receivable

Accounts receivable consist of amounts due from other agencies for the purchase of food. Grants receivable are funds due from federal, state, or local governmental agencies at year end. Receivables are stated at the amount management expects to collect from outstanding balances.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Accounts and Grants Receivable (continued)

No allowance for doubtful accounts has been established against those receivables since, in management's opinion, all amounts are collectible.

### Other Assets

Other assets consist of donated freezers that will be distributed to local food banks in the subsequent year.

### Food Inventories

The values used for donated food inventory and the related food revenue and amounts distributed are based on a study commissioned by Feeding America, a national food bank network. This study, which was prepared by KPMG, LLP, produced guidelines for determining the approximate average wholesale value of one pound of donated product at the national level. Those guidelines have been applied to donated inventory of the Organization. Although the value of items for different organizations may vary, average wholesale values of \$1.69 per pound have been used by the Organization for the year ended June 30, 2013 and \$1.66 per pound for the year ended June 30, 2012. Inventory items received from the USDA have been recorded at the value assigned by the USDA. Inventory items purchased have been recorded at cost.

### Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

### Fair Value Measurements

FASB ASC 820 provides the 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:

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Fair Value Measurements (continued)**

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If an asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

### **Property and Equipment**

All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a period of three to forty years.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### **Revenue from Scanning Fees**

Revenue from scanning represents per piece fees paid by a third party for scanning damaged grocery items at the Organization's Reclaim Center.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means.

### Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

### Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

### Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Note 2 - Restrictions on Assets**

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
30 <sup>th</sup> Anniversary Event	\$ 16,000	\$
Blue Jean Ball fundraiser	2,000	3,500
Donated fixed assets	104,494	
Donated freezers	24,301	
Empty Bowls fundraiser	10,000	10,000
Fixed asset purchases		42,000
FNS Outreach (food stamps)	20,000	
Hunger Study	293	
MANNA Packs for Kids		45,000
State Nutritional Assistance Program	166	
Summer Food Program	5,000	1,460
Time restricted donation	16,000	32,000
USDA Emergency Food Assistance Program	<u>3,961</u>	<u>7,210</u>
<u>Temporarily restricted net assets</u>	<u>\$ 202,215</u>	<u>\$ 141,170</u>

Permanently restricted net assets consist of contributions toward the beneficial interest in funds held by a community foundation, the income from which is expendable to support the Organization's operations.

**Note 3 - Accounts and Grants Receivable**

Accounts and grants receivable consists of amounts due from other agencies for the purchase of food and funds due from federal, state, or local governmental agencies at year end.

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
Agency fees	\$ 64,308	\$ 62,349
NC Department of Agriculture Food Distribution		
Division - TEFAP Admin	15,587	20,192
NC Department of Health and Human Services - FNS	19,925	13,592
NC Department of Health and Human Services - SFSP		17,282
Sisters of Mercy Grant		<u>35,000</u>
<u>Accounts and grants receivable</u>	<u>\$ 99,820</u>	<u>\$ 148,415</u>



#### **Note 4 - Other Receivables**

Other receivables consist of reclaim, sales tax, and miscellaneous receivable at year end.

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
CFWNC - Spendable interest	\$ 27,660	\$ 24,090
Ingles Markets - Reclaim reimbursement	62,920	35,963
NC Department of Revenue - Sales tax refund	30,956	19,884
Waynesville Rotary Club - MANNA Packs	21,450	
Other receivable	<u>8,294</u>	<u>6,335</u>
<u>Other receivables</u>	<u>\$ 151,280</u>	<u>\$ 86,272</u>

#### **Note 5 - Food Inventories**

The following presents a summary of all food acquired and distributed:

<u>At June 30, 2013</u>	<u>Weight (in Pounds)</u>	<u>Estimated Wholesale Value</u>
Food inventories - beginning of year	539,893	\$ 746,643
Food received and purchases, net of unusable food	<u>11,522,141</u>	<u>15,701,115</u>
	12,062,034	16,447,758
Less, food distributed	<u>11,535,377</u>	<u>15,657,797</u>
<u>Food inventories - end of year</u>	<u>526,657</u>	<u>\$ 789,961</u>

<u>At June 30, 2012</u>	<u>Weight (in Pounds)</u>	<u>Estimated Wholesale Value</u>
Food inventories - beginning of year	674,886	\$ 750,473
Food received and purchases, net of unusable food	<u>10,358,313</u>	<u>12,984,191</u>
	11,033,199	13,734,664
Less, food distributed	<u>10,493,306</u>	<u>12,988,021</u>
<u>Food inventories - end of year</u>	<u>539,893</u>	<u>\$ 746,643</u>

Food inventories have been recorded at net present value less a provision for expected damaged or unusable products.

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
Ending inventory	\$ 789,961	\$ 746,643
Less, provision for damaged or unusable products	<u>55,496</u>	<u>51,316</u>
<u>Food inventories</u>	<u>\$ 734,465</u>	<u>\$ 695,327</u>

### **Note 6 - Privately Donated Food**

Privately donated food is shown on the statement of activities net of related damaged or unusable products and is described as follows:

<u>Years Ended June 30</u>	<u>2013</u>	<u>2012</u>
Privately donated food	\$ 14,494,893	\$ 11,848,648
Less, damaged or unusable products	<u>1,246,956</u>	<u>1,014,013</u>
<u>Privately donated food</u>	<u>\$ 13,247,937</u>	<u>\$ 10,834,635</u>

### **Note 7 - Beneficial Interest in Funds Held by a Community Foundation**

The beneficial interest in funds held by a community foundation is managed by the Community Foundation of Western North Carolina, Inc. The Organization requires that investment in equities cannot exceed 75% of the fund's assets. Also included in investments is a special account held by the Community Foundation. These funds are invested in an allocated investment pool. Withdrawals from this account must be approved by the full board.

The unrealized gain on these funds is as follows:

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
Fair market value	\$ 939,749	\$ 686,557
Cost	<u>718,437</u>	<u>535,861</u>
<u>Cumulative unrealized gain</u>	<u>\$ 221,312</u>	<u>\$ 150,696</u>

### **Note 8 - Property and Equipment**

A description of property and equipment follows:

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 301,875	\$ 301,875
Building and improvements	1,808,143	1,778,696
Office and computer equipment	90,132	82,632
Autos and trucks	792,767	598,955
Warehouse equipment	<u>366,343</u>	<u>353,738</u>
	3,359,260	3,115,896
Less, accumulated depreciation	<u>1,458,137</u>	<u>1,365,414</u>
<u>Property and equipment</u>	<u>\$ 1,901,123</u>	<u>\$ 1,750,482</u>

Depreciation expense for the years ended June 30, 2013 and 2012, was \$145,233 and \$139,971, respectively.

**Note 9 - Board Designated Net Assets**

The Board of Directors has designated funds for the following purposes:

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
Operating reserves	\$ 417,276	\$ 218,081
Capital reserves	<u>177,000</u>	<u>118,000</u>
<u>Board designated net assets</u>	<u>\$ 594,276</u>	<u>\$ 336,081</u>

**Note 10 - In-kind Contributions**

In-kind contributions are summarized as follows:

<u>Years Ended June 30</u>	<u>2013</u>	<u>2012</u>
Equipment	\$ 65,957	\$ 92,582
Fundraisers	29,237	53,473
Services	21,353	
Vehicle	104,494	2,975
Warehousing	21,000	21,000
Other	<u>1,901</u>	<u>5,450</u>
<u>In-kind contributions</u>	<u>\$ 243,942</u>	<u>\$ 175,480</u>

**Note 11 - Lease Commitments**

The Organization leases office equipment and warehouse space under operating leases. The leases require various monthly payment amounts and expire through 2018. Rent expense for the years ended June 30, 2013 and 2012, was \$17,188 and \$16,118, respectively. Future minimum payments for the Organization under all operating leases are as follows:

<u>Years Ending June 30</u>	
2014	\$ 12,824
2015	6,384
2016	1,607
2017	1,607
2018	<u>1,389</u>
<u>Total minimum lease payments</u>	<u>\$ 23,811</u>

**Note 12 - Retirement Plan**

The Organization participates in a 401(k) defined-contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after attaining the age of eighteen and completing six months of service. The Organization will make a matching contribution equal to fifty percent of the employees' elective deferral up to six percent. The Organization contributed \$42,239 and \$45,195 during the years ended June 30, 2013 and 2012, respectively.

**Note 13 - Uninsured Cash Balances**

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2013, the uninsured cash balance is approximately \$64,866.

**Note 14 - Fair Value Measurements**

The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques.

Due to the nature of beneficial interest in funds held by a community foundation, the assets are considered Level 3 instruments.

A reconciliation of changes in Level 3 inputs is as follows:

<u>Year Ended June 30, 2013</u>	
Level 3 inputs, beginning of the year	\$ 686,557
Contributions	199,695
Distributions	(27,660)
Investment income	10,539
Unrealized gains	<u>70,618</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 939,749</u>

**Note 15 - Related Party Transactions**

During the years ended June 30, 2013 and 2012, the Organization received contributions totaling \$53,415 and \$50,069 from members of the Board of Directors, respectively.

## **Note 16 - Summary Disclosure of Significant Contingencies**

### **Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers, and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

### **Federal and State Assisted Programs**

The Organization has received proceeds from several federal and state grants. Periodic audits of these grants and third party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in a refund or reimbursement to the grantor or third party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies.

## **Note 17 - Income Taxes**

### **Uncertain Tax Positions**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

### **Open Tax Years**

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the fiscal years ended June 30, 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

## **Note 18 - Subsequent Events**

Management has evaluated subsequent events through November 10, 2013, which is the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

## **COMPLIANCE SECTION**



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
MANNA Food Bank, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of MANNA Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MANNA Food Bank, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MANNA Food Bank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
MANNA Food Bank, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MANNA Food Bank, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Asheville, North Carolina  
November 10, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors  
MANNA Food Bank, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited MANNA Food Bank, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MANNA Food Bank, Inc.'s major federal programs for the year ended June 30, 2013. MANNA Food Bank, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of MANNA Food Bank, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MANNA Food Bank, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MANNA Food Bank, Inc.'s compliance.

To the Board of Directors  
MANNA Food Bank, Inc.

### **Opinion on Each Major Federal Program**

In our opinion, MANNA Food Bank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control over Compliance**

Management of MANNA Food Bank, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MANNA Food Bank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MANNA Food Bank, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
MANNA Food Bank, Inc.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*CARTER, P.C.*

Asheville, North Carolina  
November 10, 2013

**MANNA FOOD BANK, INC.**

Schedule of Expenditures of Federal and State Awards

June 30, 2013

<u>Federal-State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Awards</u>	<u>Expenditures</u>
<b>Federal Awards</b>			
US Department of Agriculture:			
Pass-through from North Carolina Department of Agriculture Food Distribution Division:			
Emergency Food Assistance Program - TEFAP Commodities			
	10.569	\$ 1,219,011	\$ 1,222,260
Emergency Food Assistance Program - TEFAP Reimbursement			
	10.568	<u>68,549</u>	<u>63,944</u>
Total Emergency Food Assistance Program		<u>1,287,560</u>	<u>1,286,204</u>
US Department of Agriculture:			
Pass-through from North Carolina Department of Health and Human Services:			
Division of Social Services			
Food Nutrition Services for North Carolina			
	10.561	72,914	79,230
US Department of Agriculture:			
Pass-through from North Carolina Department of Health and Human Services:			
Division of Public Health-			
Women's & Children's Health Section			
Summer Food Service Program for Children			
	10.559	31,870	14,588
US Department of Agriculture:			
Rural Development			
Community Facilities Loans and Grants			
	10.766	35,000	35,000
Appalachian Regional Commission:			
Expansion of Vehicle Fleet for Rural Hunger Relief Project			
	23.011	70,000	70,000
US Department of Homeland Security:			
Emergency Food and Shelter Program			
	97.024	5,893	5,893

**MANNA FOOD BANK, INC.**

Schedule of Expenditures of Federal and State Awards (continued)  
June 30, 2013

<u>Federal-State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Awards</u>	<u>Expenditures</u>
<b>Federal Awards (continued)</b>			
US Department of Health and Human Services:			
Pass-through from North Carolina Department of Health and Human Services:			
Division of Social Services			
Social Services Block Grant	93.667	141,667	141,667
Social Services Block Grant - Administrative reimbursement	93.667	<u>25,000</u>	<u>25,000</u>
Total Social Services Block Grant		<u>166,667</u>	<u>166,667</u>
Total federal awards		<u>1,669,904</u>	<u>1,657,582</u>
<b>State Awards</b>			
NC Department of Health and Human Services - Division of Social Services:			
State Nutrition Assistance Program		283,334	283,334
State Nutrition Assistance Program - Administrative reimbursement		<u>50,000</u>	<u>50,000</u>
Total state awards		<u>333,334</u>	<u>333,334</u>
Total expenditures of federal and state awards		<u>\$ 2,003,238</u>	<u>\$ 1,990,916</u>

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of MANNA Food Bank, Inc. Expenditures of federal and state awards are presented on the accrual basis of accounting. Awards of federal and state funds are presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**MANNA FOOD BANK, INC.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Section I Summary of Auditors' Results

***Financial Statements***

Type of auditors' report issued: Unmodified

***Internal control over financial reporting***

Material weakness(es) identified \_\_\_\_\_ yes  X  no

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

***Federal Awards***

***Internal control over compliance***

Material weakness(es) identified \_\_\_\_\_ yes  X  no

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

***Compliance with OMB Circular A-133***

Type of auditors' report issued on compliance with each major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes  X  no

Programs tested as major were:

Emergency Food Assistance Program Cluster:

Emergency Food Assistance Program - TEFAP Reimbursement CFDA# 10.568

Emergency Food Assistance Program - TEFAP Commodities CFDA# 10.569

The threshold for distinguishing Type A and Type B programs was \$300,000.

MANNA Food Bank, Inc. was determined to be a low risk auditee.

**MANNA FOOD BANK, INC.**

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2013

Section II Financial Statement Findings

No financial statement findings were noted.

Section III Federal Award Findings and Questioned Costs

No federal award findings were noted.

**MANNA FOOD BANK, INC.**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2013

Section II Financial Statement Findings

No financial statement findings were noted.

Section III Federal Award Findings and Questioned Costs

No federal award findings were noted.