



MANNA FOOD BANK, INC.

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2019 and 2018

MANNA FOOD BANK, INC.

OFFICERS

Steve Metcalf
Judy Butler
Mary C. Davis
Jerry Prickett
Melody Dunlop

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Vice-President
Treasurer
Secretary
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Hannah Randall, Chief Executive Officer

EMERITUS

Joel Gillespie
Brad Searson
Cissie Stevens

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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were 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* 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019, 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 the effectiveness of MANNA Food Bank, Inc.'s 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.

MANNA FOOD BANK, INC.

Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 1,373,426	\$ 1,298,125
Restricted	62,620	58,451
Accounts and grants receivable	234,903	189,507
Promises to give, current portion	308,947	542,278
Prepaid expenses	74,657	86,883
Other assets	64,184	64,385
Food inventories	<u>766,307</u>	<u>883,409</u>
Total current assets	2,885,044	3,123,038
Promises to give, net of current portion	239,493	470,261
Beneficial interest in endowment funds	1,854,843	1,781,243
Property and equipment	<u>4,759,645</u>	<u>4,557,733</u>
Total assets	<u>\$ 9,739,025</u>	<u>\$ 9,932,275</u>
Liabilities and net assets		
Current liabilities:		
Obligations under capital lease	\$	\$ 13,099
Accounts payable	308,613	146,113
Accrued liabilities	<u>356,246</u>	<u>310,248</u>
Total current liabilities	<u>664,859</u>	<u>469,460</u>
Net assets:		
Without donor restrictions	7,820,541	8,197,030
With donor restrictions	<u>1,253,625</u>	<u>1,265,785</u>
Total net assets	<u>9,074,166</u>	<u>9,462,815</u>
Total liabilities and net assets	<u>\$ 9,739,025</u>	<u>\$ 9,932,275</u>

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

MANNA FOOD BANK, INC.

Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions and private grants	\$ 3,257,022	\$ 110,492	\$ 3,367,514
United Way	73,516	59,680	133,196
Government grants	779,468	1,662	781,130
In-kind contributions	639,732		639,732
USDA food receipts	2,174,182	30,169	2,204,351
Privately donated food	23,823,086	64,436	23,887,522
Shared maintenance fees	427,494		427,494
Co-op food program	549,554		549,554
Reclaim scanning fees	346,221		346,221
Special events	381,625		381,625
Loss on valuation of donated food	(25,824)		(25,824)
Loss on disposal of property and equipment	(1,920)		(1,920)
Other income	49,613		49,613
Net assets released from restrictions	<u>278,599</u>	<u>(278,599)</u>	
Total revenues and other support	<u>32,752,368</u>	<u>(12,160)</u>	<u>32,740,208</u>
Expenses			
Program services	31,483,916		31,483,916
Supporting services	<u>1,688,003</u>		<u>1,688,003</u>
Total expenses	<u>33,171,919</u>		<u>33,171,919</u>
Decrease in net assets before investment activity	<u>(419,551)</u>	<u>(12,160)</u>	<u>(431,711)</u>
Investment activity			
Investment income, net	7,251		7,251
Net losses on investments	(198)		(198)
Net gains on beneficial interest in endowment funds	<u>36,009</u>		<u>36,009</u>
Total investment activity	<u>43,062</u>		<u>43,062</u>
Decrease in net assets	(376,489)	(12,160)	(388,649)
Net assets at beginning of year	<u>8,197,030</u>	<u>1,265,785</u>	<u>9,462,815</u>
Net assets at end of year	<u>\$ 7,820,541</u>	<u>\$ 1,253,625</u>	<u>\$ 9,074,166</u>

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

MANNA FOOD BANK, INC.

Statement of Activities
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions and private grants	\$ 3,701,352	\$ 1,692,042	\$ 5,393,394
Less, designations to other agencies		(824,001)	(824,001)
United Way	76,998	67,066	144,064
Government grants	730,294	11,973	742,267
In-kind contributions	607,139		607,139
USDA food receipts	957,233	5,069	962,302
Privately donated food	25,271,823		25,271,823
Shared maintenance fees	462,728		462,728
Co-op food program	570,145		570,145
Reclaim scanning fees	321,742		321,742
Special events	322,649		322,649
Loss on valuation of donated food	(23,814)		(23,814)
Loss on disposal of property and equipment	(216)		(216)
Other income	50,274		50,274
Net assets released from restrictions	<u>362,821</u>	<u>(362,821)</u>	
Total revenues and other support	<u>33,411,168</u>	<u>589,328</u>	<u>34,000,496</u>
Expenses			
Program services	31,280,147		31,280,147
Supporting services	<u>1,521,673</u>		<u>1,521,673</u>
Total expenses	<u>32,801,820</u>		<u>32,801,820</u>
Increase in net assets before investment activity	<u>609,348</u>	<u>589,328</u>	<u>1,198,676</u>
Investment activity			
Investment income, net	2,105		2,105
Net gains on investments	96		96
Net gains on beneficial interest in endowment funds	<u>69,027</u>		<u>69,027</u>
Total investment activity	<u>71,228</u>		<u>71,228</u>
Increase in net assets	680,576	589,328	1,269,904
Net assets at beginning of year	<u>7,516,454</u>	<u>676,457</u>	<u>8,192,911</u>
Net assets at end of year	<u>\$ 8,197,030</u>	<u>\$ 1,265,785</u>	<u>\$ 9,462,815</u>

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services				Total Program Services
	Food Collection & Distribution	Outreach & Advocacy	Youth Nutrition Works	Feeding Programs	
Salaries, contract labor, & payroll taxes	\$ 1,465,998	\$ 187,956	\$ 106,193	\$ 58,732	\$ 1,818,879
Employee benefits	349,739	32,119	13,859	15,862	411,579
Professional services	46,707	26,367	329		73,403
Supplies	93,288	12,324	1,408	11,497	118,517
Advertising	1,610	259			1,869
Equipment maintenance & leasing	57,487	1,708	184	800	60,179
Postage & printing	5,162	12,901	2,408	86	20,557
Professional fees & dues	27,567		329		27,896
Occupancy	123,983	691	164	85	124,923
Insurance	15,155	294	75	39	15,563
Communications	21,063	3,807	1,161	396	26,427
Travel	29,259	4,614	6,167	772	40,812
Conferences & continuing education	4,829	160			4,989
Project expenses	73,192	675	726		74,593
Contributions & agency subsidies	419,789		200		419,989
Promotions	5,224				5,224
Food purchases	1,013,740	4		459,091	1,472,835
Shipping & transportation	317,713	3,436	13	11,846	333,008
Donated product	23,995,049				23,995,049
USDA product distribution	2,179,251				2,179,251
Bad debt	307				307
Miscellaneous	883				883
Total expenses before depreciation and interest	30,246,995	287,315	133,216	559,206	31,226,732
Depreciation	253,828	3,161	195		257,184
Interest					
Total expenses	<u>\$ 30,500,823</u>	<u>\$ 290,476</u>	<u>\$ 133,411</u>	<u>\$ 559,206</u>	<u>\$ 31,483,916</u>

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2019

	Supporting Services			Total
	Management & General	Fundraising Expenses	Total Supporting Services	
Salaries, contract labor, & payroll taxes	\$ 442,031	\$ 325,969	\$ 768,000	\$ 2,586,879
Employee benefits	128,856	41,672	170,528	582,107
Professional services	101,382	12,894	114,276	187,679
Supplies	28,075	22,709	50,784	169,301
Advertising	1,424	8,461	9,885	11,754
Equipment maintenance & leasing	7,551	3,206	10,757	70,936
Postage & printing	2,400	257,657	260,057	280,614
Professional fees & dues	2,900	1,232	4,132	32,028
Occupancy	4,971	828	5,799	130,722
Insurance	9,135	389	9,524	25,087
Communications	4,920	1,904	6,824	33,251
Travel	7,025	3,271	10,296	51,108
Conferences & continuing education	5,536	348	5,884	10,873
Project expenses	2,032	394	2,426	77,019
Contributions & agency subsidies				419,989
Promotions	3,090	135,992	139,082	144,306
Food purchases	858	55	913	1,473,748
Shipping & transportation		34	34	333,042
Donated product				23,995,049
USDA product distribution				2,179,251
Bad debt		14,725	14,725	15,032
Miscellaneous	<u>25,469</u>	<u>845</u>	<u>26,314</u>	<u>27,197</u>
 Total expenses before depreciation and interest	 777,655	 832,585	 1,610,240	 32,836,972
Depreciation	74,220		74,220	331,404
Interest	<u>3,543</u>		<u>3,543</u>	<u>3,543</u>
 Total expenses	 <u>\$ 855,418</u>	 <u>\$ 832,585</u>	 <u>\$ 1,688,003</u>	 <u>\$ 33,171,919</u>

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services				Total Program Services
	Food Collection & Distribution	Outreach & Advocacy	Youth Nutrition Works	Feeding Programs	
Salaries, contract labor, & payroll taxes	\$ 1,362,409	\$ 164,172	\$ 66,314	\$ 51,894	\$ 1,644,789
Employee benefits	345,932	24,364	10,749	11,716	392,761
Professional services	21,809	4,661	238		26,708
Supplies	80,103	18,051	3,723	15,735	117,612
Advertising	619	81			700
Equipment maintenance & leasing	31,440	2,056	140	309	33,945
Postage & printing	6,821	18,119	6,313	80	31,333
Professional fees & dues	40,859		354		41,213
Occupancy	115,040	361	46	43	115,490
Insurance	15,905	342	60	41	16,348
Communications	18,707	2,976	245	320	22,248
Travel	27,869	7,981	7,482	1,792	45,124
Conferences & continuing education	8,679	556	1,105		10,340
Project expenses	60,138	313	722		61,173
Contributions & agency subsidies	385,773		81,177		466,950
Promotions	12,136				12,136
Food purchases	955,012			443,058	1,398,070
Shipping & transportation	267,825	4,668	30	12,214	284,737
Donated product	25,348,893				25,348,893
USDA product distribution	963,373				963,373
Bad debt	582				582
Miscellaneous	1,380				1,380
Total expenses before depreciation and interest	30,071,304	248,701	178,698	537,202	31,035,905
Depreciation	243,439	803			244,242
Interest					
Total expenses	\$ 30,314,743	\$ 249,504	\$ 178,698	\$ 537,202	\$ 31,280,147

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2018

	Supporting Services			Total
	Management & General	Fundraising Expenses	Total Supporting Services	
Salaries, contract labor, & payroll taxes	\$ 412,671	\$ 315,574	\$ 728,245	\$ 2,373,034
Employee benefits	83,825	50,700	134,525	527,286
Professional services	62,328	54,660	116,988	143,696
Supplies	26,772	20,838	47,610	165,222
Advertising	5	16,127	16,132	16,832
Equipment maintenance & leasing	27,261	3,089	30,350	64,295
Postage & printing	4,909	190,658	195,567	226,900
Professional fees & dues	3,294	2,340	5,634	46,847
Occupancy	4,809	433	5,242	120,732
Insurance	9,277	410	9,687	26,035
Communications	5,338	2,164	7,502	29,750
Travel	4,341	1,945	6,286	51,410
Conferences & continuing education	7,434	3,328	10,762	21,102
Project expenses	655	929	1,584	62,757
Contributions & agency subsidies				466,950
Promotions	2,226	92,224	94,450	106,586
Food purchases	138		138	1,398,208
Shipping & transportation	6	136	142	284,879
Donated product				25,348,893
USDA product distribution				963,373
Bad debt		16,770	16,770	17,352
Miscellaneous	<u>21,425</u>	<u>2,360</u>	<u>23,785</u>	<u>25,165</u>
 Total expenses before depreciation and interest	 676,714	 774,685	 1,451,399	 32,487,304
 Depreciation	 68,893		 68,893	 313,135
Interest	<u>1,381</u>		<u>1,381</u>	<u>1,381</u>
 Total expenses	 <u>\$ 746,988</u>	 <u>\$ 774,685</u>	 <u>\$ 1,521,673</u>	 <u>\$ 32,801,820</u>

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

MANNA FOOD BANK, INC.

Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (388,649)	\$ 1,269,904
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	331,404	313,135
Bad debt expense	15,032	17,352
Receipts of donated other assets	(406,642)	(419,734)
Distribution of donated other assets	406,843	369,392
Receipts of donated inventory	(23,887,522)	(25,271,823)
Disbursements of donated inventory	23,995,049	25,348,893
Receipts of TEFAP inventory	(2,204,351)	(962,302)
Disbursements of TEFAP inventory	2,179,251	963,373
Loss on valuation of donated food	25,824	23,814
Receipt of donated property and equipment	(13,500)	
Loss on disposal of property and equipment	1,920	216
Receipts of donated stock	(19,759)	(44,498)
Net (gains) losses on sale of investments	198	(96)
Net gains on beneficial interest in endowment funds	(36,009)	(69,027)
Changes in working capital - sources (uses):		
Accounts and grants receivable	(45,396)	70,230
Promises to give	449,067	(729,944)
Prepaid expenses	12,226	6,206
Food inventories	8,851	(67,914)
Accounts payable	162,500	50,646
Accrued liabilities	45,998	51,912
Net cash provided by operating activities	632,335	919,735
Cash flows from investing activities		
Proceeds from sale of investments	19,561	44,594
Purchase of property and equipment	(521,736)	(231,742)
Contributions to beneficial interest in endowment funds	(36,010)	(600,000)
Distributions from beneficial interest in endowment funds		36,010
Change in beneficial interest in endowment funds	(1,581)	(314)
Net cash used by investing activities	(539,766)	(751,452)
Cash flows from financing activities		
Principal repayments on capital lease	(13,099)	(17,184)
Increase in cash and equivalents	79,470	151,099
Cash and equivalents at beginning of year	1,356,576	1,205,477
Cash and equivalents at end of year	\$ 1,436,046	\$ 1,356,576
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 3,543	\$ 1,381

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

MANNA FOOD BANK, INC.

Notes to Financial Statements
June 30, 2019 and 2018

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, 2019, the Organization served over 200 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 Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and donated food inventory. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that restrictions were met in the reporting period the support was recognized.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are earnings, including gains and losses, on investments and beneficial interest in endowment funds. These activities are considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than promises to give, beneficial interest in endowment funds, and obligations under capital lease, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized for promises to give approximates fair value due to the allowance for uncollectable pledges and net present value adjustments applied to outstanding balances.

Fair value of beneficial interest in endowment funds is discussed in Note 8.

Amounts recognized for obligations under capital lease approximate fair value due to the market rate of interest charged to outstanding balances.

Cash and Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists primarily of cash held for employment tax claims and forfeited retirement contributions.

Note 1 - Summary of Significant Accounting Policies (continued)

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 fiscal year-end. Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2019 and 2018, no allowance for doubtful accounts was recorded as management expects all accounts and grants receivable amounts to be collectible.

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 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 expected to be received. Amortization of the discount is included in contributions. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give based on prior collection history.

Other Assets

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

Food Inventories

Food inventories represent donated and purchased food and other household products. Donated food inventory and the related food revenue and amounts distributed are valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology, prepared by Feeding America. The value per pound of inventory as determined by Feeding America for the years ended June 30, 2019, and 2018, was \$1.62 and \$1.68, respectively. Inventory items received from the U.S. Department of Agriculture (USDA) are recorded at the value assigned by the USDA. Inventory items purchased are recorded at cost.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statements of activities.

Note 1 - Summary of Significant Accounting Policies (continued)

Investment Income and Gains

Investment income and gains are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements and Disclosures

The Organization applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

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

If the 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.

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. The Organization has adopted an accounting practice to capitalize all property and equipment with a cost greater than \$1,500. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from three to forty years.

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Designations to Other Agencies

Certain contributions made to the Organization are designated by the donor to be paid out to other agencies. These contributions are recognized as both contributions and designations to other agencies on the accompanying statements of activities. The balance of unpaid designations to other agencies remains a liability until the funds are collected and paid out. The liability for unpaid designations to other agencies is recorded as a reduction of promises to give in the statements of financial position.

Donated Assets

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, 2019 and 2018, the Organization received in-kind materials and equipment in the amount of \$547,905 and \$552,353, respectively.

Donated Services

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 \$91,827 and \$54,786 in donated services during the years ended June 30, 2019 and 2018, respectively. Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the fiscal year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization received approximately 73,848 and 73,729 volunteer hours during the years ended June 30, 2019 and 2018, respectively.

Revenue from Reclaim Scanning Fees

Revenue from reclaim 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing program and supporting services activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for donated product and USDA product distributions are allocated on the basis of a combination of estimates of time and effort and the square footage of building space in which the programs are operated. Donated and USDA product distributions are directly related to program services.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2019 and 2018, was \$11,754 and \$16,832, respectively.

Shipping and Handling Costs

The Organization records freight billed to customers as shared maintenance fees revenue and related freight costs as shipping and transportation expenses on the statements of functional expenses.

Reclassification

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

New Accounting Pronouncement

During the year ended June 30, 2019, the Organization adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type and information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily and permanently restricted net assets are now combined and reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 3).

The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard is effective for financial statements for years beginning after December 15, 2018. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require lessees to recognize a lease liability and right-of-use asset for most leases, including operating 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 November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, (ASU 2016-18). ASU 2016-18 is intended to clarify the classification and presentation of restricted cash and cash equivalents in the statements of cash flows. The ASU will require amounts generally described as restricted cash to be included with cash and equivalents on the statement of cash flows. The standard is effective for annual financial statements issued for years beginning after December 15, 2018. This guidance will not impact the presentation of the statement of cash flows.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify and improve the guidance about the distinction between contributions and exchange transactions and determine whether a contribution is conditional. This ASU will be effective for annual periods beginning after December 15, 2018. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 2 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Undesignated	\$ 1,575,618	\$ 2,214,420
Investment in property and equipment	4,759,645	4,544,634
Board designated:		
Operating reserve	1,408,278	1,360,976
Capital reserve	<u>77,000</u>	<u>77,000</u>
Total board designated	<u>1,485,278</u>	<u>1,437,976</u>
Net assets without donor restrictions	<u>7,820,541</u>	<u>8,197,030</u>

Note 2 - Net Assets (continued)

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Mobile pantry	\$ 387,963	\$ 432,991
Nutrition	308,718	370,050
Food distribution	72,180	48,377
MANNA Packs for Kids	89,436	33,689
FNS Outreach	46,903	
USDA Emergency Food Assistance Program	30,169	5,069
Retail expansion	2,958	50,000
State-Wide Health and Human Services Initiative	<u>1,662</u>	<u>11,973</u>
Total subject to expenditure for specified purpose	939,989	952,149
Not subject to spending policy or appropriation:		
Investment in perpetuity - endowment funds	<u>313,636</u>	<u>313,636</u>
Net assets with donor restrictions	<u>1,253,625</u>	<u>1,265,785</u>
<u>Total net assets</u>	<u>\$ 9,074,166</u>	<u>\$ 9,462,815</u>

Note 3 - Liquidity and Availability of Financial Assets

The Organization received significant contributions and promises to give restricted by donors and consider those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures.

The Organization manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Dedicated reserves to provide reasonable assurance that obligations are met.

The Organization targets year-end reserve balances of undesignated net assets without donor restrictions to meet 180 days of expected expenditures. To achieve this target, the Organization forecasts future cash flows and monitors liquidity on a quarterly basis.

Board designated operating reserves are available for appropriation by the Board. However, the Organization does not intend to spend from these board designated operating reserves, unless necessary.

Note 3 - Liquidity and Availability of Financial Assets (continued)

The following reflects the liquidity and availability of the Organization's financial assets:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and equivalents	\$ 1,436,046	\$ 1,356,576
Accounts and grants receivable	234,903	189,507
Promises to give, net	548,440	1,012,539
Food inventories	766,307	883,409
Beneficial interest in endowment funds	<u>1,854,843</u>	<u>1,781,243</u>
Total financial assets	<u>4,840,539</u>	<u>5,223,274</u>
Amounts not available for general expenditure:		
Board designated operating reserve	(1,408,278)	(1,360,976)
Board designated capital reserve	(77,000)	(77,000)
Net assets with donor restrictions	(1,253,625)	(1,265,785)
Donated food inventories to be distributed	(589,735)	(723,086)
Add back: promises to give, current portion	<u>308,947</u>	<u>542,278</u>
Total amounts not available for general expenditure	<u>(3,019,691)</u>	<u>(2,884,569)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,820,848</u>	<u>\$ 2,338,705</u>

Note 4 - Promises to Give

Unconditional promises to give are described as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 308,947	\$ 862,279
One to five years	<u>530,119</u>	<u>981,092</u>
Total unconditional promises to give	839,066	1,843,371
Less, designations to other agencies, current portion		(320,001)
Less, designations to other agencies, net of current portion	(286,000)	(504,000)
Less, allowance for uncollectible promises to give	(4,428)	(5,739)
Less, discount to net present value at 3.25%	<u>(198)</u>	<u>(1,092)</u>
<u>Promises to give</u>	<u>\$ 548,440</u>	<u>\$ 1,012,539</u>

Note 5 - Accounts and Grants Receivable

Accounts and grants receivable consist of the following:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Grants receivable	\$ 105,469	\$ 24,728
Service fees receivable	99,900	99,663
Other receivables	<u>29,534</u>	<u>65,116</u>
<u>Accounts and grants receivable</u>	<u>\$ 234,903</u>	<u>\$ 189,507</u>

Note 6 - Food Inventories

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

<u>At June 30</u>	<u>2019</u>		<u>2018</u>	
	<u>lbs.</u>	<u>\$</u>	<u>lbs.</u>	<u>\$</u>
Product received:				
Donated product	14,745,384	\$ 23,887,522	15,042,613	\$ 25,271,823
TEFAP	2,850,959	2,204,351	1,220,140	962,302
Purchased product	<u>3,026,974</u>	<u>1,464,897</u>	<u>3,005,268</u>	<u>1,466,122</u>
Total product received	<u>20,623,317</u>	<u>\$ 27,556,770</u>	<u>19,268,021</u>	<u>\$ 27,700,247</u>
Product distribution:				
Donated product	14,811,808	\$ 23,995,049	15,088,488	\$ 25,348,893
TEFAP	2,807,053	2,179,251	1,223,033	963,373
Purchased product	<u>3,077,384</u>	<u>1,473,748</u>	<u>2,876,533</u>	<u>1,398,208</u>
Total product distributed	<u>20,696,245</u>	<u>\$ 27,648,048</u>	<u>19,188,054</u>	<u>\$ 27,710,474</u>

Food inventories have been recorded at net present value.

Note 7 - Beneficial Interest in Endowment Funds

The beneficial interest in endowment funds is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The fund agreements grant 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, in its sole judgment (without the approval of any trustee, custodian, or agent), such condition or restriction becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundation.

Under the terms of the agreements, the Organization can withdraw all or a portion of the original principal provided the governing board of the Organization and the Foundation approve the withdrawal. The Organization's beneficial interest in endowment funds is invested in an allocated investment pool at the Foundation and are presented in the financial statements in the aggregate at fair value.

Note 8 - Fair Value Measurements

The beneficial interest in an endowment funds is reported at fair value based on information provided by the Foundation. Due to the nature of the assets the Organization owns, the instrument is valued using Level 3 inputs. No Level 1 or 2 inputs were present.

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

<u>Years Ended June 30</u>	<u>2019</u>	<u>2018</u>
Level 3 inputs, beginning of the year	\$ 1,781,243	\$ 1,147,912
Contributions	36,010	600,000
Distributions		(36,010)
Interest and dividends	17,918	12,168
Investment fees	(16,337)	(11,854)
Net gains on investment	<u>36,009</u>	<u>69,027</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 1,854,843</u>	<u>\$ 1,781,243</u>

Note 9 - Property and Equipment

Property and equipment consists of the following:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Land	\$ 249,466	\$ 249,466
Building and improvements	4,148,711	4,129,606
Furniture and fixtures	243,669	201,124
Vehicles	1,298,500	1,023,973
Warehouse equipment	1,112,211	1,117,333
Construction in progress	<u>212,310</u>	<u>28,600</u>
	7,264,867	6,750,102
Less, accumulated depreciation	<u>2,505,222</u>	<u>2,192,369</u>
<u>Property and equipment</u>	<u>\$ 4,759,645</u>	<u>\$ 4,557,733</u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$331,404 and \$313,135, respectively.

Note 10 - Accrued Liabilities

Accrued liabilities are described as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Accrued payroll	\$ 94,606	\$ 89,105
Accrued compensated absences	191,799	159,679
Unemployment reserve	44,235	43,836
Other	<u>25,606</u>	<u>17,628</u>
<u>Accrued liabilities</u>	<u>\$ 356,246</u>	<u>\$ 310,248</u>

Note 11 - Operating Leases

The Organization leases office equipment under operating leases with various monthly or quarterly payments and maturity dates through August 2022. Payments under all operating leases for the years ended June 30, 2019 and 2018, were \$17,429 and \$35,635, respectively. The future minimum rental obligations under all operating leases are as follows:

<u>Years Ending June 30</u>	
2020	\$ 14,848
2021	14,114
2022	11,914
2023	1,985
2024	<u> </u>
<u>Total minimum lease payments</u>	<u>\$ 42,861</u>

Note 12 - Obligations Under Capital Lease

The Organization leased equipment under capital leases. The following is an analysis of the leased assets included in property and equipment:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Equipment	\$ 57,987	\$ 57,987
Less, Accumulated depreciation	<u>55,571</u>	<u>41,074</u>
<u>Total leased assets</u>	<u>\$ 2,416</u>	<u>\$ 16,913</u>

There were no future minimum payments required under the leases as of June 30, 2019. Amortization of assets held under capital leases totaled \$14,497 for the years ended June 30, 2019 and 2018, and is included in depreciation expense.

Note 13 - In-kind Contributions

In-kind contributions are summarized as follows:

<u>Years Ended June 30</u>	<u>2019</u>	<u>2018</u>
Equipment	\$ 406,642	\$ 419,734
Vehicles	13,500	
Furniture and fixtures		350
Fundraisers	118,018	84,352
Professional services	68,136	39,786
Advertising	6,950	15,000
Food	2,256	6,559
Other	<u>24,230</u>	<u>41,358</u>
<u>In-kind contributions</u>	<u>\$ 639,732</u>	<u>\$ 607,139</u>

Note 14 - Defined Contribution Plan

The Organization participates in a 401(k) defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after attaining age twenty-one 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. Employer contributions become vested after three years of continuous service. Retirement benefit expenses under the Plan for the years ended June 30, 2019 and 2018, were \$35,753 and \$44,857, respectively.

Note 15 - 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 or third-party reimbursements.

Note 16 - Concentrations of Credit Risk

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, 2019, was \$803,070.

Contributions from an individual donor were \$596,862, net of designations to others, which was 13% of total net contributions and private grants for the year ended June 30, 2018. The balance of promises to give from this individual donor was \$233,024 and \$596,862, net of designations to others, which represents 42% and 59% of total promises to give at June 30, 2019 and 2018, respectively.

Note 17 - Related Party Transactions

Contributions from board members totaled \$56,139 and \$51,728, during the years ended June 30, 2019 and 2018, respectively.

Note 18 - 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, 2018, 2017, and 2016, are subject to examination by the IRS, generally for three years after they were filed.

Note 19 - Subsequent Events

Management has evaluated subsequent events through October 9, 2019, which is the date the financial statements were available to be issued.

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, 2019, 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 9, 2019.

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 9, 2019

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, 2019. 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.

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, 2019.

To the Board of Directors
MANNA Food Bank, Inc.

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.

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.

CARTER, P.C.

Asheville, North Carolina
October 9, 2019

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards
June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass- through to Subrecipients</u>
Federal Awards				
<u>U.S. Department of Agriculture</u>				
Food and Nutrition Service:				
Passed through N.C. Department of Agriculture and Consumer Services - Food Distribution Division:				
Food Distribution Cluster:				
Emergency Food Assistance Program (Food Commodities)	10.569	2000023086-EFA & 2000028991	\$ 1,411,536	\$ 1,408,607
Emergency Food Assistance Program (Administrative Costs)	10.568	2000023226-RFA & 2000029373	146,280	
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	2000032283	<u>816,205</u>	<u>760,609</u>
Total Food Distribution Cluster			2,374,021	2,169,216
Passed through N.C. Department of Health and Human Services - Division of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	36198 & 37797	<u>87,218</u>	
Total U.S. Department of Agriculture			2,461,239	2,169,216
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency:				
Emergency Food and Shelter National Board Program	97.024		<u>6,350</u>	
Total expenditures of federal awards			<u>\$ 2,467,589</u>	<u>\$ 2,169,216</u>

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards (continued)
June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass- through to Subrecipients</u>
State Awards				
<u>North Carolina Department of Health and Human Services</u>				
Division of Central Management - Office of Procurement and Contract Services:				
State-Wide Health and Human Services Initiative		OW #36277	\$ <u>492,792</u>	\$ <u> </u>

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 programs of the federal government and the State of North Carolina for the year ended June 30, 2019. 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* (Uniform Guidance). 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.

Note C - Indirect Cost Rate

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, 2019

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 deficiency(ies) identified? _____ 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 deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be
reported in accordance with section 2 CFR
section 200.516(a)? _____ yes X no

Identification of major federal programs:

Food Distribution Cluster:

CFDA# 10.569 - Emergency Food Assistance Program (Food Commodities)

CFDA# 10.568 - Emergency Food Assistance Program (Administrative Costs)

CFDA# 10.178 - Trade Mitigation Program Eligible Recipient Agency Operational Funds

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, 2019

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, 2019

No findings were reported for the year ended June 30, 2018.

No findings were reported for the year ended June 30, 2017.