



MANNA FOODBANK

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AMERICA

MANNA FOOD BANK, INC.

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2018

MANNA FOOD BANK, INC.

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Scott McLean
Sage Turner
Judy Butler
Jim Mathews
Steve Metcalf

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Vice-President
Treasurer
Secretary
Past President
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EX-OFFICIO MEMBER

Hannah Randall, Chief Executive Officer

EMERITUS

Joel Gillespie
Jim Mathews
Brad Searson

Cissie Stevens
Marjorie Ulin
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 Financial Statements

We have audited the accompanying financial statements of MANNA Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
MANNA Food Bank, Inc.
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MANNA Food Bank, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited MANNA Food Bank, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, 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.

Asheville, North Carolina
October 16, 2018

PROOF

MANNA FOOD BANK, INC.

Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 1,298,125	\$ 1,195,334
Restricted	58,451	10,143
Accounts and grants receivable	189,507	259,737
Promises to give, current portion	542,278	290,910
Prepaid expenses	86,883	93,089
Other assets	64,385	14,043
Food inventories	<u>883,409</u>	<u>917,450</u>
Total current assets	3,123,038	2,780,706
Promises to give, net of current portion	470,261	9,037
Beneficial interest in funds held by a community foundation	1,781,243	1,147,912
Property and equipment	<u>4,557,733</u>	<u>4,639,342</u>
Total assets	<u>\$ 9,932,275</u>	<u>\$ 8,576,997</u>
Liabilities and net assets		
Current liabilities:		
Current portion of obligations under capital lease	\$ 13,099	\$ 14,888
Accounts payable	146,113	95,467
Accrued liabilities	299,141	251,739
Unearned revenue	<u>11,107</u>	<u>6,597</u>
Total current liabilities	469,460	368,691
Obligations under capital lease, net of current portion	<u> </u>	<u>15,395</u>
Total liabilities	<u>469,460</u>	<u>384,086</u>
Net assets:		
Unrestricted:		
Undesignated	2,214,420	2,094,987
Board designated	1,437,976	812,408
Investment in property and equipment	<u>4,544,634</u>	<u>4,609,059</u>
Total unrestricted	8,197,030	7,516,454
Temporarily restricted	952,149	362,821
Permanently restricted	<u>313,636</u>	<u>313,636</u>
Total net assets	<u>9,462,815</u>	<u>8,192,911</u>
Total liabilities and net assets	<u>\$ 9,932,275</u>	<u>\$ 8,576,997</u>

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

MANNA FOOD BANK, INC.

Statement of Activities
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues and other support					
Contributions and private grants	\$ 3,698,981	\$ 1,692,042	\$	\$ 5,391,023	\$ 2,955,726
Less, designations to other agencies		(824,001)		(824,001)	
United Way	76,998	67,066		144,064	167,669
Government grants	730,294	11,973		742,267	690,600
In-kind contributions	607,139			607,139	684,533
USDA food receipts	957,233	5,069		962,302	1,329,975
Privately donated food	25,271,823			25,271,823	22,622,608
Shared maintenance fees	462,728			462,728	492,451
Co-op food program	570,145			570,145	559,645
Reclaim scanning fees	321,742			321,742	265,368
Special events	322,649			322,649	296,996
Present value adjustment - promises to give	2,371			2,371	5,929
Gain (loss) on valuation of donated food	(23,814)			(23,814)	3,674
Loss on disposal of property and equipment	(216)			(216)	(6,749)
Other	51,113			51,113	20,217
Net assets released from restrictions	<u>362,821</u>	<u>(362,821)</u>			
Total revenues and other support	<u>33,412,007</u>	<u>589,328</u>		<u>34,001,335</u>	<u>30,088,642</u>
Expenses					
Program services	31,280,986			31,280,986	28,373,883
Supporting services	<u>1,534,191</u>			<u>1,534,191</u>	<u>1,463,061</u>
Total expenses	<u>32,815,177</u>			<u>32,815,177</u>	<u>29,836,944</u>
Increase in net assets before investment activity	<u>596,830</u>	<u>589,328</u>		<u>1,186,158</u>	<u>251,698</u>
Investment activity					
Investment income	14,623			14,623	14,453
Realized gains (losses) on sale of investments	96			96	(443)
Unrealized gains on beneficial interest in funds held by a community foundation	<u>69,027</u>			<u>69,027</u>	<u>131,220</u>
Net investment activity	<u>83,746</u>			<u>83,746</u>	<u>145,230</u>
Increase in net assets	680,576	589,328		1,269,904	396,928
Net assets at beginning of year	<u>7,516,454</u>	<u>362,821</u>	<u>313,636</u>	<u>8,192,911</u>	<u>7,795,983</u>
Net assets at end of year	<u>\$ 8,197,030</u>	<u>\$ 952,149</u>	<u>\$ 313,636</u>	<u>\$ 9,462,815</u>	<u>\$ 8,192,911</u>

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

MANNA FOOD BANK, INC.

Statement of Functional Expenses
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services				Supporting Services			2017 Total
	Food Collection & Distribution	Outreach & Advocacy	Nutrition Works	Youth Feeding Programs	Total	Management & General	Fundraising Expenses	
Salaries, contract labor, & payroll taxes	\$ 1,362,409	\$ 164,172	\$ 66,314	\$ 51,894	\$ 1,644,789	\$ 412,671	\$ 315,574	\$ 2,373,034
Employee benefits	346,771	24,364	10,749	11,716	393,600	83,825	50,700	528,125
Professional services	21,809	4,661	238		26,708	62,328	54,660	143,696
Supplies	80,103	18,051	3,723	15,735	117,612	26,772	20,838	165,222
Advertising	619	81			700	5		16,832
Equipment maintenance & leasing	31,440	2,056	140	309	33,945	27,261	3,089	64,295
Postage & printing	6,821	18,119	6,313	80	31,333	4,909	190,658	226,900
Professional fees & dues	40,859		354		41,213	3,294	2,340	46,847
Occupancy	115,040	361	46	43	115,490	4,809	433	120,732
Insurance	15,905	342	60	41	16,348	9,277	410	26,035
Communications	18,707	2,976	245	320	22,248	5,338	2,164	29,750
Travel	27,869	7,981	7,482	1,792	45,124	4,341	1,945	51,410
Conferences & continuing education	8,679	556	1,105		10,340	7,434	3,328	21,102
Project expenses	60,138	313	722		61,173	655	929	62,757
Contributions & agency subsidies	385,773		81,177		466,950			466,950
Promotions	12,136				12,136	2,226	92,224	106,586
Food purchases	955,012			443,058	1,398,070	138		1,398,208
Shipping & transportation	267,825	4,668	30	12,214	284,737	6	136	284,879
Donated product	25,348,893				25,348,893			25,348,893
USDA product distribution	963,373				963,373			963,373
Miscellaneous	1,380				1,380	33,943	2,360	37,683
Total expenses before depreciation, interest, & bad debt	30,071,561	248,701	178,698	537,202	31,036,162	689,232	757,915	32,483,309
Depreciation	243,439	803			244,242	68,893		313,135
Interest						1,381		1,381
Bad debt	582				582		16,770	17,352
Total expenses	\$ 30,315,582	\$ 249,504	\$ 178,698	\$ 537,202	\$ 31,280,986	\$ 759,506	\$ 774,685	\$ 32,815,177
								\$ 29,836,944

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

MANNA FOOD BANK, INC.

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,269,904	\$ 396,928
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	313,135	288,966
Bad debt expense	17,352	7,092
Receipt of donated property and equipment		(11,115)
Receipt of donated other assets	(419,734)	(471,187)
Distribution of donated other assets	369,392	483,039
Loss on disposal of property and equipment	216	6,749
Receipts of donated inventory	(25,271,823)	(22,622,608)
Disbursements of donated inventory	25,348,893	22,405,140
Receipts of TEFAP inventory	(962,302)	(1,329,975)
Disbursements of TEFAP inventory	963,373	1,360,333
(Gain) loss on valuation of donated food	23,814	(3,674)
Receipt of donated stock	(44,498)	(77,507)
Present value adjustment - promises to give	(2,371)	(5,929)
Unrealized gains on beneficial interest in funds held by a community foundation	(69,027)	(131,220)
Realized gains (losses) on sale of investments	(96)	443
Changes in working capital - sources (uses):		
Accounts and grants receivable	70,230	26,952
Promises to give	(727,573)	201,824
Prepaid expenses	6,206	4,789
Food inventories	(67,914)	(38,021)
Accounts payable	50,646	(45,929)
Accrued liabilities	47,402	(116,883)
Unearned revenue	4,510	(2,038)
Net cash provided by operating activities	<u>919,735</u>	<u>326,169</u>

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

MANNA FOOD BANK, INC.

Statement of Cash Flows (continued)
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from investing activities		
Proceeds from sale of investments	\$ 44,594	\$ 82,616
Purchase of property and equipment	(231,742)	(138,180)
Contributions to beneficial interest in funds held by a community foundation	(600,000)	(250)
Distributions from beneficial interest in funds held by a community foundation	36,010	185,323
Change in beneficial interest in funds held by a community foundation	<u>(314)</u>	<u>(2,533)</u>
Net cash provided by (used in) investing activities	<u>(751,452)</u>	<u>126,976</u>
Cash flows from financing activities		
Principal repayments on short-term borrowings		(351,082)
Principal repayments on capital lease	<u>(17,184)</u>	<u>(12,597)</u>
Net cash used in financing activities	<u>(17,184)</u>	<u>(363,679)</u>
Increase in cash and equivalents	151,099	89,466
Cash and equivalents at beginning of year	<u>1,205,477</u>	<u>1,116,011</u>
Cash and equivalents at end of year	<u>\$ 1,356,576</u>	<u>\$ 1,205,477</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 1,381</u>	<u>\$ 6,214</u>

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

MANNA FOOD BANK, INC.

Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Organization

MANNA Food Bank, Inc. (Organization) is a nonprofit entity established for the purpose of collecting and salvaging edible, but commercially unmarketable, food and groceries from food suppliers and distributing the food to eligible recipients. The Organization was incorporated as a nonprofit organization under the laws of the State of North Carolina on August 19, 1982. During the year ended June 30, 2018, the Organization served over 214 agency sites in sixteen Western North Carolina counties.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Income Tax Status

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

Basis of Presentation

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

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

Cash and Equivalents

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

Promises to Give

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

Accounts and Grants Receivable

Accounts receivable consist of administrative fees due from partner agencies as well as for purchases through the food purchase co-op program. Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end. Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2018, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Note 1 - Summary of Significant Accounting Policies (continued)

Other Assets

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

Food Inventories

The values used for donated food inventory and the related food revenue and amounts distributed are based on a study commissioned by Feeding America, a national food bank network. This study, which was prepared by KPMG, LLP, produced guidelines for determining the approximate average wholesale value of one pound of donated product at the national level. Those guidelines have been applied to inventory donated to the Organization. Although the value of items for different organizations may vary, average wholesale values of \$1.68 and \$1.73 per pound have been used by the Organization for the years ended June 30, 2018, and 2017, respectively. Inventory items received from the U.S. Department of Agriculture (USDA) are recorded at the value assigned by the USDA. Inventory items purchased are recorded at cost.

Investments

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

Investment Income and Gains

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

Fair Value Measurements and Disclosures

The Organization applies the 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

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

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

Donated Property and Equipment

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

Designations to Other Agencies

Certain contributions made to the Organization are designated by the contributor to be paid out to other agencies. These contributions are recognized as both contributions and designations to other agencies on the accompanying statement 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 statement of financial position.

Donated Assets

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

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Assets (continued)

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, 2018 and 2017, the Organization received in-kind materials and equipment in the amount of \$552,353 and \$668,472, 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 \$54,786 and \$16,061 in donated services during the years ended June 30, 2018 and 2017, respectively. Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization received approximately 73,729 and 66,522 volunteer hours during the years ended June 30, 2018 and 2017, respectively.

Revenue from Reclaim Scanning Fees

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

Functional Allocation of Expenses

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

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017, was \$16,832 and \$80,961, respectively.

Estimates

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

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

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

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

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.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require a lessee to recognize a lease liability and right-of-use asset for most leases, including operating leases. The standard will be effective for annual periods ending after December 15, 2019. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

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

In November 2016, FASB issued Accounting Standards Update 2016-18, *Restricted Cash*, (ASU 2016-18). ASU 2016-18 is intended to clarify the classification and presentation of restricted cash and cash equivalents in the statement of cash flows. The ASU will require amounts generally described as restricted cash to be included with cash and equivalents on the statement of cash flows. The standard is effective for annual financial statements issued for years beginning after December 15, 2018. This guidance will not impact the presentation of the statement of cash flows.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Capital campaign	\$	\$ 5,929
Capital purchases: truck		104,113
Food purchases		12,461
FNS food stamp outreach		51,700
Food distribution	481,368	82,222
MANNA Packs for Kids	33,689	69,606
Nutrition	370,050	20,224
Retail expansion	50,000	
State-Wide Health and Human Services Initiative	11,973	426
Summer Food Program		10,000
USDA Emergency Food Assistance Program	<u>5,069</u>	<u>6,140</u>
<u>Temporarily restricted net assets</u>	<u>\$ 952,149</u>	<u>\$ 362,821</u>

Permanently restricted net assets consist of contributions toward the beneficial interest in funds held by a community foundation, the income from which is available to support the Organization's operations. Permanently restricted net assets were \$313,636 at June 30, 2018 and 2017.

Note 3 - Accounts and Grants Receivable

Accounts and grants receivable consist of the following:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Grants receivable	\$ 24,728	\$ 69,264
Service fees receivable	99,663	129,788
Other receivables	<u>65,116</u>	<u>60,685</u>
<u>Accounts and grants receivable</u>	<u>\$ 189,507</u>	<u>\$ 259,737</u>

Note 4 - Promises to Give

Unconditional promises to give are described as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 862,279	\$ 290,910
One to five years	<u>981,092</u>	<u>16,154</u>
Total unconditional promises to give	1,843,371	307,064
Less, designations to other agencies, current portion	(320,001)	
Less, designations to other agencies, net of current portion	(504,000)	
Less, allowance for uncollectible promises to give	(5,739)	(3,654)
Less, discount to net present value at 3.25%	<u>(1,092)</u>	<u>(3,463)</u>
<u>Promises to give</u>	<u>\$ 1,012,539</u>	<u>\$ 299,947</u>

Note 5 - Food Inventories

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

<u>At June 30</u>	<u>2018</u>		<u>2017</u>	
	<u>lbs.</u>	<u>\$</u>	<u>lbs.</u>	<u>\$</u>
Product received:				
Donated product	15,042,613	\$ 25,271,823	13,045,323	\$ 22,622,608
TEFAP	1,220,140	962,302	1,869,997	1,329,975
Purchased product	<u>3,005,268</u>	<u>1,466,122</u>	<u>3,303,994</u>	<u>1,351,644</u>
	<u>19,268,021</u>	<u>\$ 27,700,247</u>	<u>18,219,314</u>	<u>\$ 25,304,227</u>
Product distribution:				
Donated product	15,088,488	\$ 25,348,893	12,909,022	\$ 22,367,120
TEFAP	1,223,033	963,373	1,927,855	1,360,333
Purchased product	<u>2,876,533</u>	<u>1,398,208</u>	<u>3,425,162</u>	<u>1,386,702</u>
	<u>19,188,054</u>	<u>\$ 27,710,474</u>	<u>18,262,039</u>	<u>\$ 25,114,155</u>

Food inventories have been recorded at net present value.

Note 6 - Beneficial Interest in Funds Held by a Community Foundation

The beneficial interest in funds held by a community foundation is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The Organization requires that investment in equities cannot exceed 75% of the fund's assets. Also included in the beneficial interest is a special account held by the Foundation. All funds are invested in an allocated investment pool. Withdrawals from this account must be approved by the full board. The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distribution of funds, if, 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.

Unrealized gains on these funds are as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Fair market value	\$ 1,781,243	\$ 1,147,912
Cost	<u>1,352,329</u>	<u>788,025</u>
Cumulative unrealized gains	\$ 428,914	\$ 359,887

Note 7 - Fair Value Measurements

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

Due to the nature of beneficial interest in funds held by a community foundation, assets in the amounts of \$1,781,243 and \$1,147,912 at June 30, 2018 and 2017, respectively, are considered Level 3 inputs.

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

<u>Year Ended June 30, 2018</u>	
Level 3 inputs, beginning of the year	\$ 1,147,912
Contributions	600,000
Distributions	(36,010)
Investment income	12,168
Fees	(11,854)
Unrealized gains	<u>69,027</u>
Level 3 inputs, end of year	\$ 1,781,243

Note 8 - Property and Equipment

Property and equipment consists of the following:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Land	\$ 249,466	\$ 249,466
Building and improvements	4,129,606	4,103,024
Furniture and fixtures	201,124	189,093
Vehicles	1,023,973	1,012,691
Warehouse equipment	<u>1,145,933</u>	<u>1,033,356</u>
	6,750,102	6,587,630
Less, accumulated depreciation	<u>2,192,369</u>	<u>1,948,288</u>
<u>Property and equipment</u>	<u>\$ 4,557,733</u>	<u>\$ 4,639,342</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$313,135 and \$288,966, respectively.

Note 9 - Line of Credit

The Organization maintains a line of credit with a local bank that is restricted for construction. Maximum borrowings are \$1,500,000 at a fixed interest rate of 1.75% that expires on January 31, 2019. The line of credit is secured by a negative pledge agreement on the Organization's real property and improvements located at 623 and 627 Swannanoa River Road in Asheville, North Carolina. The line of credit did not have an outstanding balance at June 30, 2018 and 2017.

Note 10 - Accrued Liabilities

Accrued expenses are described as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Accrued payroll	\$ 89,105	\$ 81,554
Accrued compensated absences	159,679	163,716
Unemployment reserve	43,836	
Other	<u>6,521</u>	<u>6,469</u>
<u>Accrued expenses</u>	<u>\$ 299,141</u>	<u>\$ 251,739</u>

Note 11 - Board Designated Net Assets

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

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Operating reserves	\$ 1,360,976	\$ 735,408
Capital reserves	<u>77,000</u>	<u>77,000</u>
Board designated net assets	\$ 1,437,976	\$ 812,408

Note 12 - In-kind Contributions

In-kind contributions are summarized as follows:

<u>Years Ended June 30</u>	<u>2018</u>	<u>2017</u>
Equipment	\$ 419,734	\$ 471,849
Warehouse Equipment		1,790
Vehicles		9,325
Furniture and fixtures	350	200
Fundraisers	84,352	76,496
Professional services	39,786	16,061
Advertising	15,000	61,300
Food	6,559	
Other	<u>41,358</u>	<u>47,512</u>
In-kind contributions	\$ 607,139	\$ 684,533

Note 13 - Lease Commitments

The Organization leases office equipment under operating leases. The leases require various monthly payment amounts and expire through fiscal year 2023. Equipment lease expense for the years ended June 30, 2018 and 2017, was \$35,635 and \$16,248, respectively. Future minimum payments for the Organization under all operating leases are as follows:

<u>Years Ending June 30</u>	
2019	\$ 14,848
2020	14,848
2021	14,114
2022	11,914
2023	<u>1,985</u>
Total minimum lease payments	\$ 57,709

Note 14 - Obligations Under Capital Lease

A description of capital lease liabilities is as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Capital lease obligation on leased equipment in 48 monthly payments of \$1,203 at 4.5% interest with a cost of \$52,792, less accumulated depreciation of \$37,394	\$ 11,850	\$ 27,611
Capital lease obligation on leased equipment in 48 monthly payments of \$128 at 5.4% interest, with a cost of \$5,195, less accumulated depreciation of \$3,680	<u>1,249</u>	<u>2,672</u>
	13,099	30,283
Less, current portion of capital lease obligation	<u>13,099</u>	<u>14,888</u>
<u>Obligations under capital lease, net of current portion</u>	<u>\$</u>	<u>\$ 15,395</u>

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

<u>Years Ending June 30</u>	
2019	\$ 13,478
2020	
2021	
2022	
2023	
	<u>13,478</u>
Less, amounts representing interest	<u>(379)</u>
<u>Present value of minimum lease payments</u>	<u>\$ 13,099</u>

Note 15 - Retirement Plan

The Organization participates in a 401(k) defined-contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after attaining the age of eighteen and completing three months of service. The Organization will make a matching contribution equal to fifty percent of the employees' elective deferral up to six percent. The Organization contributed \$45,696 and \$41,059, to the plan during the years ended June 30, 2018 and 2017, respectively.

Note 16 - Concentrations of Credit Risk

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured cash balance at June 30, 2018 was \$786,519.

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

Note 17 - Related Party Transactions

Contributions from board members totaled \$51,728 and \$49,018, during the years ended June 30, 2018 and 2017, respectively.

Note 18 - Summary Disclosure of Significant Contingencies

Risk Management

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

Federal and State Assisted Programs

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

Note 19 - 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.

Note 19 - Income Taxes (continued)

Open Tax Years

The Organization's Return of Organization Exempt From Income Tax (Form 990) for the years ended June 30, 2017, 2016, and 2015, are subject to examination by the IRS, generally for three years after they were filed.

Note 20 - Subsequent Events

Subsequent events were evaluated through October 16, 2018, which is the date the financial statements were available to be issued.

PROOF

COMPLIANCE SECTION

PROOF

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, 2018, 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 16, 2018.

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 16, 2018

PROOF

**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, 2018. 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, 2018.

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 16, 2018

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards
June 30, 2018

<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>				
Passed through N.C. Department of Agriculture and Consumer Services - Food Distribution Division: Food Distribution Cluster:				
Emergency Food Assistance Program (Food Commodities)	10.569	G20100254217EFA & 2000023086-EFA	\$ 963,373	\$ 961,196
Emergency Food Assistance Program (Administrative Costs)	10.568	G20100254217RFA & 2000023226-RFA	<u>171,105</u>	<u>961,196</u>
Total Food Distribution Cluster			<u>1,134,478</u>	
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	00034520 & 00036198	<u>72,336</u>	
Total U.S. Department of Agriculture			1,206,814	961,196
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	97.024		<u>8,000</u>	
Total expenditures of federal awards			<u>\$ 1,214,814</u>	<u>\$ 961,196</u>

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards
June 30, 2018

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass-through to Subrecipients</u>
State Awards <u>North Carolina Department of Health and Human Services</u> Division of Central Management - Office of Procurement and Contract Services: State-Wide Health and Human Services Initiative			\$ 490,826	\$

Notes to the Schedule of Expenditures of Federal and State Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of MANNA Food Bank, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFSA presents only a selected portion of the operations of MANNA Food Bank, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of MANNA Food Bank, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statement noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes 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 200.516(a)? yes no

Identification of major federal programs:

Food Distribution Cluster:

CFDA# 10.568 - Emergency Food Assistance Program - Administrative Costs

CFDA# 10.569 - Emergency Food Assistance Program - Food Commodities

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, 2018

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

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

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