

# **MANNA FOOD BANK, INC.**

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2017

**MANNA FOOD BANK, INC.**

OFFICERS

Melody Dunlop	President
Scott McLean	Vice-President & At-Large Member
Sage Turner	Treasurer
Judy Butler	Secretary
Jim Mathews	Past President

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EX-OFFICIO MEMBERS

Hannah Randall, Chief Executive Officer

EMERITUS

Joel Gillespie	Marjorie Ulin
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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, 2017, 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 preparation 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.

To the Board of Directors  
MANNA Food Bank, Inc.  
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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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 October 20, 2017, 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  
October 20, 2017

**MANNA FOOD BANK, INC.**

Statement of Financial Position  
June 30, 2017  
(With Comparative Totals for 2016)

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 1,205,477	\$ 1,116,011
Accounts and grants receivable	259,737	286,689
Promises to give, current portion	290,910	473,160
Prepaid expenses	93,089	97,878
Other assets	14,043	25,895
Food inventories, net	917,450	688,645
Total current assets	2,780,706	2,688,278
Promises to give, net of current portion	9,037	29,774
Investments		5,552
Beneficial interest in funds held by a community foundation	1,147,912	1,199,232
Property and equipment	4,639,342	4,785,762
Total assets	\$ 8,576,997	\$ 8,708,598
<b>Liabilities and net assets</b>		
Current liabilities:		
Line of credit	\$	\$ 351,082
Current portion of obligations under capital lease	14,888	14,222
Accounts payable	95,467	141,396
Accrued liabilities	251,739	368,622
Unearned revenue	6,597	8,635
Total current liabilities	368,691	883,957
Obligations under capital lease, net of current portion	15,395	28,658
Total liabilities	384,086	912,615
Net assets:		
Unrestricted:		
Undesignated	2,094,987	1,580,127
Board designated	812,408	861,276
Investment in property and equipment	4,609,059	4,741,775
Total unrestricted	7,516,454	7,183,178
Temporarily restricted	362,821	299,419
Permanently restricted	313,636	313,386
Total net assets	8,192,911	7,795,983
Total liabilities and net assets	\$ 8,576,997	\$ 8,708,598

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

## MANNA FOOD BANK, INC.

Statement of Activities  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<b>Revenues and other support</b>					
Contributions and private grants	\$ 2,673,966	\$ 281,510	\$ 250	\$ 2,955,726	\$ 2,976,316
United Way	98,853	68,816		167,669	217,888
Government grants	690,174	426		690,600	863,922
In-kind contributions	684,533			684,533	593,607
USDA food receipts	1,323,835	6,140		1,329,975	1,492,339
Privately donated food, net of unusable food	22,622,608			22,622,608	19,323,398
Shared maintenance fees	492,451			492,451	505,635
Co-op food program	559,645			559,645	548,354
Reclaim scanning fees	265,368			265,368	288,389
Special events	296,996			296,996	248,903
Present value adjustment - promises to give		5,929		5,929	(239)
Gain (loss) on valuation of donated food	3,674			3,674	(11,194)
Loss on disposal of property and equipment	(6,749)			(6,749)	(145,628)
Other	20,217			20,217	10,358
Net assets released from restrictions	299,419	(299,419)			
Total revenues and other support	30,024,990	63,402	250	30,088,642	26,912,048
<b>Expenses</b>					
Program services	28,373,883			28,373,883	25,225,920
Supporting services	1,463,061			1,463,061	1,659,440
Total expenses	29,836,944			29,836,944	26,885,360
Increase in net assets before investment activity	188,046	63,402	250	251,698	26,688
<b>Investment activity</b>					
Investment income	14,453			14,453	16,771
Realized losses on sale of investments	(443)			(443)	(200)
Unrealized gains (losses) on beneficial interest in funds held by a community foundation	131,220			131,220	(59,417)
Net investment activity	145,230			145,230	(42,846)
Increase (decrease) in net assets	333,276	63,402	250	396,928	(16,158)
Net assets at beginning of year	7,183,178	299,419	313,386	7,795,983	7,812,141
Net assets at end of year	\$ 7,516,454	\$ 362,821	\$ 313,636	\$ 8,192,911	\$ 7,795,983

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

## MANNA FOOD BANK, INC.

Statement of Functional Expenses  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	Program Services					Supporting Services			2017 Total	2016 Total	
	Food Distributions	Agency Services	FNS Outreach	Youth Programs	Comm- unication and Advocacy	Total	Management & General	Fundraising Expenses			Total
Salaries, contract labor, and payroll taxes	\$ 1,078,730	\$ 215,777	\$ 117,633	\$ 49,316	\$ 52,303	\$ 1,513,759	\$ 405,374	\$ 312,994	\$ 718,368	\$ 2,232,127	\$ 2,265,301
Employee benefits	244,250	50,837	10,156	13,006	12,535	330,784	90,711	41,449	132,160	462,944	562,086
Professional services	5,671	306	125		13,095	19,197	49,925	95,714	145,639	164,836	289,292
Supplies	86,387	4,437	17,420	15,053	278	123,575	32,928	17,429	50,357	173,932	143,934
Advertising	327	491	17,076			17,894	725	62,342	63,067	80,961	95,725
Equipment maintenance and leasing	27,672	2,289	2,052			32,013	7,622	2,075	9,697	41,710	111,349
Postage and printing	5,060	3,096	14,886	36	2,482	25,560	4,310	69,218	73,528	99,088	91,472
Professional fees & dues	21,726					21,726	6,778	302	7,080	28,806	29,646
Occupancy	101,576	476	553	80	116	102,801	13,744	802	14,546	117,347	121,594
Rent											47,500
Insurance	16,976	301	350	50	74	17,751	8,153	508	8,661	26,412	23,382
Communications	13,133	4,103	3,033	404	584	21,257	3,462	2,063	5,525	26,782	36,972
Travel	11,904	8,809	9,292		44	30,049	4,151	2,530	6,681	36,730	39,986
Conferences and continuing education	2,707	3,287	350		99	6,443	7,376	545	7,921	14,364	19,395
Project expenses	55,835	2,417	697		66	59,015	943	791	1,734	60,749	65,379
Contributions and agency subsidies	6,795	481,744				488,539				488,539	111,705
Promotions	1,409	150				1,559	1,533	98,171	99,704	101,263	105,263
Food purchases	1,030,429			356,162		1,386,591	111		111	1,386,702	1,376,088
Shipping & transportation	206,277	3,566	3,673	9,109		222,625	202	501	703	223,328	226,004
Donated product	22,367,120					22,367,120				22,367,120	19,359,431
USDA product distribution	1,360,333					1,360,333				1,360,333	1,468,850
Miscellaneous	1,984			39		2,023	35,655	2,921	38,576	40,599	55,534
Total expenses before depreciation, interest, and bad debt expense	26,646,301	782,086	197,296	443,255	81,676	28,150,614	673,703	710,355	1,384,058	29,534,672	26,645,888
Depreciation	221,689	777	640			223,106	65,860		65,860	288,966	227,719
Interest expense							6,166	48	6,214	6,214	3,048
Bad debt expense	163					163		6,929	6,929	7,092	8,705
<b>Total expenses</b>	<b>\$ 26,868,153</b>	<b>\$ 782,863</b>	<b>\$ 197,936</b>	<b>\$ 443,255</b>	<b>\$ 81,676</b>	<b>\$ 28,373,883</b>	<b>\$ 745,729</b>	<b>\$ 717,332</b>	<b>\$ 1,463,061</b>	<b>\$ 29,836,944</b>	<b>\$ 26,885,360</b>

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

**MANNA FOOD BANK, INC.**

Statement of Cash Flows  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	2017	2016
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 396,928	\$ (16,158)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	288,966	227,719
Bad debt expense	7,092	8,705
Receipt of donated property and equipment	(11,115)	(246,632)
Receipt of donated other assets	(471,187)	(99,940)
Distribution of donated other assets	483,039	77,529
Loss on disposal of property and equipment	6,749	145,628
Receipts of donated inventory (net)	(22,622,608)	(17,984,802)
Disbursements of donated inventory	22,405,140	18,020,835
Receipts of TEFAP inventory (net)	(1,329,975)	(1,492,339)
Disbursements of TEFAP inventory	1,360,333	1,468,850
(Gain) loss on valuation of donated food	(3,674)	11,194
Receipt of donated stock	(77,507)	(55,831)
Present value adjustment - promises to give	(5,929)	239
Unrealized (gains) losses on beneficial interest in funds held by a community foundation	(131,220)	59,417
Realized losses on sale of investments	443	200
Changes in working capital - sources (uses):		
Accounts and grants receivable	26,952	(10,034)
Promises to give	201,824	58,404
Prepaid expenses	4,789	(46,155)
Food inventories	(38,021)	(31,236)
Accounts payable	(45,929)	(24,141)
Accrued liabilities	(116,883)	198,908
Unearned revenue	(2,038)	1,529
Net cash provided by operating activities	326,169	271,889

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

**MANNA FOOD BANK, INC.**

Statement of Cash Flows (continued)  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	2017	2016
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	\$ 82,616	\$ 50,079
Purchase of property and equipment	(138,180)	(1,731,299)
Contributions to beneficial interest in funds held by a community foundation	(250)	
Distributions from beneficial interest in funds held by a community foundation	185,323	132,720
Change in beneficial interest in funds held by a community foundation	(2,533)	(3,406)
Net cash provided (used) by investing activities	126,976	(1,551,906)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings		351,130
Principal repayments on short-term borrowings	(351,082)	(223,471)
Principal repayments on capital lease	(12,597)	(13,482)
Net cash provided (used in) by financing activities	(363,679)	114,177
Increase (decrease) in cash and equivalents	89,466	(1,165,840)
Cash and equivalents at beginning of year	1,116,011	2,281,851
Cash and equivalents at end of year	\$ 1,205,477	\$ 1,116,011
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 6,214	\$ 3,048
<b>Schedule of non-cash investing and financing activities</b>		
Property and equipment acquired through capital lease	\$	\$ 56,362

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

# MANNA FOOD BANK, INC.

Notes to Financial Statements  
June 30, 2017

## **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, 2017, the Organization served over 218 agency sites in sixteen Western North Carolina counties.

### 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.

### 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 Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present net assets, revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets*: Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

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

### Basis of Presentation (continued)

- *Permanently restricted net assets:* Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on the related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

### Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in revenue and other support. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give based on the history of amounts written off.

### Accounts and Grants Receivable

Accounts receivable consist of administrative fees due from partner agencies as well as for purchases through the food purchase co-op program. Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at year end. Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2017, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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

### Other Assets

Other assets consist of donated freezers and coolers held for distribution to partner agencies.

### 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 inventory donated to the Organization. Although the value of items for different organizations may vary, average wholesale values of \$1.73 per pound have been used by the Organization for the year ended June 30, 2017 and \$1.67 per pound for the year ended June 30, 2016. Inventory items received from the U.S. Department of Agriculture (USDA) have been recorded at the value assigned by the USDA. Inventory items purchased have been recorded at cost.

### Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

### Investment Income and Gains

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 and Disclosures

Accounting principles generally accepted in the United States of America establish 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 are described below:

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.

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

### Fair Value Measurements and Disclosures (continued)

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;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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 observable inputs and minimize the use of unobservable inputs.

### Property and Equipment

Property and equipment with a cost of \$1,500 or more and that have an estimated useful life greater than one year, are capitalized at cost. Depreciation is computed using the straight-line method over a period of three to forty years.

### Donated Property and Equipment

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 restricted contributions. 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.

### Donated Goods and Services

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation.

Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. For the years ended June 30, 2017 and 2016, the Organization received in-kind materials and equipment in the amount of \$668,472 and \$588,216, respectively.

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

### Donated Goods and Services (continued)

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 \$16,061 and \$5,391 in donated services during the years ended June 30, 2017 and 2016, respectively. Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization received approximately 66,522 and 66,919 volunteer hours during the years ended June 30, 2017 and 2016, respectively.

### Revenue from Scanning Fees

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

### Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2017 and 2016, was \$80,961 and \$95,725, respectively.

### Functional Allocation of Expenses

The costs of providing various program and supporting activities are summarized on a functional basis in the statements of activities and functional expenses. Accordingly, all costs have been allocated among the program and supporting services benefitted.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

### 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.

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

### 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.

### 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, 2016, from which the summarized information was derived.

### Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets to recognize assets and liabilities on the statement of financial position for the rights and obligations created by those leases. The standard will be effective for annual periods ending after December 15, 2019. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is intended to improve not-for-profit (NFP) financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard will change the way all NFPs classify net assets and prepare financial statements, and will result in significant changes to financial reporting and disclosures for NFPs. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018.

## **Note 2 - Restrictions on Assets**

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Advocacy	\$	\$ 17,000
Capital campaign	5,929	868
Capital purchases: truck	104,113	
Donated freezers		25,895
Food purchases	12,461	9,960
FNS food stamp outreach	51,700	11,000
Food distribution	82,222	103,735
MANNA Packs for Kids	69,606	69,587
Nutrition	20,224	
State-Wide Health and Human Initiatives	426	24,876
Summer Food Program	10,000	
USDA Emergency Food Assistance Program	<u>6,140</u>	<u>36,498</u>
<u>Temporarily restricted net assets</u>	<u>\$ 362,821</u>	<u>\$ 299,419</u>

Permanently restricted net assets consist of contributions toward the beneficial interest in funds held by a community foundation, the income from which is available to support the Organization's operations. Permanently restricted net assets were \$313,636 and \$313,386 at June 30, 2017 and 2016, respectively.

## **Note 3 - Accounts and Grants Receivable**

Accounts and grants receivable consist of the following:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Grants receivable	\$ 69,264	\$ 43,164
Service fees receivable	129,788	128,263
Other receivables	<u>60,685</u>	<u>115,262</u>
<u>Accounts and grants receivable</u>	<u>\$ 259,737</u>	<u>\$ 286,689</u>

#### **Note 4 - Promises to Give**

Unconditional promises to give are described as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 290,910	\$ 473,160
One to five years	<u>16,154</u>	<u>44,945</u>
Total unconditional promises to give	307,064	518,105
Less, allowance for uncollectible promises to give	(3,654)	(5,779)
Less, discount to net present value at 3.25%	<u>(3,463)</u>	<u>(9,392)</u>
<u>Promises to give</u>	<u>\$ 299,947</u>	<u>\$ 502,934</u>

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

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

<u>At June 30</u>	<u>2017</u>		<u>2016</u>	
	<u>lbs.</u>	<u>\$</u>	<u>lbs.</u>	<u>\$</u>
Product received (net):				
Donated product	13,045,323	\$ 22,622,608	11,549,648	\$ 19,323,398
TEFAP	1,869,997	1,329,975	2,031,506	1,492,339
Purchased product	<u>3,303,994</u>	<u>1,351,644</u>	<u>2,989,343</u>	<u>1,401,676</u>
	<u>18,219,314</u>	<u>\$ 25,304,227</u>	<u>16,570,497</u>	<u>\$ 22,217,413</u>
Product distribution:				
Donated product	12,909,022	\$ 22,367,120	11,582,790	\$ 19,359,431
TEFAP	1,927,855	1,360,333	1,986,918	1,468,850
Purchased product	<u>3,425,162</u>	<u>1,386,702</u>	<u>2,910,800</u>	<u>1,370,440</u>
	<u>18,262,039</u>	<u>\$ 25,114,155</u>	<u>16,480,508</u>	<u>\$ 22,198,721</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>2017</u>	<u>2016</u>
Ending inventory	\$ 917,450	\$ 726,665
Less, provision for damaged or unusable products	<u>                    </u>	<u>38,020</u>
<u>Food inventories, net</u>	<u>\$ 917,450</u>	<u>\$ 688,645</u>

## **Note 6 - 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. (Foundation). The Organization requires that investment in equities cannot exceed 75% of the fund's assets. Also included in the beneficial interest is a special account held by the Foundation. All funds are invested in an allocated investment pool. Withdrawals from this account must be approved by the full board. The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distribution of funds, if such condition or restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

Unrealized gains on these funds are as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Fair market value	\$ 1,147,912	\$ 1,199,232
Cost	<u>788,025</u>	<u>970,564</u>
<u>Cumulative unrealized gains</u>	<u>\$ 359,887</u>	<u>\$ 228,668</u>

## **Note 7 - Fair Value Measurements**

The fair value of each financial instrument described below was measured using the framework for measuring fair value described in Note 1.

Investments are donated stock held in a clearing account that will be liquidated and used for operations. Investments in the amount of \$0 and \$5,552 at June 30, 2017 and 2016, respectively, are considered Level 1 inputs.

Due to the nature of beneficial interest in funds held by a community foundation, assets in the amounts of \$1,147,912 and \$1,199,232 at June 30, 2017 and 2016, respectively, are considered Level 3 inputs.

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

<u>Year Ended June 30, 2017</u>	
Level 3 inputs, beginning of the year	\$ 1,199,232
Contributions	250
Distributions	(185,323)
Investment income	13,662
Fees	(11,129)
Unrealized gains	<u>131,220</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 1,147,912</u>

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

Property and equipment consists of the following:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Land	\$ 249,466	\$ 249,466
Building and improvements	4,103,024	4,069,712
Leasehold improvements		10,761
Furniture and fixtures	189,093	191,845
Vehicles	1,012,691	936,624
Warehouse equipment	1,033,356	996,232
Construction in process		1,107
	<u>6,587,630</u>	<u>6,455,747</u>
Less, accumulated depreciation	<u>1,948,288</u>	<u>1,669,985</u>
<u>Property and equipment</u>	<u>\$ 4,639,342</u>	<u>\$ 4,785,762</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$288,966 and \$227,719, respectively.

### **Note 9 - Line of Credit**

The Organization maintained a line of credit with a local bank that was restricted for construction. Maximum borrowings were \$1,500,000. Interest was charged at a fixed rate of 1.75%. The line of credit was secured by a negative pledge agreement on the Organization's real property and improvements located at 623 and 627 Swannanoa River Road in Asheville, North Carolina. The outstanding balance on the line of credit at June 30, 2017 and 2016, was \$0 and \$351,082, respectively.

### **Note 10 - Accrued Liabilities**

Accrued expenses are described as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Accrued payroll	\$ 81,554	\$ 150,610
Accrued compensated absences	163,716	156,527
Construction-in-process retainage		55,774
Other	<u>6,469</u>	<u>5,711</u>
<u>Accrued expenses</u>	<u>\$ 251,739</u>	<u>\$ 368,622</u>

### **Note 11 - Board Designated Net Assets**

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

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Operating reserves	\$ 735,408	\$ 784,276
Capital reserves	<u>77,000</u>	<u>77,000</u>
<u>Board designated net assets</u>	<u>\$ 812,408</u>	<u>\$ 861,276</u>

### **Note 12 - In-kind Contributions**

In-kind contributions are summarized as follows:

<u>Years Ended June 30</u>	<u>2017</u>	<u>2016</u>
Equipment and software	\$ 471,849	\$ 122,387
Buildings and improvements		246,712
Warehouse Equipment	1,790	
Vehicles	9,325	
Furniture and fixtures	200	60
Fundraisers	76,496	84,427
Professional services	16,061	5,391
Advertising	61,300	78,025
Food		18,509
Rent		10,160
Other	<u>47,512</u>	<u>27,936</u>
<u>In-kind contributions</u>	<u>\$ 684,533</u>	<u>\$ 593,607</u>

### **Note 13 - Lease Commitments**

The Organization leases office equipment under operating leases. The leases require various monthly payment amounts and expire through fiscal year 2020. Equipment lease expense for the years ended June 30, 2017 and 2016, was \$16,248 and \$22,140, respectively. Future minimum payments for the Organization under all operating leases are as follows:

<u>Years Ending June 30</u>	
2018	\$ 10,327
2019	8,671
2020	4,776
2021	3,309
2022	<u>199</u>
<u>Total minimum lease payments</u>	<u>\$ 27,282</u>

#### **Note 14 - Obligations Under Capital Lease**

A description of capital leases is as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Capital lease obligation on leased equipment at 4.5% interest, with a cost of \$52,792, less accumulated depreciation of \$24,196	\$ 27,611	\$ 38,859
Capital lease obligation on leased equipment at 5.4% interest, with a cost of \$5,195, less accumulated depreciation of \$2,381	<u>2,672</u>	<u>4,021</u>
	30,283	42,880
Less, current portion of capital lease obligation	<u>14,888</u>	<u>14,222</u>
<u>Obligations under capital lease, net of current portion</u>	<u>\$ 15,395</u>	<u>\$ 28,658</u>

Scheduled payments on capital lease obligations for the next five years are as follows:

<u>Years Ending June 30</u>	
2018	\$ 15,965
2019	15,709
2020	
2021	
2022	<u>31,674</u>
Less, amounts representing interest	<u>(1,391)</u>
<u>Present value of minimum lease payments</u>	<u>\$ 30,283</u>

#### **Note 15 - 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 three 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 \$41,059 and \$63,263, to the plan during the years ended June 30, 2017 and 2016, respectively.

#### **Note 16 - 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. The uninsured cash balance at June 30, 2017 was \$621,508.

### **Note 17 - Related Party Transactions**

Contributions from board members totaled \$49,018 and \$66,447, during the years ended June 30, 2017 and 2016, respectively.

### **Note 18 - 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 20 - 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 material to the financial statements.

#### **Open Tax Years**

The Organization's Return of Organization Exempt From Income Tax (Form 990) for the years ended June 30, 2016, 2015, and 2014, are subject to examination by the IRS, generally for three years after they were filed.

### **Note 21 - Subsequent Events**

Management has evaluated subsequent events through October 20, 2017, the date on which 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 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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2017.

### **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 MANNA Food Bank, Inc.'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  
October 20, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CARTER, P.C." in a cursive, slightly slanted font.

Asheville, North Carolina  
October 20, 2017

**MANNA FOOD BANK, INC.**

Schedule of Expenditures of Federal and State Awards  
June 30, 2017

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award/ Contract Number</u>	<u>Expenditures</u>	<u>Pass through to Subrecipients</u>
<b>Federal Awards</b>				
<u>U.S. Department of Agriculture</u>				
Passed through North Carolina Department of Agriculture Food Distribution Division:				
Emergency Food Assistance Program Cluster:				
TEFAP Commodities	10.569	G20100270614EFARFA	\$ 1,360,333	\$ 1,358,636
TEFAP Reimbursement	10.568	G20100254217EFARFA	<u>67,405</u>	<u>                    </u>
Total Emergency Food Assistance Program Cluster			1,427,738	1,358,636
Passed through North Carolina Department of Health and Human Services: Division of Social Services				
State Administrative Matching Grants for Food Stamp Program				
	10.561	17175NC4062514 16165NC4062514	<u>72,920</u>	<u>                    </u>
Total U.S. Department of Agriculture			1,500,658	1,358,636
<u>U.S. Department of Homeland Security</u>				
Emergency Food Shelter Program	97.024		<u>7,242</u>	<u>                    </u>
Total federal awards			1,507,900	1,358,636
<b>State Awards</b>				
<u>North Carolina Department of Health and Human Services</u>				
Division of Social Services:				
State-Wide Health and Human Services Initiative				
			<u>493,447</u>	<u>                    </u>
Total expenditures of federal and state awards			<u>\$ 2,001,347</u>	<u>\$ 1,358,636</u>

## MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards (continued)  
June 30, 2017

### **Notes to the Schedule of Expenditures of Federal and State Awards**

#### **Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of MANNA Food Bank, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFSA presents only a selected portion of the operations of MANNA Food Bank, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of MANNA Food Bank, Inc.

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

Expenditures reported in the SEFSA are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. MANNA Food Bank, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MANNA FOOD BANK, INC.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

Section I Summary of Auditors' Results

***Financial Statements***

Type of auditors' report issued Unmodified

***Internal control over financial reporting***

Material weakness(es) identified  yes  no

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

Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

***Internal control over compliance***

Material weakness(es) identified  yes  no

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

***Compliance with the Uniform Guidance***

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  yes  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 \$750,000.

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, 2017

Section II Financial Statement Findings

None reported.

Section III Federal Award Findings and Questioned Costs

None reported.

**MANNA FOOD BANK, INC.**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

No findings reported for the year ended June 30, 2016.

<u>Finding</u>	<u>Status</u>
2015-001	Finding was not repeated.