



## **MANNA FOOD BANK, INC.**

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2021 and 2020

**MANNA FOOD BANK, INC.**

OFFICERS

Judy Butler  
Jim Mathews  
Mary C. Davis  
Jerry Prickett  
Steve Metcalf

President  
Vice-President  
Treasurer  
Secretary  
Past President

BOARD OF DIRECTORS

Kathy Arriola  
Marcia Bromberg  
Judy Butler  
Keith Collins  
Mary C. Davis  
Melody Dunlop  
Frank Dunn  
Ron Edgerton  
John Forsyth  
Bud Hughes

David Jenkins  
Keynon Lake  
Kip Marshall, Jr.  
Jim Mathews  
Steve Metcalf  
Karen Olsen  
Jerry Prickett  
LaVoy Spooner  
Dr. Calvin O. Tomkins  
Edward Zaidberg

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.**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities - 2021	4
Statement of Activities - 2020	5
Statement of Functional Expenses - 2021	6-7
Statement of Functional Expenses - 2020	8-9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-30
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	33-34
Schedule of Expenditures of Federal and State Awards	35-37
Schedule of Findings and Questioned Costs	38
Summary Schedule of Prior Audit Findings	39

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
MANNA Food Bank, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of MANNA Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of MANNA Food Bank, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, 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.*

**MANNA FOOD BANK, INC.**

Statements of Financial Position  
June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 7,608,516	\$ 5,573,424
Restricted	57,727	54,622
Short-term investments	51,235	50,710
Accounts and grants receivable	228,471	367,141
Promises to give, current portion	207,062	487,300
Other receivables	75,092	67,638
Prepaid expenses	103,108	56,354
Other assets	142,509	18,798
Food inventories	1,521,310	1,296,789
Asset available-for-sale	1,500,000	
Total current assets	11,495,030	7,972,776
Promises to give, net of current portion	36,667	3,333
Investments	9,035,035	
Beneficial interest in endowment funds	2,701,701	2,056,077
Property and equipment	4,500,070	4,514,129
Intangible assets	246,730	
Total assets	\$ 28,015,233	\$ 14,546,315
 <b>Liabilities and net assets</b>		
Current liabilities:		
Current maturities of long-term debt	\$	\$ 269,594
Accounts payable	272,256	749,831
Accrued liabilities	609,756	576,257
Deferred revenue	703,253	556,613
Total current liabilities	1,585,265	2,152,295
Long-term debt, net of current maturities		343,386
Total liabilities	1,585,265	2,495,681
Net assets:		
Without donor restrictions	24,914,749	9,048,367
With donor restrictions	1,515,219	3,002,267
Total net assets	26,429,968	12,050,634
Total liabilities and net assets	\$ 28,015,233	\$ 14,546,315

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>
<b>Revenues and other support</b>			
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>
<b>Expenses</b>			
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>
<b>Other income (expenses)</b>			
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 Activities  
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and other support</b>			
Contributions and private grants	\$ 6,128,757	\$ 2,126,650	\$ 8,255,407
United Way	54,537	56,752	111,289
Government grants	1,442,363	826	1,443,189
In-kind contributions	595,123		595,123
USDA food receipts	5,183,626	215,987	5,399,613
Privately donated food	21,418,666	16,812	21,435,478
Shared maintenance fees	444,793		444,793
Co-op food program	889,991		889,991
Reclaim scanning fees	318,519		318,519
Special events	291,251		291,251
Gain on valuation of donated food	43,164		43,164
Other income	34,582		34,582
Net assets released from restrictions	<u>668,385</u>	<u>(668,385)</u>	
Total revenues and other support	<u>37,513,757</u>	<u>1,748,642</u>	<u>39,262,399</u>
<b>Expenses</b>			
Program services	34,219,387		34,219,387
Supporting services	<u>2,029,140</u>		<u>2,029,140</u>
Total expenses	<u>36,248,527</u>		<u>36,248,527</u>
Increase in net assets before other income (expenses)	<u>1,265,230</u>	<u>1,748,642</u>	<u>3,013,872</u>
<b>Other income (expenses)</b>			
Loss on disposal of property and equipment	(23,889)		(23,889)
Investment income, net	6,667		6,667
Net losses on investments	(3,868)		(3,868)
Net losses on beneficial interest in endowment funds	<u>(16,314)</u>		<u>(16,314)</u>
Total other income (expenses)	<u>(37,404)</u>		<u>(37,404)</u>
Increase in net assets	1,227,826	1,748,642	2,976,468
Net assets at beginning of year	<u>7,820,541</u>	<u>1,253,625</u>	<u>9,074,166</u>
Net assets at end of year	<u>\$ 9,048,367</u>	<u>\$ 3,002,267</u>	<u>\$ 12,050,634</u>

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



**MANNA FOOD BANK, INC.**

Statement of 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	<u>5,850</u>				<u>5,850</u>
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	<u>\$ 36,263,380</u>	<u>\$ 470,704</u>	<u>\$ 103,234</u>	<u>\$ 443,977</u>	<u>\$ 37,281,295</u>

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

**MANNA FOOD BANK, INC.**

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

Statement of Functional Expenses  
Year Ended June 30, 2020

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

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

**MANNA FOOD BANK, INC.**

Statement of Functional Expenses (continued)  
Year Ended June 30, 2020

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

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

**MANNA FOOD BANK, INC.**

Statements of Cash Flows  
Years Ended June 30, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 14,379,334	\$ 2,976,468
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	403,765	369,281
Bad debt expense	50	46,265
Present value adjustment		(198)
Receipts of donated other assets	(445,531)	(340,622)
Distribution of donated other assets	343,575	386,008
Receipts of donated inventory	(18,400,266)	(21,435,478)
Disbursements of donated inventory	18,036,094	21,646,130
Receipts of USDA inventory	(7,709,574)	(5,399,613)
Disbursements of USDA inventory	7,804,438	5,213,795
Gain on valuation of donated food	(25,130)	(43,164)
Receipt of donated asset available-for-sale	(2,662,610)	
Impairment loss on asset available-for-sale	1,162,610	
Receipt of donated stock	(157,696)	(118,194)
Net (gains) losses on investments	(11,568)	3,868
Net (gains) losses on beneficial interest in endowment funds	(513,262)	16,314
Receipt of donated property and equipment	(15,767)	(750)
Loss on disposal of property and equipment		23,889
Paycheck Protection Program loan forgiveness	(620,268)	
Noncash interest expense	7,288	
Changes in working capital - sources (uses):		
Accounts and grants receivable	138,670	(161,772)
Promises to give	246,854	11,740
Other receivables	(7,454)	(38,104)
Prepaid expenses	(46,754)	18,303
Other assets	(21,755)	
Food inventories	69,917	(512,152)
Accounts payable	(477,575)	441,218
Accrued liabilities	33,499	245,617
Deferred revenue	146,640	531,007
Net cash provided by operating activities	11,657,524	3,879,856

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

**MANNA FOOD BANK, INC.**

Statements of Cash Flows (continued)  
Years Ended June 30, 2021 and 2020

	2021	2020
<b>Cash flows from investing activities</b>		
Purchase of short-term investments	\$ (525)	\$ (50,710)
Purchase of investments	(9,024,568)	
Proceeds from sale of investments	158,797	114,326
Contributions to beneficial interest in endowment funds	(9,134,583)	(213,873)
Distribution from beneficial interest in endowment funds	9,000,000	
Change in beneficial interest in endowment funds	2,221	(3,675)
Proceeds from sale of property and equipment		1,000
Purchase of property and equipment	(373,939)	(147,904)
Purchase of intangible property	(246,730)	
Net cash used by investing activities	(9,619,327)	(300,836)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt		612,980
Increase in cash and equivalents and restricted cash	2,038,197	4,192,000
Cash and equivalents and restricted cash at beginning of year	5,628,046	1,436,046
Cash and equivalents and restricted cash at end of year	\$ 7,666,243	\$ 5,628,046

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

## MANNA FOOD BANK, INC.

Notes to Financial Statements  
June 30, 2021 and 2020

### **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, 2021, the Organization served over 200 agency sites in sixteen Western North Carolina counties.

#### Income Tax Status

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

#### Basis of Presentation

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

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and 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, loss on disposal of property and equipment, impairment loss on asset available-for-sale, 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, beneficial interest in endowment funds, and long-term debt, approximates fair value due to the relatively short-term nature of the financial instruments.

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

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

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

The carrying value of long-term debt approximates fair value due to the market-based interest rates charged at the time of borrowing.



## **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.

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

### Other Assets

Other assets consist of donated freezers and coolers held for distribution to partner agencies. Additionally, as of June 30, 2021, the Organization made deposits towards the purchase of property in the amount of \$21,755 that are included in other assets.

### Food Inventories

Food inventories represent donated and purchased food and other household products. Inventory items purchased are recorded at cost. Donated food inventory and the related donated food revenue and amounts distributed are valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology (the Survey), prepared by Feeding America. The value per pound of inventory as determined by Feeding America for the years ended June 30, 2021, and 2020, was \$1.79 and \$1.74, 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 published by Feeding America. The value per pound of food as determined by Feeding America for the years ended June 30, 2021, and 2020 was \$1.70 and \$1.49, respectively.

### Asset Available-for-Sale

Asset available-for-sale consists of donated property held for sale. 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.

### 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.

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

### **Fair Value Measurements and Disclosures**

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

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

### **Property and Equipment**

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. 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. For the years ended June 30, 2021 and 2020, the Organization received in-kind materials and equipment in the amount of \$519,010 and \$415,295, respectively. Additionally, the Organization received \$2,662,610 in donated property during the year ended June 30, 2021.

### 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 \$59,215 and \$179,828 in donated services during the years ended June 30, 2021 and 2020, 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 40,000 and 52,500 volunteer hours during the years ended June 30, 2021 and 2020, respectively.

### Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return 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 \$650,449 and \$500,000 in advance payments on cost-reimbursable grants that have not been recognized as of June 30, 2021 and 2020, respectively. These amounts will be included in deferred revenue until qualifying expenditures have been incurred or refunded to the grantor as unexpended grant funding.

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

### Revenue Recognition (continued)

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.

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, 2021 and 2020, was \$8,830 and \$114,269, 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. Certain categories of expenses are attributable to programs and support. All expenses except for contributions & agency subsidies, donated product, USDA product distribution, and bad debt are allocated on the basis of a combination of estimates of time and effort and the square footage of building space in which the programs are operated. Contributions & agency subsidies, donated product, and USDA product distribution are directly attributable to program services. Bad debt is directly attributable to fundraising expenses, which is a supporting service.

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

### New Accounting Pronouncements

During the year ended June 30, 2021, 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. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This Update amended the previous accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additional disclosures have been added as a result of ASU 2014-09, which are included in Note 1, Revenue Recognition and Note 4, Contract Assets and Liabilities.
- Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. (ASU 2018-13). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures.
- Accounting Standards Update No. 2020-03, *Codification Improvements to Financial Instruments*. (ASU 2020-03). ASU 2020-03 made additional clarifications to disclosure requirements of financial statements.

### 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.

In August 2018, the FASB issued ASU 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. The new standard will be effective beginning July 1, 2021. The Organization is currently evaluating the effect this ASU will have on its financial statements.

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

### **Recently Issued Accounting Pronouncements (continued)**

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 puts in place additional requirements regarding the presentation and disclosure of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. The new standard will be effective beginning July 1, 2022.

## **Note 2 - Net Assets**

Net assets are described as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Undesignated	\$ 9,108,257	\$ 2,919,849
Investment in property and equipment	<u>4,500,070</u>	<u>4,514,129</u>
Board designated:		
Operating reserve	1,919,795	1,431,416
Capital reserve	351,592	182,973
Future facilities reserve	<u>9,035,035</u>	
Total board designated	<u>11,306,422</u>	<u>1,614,389</u>
Net assets without donor restrictions	<u>24,914,749</u>	<u>9,048,367</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
FNS Outreach	344,997	10,000
MANNA Packs for Kids	234,818	82,215
Nutrition Outreach	147,352	170,610
USDA Food Programs	134,117	215,987
State-Wide Health and Human Services Initiative	113,176	826
Passage of time	62,312	56,752
Food distribution	60,000	284,332
Mobile Pantry	50,704	112,834
Community collaboration	48,564	
Food purchases	43	11,024
COVID-19 Pandemic Response		1,729,051
Voter engagement		<u>15,000</u>
Total subject to expenditure for specified purpose or period	1,196,083	2,688,631
Not subject to spending policy or appropriation:		
Investment in perpetuity - endowment funds	<u>319,136</u>	<u>313,636</u>
Net assets with donor restrictions	<u>1,515,219</u>	<u>3,002,267</u>
Total net assets	<u>\$ 26,429,968</u>	<u>\$ 12,050,634</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.

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

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

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and equivalents	\$ 7,666,243	\$ 5,628,046
Short-term investments	51,235	50,710
Accounts and grants receivable	228,471	367,141
Promises to give, net	243,729	490,633
Other receivables	75,092	67,638
Food inventories	1,521,310	1,296,789
Asset available-for-sale	1,500,000	
Investments	9,035,035	
Beneficial interest in endowment funds	<u>2,701,701</u>	<u>2,056,077</u>
Total financial assets	<u>23,022,816</u>	<u>9,957,034</u>
Amounts not available for general expenditure:		
Board designated operating reserve	(1,919,795)	(1,431,416)
Board designated capital reserve	(351,592)	(182,973)
Board designated future facilities reserve	(9,035,035)	
Net assets with donor restrictions	(1,515,219)	(3,002,267)
Donated food inventories to be distributed	(798,555)	(422,247)
Add back: promises to give, current portion	<u>207,062</u>	<u>487,300</u>
Total amounts not available for general expenditure	<u>(13,413,134)</u>	<u>(4,551,603)</u>
Net financial assets available to meet cash needs <u>for general expenditures within one year</u>	<u>\$ 9,609,682</u>	<u>\$ 5,405,431</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 receivable based on contractual terms without conditions. Promises to give are recorded at net realizable value or present value of future cash flows.

The following table provides information about contract assets:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts and grants receivable:			
Grants receivable	\$ 137,838	\$ 214,535	\$ 105,469
Service fees receivable	<u>90,633</u>	<u>152,606</u>	<u>99,900</u>
Accounts and grants receivable	<u>228,471</u>	<u>367,141</u>	<u>205,369</u>
Promises to give:			
Due in less than one year	212,204	503,977	313,375
One to five years	<u>36,667</u>	<u>3,333</u>	<u>525,691</u>
Total promises to give	248,871	507,310	839,066
Less, designations to other agencies			(286,000)
Less, allowance for uncollectible promises to give	(5,142)	(16,677)	(4,428)
Less, discount to net present value at 3.25%	<u></u>	<u></u>	<u>(198)</u>
Promises to give, net	<u>243,729</u>	<u>490,633</u>	<u>548,440</u>
<u>Total contract assets</u>	<u>\$ 472,200</u>	<u>\$ 857,774</u>	<u>\$ 753,809</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 deferred revenue in the accompanying statements of financial position and are comprised of the following:

- Conditional grants, representing advance payments received from grantors prior to incurring expenditures in compliance with specific contract or grant provisions.
- Agency grant funds, representing amounts received from donors and designated for use by agency members.
- 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:

At June 30	2021	2020
Conditional grants, beginning of year	\$ 500,000	\$
Revenue recognized during the fiscal year that was included in conditional grants	(500,000)	
Increase in conditional grants due to cash received during year	<u>650,449</u>	<u>500,000</u>
Conditional grants, end of year	<u>650,449</u>	<u>500,000</u>
Agency grant funds, beginning of year	48,726	19,018
Agency grant funds applied to agency balances	(64,564)	(54,881)
Agency grant funds payments received	<u>53,816</u>	<u>84,589</u>
Agency grant funds, end of year	<u>37,978</u>	<u>48,726</u>
Agency credits, beginning of year	7,887	6,588
Credits applied to agency balances	(7,887)	(6,588)
Credit issued to agencies	<u>14,826</u>	<u>7,887</u>
Agency credits, end of year	<u>14,826</u>	<u>7,887</u>
<b>Total deferred revenue</b>	<b>\$ 703,253</b>	<b>\$ 556,613</b>

**Note 5 - Food Inventories**

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

At June 30	2021		2020	
	lbs.	\$	lbs.	\$
Product received:				
Donated product	10,279,478	\$ 18,400,266	12,319,240	\$ 21,435,478
USDA product	6,188,337	7,709,574	4,995,686	5,399,613
Purchased product	<u>9,801,278</u>	<u>6,506,259</u>	<u>5,614,438</u>	<u>3,411,823</u>
Total product received	<u>26,269,093</u>	<u>\$ 32,616,099</u>	<u>22,929,364</u>	<u>\$ 30,246,914</u>
Product distribution:				
Donated product	10,077,362	\$ 18,036,094	12,440,753	\$ 21,646,130
USDA product	6,263,296	7,804,438	4,838,166	5,213,795
Purchased product	<u>9,840,425</u>	<u>6,576,176</u>	<u>4,972,721</u>	<u>2,899,671</u>
Total product distributed	<u>26,181,083</u>	<u>\$ 32,416,708</u>	<u>22,251,640</u>	<u>\$ 29,759,596</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**

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

### *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.

### *Short-term Investments*

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

### *Beneficial Interest in Endowment Funds*

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

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

<u>At June 30, 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>

**Note 7 - Fair Value Measurements (continued)**

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

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

<u>Years Ended June 30</u>	<u>2021</u>	<u>2020</u>
Level 3 inputs, beginning of the year	\$ 2,056,077	\$ 1,854,843
Contributions	9,134,583	213,873
Distributions	(9,000,000)	
Interest and dividends	20,630	18,727
Investment fees	(22,851)	(15,052)
Net gains (losses) on beneficial interest in endowment funds	<u>513,262</u>	<u>(16,314)</u>
<b>Level 3 inputs, end of year</b>	<b>\$ 2,701,701</b>	<b>\$ 2,056,077</b>

**Note 8 - Property and Equipment**

Property and equipment consist of the following:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Land	\$ 249,466	\$ 249,466
Building and improvements	4,183,515	4,162,235
Furniture and fixtures	377,987	297,280
Vehicles	1,653,035	1,491,485
Warehouse equipment	1,186,829	1,124,276
Construction in progress	65,163	6,316
Leasehold improvements	<u>4,769</u>	
	<u>7,720,764</u>	<u>7,331,058</u>
Less, accumulated depreciation	<u>3,220,694</u>	<u>2,816,929</u>
<b>Property and equipment</b>	<b>\$ 4,500,070</b>	<b>\$ 4,514,129</b>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$403,765 and \$369,281, respectively.

### **Note 9 - Intangible Assets**

Intangible assets include software and related development costs. The intangible is still in development and had not been placed in service as of June 30, 2021. The carrying value of the intangible was \$246,730 as June 30, 2021. The Organization evaluates intangible assets for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. No impairment loss was recorded during the year ended June 30, 2021.

The following is the estimated future amortization expense for intangibles:

<u>Years Ending June 30</u>	
2022	\$ 41,122
2023	49,346
2024	49,346
2025	49,346
2026	49,346
Thereafter	<u>8,224</u>
<u>Total</u>	<u>\$ 246,730</u>

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

Accrued liabilities are described as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Accrued payroll	\$ 216,445	\$ 216,937
Accrued compensated absences	288,052	270,683
Unemployment reserve	49,911	49,809
401(k) contributions and withholdings	<u>55,348</u>	<u>38,828</u>
<u>Accrued liabilities</u>	<u>\$ 609,756</u>	<u>\$ 576,257</u>

### **Note 11 - Long-term Debt**

Long-term debt is described as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Paycheck Protection Program (PPP) note payable obtained in April 2020, forgiven in full June 2021.	\$	\$ 612,980
Less, current maturities	<u>                    </u>	<u>269,594</u>
<u>Long-term debt, net of current maturities</u>	<u>\$</u>	<u>\$ 343,386</u>

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

In-kind contributions are summarized as follows:

<u>Years Ended June 30</u>	<u>2021</u>	<u>2020</u>
Property	\$ 2,662,610	\$
Equipment	467,298	357,422
Fundraisers	32,899	27,493
Professional services	58,175	72,987
Advertising	1,040	106,841
Other	<u>18,813</u>	<u>30,380</u>
<u>In-kind contributions</u>	<u>\$ 3,240,835</u>	<u>\$ 595,123</u>

## **Note 13 - 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>2021</u>	<u>2020</u>
Matching contributions	\$ 67,626	\$ 62,665
Discretionary contributions	<u>46,100</u>	<u>38,828</u>
<u>Total retirement expense</u>	<u>\$ 113,726</u>	<u>\$ 101,493</u>

## **Note 14 - 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, 2021, the Organization made deposits towards the purchase in the amount of \$21,755, that are included in other assets.

### 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.

## **Note 14 - Commitments and Contingencies (continued)**

### Lease Commitments

The Organization leases office space, warehouse space, and equipment under operating lease agreements with various monthly payments and maturity dates through June 2026. Payments under all operating leases for the years ended June 30, 2021 and 2020, were \$122,618 and \$18,473, respectively. The future minimum rental obligations under all operating leases are as follows:

<u>Years Ending June 30</u>	
2022	\$ 124,832
2023	39,106
2024	12,121
2025	2,965
2026	<u>2,964</u>
<u>Total minimum lease payments</u>	<u>\$ 181,988</u>

### 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 15 - 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, 2021 and 2020, was \$7,008,900 and \$4,960,367, 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.

### Major Donor

Major donors exist when revenue from a single donor equals 10% or more of the Organization's total contributions and grants revenue. Contributions from one such donor were \$9,000,000 during the year ended June 30, 2021.

## **Note 16 - Related Party Transactions**

The Organization operates as a member of Feeding America. Contributions received from Feeding America were \$935,948 and \$827,186 for the years ended June 30, 2021 and 2020, respectively. Promises to give from Feeding America were \$0 and \$11,420 as of June 30, 2021 and 2020, respectively. Purchases made from Feeding America were \$1,705,550 and \$558,911 for the years ended June 30, 2021 and 2020, respectively. Accounts payable to Feeding America as of June 30, 2021 and 2020, was \$0 and \$173,072, respectively.

Contributions from board members totaled \$43,262 and \$63,460, during the years ended June 30, 2021 and 2020, respectively.

## **Note 17 - 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, 2020, 2019, and 2018, are subject to examination by the IRS, generally for three years after they were filed.

## **Note 18 - 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 in response to increased demands for the products and services the Organization provides. Government grants received as a result of COVID-19 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 for the year ended June 30, 2021.

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 19 - Subsequent Events**

Management has evaluated subsequent events through October 20, 2021, which is the date the financial statements were available to be issued.

In September 2021, the Organization received approximately \$1,265,000 from the sale of the asset available-for-sale and recognized a loss on the sale of approximately \$235,000.

## **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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2021.

**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 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 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.

*CARTER, P.C.*

Asheville, North Carolina  
October 20, 2021

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, 2021. 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, 2021.

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 20, 2021

**MANNA FOOD BANK, INC.**

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2021

<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>
<b>Federal Awards</b>				
<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	2000035713 & 2000043312	\$ 2,171,234	\$ 2,086,390
Emergency Food Assistance Program (Food Commodities) - CARES	10.569	2000035713 & 2000043312	521,405	521,405
Emergency Food Assistance Program (Food Commodities) - FFCRA	10.569	2000035713 & 2000043312	338,068	321,142
Emergency Food Assistance Program (Administrative Costs)	10.568	2000035713 & 2000043312	300,633	
Emergency Food Assistance Program (Administrative Costs) - CARES	10.568	2000035713 & 2000043312	704,419	
Emergency Food Assistance Program (Administrative Costs) - CRRSAA - COSUP	10.568	2000043312 2000036654	181,357	
Commodity Supplemental Food Program	10.565	& 2000043311	37,906	30,440
Commodity Supplemental Food Program - CRRSAA	10.565	2000043311	920	
Total Food Distribution Cluster			<u>4,255,942</u>	<u>2,959,377</u>
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	2000036195 & 2000043312	1,176,360	1,104,306

**MANNA FOOD BANK, INC.**

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2021

<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>
<b>Federal Awards (continued)</b>				
<u>U.S. Department of Agriculture (continued)</u>				
Food and Nutrition Service (continued):				
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	39494 & 41134	\$ <u>98,979</u>	\$ _____
Total U.S. Department of Agriculture			<u>5,531,281</u>	<u>4,063,683</u>
<u>U.S. Department of the Treasury</u>				
Passed through N.C. Department of Health and Human Services - Division of Budget and Analysis:				
Coronavirus Relief Fund				
	21.019	40963	2,000,000	
Passed through N.C. Department of Agriculture and Consumer Services - Food Distribution Division:				
Coronavirus Relief Fund				
	21.019		<u>349,551</u>	
Total Coronavirus Relief Fund				
			<u>2,349,551</u>	
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency:				
Emergency Food and Shelter National Board Program				
	97.024		<u>3,000</u>	
Total expenditures of federal awards			<u>\$ 7,883,832</u>	<u>\$ 4,063,683</u>



**MANNA FOOD BANK, INC.**

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2021

<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>
<b>State Awards</b>				
<u>North Carolina Department of Health and Human Services</u>				
Division of Budget and Analysis:				
State-Wide Health and Human Services Initiative		41371	\$ <u>471,275</u>	\$ _____

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

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of MANNA Food Bank, Inc. under programs of the federal government and the State of North Carolina for the year ended June 30, 2021. 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, 2021

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, 2021

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

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