



MANNA FOOD BANK, INC.

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2020 and 2019

MANNA FOOD BANK, INC.

OFFICERS

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

President
President-Elect
Treasurer
Secretary
Past President

BOARD OF DIRECTORS

Kathy Arriola
Leeann Bridges
Judy Butler
Keith Collins
Mary C. Davis
Melody Dunlop
Ron Edgerton
John Forsyth
Bud Hughes
David Jenkins
Keynon Lake

Kip Marshall, Jr.
Jim Mathews
Steve Metcalf
Louise T. O'Connor
Karen Olsen
Cindy Piercy
Jerry Prickett
Dr. Calvin O. Tomkins
Sage Turner
Edward Zaidberg

EX-OFFICIO MEMBER

Hannah Randall, Chief Executive Officer

EMERITUS

Joel Gillespie
Brad Searson
Cissie Stevens

Marjorie Ulin
Sheryl Williams

MANNA FOOD BANK, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities - 2020	4
Statement of Activities - 2019	5
Statement of Functional Expenses - 2020	6-7
Statement of Functional Expenses - 2019	8-9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-27
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 <i>Government Auditing Standards</i>	28-29
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	30-31
Schedule of Expenditures of Federal and State Awards	32-33
Schedule of Findings and Questioned Costs	34-35
Summary Schedule of Prior Audit Findings	36

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 21, 2020, 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, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 5,573,424	\$ 1,373,426
Restricted	54,622	62,620
Short-term investments	50,710	
Accounts and grants receivable	434,779	234,903
Promises to give, current portion	487,300	308,947
Prepaid expenses	56,354	74,657
Other assets	18,798	64,184
Food inventories	<u>1,296,789</u>	<u>766,307</u>
Total current assets	7,972,776	2,885,044
Promises to give, net of current portion	3,333	239,493
Beneficial interest in endowment funds	2,056,077	1,854,843
Property and equipment	<u>4,514,129</u>	<u>4,759,645</u>
Total assets	<u>\$ 14,546,315</u>	<u>\$ 9,739,025</u>
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 269,594	\$
Accounts payable	749,831	308,613
Accrued liabilities	576,257	330,640
Deferred revenue	<u>556,613</u>	<u>25,606</u>
Total current liabilities	2,152,295	664,859
Long-term debt, net of current maturities	<u>343,386</u>	
Total liabilities	<u>2,495,681</u>	<u>664,859</u>
Net assets:		
Without donor restrictions	9,048,367	7,820,541
With donor restrictions	<u>3,002,267</u>	<u>1,253,625</u>
Total net assets	<u>12,050,634</u>	<u>9,074,166</u>
Total liabilities and net assets	<u>\$ 14,546,315</u>	<u>\$ 9,739,025</u>

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

MANNA FOOD BANK, INC.

Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions and private grants	\$ 6,128,757	\$ 2,126,650	\$ 8,255,407
United Way	54,537	56,752	111,289
Government grants	1,442,363	826	1,443,189
In-kind contributions	595,123		595,123
USDA food receipts	5,183,626	215,987	5,399,613
Privately donated food	21,418,666	16,812	21,435,478
Shared maintenance fees	444,793		444,793
Co-op food program	889,991		889,991
Reclaim scanning fees	318,519		318,519
Special events	291,251		291,251
Gain on valuation of donated food	43,164		43,164
Loss on disposal of property and equipment	(23,889)		(23,889)
Other income	34,582		34,582
Net assets released from restrictions	<u>668,385</u>	<u>(668,385)</u>	
Total revenues and other support	<u>37,489,868</u>	<u>1,748,642</u>	<u>39,238,510</u>
Expenses			
Program services	34,219,387		34,219,387
Supporting services	<u>2,029,140</u>		<u>2,029,140</u>
Total expenses	<u>36,248,527</u>		<u>36,248,527</u>
Increase in net assets before investment activity	<u>1,241,341</u>	<u>1,748,642</u>	<u>2,989,983</u>
Investment activity			
Investment income, net	6,667		6,667
Net losses on investments	(3,868)		(3,868)
Net losses on beneficial interest in endowment funds	<u>(16,314)</u>		<u>(16,314)</u>
Total investment activity	<u>(13,515)</u>		<u>(13,515)</u>
Increase in net assets	1,227,826	1,748,642	2,976,468
Net assets at beginning of year	<u>7,820,541</u>	<u>1,253,625</u>	<u>9,074,166</u>
Net assets at end of year	<u>\$ 9,048,367</u>	<u>\$ 3,002,267</u>	<u>\$ 12,050,634</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 Functional Expenses
Year Ended June 30, 2020

	Program Services				Total Program Services
	Food Collection & Distribution	Outreach & Advocacy	Nutrition Works	Youth Feeding Programs	
Salaries, contract labor, & payroll taxes	\$ 1,742,245	\$ 213,742	\$ 95,246	\$ 58,481	\$ 2,109,714
Employee benefits	381,678	28,498	11,093	12,301	433,570
Professional services	78,534	14,003		808	93,345
Supplies	131,384	27,840	6,303	14,686	180,213
Advertising	1,575	2,161			3,736
Equipment maintenance & leasing	56,064	2,720	324	405	59,513
Postage & printing	4,137	22,001	5,069	77	31,284
Professional fees & dues	20,696		70		20,766
Occupancy	118,736	618	150	77	119,581
Insurance	14,464	319	77	40	14,900
Communications	19,494	3,332	1,673	400	24,899
Travel	16,814	5,668	4,149		26,631
Conferences & continuing education	1,950	375	488		2,813
Project expenses	76,429	1,066	2,179		79,674
Contributions & agency subsidies	612,259				612,259
Promotions	52		600		652
Food purchases	2,458,233			440,248	2,898,481
Shipping & transportation	329,305	519	287	10,432	340,543
Donated product	21,646,130				21,646,130
USDA product distribution	5,213,795				5,213,795
Bad debt					
Miscellaneous	<u>4,812</u>			<u>50</u>	<u>4,862</u>
Total expenses before depreciation	32,928,786	322,862	127,708	538,005	33,917,361
Depreciation	<u>296,492</u>	<u>5,210</u>	<u>324</u>		<u>302,026</u>
Total expenses	<u>\$ 33,225,278</u>	<u>\$ 328,072</u>	<u>\$ 128,032</u>	<u>\$ 538,005</u>	<u>\$ 34,219,387</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, 2020

	Supporting Services			Total
	Management & General	Fundraising Expenses	Total Supporting Services	
Salaries, contract labor, & payroll taxes	\$ 604,272	\$ 371,575	\$ 975,847	\$ 3,085,561
Employee benefits	211,885	48,839	260,724	694,294
Professional services	81,137	22,886	104,023	197,368
Supplies	28,857	20,313	49,170	229,383
Advertising	6,321	104,212	110,533	114,269
Equipment maintenance & leasing	8,530	3,249	11,779	71,292
Postage & printing	2,401	283,584	285,985	317,269
Professional fees & dues	2,227	1,473	3,700	24,466
Occupancy	5,296	790	6,086	125,667
Insurance	8,371	503	8,874	23,774
Communications	9,545	1,787	11,332	36,231
Travel	1,188	1,249	2,437	29,068
Conferences & continuing education	1,380	230	1,610	4,423
Project expenses	1,465	523	1,988	81,662
Contributions & agency subsidies				612,259
Promotions	3,112	34,543	37,655	38,307
Food purchases	1,160	30	1,190	2,899,671
Shipping & transportation		36	36	340,579
Donated product				21,646,130
USDA product distribution				5,213,795
Bad debt		46,265	46,265	46,265
Miscellaneous	41,439	1,212	42,651	47,513
 Total expenses before depreciation	 1,018,586	 943,299	 1,961,885	 35,879,246
 Depreciation	 66,109	 1,146	 67,255	 369,281
 Total expenses	 \$ 1,084,695	 \$ 944,445	 \$ 2,029,140	 \$ 36,248,527

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	Nutrition Works	Youth 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	25,469	845	26,314	27,197
 Total expenses before depreciation and interest	 777,655	 832,585	 1,610,240	 32,836,972
Depreciation	74,220		74,220	331,404
Interest	3,543		3,543	3,543
 Total expenses	 \$ 855,418	 \$ 832,585	 \$ 1,688,003	 \$ 33,171,919

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

MANNA FOOD BANK, INC.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 2,976,468	\$ (388,649)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	369,281	331,404
Bad debt expense	46,265	15,032
Present value adjustment	(198)	(893)
Receipts of donated other assets	(340,622)	(406,642)
Distribution of donated other assets	386,008	406,843
Receipts of donated inventory	(21,435,478)	(23,887,522)
Disbursements of donated inventory	21,646,130	23,995,049
Receipts of USDA inventory	(5,399,613)	(2,204,351)
Disbursements of USDA inventory	5,213,795	2,179,251
(Gain) loss on valuation of donated food	(43,164)	25,824
Receipt of donated property and equipment	(750)	(13,500)
Loss on disposal of property and equipment	23,889	1,920
Receipt of donated stock	(118,194)	(19,759)
Net losses on sale of investments	3,868	198
Net (gains) losses on beneficial interest in endowment funds	16,314	(36,009)
Changes in working capital - sources (uses):		
Accounts and grants receivable	(199,876)	(45,396)
Promises to give	11,740	449,960
Prepaid expenses	18,303	12,226
Food inventories	(512,152)	8,851
Accounts payable	441,218	162,500
Accrued liabilities	245,617	38,020
Deferred revenue	531,007	7,978
Net cash provided by operating activities	3,879,856	632,335
Cash flows from investing activities		
Proceeds from sale of investments	114,326	19,561
Proceeds from sale of property and equipment	1,000	
Purchase of short-term investments	(50,710)	
Contributions to beneficial interest in endowment funds	(213,873)	(36,010)
Change in beneficial interest in endowment funds	(3,675)	(1,581)
Purchase of property and equipment	(147,904)	(521,736)
Net cash used by investing activities	(300,836)	(539,766)

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

MANNA FOOD BANK, INC.

Statements of Cash Flows (continued)
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from financing activities		
Proceeds from long-term debt	\$ 612,980	\$
Principal repayments on capital lease		<u>(13,099)</u>
Net cash provided (used) by financing activities	<u>612,980</u>	<u>(13,099)</u>
Increase in cash and equivalents	4,192,000	79,470
Cash and equivalents at beginning of year	<u>1,436,046</u>	<u>1,356,576</u>
Cash and equivalents at end of year	<u>\$ 5,628,046</u>	<u>\$ 1,436,046</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$</u>	<u>\$ 3,543</u>

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

MANNA FOOD BANK, INC.

Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

Organization

MANNA Food Bank, Inc. (Organization) is a nonprofit entity established for the purpose of collecting, warehousing, and distributing salvageable food and non-food products to area agencies and 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, 2020, 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.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than promises to give, food inventories, short-term investments, beneficial interest in endowment funds, and long-term debt, 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 uncollectible pledges and net present value adjustment applied to outstanding balances.

The fair value of food inventories is discussed in Note 1, Food Inventories.

Fair value of short-term investments and beneficial interest in endowment funds is discussed in Note 8.

Amounts recognized for long-term debt approximates fair value due to the market rate of interest charged at borrowing.

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.

Short-term Investments

Short-term investments consist of certificates of deposit with maturities exceeding three months.

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 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, 2020 and 2019, no allowance for doubtful accounts was recorded as management expects all accounts and grants receivable amounts to be collected.

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 and private grants. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give.

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. Inventory items purchased are recorded at cost. Donated food inventory and the related donated 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 (the Survey), prepared by Feeding America. The value per pound of inventory as determined by Feeding America for the years ended June 30, 2020, and 2019, was \$1.74 and \$1.62, respectively.

Inventory items received from the U.S. Department of Agriculture (USDA) are recorded at the value assigned by the USDA. If a value is not assigned, the inventory and the related food revenue and amounts distributed are valued using the Survey published by Feeding America. The value per pound of food as determined by Feeding America for the year ended June 30, 2020, was \$1.49. All USDA food and related activity for the year ended June 30, 2019, was valued by the USDA.

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 and estimated useful life extending beyond one year. 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, 2020 and 2019, the Organization received in-kind materials and equipment in the amount of \$509,196 and \$547,905, 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 \$85,927 and \$91,827 in donated services during the years ended June 30, 2020 and 2019, 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 52,500 and 73,800 volunteer hours during the years ended June 30, 2020 and 2019, respectively.

Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return or right of release of the obligation - are not recognized until the conditions on which they depend have been met.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. The Organization received a \$500,000 advance payment on a cost-reimbursable grant that has not been recognized as of June 30, 2020. This amount will be included in deferred revenue until qualifying expenditures have been incurred.

Shared maintenance fees consist of processing, delivery, and mobile pantry fees charged for services provided to agencies. Unearned shared maintenance fees are not recognized in the statements of activities and are included in deferred revenue in the statements of financial position.

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.

Functional Allocation of Expenses

The costs 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 contributions & agency subsidies, donated product, USDA product distribution, and bad debt 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. Contributions & agency subsidies, donated product, and USDA product distribution are directly attributable to program services. Bad debt is directly attributable to fundraising expenses, which is a supporting service.

Advertising

The Organization uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019, was \$114,269 and \$11,754, 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 in the accompanying financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

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, 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.

New Accounting Pronouncements

During the year ended June 30, 2020, the Organization adopted the requirements of the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Organization's financial statements.

- Accounting Standards Update 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.
- Accounting Standards Update No. 2016-18, *Restricted Cash* (ASU 2016-18). This ASU clarifies the classification and presentation of restricted cash and equivalents in the statements of cash flows. The ASU requires amounts generally described as restricted cash to be included with cash and equivalents when reconciling beginning and ending amounts on the statements of cash flows.
- Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). This ASU clarifies and improves the guidance about the distinction between contributions and exchange transactions and determine whether a contribution is conditional.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. In May 2020, the FASB voted to extend the effective date for nonpublic entities and nonprofit organizations to fiscal years ending after December 15, 2020, with early adoption permitted. 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 beginning after December 15, 2021. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Note 2 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Undesignated	\$ 2,919,849	\$ 1,652,618
Investment in property and equipment	<u>4,514,129</u>	<u>4,759,645</u>
Board designated:		
Operating reserve	1,431,416	1,331,278
Capital reserve	<u>182,973</u>	<u>77,000</u>
Total board designated	<u>1,614,389</u>	<u>1,408,278</u>
Net assets without donor restrictions	<u>9,048,367</u>	<u>7,820,541</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
COVID-19 pandemic response	1,729,051	
Food distribution	284,332	72,180
USDA Emergency Food Assistance Program	215,987	30,169
Nutrition	170,610	308,718
Mobile pantry	112,834	387,963
MANNA Packs for Kids	82,215	89,436
Passage of time	56,752	
Voter engagement	15,000	
Food purchases	11,024	
FNS Outreach	10,000	46,903
State-Wide Health and Human Services Initiative	826	1,662
Retail expansion		<u>2,958</u>
Total subject to expenditure for specified purpose or period	<u>2,688,631</u>	<u>939,989</u>
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>3,002,267</u>	<u>1,253,625</u>
<u>Total net assets</u>	<u>\$ 12,050,634</u>	<u>\$ 9,074,166</u>

Note 3 - Liquidity and Availability of Financial Assets

The Organization receives 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 and capital reserves are available for appropriation by the Board. However, the Organization does not intend to spend from these reserves, unless necessary.

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

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and equivalents	\$ 5,628,046	\$ 1,436,046
Short-term investments	50,710	
Accounts and grants receivable	434,779	234,903
Promises to give, net	490,633	548,440
Food inventories	1,296,789	766,307
Beneficial interest in endowment funds	<u>2,056,077</u>	<u>1,854,843</u>
Total financial assets	<u>9,957,034</u>	<u>4,840,539</u>
Amounts not available for general expenditure:		
Board designated operating reserve	(1,431,416)	(1,331,278)
Board designated capital reserve	(182,973)	(77,000)
Net assets with donor restrictions	(1,543,118)	(1,253,625)
Donated food inventories to be distributed	(422,247)	(589,735)
Add back: promises to give, current portion	<u>487,300</u>	<u>308,947</u>
Total amounts not available for general expenditure	<u>(3,092,454)</u>	<u>(2,942,691)</u>
Net financial assets available to meet cash needs <u>for general expenditures within one year</u>	<u>\$ 6,864,580</u>	<u>\$ 1,897,848</u>

Note 4 - Promises to Give

Unconditional promises to give are described as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 503,977	\$ 313,375
One to five years	<u>3,333</u>	<u>525,691</u>
Total unconditional promises to give	507,310	839,066
Less, designations to other agencies		(286,000)
Less, allowance for uncollectible promises to give	(16,677)	(4,428)
Less, discount to net present value at 3.25%	<u> </u>	<u>(198)</u>
<u>Promises to give</u>	<u>\$ 490,633</u>	<u>\$ 548,440</u>

Note 5 - Accounts and Grants Receivable

Accounts and grants receivable consist of the following:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Grants receivable	\$ 214,535	\$ 105,469
Service fees receivable	152,606	99,900
Other receivables	<u>67,638</u>	<u>29,534</u>
<u>Accounts and grants receivable</u>	<u>\$ 434,779</u>	<u>\$ 234,903</u>

Note 6 - Food Inventories

Food inventories have been recorded at net present value. The following presents a summary of food received and distributed:

<u>At June 30</u>	<u>2020</u>		<u>2019</u>	
	<u>lbs.</u>	<u>\$</u>	<u>lbs.</u>	<u>\$</u>
Product received:				
Donated product	12,319,240	\$ 21,435,478	14,745,384	\$ 23,887,522
USDA product	4,995,686	5,399,613	2,850,959	2,204,351
Purchased product	<u>5,614,438</u>	<u>3,411,823</u>	<u>3,026,974</u>	<u>1,464,897</u>
Total product received	<u>22,929,364</u>	<u>\$ 30,246,914</u>	<u>20,623,317</u>	<u>\$ 27,556,770</u>
Product distribution:				
Donated product	12,440,753	\$ 21,646,130	14,811,808	\$ 23,995,049
USDA product	4,838,166	5,213,795	2,807,053	2,179,251
Purchased product	<u>4,972,721</u>	<u>2,899,671</u>	<u>3,077,384</u>	<u>1,473,748</u>
Total product distributed	<u>22,251,640</u>	<u>\$ 29,759,596</u>	<u>20,696,245</u>	<u>\$ 27,648,048</u>

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 that 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

Short-term investments and beneficial interest in endowment funds are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

Short-term Investments

Amounts consist of certificates of deposit with a local bank that are valued at fair market value and are categorized as Level 2.

Beneficial Interest in Endowment Funds

The fair value of the beneficial interest in endowment funds is provided by the Foundation. Due to inputs being unobservable, the instruments are categorized as Level 3.

The following tables sets forth estimated fair values of financial instruments:

<u>At June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Certificates of deposit	\$	\$ 50,710	\$	\$ 50,710
Beneficial interest in endowment funds			<u>2,056,077</u>	<u>2,056,077</u>
<u>Total fair value measurements</u>	<u>\$</u>	<u>\$ 50,710</u>	<u>\$ 2,056,077</u>	<u>\$ 2,106,787</u>

<u>At June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in endowment funds	\$	\$	\$ 1,854,843	\$ 1,854,843
<u>Total fair value measurements</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,854,843</u>	<u>\$ 1,854,843</u>

Note 8 - Fair Value Measurements (continued)

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

<u>Years Ended June 30</u>	<u>2020</u>	<u>2019</u>
Level 3 inputs, beginning of the year	\$ 1,854,843	\$ 1,781,243
Contributions	213,873	36,010
Interest and dividends	18,727	17,918
Investment fees	(15,052)	(16,337)
Net gains (losses) on beneficial interest in endowment funds	<u>(16,314)</u>	<u>36,009</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 2,056,077</u>	<u>\$ 1,854,843</u>

Note 9 - Property and Equipment

Property and equipment consists of the following:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Land	\$ 249,466	\$ 249,466
Building and improvements	4,162,235	4,148,711
Furniture and fixtures	297,280	243,669
Vehicles	1,491,485	1,298,500
Warehouse equipment	1,124,276	1,112,211
Construction in progress	<u>6,316</u>	<u>212,310</u>
	7,331,058	7,264,867
Less, accumulated depreciation	<u>2,816,929</u>	<u>2,505,222</u>
<u>Property and equipment</u>	<u>\$ 4,514,129</u>	<u>\$ 4,759,645</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$369,281 and \$331,404, respectively.

Note 10 - Accrued Liabilities

Accrued liabilities are described as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Accrued payroll	\$ 216,937	\$ 94,606
Accrued compensated absences	270,683	191,799
Unemployment reserve	49,809	44,235
Discretionary 401(k) contributions	<u>38,828</u>	<u> </u>
<u>Accrued liabilities</u>	<u>\$ 576,257</u>	<u>\$ 330,640</u>

Note 11 - Deferred Revenue

Deferred revenue is described as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Conditional grants	\$ 536,007	\$ 12,984
Agency credits and relief funds	<u>20,606</u>	<u>12,622</u>
<u>Deferred revenue</u>	<u>\$ 556,613</u>	<u>\$ 25,606</u>

Note 12 - Long-term Debt

Long-term debt is described as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Paycheck Protection Program (PPP) loan payable in 18 monthly installments of \$34,496, including interest at 1%, beginning November 2020 and due April 2022, unsecured	\$ 612,980	\$
Less, current maturities	<u>269,594</u>	<u> </u>
<u>Long-term debt, net of current maturities</u>	<u>\$ 343,386</u>	<u>\$</u>

If PPP funds are used for certain expenses, predominantly salaries and related costs, all or a portion of the balance could be forgiven. There was no interest expense related to long-term debt for the year ended June 30, 2020.

Principal repayments on long-term debt are as follows:

<u>Years Ending June 30</u>	<u>Principal Payments</u>
2021	\$ 269,594
2022	343,386
2023	
2024	
2025	<u> </u>
<u>Principal payments on long-term debt</u>	<u>\$ 612,980</u>

Note 13 - In-kind Contributions

In-kind contributions are summarized as follows:

<u>Years Ended June 30</u>	<u>2020</u>	<u>2019</u>
Equipment	\$ 357,422	\$ 406,642
Vehicles		13,500
Fundraisers	27,493	118,018
Professional services	72,987	68,136
Advertising	106,841	6,950
Food		2,256
Other	<u>30,380</u>	<u>24,230</u>
<u>In-kind contributions</u>	<u>\$ 595,123</u>	<u>\$ 639,732</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. The Organization also has the option to make discretionary nonelective contributions to the Plan.

<u>Years Ended June 30</u>	<u>2020</u>	<u>2019</u>
Matching contributions	\$ 62,665	\$ 35,753
Discretionary contributions	<u>38,828</u>	<u> </u>
<u>Total retirement expense</u>	<u>\$ 101,493</u>	<u>\$ 35,753</u>

Note 15 - Commitments and 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.

Purchase Orders

As a result of the COVID-19 Pandemic, significant delays have occurred with fulfillment of purchase orders of food inventories by vendors. As of June 30, 2020, the Organization had approximately \$1,400,000 in outstanding unfulfilled purchase orders of food inventories with its suppliers.

Note 15 - Commitments and Contingencies (continued)

Lease Commitments

The Organization leases office equipment under operating leases with various monthly payments and maturity dates through August 2022. Payments under all operating leases for the years ended June 30, 2020 and 2019, were \$18,473 and \$17,429, respectively. The future minimum rental obligations under all operating leases are as follows:

<u>Years Ending June 30</u>	
2021	\$ 14,115
2022	11,914
2023	1,984
2024	
2025	
<u>Total minimum lease payments</u>	<u>\$ 28,013</u>

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 up to \$250,000. The uninsured cash balance at June 30, 2020 and 2019, was \$4,960,367 and \$803,070, respectively.

The Organization's short-term investments and beneficial interest in endowment funds are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Organization's financial position.

Note 17 - Related Party Transactions

The Organization operates as a member of Feeding America. Contributions received from Feeding America were \$827,186 and \$323,433 for the years ended June 30, 2020 and 2019, respectively. Promises to give from Feeding America were \$11,420 and \$0 as of June 30, 2020 and 2019, respectively. Purchases made from Feeding America were \$558,911 and \$103,692 for the years ended June 30, 2020 and 2019, respectively. Accounts payable to Feeding America as of June 30, 2020 and 2019, was \$11,420 and \$0, respectively.

Contributions from board members totaled \$63,460 and \$56,139, during the years ended June 30, 2020 and 2019, 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, 2019, 2018, and 2017, 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 21, 2020, which is the date the financial statements were available to be issued.

In August 2020, the Organization received approximately \$386,000 in grant funding from Feeding America to respond to the COVID-19 pandemic.

In October 2020, the Organization received approximately \$262,000 in federal grant funding to fund COVID-19 pandemic related expenses.

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, 2020, 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 21, 2020.

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 21, 2020

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, 2020. 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, 2020.

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 21, 2020

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020

<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 NC Department of Agriculture and Consumer Services - Food Distribution Division:				
Food Distribution Cluster:				
Emergency Food Assistance Program (Food Commodities)	10.569	2000028991 & 2000035713	\$ 1,587,213	\$ 1,519,155
Emergency Food Assistance Program (Administrative Costs)	10.568	2000029373 & 2000035713	702,887	
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	2000032283 & 2000036195	<u>3,226,520</u>	<u>3,007,123</u>
Total Food Distribution Cluster			5,516,620	4,526,278
Passed through NC Department of Health and Human Services - Division of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	37797 & 39494	<u>85,707</u>	
Total U.S. Department of Agriculture			5,602,237	4,526,278
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency:				
Emergency Food and Shelter National Board Program	97.024		<u>3,000</u>	
Total expenditures of federal awards			<u>\$ 5,605,327</u>	<u>\$ 4,526,278</u>

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2020

<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 Social Services:				
State-Wide Health and Human Services Initiative		36277	\$ <u>495,792</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, 2020. 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, 2020

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 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, 2020

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, 2020

No findings were reported for the year ended June 30, 2019.

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