



MANNA FOOD BANK, INC.

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2022 and 2021

MANNA FOOD BANK, INC.

OFFICERS

Jim Mathews
LaVoy Spooner
Mary C. Davis
Marcia Bromberg
Judy Butler

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Vice-President
Treasurer
Secretary
Past President

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Jim Mathews
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Sheryl Williams

MANNA FOOD BANK, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
MANNA Food Bank, Inc.

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MANNA Food Bank, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MANNA Food Bank, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MANNA Food Bank, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MANNA Food Bank, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MANNA Food Bank, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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 schedule of expenditures of federal and state awards 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 19, 2022, 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 solely 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.

Asheville, North Carolina
October 19, 2022

MANNA FOOD BANK, INC.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 5,654,664	\$ 7,608,516
Restricted	59,240	57,727
Short-term investments	51,508	51,235
Accounts and grants receivable	2,737,682	228,471
Promises to give, current portion	152,449	207,062
Other receivables	52,052	75,092
Prepaid expenses	179,708	103,108
Other assets	149,087	142,509
Food inventories	1,018,539	1,521,310
Asset available-for-sale		<u>1,500,000</u>
Total current assets	<u>10,054,929</u>	<u>11,495,030</u>
Promises to give, net of current portion		36,667
Investments	11,107,540	9,035,035
Beneficial interest in endowment funds	2,639,483	2,701,701
Property and equipment	4,526,185	4,500,070
Intangible assets	<u>178,525</u>	<u>246,730</u>
Total assets	<u>\$ 28,506,662</u>	<u>\$ 28,015,233</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 346,855	\$ 272,256
Accrued liabilities	436,107	609,756
Grants payable	726,866	37,978
Deferred revenue	<u>368,464</u>	<u>665,275</u>
Total current liabilities	<u>1,878,292</u>	<u>1,585,265</u>
Net assets:		
Without donor restrictions	25,454,152	24,914,749
With donor restrictions	<u>1,174,218</u>	<u>1,515,219</u>
Total net assets	<u>26,628,370</u>	<u>26,429,968</u>
Total liabilities and net assets	<u>\$ 28,506,662</u>	<u>\$ 28,015,233</u>

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

MANNA FOOD BANK, INC.

Statement of Activities Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions and private grants	\$ 7,015,169	\$ 500,547	\$ 7,515,716
United Way	36,156	97,667	133,823
Government grants	4,007,004		4,007,004
In-kind contributions	381,055		381,055
USDA food receipts	3,088,869	146,136	3,235,005
Privately donated food	19,997,139	36,259	20,033,398
Shared maintenance fees	799,441		799,441
Co-op food program	286,138		286,138
Reclaim scanning fees	183,875		183,875
Special events	190,048		190,048
Gain on valuation of donated food	57,996		57,996
Other income	21,218		21,218
Net assets released from restrictions	<u>1,121,610</u>	<u>(1,121,610)</u>	
Total revenues and other support	<u>37,185,718</u>	<u>(341,001)</u>	<u>36,844,717</u>
Expenses			
Program services	33,683,263		33,683,263
Supporting services	<u>2,175,387</u>		<u>2,175,387</u>
Total expenses	<u>35,858,650</u>		<u>35,858,650</u>
Increase (decrease) in net assets before other income (expenses)	<u>1,327,068</u>	<u>(341,001)</u>	<u>986,067</u>
Other income (expenses)			
Loss on disposal of asset available-for-sale	(219,681)		(219,681)
Loss on disposal of property and equipment	(6,869)		(6,869)
Loss on disposal of intangible assets	(27,742)		(27,742)
Investment income, net	90,526		90,526
Net losses on investments	(288,941)		(288,941)
Net losses on beneficial interest in endowment funds	<u>(334,958)</u>		<u>(334,958)</u>
Total other income (expenses)	<u>(787,665)</u>		<u>(787,665)</u>
Increase (decrease) in net assets	539,403	(341,001)	198,402
Net assets at beginning of year	<u>24,914,749</u>	<u>1,515,219</u>	<u>26,429,968</u>
Net assets at end of year	<u>\$ 25,454,152</u>	<u>\$ 1,174,218</u>	<u>\$ 26,628,370</u>

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

MANNA FOOD BANK, INC.

Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions and private grants	\$ 18,121,355	\$ 716,429	\$ 18,837,784
United Way	13,668	62,311	75,979
Government grants	4,698,642	113,176	4,811,818
In-kind contributions	3,240,835		3,240,835
USDA food receipts	7,575,457	134,117	7,709,574
Privately donated food	18,326,132	74,134	18,400,266
Shared maintenance fees	411,311		411,311
Co-op food program	413,811		413,811
Reclaim scanning fees	252,939		252,939
Special events	151,386		151,386
Gain on valuation of donated food	25,130		25,130
Other income	33,736		33,736
Net assets released from restrictions	<u>2,587,215</u>	<u>(2,587,215)</u>	
Total revenues and other support	<u>55,851,617</u>	<u>(1,487,048)</u>	<u>54,364,569</u>
Expenses			
Program services	37,281,295		37,281,295
Supporting services	<u>2,093,954</u>		<u>2,093,954</u>
Total expenses	<u>39,375,249</u>		<u>39,375,249</u>
Increase (decrease) in net assets before other income (expenses)	<u>16,476,368</u>	<u>(1,487,048)</u>	<u>14,989,320</u>
Other income (expenses)			
Impairment loss on asset available-for-sale	(1,162,610)		(1,162,610)
Investment income, net	27,794		27,794
Net gains on investments	11,568		11,568
Net gains on beneficial interest in endowment funds	<u>513,262</u>		<u>513,262</u>
Total other income (expenses)	<u>(609,986)</u>		<u>(609,986)</u>
Increase (decrease) in net assets	15,866,382	(1,487,048)	14,379,334
Net assets at beginning of year	<u>9,048,367</u>	<u>3,002,267</u>	<u>12,050,634</u>
Net assets at end of year	<u>\$ 24,914,749</u>	<u>\$ 1,515,219</u>	<u>\$ 26,429,968</u>

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Total Program Services
	Food Collection & Distribution	Outreach & Advocacy	Nutrition Works	Youth Feeding Programs	
Salaries, contract labor, & payroll taxes	\$ 2,040,363	\$ 312,401	\$ 162,726	\$ 66,758	\$ 2,582,248
Employee benefits	419,800	60,373	21,232	6,403	507,808
Professional services	72,507	75,194	1,258	88	149,047
Supplies	218,386	65,765	11,430	11,576	307,157
Advertising	1,121	20,176	137		21,434
Equipment maintenance & leasing	40,266	3,338	1,433	135	45,172
Postage & printing	5,803	15,613	1,548	170	23,134
Professional fees & dues	13,219	12,720	818		26,757
Occupancy	193,958	28,208	3,935	71	226,172
Insurance	28,833	99	131	68	29,131
Communications	13,392	11,250	793	435	25,870
Travel	10,432	878	281	18	11,609
Conferences & continuing education	4,599	110	44		4,753
Project expenses	82,309	450	257	64	83,080
Contributions & agency subsidies	890,094	15,817			905,911
Promotions	9,555	1,000			10,555
Food purchases	3,865,750		19,558	524,783	4,410,091
Shipping & transportation	340,791	15	304	7,765	348,875
Donated product	20,326,490				20,326,490
USDA product distribution	3,222,986				3,222,986
Bad debt	5,925				5,925
Miscellaneous	25,476	540			26,016
Total expenses before depreciation and amortization	31,832,055	623,947	225,885	618,334	33,300,221
Depreciation and amortization	371,098	11,344	340	260	383,042
Total expenses	\$ 32,203,153	\$ 635,291	\$ 226,225	\$ 618,594	\$ 33,683,263

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2022

	Supporting Services			Total
	Management & General	Fundraising Expenses	Total Supporting Services	
Salaries, contract labor, & payroll taxes	\$ 614,467	\$ 431,562	\$ 1,046,029	\$ 3,628,277
Employee benefits	110,420	77,368	187,788	695,596
Professional services	204,507	7,879	212,386	361,433
Supplies	35,399	23,943	59,342	366,499
Advertising	306	3,158	3,464	24,898
Equipment maintenance & leasing	15,252	1,127	16,379	61,551
Postage & printing	2,270	387,043	389,313	412,447
Professional fees & dues	26,299	907	27,206	53,963
Occupancy	6,452	731	7,183	233,355
Insurance	12,363	1,136	13,499	42,630
Communications	19,248	1,607	20,855	46,725
Travel	1,705	542	2,247	13,856
Conferences & continuing education	2,106	379	2,485	7,238
Project expenses	360	287	647	83,727
Contributions & agency subsidies				905,911
Promotions	11,130	44,785	55,915	66,470
Food purchases	408		408	4,410,499
Shipping & transportation		43	43	348,918
Donated product				20,326,490
USDA product distribution				3,222,986
Bad debt		8,370	8,370	14,295
Miscellaneous	<u>19,970</u>	<u>24,021</u>	<u>43,991</u>	<u>70,007</u>
 Total expenses before depreciation and amortization	 1,082,662	 1,014,888	 2,097,550	 35,397,771
 Depreciation and amortization	 <u>76,587</u>	 <u>1,250</u>	 <u>77,837</u>	 <u>460,879</u>
 Total expenses	 <u>\$ 1,159,249</u>	 <u>\$ 1,016,138</u>	 <u>\$ 2,175,387</u>	 <u>\$ 35,858,650</u>

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services				Total Program Services
	Food Collection & Distribution	Outreach & Advocacy	Nutrition Works	Youth Feeding Programs	
Salaries, contract labor, & payroll taxes	\$ 2,118,006	\$ 303,208	\$ 85,858	\$ 57,244	\$ 2,564,316
Employee benefits	439,007	56,401	10,884	14,068	520,360
Professional services	53,688	4,982			58,670
Supplies	127,040	40,806	1,927	14,667	184,440
Advertising	5,716	2,367			8,083
Equipment maintenance & leasing	76,539	8,002	156	405	85,102
Postage & printing	10,485	12,853	2,067	416	25,821
Professional fees & dues	6,559		374		6,933
Occupancy	201,485	13,594	65	80	215,224
Insurance	19,698	302	54	49	20,103
Communications	13,239	5,230	1,233	456	20,158
Travel	2,822	349			3,171
Conferences & continuing education	6,448	4,266	149		10,863
Project expenses	60,033	59			60,092
Contributions & agency subsidies	364,175	10,545			374,720
Promotions	1,768				1,768
Food purchases	6,225,402			350,555	6,575,957
Shipping & transportation	366,289	3	143	6,037	372,472
Donated product	18,036,094				18,036,094
USDA product distribution	7,804,438				7,804,438
Bad debt					
Miscellaneous	5,850				5,850
Total expenses before depreciation and interest	35,944,781	462,967	102,910	443,977	36,954,635
Depreciation	318,599	7,737	324		326,660
Interest					
Total expenses	\$ 36,263,380	\$ 470,704	\$ 103,234	\$ 443,977	\$ 37,281,295

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2021

	Supporting Services			Total
	Management & General	Fundraising Expenses	Total Supporting Services	
Salaries, contract labor, & payroll taxes	\$ 649,002	\$ 415,716	\$ 1,064,718	\$ 3,629,034
Employee benefits	154,944	65,464	220,408	740,768
Professional services	114,485	24,994	139,479	198,149
Supplies	37,949	15,979	53,928	238,368
Advertising	244	503	747	8,830
Equipment maintenance & leasing	10,185	3,380	13,565	98,667
Postage & printing	4,256	349,586	353,842	379,663
Professional fees & dues	6,627	2,510	9,137	16,070
Occupancy	7,008	829	7,837	223,061
Insurance	17,603	564	18,167	38,270
Communications	19,958	1,769	21,727	41,885
Travel	1,989	62	2,051	5,222
Conferences & continuing education	2,550	509	3,059	13,922
Project expenses	42	10	52	60,144
Contributions & agency subsidies				374,720
Promotions	2,188	35,885	38,073	39,841
Food purchases	219		219	6,576,176
Shipping & transportation		29	29	372,501
Donated product				18,036,094
USDA product distribution				7,804,438
Bad debt		50	50	50
Miscellaneous	53,804	8,669	62,473	68,323
 Total expenses before depreciation and interest	 1,083,053	 926,508	 2,009,561	 38,964,196
Depreciation	75,855	1,250	77,105	403,765
Interest	7,288		7,288	7,288
 Total expenses	 \$ 1,166,196	 \$ 927,758	 \$ 2,093,954	 \$ 39,375,249

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

MANNA FOOD BANK, INC.

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Increase in net assets	\$ 198,402	\$ 14,379,334
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	460,879	403,765
Bad debt expense	14,295	50
Receipts of donated other assets	(139,197)	(445,531)
Distribution of donated other assets	126,590	343,575
Receipts of donated inventory	(20,033,398)	(18,400,266)
Disbursements of donated inventory	20,326,490	18,036,094
Receipts of USDA inventory	(3,235,005)	(7,709,574)
Disbursements of USDA inventory	3,222,986	7,804,438
Gain on valuation of donated food	(57,996)	(25,130)
Receipt of donated asset available-for-sale		(2,662,610)
Impairment loss on asset available-for-sale		1,162,610
Loss on disposal of asset available-for-sale	219,681	
Loss on disposal of property and equipment	6,869	
Loss on disposal of intangible assets	27,742	
Receipt of donated stock	(194,394)	(157,696)
Net (gains) losses on investments	288,941	(11,568)
Net (gains) losses on beneficial interest in endowment funds	334,958	(513,262)
Receipt of donated property and equipment	(4,949)	(15,767)
Paycheck Protection Program loan forgiveness		(620,268)
Noncash interest expense		7,288
Changes in working capital - sources (uses):		
Accounts and grants receivable	(2,509,211)	138,670
Promises to give	76,985	246,854
Other receivables	23,040	(7,454)
Prepaid expenses	(76,600)	(46,754)
Other assets	6,029	(21,755)
Food inventories	279,694	69,917
Accounts payable	74,599	(477,575)
Accrued liabilities	(173,649)	33,499
Grants payable	688,888	(10,748)
Deferred revenue	(296,811)	157,388
Net cash provided (used) by operating activities	(344,142)	11,657,524

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

MANNA FOOD BANK, INC.

Statements of Cash Flows (continued)
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from investing activities		
Purchase of short-term investments	\$ (273)	\$ (525)
Purchase of investments	(2,359,360)	(9,024,568)
Proceeds from sale of investments	192,308	158,797
Contributions to beneficial interest in endowment funds	(276,811)	(9,134,583)
Distribution from beneficial interest in endowment funds		9,000,000
Change in beneficial interest in endowment funds	4,071	2,221
Proceeds from sale of asset available-for-sale	1,280,319	
Purchase of property and equipment	(448,451)	(373,939)
Purchase of intangible assets		(246,730)
Net cash used by investing activities	(1,608,197)	(9,619,327)
Increase (decrease) in cash and equivalents and restricted cash	(1,952,339)	2,038,197
Cash and equivalents and restricted cash at beginning of year	7,666,243	5,628,046
Cash and equivalents and restricted cash at end of year	\$ 5,713,904	\$ 7,666,243

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

MANNA FOOD BANK, INC.

Notes to Financial Statements
June 30, 2022 and 2021

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, 2022, 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, grants, 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 limited to resources that generate return from investments and beneficial interest in endowment funds, losses on disposal of various assets; impairment losses, and other activities 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, disclosure of contingent assets and liabilities at the date of the financial statements, and 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 short-term investments, promises to give, food inventories, investments, and beneficial interest in endowment funds, 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 applied to outstanding balances.

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

Fair value of short-term investments, investments, and beneficial interest in endowment funds is discussed in Note 7.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Accounts, Grants, and Other Receivables

Accounts receivable consist of uncollateralized customer obligations for administrative fees and food sales. The Organization provides credit to certain agency partners. Receipts of payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Organization has not experienced significant difficulties in collecting accounts receivable and therefore does not assess finance charges.

Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end.

Other receivables consist primarily of sales tax receivables.

All accounts, grants, and other receivables are considered by management to be fully collectible and therefore no allowance for uncollectible accounts has been recorded. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines collection is unlikely.

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 and deposits towards the purchase of property.

Note 1 - Summary of Significant Accounting Policies (continued)

Food Inventories

Food inventories represent donated and purchased food and other household products. Inventory items purchased are recorded at average cost (which approximates actual costs on the first-in, first-out method). Donated food inventory and the related donated food revenue and 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, 2022, and 2021, was \$1.92 and \$1.79, respectively.

Inventory items received from the U.S. Department of Agriculture (USDA) are recorded at the value assigned by USDA. If a value is not assigned, the inventory and related food revenue and amounts distributed are valued using the Survey. The value per pound of food as determined by Feeding America for the year ended June 30, 2021, was \$1.70. There were no unassigned inventory values for the year ended June 30, 2022.

Asset Available-for-Sale

Asset available-for-sale consists of donated property to be sold. Assets are reviewed for impairment when events or circumstances indicate that it is more likely than not that the fair value of the asset is below the carrying amount. Recoverability is measured by a comparison of the carrying amount of the asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of the asset less the estimated cost to sell. During the year ended June 30, 2021, the Organization recognized an impairment loss of \$1,162,610. The property was sold during the year ended June 30, 2022, at a loss of \$219,681.

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

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. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. The Organization has adopted an accounting policy 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consist of software and related development costs and are carried at cost. The Organization determines the useful lives of identifiable assets after considering the specific facts and circumstances related to each intangible asset. Intangible assets are amortized using the straight-line method over their estimated useful life of five years.

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. Noncash donated assets are described in Note 11.

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. Donated services are described in Note 11.

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 of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met.

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 \$279,048 and \$650,449 in advance payments on cost-reimbursable grants that have not been recognized as of June 30, 2022 and 2021, respectively. These amounts will be included in deferred revenue until qualifying expenditures have been incurred or refunded to the grantor as unexpended grant funding. In April 2022, the Organization was awarded a conditional federal reimbursement based grant for approximately \$6,467,000 through the American Rescue Plan Act. As of June 30, 2022, the Organization has not incurred any qualifying expenditures related to this funding.

Certain contributions made to the Organization are designated by the donor to be paid out to other agencies. Agency grant funds received and distributed to other organizations are not reported as revenue, support, or expenses within the accompanying statements of activities as the Organization lacks variance power to direct the use of the funds. The balance of unpaid agency grant funds is included in deferred revenue until the funds are paid out.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Shared maintenance fees consist of processing, delivery, and mobile pantry fees charged for services provided to agencies. 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. These fees predominately contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customers. Unearned fees are not recognized in the statements of activities and are included in deferred revenue in the statements of financial position. Freight costs associated with food distribution are recorded as shipping and transportation expenses in the accompanying statements of activities.

Revenue is also generated from the sale of food products to agencies through the co-op food program. These sales predominately contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customer.

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, 2022 and 2021, was \$24,898 and \$8,830, respectively.

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. Expense for contributions & agency subsidies, donated product, and USDA product distribution are directly attributable to program services. All other categories of expenses are attributable to programs and supporting services and 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.

Newly Adopted Accounting Pronouncements

During the year ended June 30, 2022, 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. 2018-15, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.

Note 1 - Summary of Significant Accounting Policies (continued)

Newly Adopted Accounting Pronouncements (continued)

- Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies and expands the presentation and disclosure requirements of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. These additional note disclosures are included in Note 11, In-kind Contributions.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For statement of activity purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in accelerated expense recognition, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning July 1, 2022. The Organization is currently evaluating the effect this ASU will have on its financial statements.

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>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Undesignated	\$ 5,619,084	\$ 8,183,812
Investment in property and equipment	<u>4,526,185</u>	<u>4,500,070</u>
Board designated:		
Operating reserve	1,879,457	1,919,795
Capital reserve	610,453	351,592
Food purchases reserve	711,213	
Future facilities reserve	<u>12,107,760</u>	<u>9,959,480</u>
Total board designated	<u>15,308,883</u>	<u>12,230,867</u>
Net assets without donor restrictions	<u>25,454,152</u>	<u>24,914,749</u>

Note 2 - Net Assets (continued)

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
FNS outreach	\$ 131,542	\$ 344,997
Youth programs	43,657	234,818
Nutrition outreach		147,352
USDA food programs	146,136	134,117
State-Wide Health and Human Services Initiative		113,176
Passage of time	66,667	62,312
Food distribution	61,000	60,000
Mobile pantry	29,297	50,704
Community collaboration		48,564
Food purchases	172,723	43
Service insights	115,241	
Healthy opportunities pilot program	<u>45,888</u>	
Total subject to expenditure for specified purpose or period	812,151	1,196,083
Not subject to spending policy or appropriation:		
Investments in perpetuity - endowment funds	<u>362,067</u>	<u>319,136</u>
Net assets with donor restrictions	<u>1,174,218</u>	<u>1,515,219</u>
<u>Total net assets</u>	<u>\$ 26,628,370</u>	<u>\$ 26,429,968</u>

Note 3 - Liquidity and Availability of Financial Assets

The Organization receives significant contributions, grants, 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. Additionally, the Board resolved to maintain eight (8) months of cash on hand.

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.

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>2022</u>	<u>2021</u>
Financial assets:		
Cash and equivalents	\$ 5,713,904	\$ 7,666,243
Short-term investments	51,508	51,235
Accounts and grants receivable	2,737,682	228,471
Promises to give, net	152,449	243,729
Other receivables	52,052	75,092
Food inventories	1,018,539	1,521,310
Asset available-for-sale		1,500,000
Investments	11,107,540	9,035,035
Beneficial interest in endowment funds	<u>2,639,483</u>	<u>2,701,701</u>
Total financial assets	<u>23,473,157</u>	<u>23,022,816</u>
Amounts not available for general expenditure:		
Board designated operating reserve	(1,879,457)	(1,919,795)
Board designated capital reserve	(610,453)	(351,592)
Board designated food purchases reserve	(711,213)	
Board designated future facilities reserve	(12,107,760)	(9,959,480)
Net assets with donor restrictions	(1,174,218)	(1,515,219)
Donated food inventories to be distributed	(563,459)	(798,555)
Add back: promises to give, current portion	<u>152,449</u>	<u>207,062</u>
Total amounts not available for general expenditure	<u>(16,894,111)</u>	<u>(14,337,579)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,579,046</u>	<u>\$ 8,685,237</u>

Note 4 - Contract Assets and Liabilities

Accounts and grants receivable and promises to give represent the Organization's contract assets with an unconditional right to receive consideration from customers. Accounts and grants receivable are recorded at invoiced amounts or amounts expected to be received based on contractual terms without conditions. Promises to give are recorded at net realizable value.

Note 4 - Contract Assets and Liabilities (continued)

The following table provides information about contract assets:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts and grants receivable:			
Grants receivable	\$ 2,558,146	\$ 137,838	\$ 214,535
Service fees receivable	<u>179,536</u>	<u>90,633</u>	<u>152,606</u>
Accounts and grants receivable	<u>2,737,682</u>	<u>228,471</u>	<u>367,141</u>
Promises to give:			
Due in less than one year	152,449	212,204	503,977
One to five years	<u> </u>	<u>36,667</u>	<u>3,333</u>
Total promises to give	152,449	248,871	507,310
Less, allowance for uncollectible promises to give	<u> </u>	<u>(5,142)</u>	<u>(16,677)</u>
Promises to give, net	<u>152,449</u>	<u>243,729</u>	<u>490,633</u>
<u>Total contract assets</u>	<u>\$ 2,890,131</u>	<u>\$ 472,200</u>	<u>\$ 857,774</u>

Contract liabilities are recorded when a customer pays consideration, or the Organization has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Organization has an obligation to transfer the good or service to the customer at a future date. Contract liabilities are reported as grants payable and deferred revenue in the accompanying statements of financial position and are comprised of the following:

- Grants payable, represent amounts awarded to agency members and amounts received from donors and designated for use by agency members.
- Conditional grants, representing advance payments received from grantors prior to incurring expenditures in compliance with specific contract or grant provisions.
- Agency credits, representing advance payments from customers for products or services.

Note 4 - Contract Assets and Liabilities (continued)

Significant changes in contract liabilities from contracts with customers are as follows:

Years ended June 30	2022	2021
Grants payable, beginning of year	\$ 37,978	\$ 48,726
Grants payable applied to agency balances	(34,819)	(64,564)
Grant funds paid to agencies	(67,050)	
Cash received designated for agency grants	66,000	53,816
Grant funds awarded	<u>724,757</u>	<u> </u>
Grants payable, end of year	<u>726,866</u>	<u>37,978</u>
Deferred revenue:		
Conditional grants, beginning of year	650,449	500,000
Revenue recognized during the fiscal year that was included in conditional grants	(650,449)	(500,000)
Increase in conditional grants due to cash received during fiscal year	<u>297,048</u>	<u>650,449</u>
Conditional grants, end of year	<u>297,048</u>	<u>650,449</u>
Agency credits, beginning of year	14,826	7,887
Credits applied to agency balances	(13,133)	(7,887)
Credit issued to agencies	<u>69,723</u>	<u>14,826</u>
Agency credits, end of year	<u>71,416</u>	<u>14,826</u>
Total deferred revenue	<u>368,464</u>	<u>665,275</u>
Total contract liabilities	\$ 1,095,330	\$ 703,253

Note 5 - Food Inventories

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

Years ended June 30	2022		2021	
	lbs.	\$	lbs.	\$
Product received:				
Donated product	10,434,061	\$ 20,033,398	10,279,478	\$ 18,400,266
USDA product	3,229,392	3,235,005	6,188,337	7,709,574
Purchased product	<u>6,369,473</u>	<u>4,130,805</u>	<u>9,801,278</u>	<u>6,506,259</u>
Total product received	<u>20,032,926</u>	<u>\$ 27,399,208</u>	<u>26,269,093</u>	<u>\$ 32,616,099</u>
Product distribution:				
Donated product	10,585,180	\$ 20,326,490	10,077,362	\$ 18,036,094
USDA product	3,176,611	3,222,986	6,263,296	7,804,438
Purchased product	<u>6,846,696</u>	<u>4,410,499</u>	<u>9,840,425</u>	<u>6,576,176</u>
Total product distributed	<u>20,608,487</u>	<u>\$ 27,959,975</u>	<u>26,181,083</u>	<u>\$ 32,416,708</u>

Note 6 - 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 is presented in the financial statements in the aggregate at fair value.

Note 7 - Fair Value Measurements

Short-term investments, 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.

Equity Investments

Equity investments consist of daily traded mutual funds. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

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, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Certificates of deposit	\$	\$ 51,508	\$	\$ 51,508
Investments:				
Equity investments	11,107,540			11,107,540
Beneficial interest in endowment funds			2,639,483	2,639,483
<u>Total fair value measurements</u>	<u>\$ 11,107,540</u>	<u>\$ 51,508</u>	<u>\$ 2,639,483</u>	<u>\$ 13,798,531</u>

Note 7 - Fair Value Measurements (continued)

<u>At June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Certificates of deposit	\$	\$ 51,235	\$	\$ 51,235
Investments:				
Equity investments	9,035,035			9,035,035
Beneficial interest in endowment funds			2,701,701	2,701,701
<u>Total fair value measurements</u>	<u>\$ 9,035,035</u>	<u>\$ 51,235</u>	<u>\$ 2,701,701</u>	<u>\$ 11,787,971</u>

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

<u>Years Ended June 30</u>	<u>2022</u>	<u>2021</u>
Level 3 inputs, beginning of the year	\$ 2,701,701	\$ 2,056,077
Contributions	276,811	9,134,583
Distributions		(9,000,000)
Interest and dividends	18,324	20,630
Investment fees	(22,395)	(22,851)
Net gains (losses) on beneficial interest in endowment funds	<u>(334,958)</u>	<u>513,262</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 2,639,483</u>	<u>\$ 2,701,701</u>

Note 8 - Property and Equipment

Property and equipment consist of the following:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Land	\$ 249,466	\$ 249,466
Building and improvements	4,183,515	4,183,515
Furniture and fixtures	411,321	377,987
Vehicles	1,647,593	1,653,035
Warehouse equipment	1,197,727	1,186,829
Construction in progress	454,096	65,163
Leasehold improvements	<u>4,769</u>	<u>4,769</u>
	8,148,487	7,720,764
Less, accumulated depreciation	<u>(3,622,302)</u>	<u>(3,220,694)</u>
<u>Property and equipment</u>	<u>\$ 4,526,185</u>	<u>\$ 4,500,070</u>

Depreciation expense for the years ended June 30, 2022 and 2021, was \$420,416 and \$403,765, respectively.

Note 9 - Intangible Assets

A description of intangible assets is as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Software	\$ 218,988	\$ 246,730
Less, accumulated amortization	<u>(40,463)</u>	<u> </u>
<u>Intangible assets</u>	<u>\$ 178,525</u>	<u>\$ 246,730</u>

Amortization expense for the years ended June 30, 2022 and 2021, was \$40,463 and \$0, respectively. The following is the estimated future amortization expense for intangible assets:

<u>Years Ending June 30</u>	
2023	\$ 43,798
2024	43,798
2025	43,798
2026	43,798
2027	<u>3,333</u>
<u>Total</u>	<u>\$ 178,525</u>

Note 10 - Accrued Liabilities

Accrued liabilities are described as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Accrued payroll	\$ 91,098	\$ 216,445
Accrued compensated absences	250,538	288,052
Unemployment reserve	52,298	49,911
401(k) contributions and withholdings	<u>42,173</u>	<u>55,348</u>
<u>Accrued liabilities</u>	<u>\$ 436,107</u>	<u>\$ 609,756</u>

Note 11 - In-kind Contributions

In-kind gifts are acknowledged for the furtherance of the various programs and mission of the Organization.

During the year ended June 30, 2021, the Organization received \$2,662,610 in donated property that was reported on the statements of financial position as asset available-for-sale. During the year ended June 30, 2022, the Organization received proceeds from the sale of the property of \$1,280,319. The contribution does not have donor restrictions. The Board has designated the proceeds be used for the construction of future facilities.

Note 11 - In-kind Contributions (continued)

The Organization receives donated freezers and coolers that are held for distribution to partner agencies. The freezers and coolers are included in other assets on the accompanying statements of financial position until distributed to partner agencies and total \$117,332 and \$120,754 at June 30, 2022 and 2021, 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 53,000 and 40,000 volunteer hours during the years ended June 30, 2022 and 2021, respectively.

In-kind contributions are summarized as follows:

<u>Year Ended June 30, 2022</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
In-kind contributions:			
Equipment	\$ 139,197	Food Collection & Distribution	None
Professional services	106,380	Allocated to programs & management and general	None
Gift cards	59,466	Food Collection & Distribution	None
Supplies for fundraisers	46,537	Fundraising	Fundraising Events
Software	17,424	Allocated to programs & management and general	None
Vehicle	4,949	Food Collection & Distribution	None
Other	<u>7,102</u>	Food Collection & Distribution	None
Total in-kind contributions	381,055		
USDA food receipts	3,235,005	Food Collection & Distribution	Food dist. to eligible recipients
Privately donated food	<u>20,033,398</u>	Food Collection & Distribution	None
Total contributions of nonfinancial assets	<u>\$ 23,649,458</u>		

Note 11 - In-kind Contributions (continued)

Year Ended June 30, 2021

	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
In-kind contributions:			
Property	\$ 2,662,610	Allocated to programs & management and general	None
Equipment	467,298	Food Collection & Distribution	None
Professional services	58,175	Allocated to programs & management and general	None
Gift cards	10,346	Food Collection & Distribution	None
Supplies for fundraisers	32,899	Fundraising	Fundraising Events
Other	<u>9,507</u>	Food Collection & Distribution	None
Total in-kind contributions	3,240,835		
USDA food receipts	7,709,574	Food Collection & Distribution	Food dist. to eligible recipients
Privately donated food	<u>18,400,266</u>	Food Collection & Distribution	None
Total contributions of nonfinancial assets	<u>\$ 29,350,675</u>		

Fair valuation techniques - Donated property is valued using an independent appraisal report. Vehicles are valued at the Kelly Blue Book value for autos of similar condition, or by independent appraisal provided by the donor. The valuation for USDA food receipts and privately donated food is discussed in Note 1, Food Inventories. Professional services, advertising, and other donated services are valued by the donor based on standard billing rates for the underlying services provided. All other in-kind contributions are valued at the donor provided amount, price that would be paid to purchase a comparable item, or current sales price of the item as sold by the donating vendor.

Note 12 - 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 matching contributions 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. The Organization made the following contributions to the Plan:

<u>Years Ended June 30</u>	<u>2022</u>	<u>2021</u>
Matching contributions	\$ 60,522	\$ 67,626
Discretionary contributions	<u>42,025</u>	<u>46,100</u>
<u>Total retirement expense</u>	<u>\$ 102,547</u>	<u>\$ 113,726</u>

Note 13 - Commitments and Contingencies

Land Purchase Agreement

In April 2021, the Organization entered into a contract to purchase a lot of land from a third party for \$1,000,000. As of June 30, 2022 and 2021, the Organization made deposits towards the purchase in the amount of \$31,755 and \$21,755, respectively, that are included in other assets in the accompanying statements of financial position.

Lease Commitments

The Organization leases office space, warehouse space, and equipment under operating lease agreements with various monthly payments and maturity dates through June 2027. Payments under all operating leases for the years ended June 30, 2022 and 2021, were \$120,379 and \$122,618, respectively. The future minimum rental obligations under all operating leases are as follows:

<u>Years Ending June 30</u>	
2023	\$ 49,514
2024	15,921
2025	2,965
2026	2,224
2027	<u> </u>
<u>Total minimum lease payments</u>	<u>\$ 70,624</u>

Note 13 - Commitments and Contingencies (continued)

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.

Government Assisted Programs

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the 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 14 - 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, 2022 and 2021, was \$4,650,306 and \$7,008,900, respectively.

The Organization's short-term investments, 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.

Concentrations of Revenue

Concentrations of revenue exist when revenue from a single source equals 10% or more of the Organization's total revenue. Contributions from one such donor for the year ended June 30, 2021, was \$9,000,000.

Government grants and USDA food receipts from one grantor for the years ended June 30, 2022 and 2021, were \$6,667,337 and \$10,128,818, respectively. Grants receivable from this grantor at June 30, 2022 and 2021, was \$2,492,873 and \$33,611, respectively. Deferred revenue from this grantor at June 30, 2022, was \$650,449.

Note 15 - Related Party Transactions

Contributions from board members totaled \$35,468 and \$43,262, during the years ended June 30, 2022 and 2021, respectively.

Note 15 - Related Party Transactions (continued)

The Organization operates as a member of Feeding America. Contributions received from Feeding America were \$423,976 and \$935,948 for the years ended June 30, 2022 and 2021, respectively. Purchases made from Feeding America were \$232,161 and \$1,705,550 for the years ended June 30, 2022 and 2021, respectively. Accounts payable to Feeding America as of June 30, 2022, was \$23,873.

Note 16 - 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, 2021, 2020, and 2019, are subject to examination by the IRS, generally for three years after they were file.

Note 17 - Coronavirus Pandemic Impact

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused unprecedented business and economic disruption through mandated closings of certain businesses and industries.

The Organization received increased community support and governmental revenues to respond to and adapt the operations of the Organization to meet increased demands for products and services and various regulations. Government grants received as a result of COVID-19 consist of \$108,303 in federal funding to respond to and distribute federal food products, \$468,696 in federal food commodities, and \$3,005,435 in Coronavirus Relief Fund grants to purchase food inventories and respond to demands and costs associated with COVID-19 during the year ended June 30, 2022.

Government grants received as a result of COVID-19 during the year ended June 30, 2021, consist of \$1,223,844 in federal funding to respond to and distribute federal food products, \$521,405 in federal food commodities, \$2,349,551 in Coronavirus Relief Fund grants to purchase food inventories, and \$620,268 in U.S. Small Business Administration Paycheck Protection Program loan forgiveness.

The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak. At this point, it is unclear to what extent COVID-19 will impact the Organization's financial condition or results of operations.

Note 18 - Subsequent Events

Management has evaluated subsequent events through October 19, 2022, which is the date the financial statements were available to be issued.

From July 2022 through the report date, the Organization's investments and beneficial interest in endowment funds continued to experience significant declines in fair value. While recovery is uncertain and material adverse impacts could occur, the decline is expected to be temporary.

From July 2022 through the report date, the Organization earned and received approximately \$1,249,000 from a COVID-19 federally funded reimbursement-based grant program.

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, 2022, 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 19, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

To the Board of Directors
MANNA Food Bank, Inc.

Report on 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 financial statements. 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 19, 2022

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

Opinion on Each Major Federal Program

We have audited MANNA Food Bank, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MANNA Food Bank, Inc. and to meet our other ethical requirements, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MANNA Food Bank, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MANNA Food Bank, Inc.'s federal programs.

To the Board of Directors
MANNA Food Bank, Inc.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MANNA Food Bank, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about MANNA Food Bank, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MANNA Food Bank, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MANNA Food Bank, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 MANNA Food Bank, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Board of Directors
MANNA Food Bank, Inc.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 19, 2022

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL 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	2000043312 & 2000051181	\$ 2,669,262	\$ 2,567,796
COVID-19 - Emergency Food Assistance Program (Food Commodities)	10.569	2000043312 & 2000051181	468,696	468,696
Emergency Food Assistance Program (Administrative Costs)	10.568	2000043312 & 2000051181	229,263	
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568	2000043312 & 2000051181	9,404	
Commodity Supplemental Food Program	10.565	2000043311 & 2000051182	106,854	64,583
COVID-19 - Commodity Supplemental Food Program	10.565	2000043311 & 2000051182	98,899	
Total Food Distribution Cluster			<u>3,582,378</u>	<u>3,101,075</u>
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	2000043312	1,504	917
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	41134 & 43154	<u>114,630</u>	<u> </u>
Total U.S. Department of Agriculture			<u>3,698,512</u>	<u>3,101,992</u>

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass- through to Subrecipients</u>
Federal Awards (continued)				
<u>U.S. Department of the Treasury</u>				
Passed through N.C. Department of Agriculture and Consumer Services - Food Distribution Division:				
Coronavirus Relief Fund	21.019	47-03 & Session Law 2021-03	\$ <u>3,005,435</u>	\$ <u>724,757</u>
Total expenditures of federal awards			\$ <u>6,703,947</u>	\$ <u>3,826,749</u>
State Awards				
<u>North Carolina Department of Health and Human Services</u>				
Division of Budget and Analysis:				
State-Wide Health and Human Services Initiative		44105	\$ <u>526,044</u>	\$ _____

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2022

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, 2022. 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, 2022

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:
AL# 21.019 - Coronavirus Relief Fund

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.

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, 2022

No findings were reported for the year ended June 30, 2021.

No findings were reported for the year ended June 30, 2020.