

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**FINANCIAL STATEMENTS**

Years Ended June 30, 2018 and 2017

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

Years Ended June 30, 2018 and 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Metropolitan Area Neighborhood Nutrition Alliance**

We have audited the accompanying financial statements of Metropolitan Area Neighborhood Nutrition Alliance ("MANNA"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to 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, and the *City of Philadelphia Subrecipient Audit Guide*. 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Area Neighborhood Nutrition Alliance as of June 30, 2018 and 2017, 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.

### **2018 Supplemental Information**

Our 2018 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal, state, and local expenditures for the year ended June 30, 2018, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and the accompanying supplementary schedules required by the City of Philadelphia for the year ended June 30, 2018, as required by the *City of Philadelphia Subrecipient Audit Guide* are presented for the purposes of additional analysis and are 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 January 4, 2019, on our consideration of MANNA'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 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's internal control over financial reporting and compliance.

*Mayer Hoffman McCann P.C.*

Plymouth Meeting, Pennsylvania  
January 4, 2019

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2018 and 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,154,470	\$ 1,981,457
Board designated funds	70,000	-
Accounts receivable, net	745,070	992,617
Current portion of pledges receivable, net	531,136	1,153,567
Prepaid expenses and other current assets	52,618	20,231
<b>TOTAL CURRENT ASSETS</b>	<u>2,553,294</u>	<u>4,147,872</u>
<b>INVESTMENTS</b>	<u>7,231,974</u>	<u>3,290,617</u>
<b>PROPERTY AND EQUIPMENT, net</b>	<u>4,329,412</u>	<u>4,642,700</u>
<b>OTHER ASSETS</b>		
Pledges receivable, net, less current portion above	650,777	1,072,943
Deposits	136,342	181,100
<b>TOTAL OTHER ASSETS</b>	<u>787,119</u>	<u>1,254,043</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,901,799</u>	<u>\$ 13,335,232</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 225,564	\$ 204,920
Accrued expenses	63,359	15,772
Deferred revenue	859	32,400
Current portion of deferred lease liability	54,747	65,669
Current portion of deferred lease incentive	37,875	37,875
<b>TOTAL CURRENT LIABILITIES</b>	<u>382,404</u>	<u>356,636</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred lease liability, less current portion above	227,006	150,415
Deferred lease incentive, less current portion above	467,125	505,000
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>694,131</u>	<u>655,415</u>
<b>NET ASSETS</b>		
Unrestricted	10,792,428	9,601,817
Temporarily restricted	3,032,836	2,721,364
<b>TOTAL NET ASSETS</b>	<u>13,825,264</u>	<u>12,323,181</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 14,901,799</u>	<u>\$ 13,335,232</u>

See Notes to Financial Statements

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Public support						
Contributions - individuals	\$ 524,437	\$ 705,306	\$ 1,229,743	\$ 581,656	\$ 1,596,091	\$ 2,177,747
Contributions - corporations	387,485	-	387,485	425,109	-	425,109
Foundations	532,399	21,000	553,399	544,774	-	544,774
Fund-raising events	593,108	49,500	642,608	539,115	-	539,115
Other	126,594	-	126,594	103,781	-	103,781
Total public support	<u>2,164,023</u>	<u>775,806</u>	<u>2,939,829</u>	<u>2,194,435</u>	<u>1,596,091</u>	<u>3,790,526</u>
Contracts						
Contracts - AIDS Activities Coordinating Office	1,041,427	-	1,041,427	1,043,236	-	1,043,236
Contracts - Health insurance plans	3,183,653	-	3,183,653	2,144,289	-	2,144,289
Contracts - Other	7,262	-	7,262	-	-	-
Total contracts	<u>4,232,342</u>	<u>-</u>	<u>4,232,342</u>	<u>3,187,525</u>	<u>-</u>	<u>3,187,525</u>
Total public support and contracts	<u>6,396,365</u>	<u>775,806</u>	<u>7,172,171</u>	<u>5,381,960</u>	<u>1,596,091</u>	<u>6,978,051</u>
Other revenue						
In-kind donations - volunteers	594,400	-	594,400	495,000	-	495,000
In-kind goods and services	28,086	-	28,086	110,700	-	110,700
Investment income	225,168	3,744	228,912	255,019	-	255,019
Other income	28,102	-	28,102	35,923	-	35,923
Total other revenue	<u>875,756</u>	<u>3,744</u>	<u>879,500</u>	<u>896,642</u>	<u>-</u>	<u>896,642</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>7,272,121</u>	<u>779,550</u>	<u>8,051,671</u>	<u>6,278,602</u>	<u>1,596,091</u>	<u>7,874,693</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>468,078</u>	<u>(468,078)</u>	<u>-</u>	<u>3,824,426</u>	<u>(3,824,426)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>7,740,199</u>	<u>311,472</u>	<u>8,051,671</u>	<u>10,103,028</u>	<u>(2,228,335)</u>	<u>7,874,693</u>
<b>EXPENSES</b>						
Meals and services	5,320,921	-	5,320,921	4,390,043	-	4,390,043
Supporting services						
Management and general	456,787	-	456,787	378,075	-	378,075
Fund-raising	771,880	-	771,880	855,265	-	855,265
Total supporting services	<u>1,228,667</u>	<u>-</u>	<u>1,228,667</u>	<u>1,233,340</u>	<u>-</u>	<u>1,233,340</u>
<b>TOTAL EXPENSES</b>	<u>6,549,588</u>	<u>-</u>	<u>6,549,588</u>	<u>5,623,383</u>	<u>-</u>	<u>5,623,383</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ 1,190,611</u>	<u>\$ 311,472</u>	<u>\$ 1,502,083</u>	<u>\$ 4,479,645</u>	<u>\$ (2,228,335)</u>	<u>\$ 2,251,310</u>

See Notes to Financial Statements

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENTS OF CHANGES IN NET ASSETS**

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Increase in unrestricted net assets	\$ 1,190,611	\$ 4,479,645
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Capital Campaign - purpose restricted	709,050	1,596,091
Fund-raising event - purpose restricted	49,500	-
Bus token purchases - purpose restricted	1,000	-
General donation - time restricted	20,000	-
Assets released from restrictions	<u>(468,078)</u>	<u>(3,824,426)</u>
Increase (Decrease) in temporarily restricted net assets	<u>311,472</u>	<u>(2,228,335)</u>
INCREASE IN NET ASSETS	1,502,083	2,251,310
NET ASSETS - BEGINNING OF YEAR	<u>12,323,181</u>	<u>10,071,871</u>
TOTAL NET ASSETS	<u>\$ 13,825,264</u>	<u>\$ 12,323,181</u>

See Notes to Financial Statements

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2018

	2018				Total
	Supporting Services				
	Meals and Services	Management and General	Fund-raising	Subtotal	
<b>PERSONNEL COSTS</b>					
Payroll	\$ 1,346,424	\$ 222,821	\$ 322,092	\$ 544,913	\$ 1,891,337
Employee benefits	264,283	34,493	54,071	88,564	352,847
Payroll taxes	109,237	16,093	25,333	41,426	150,663
<b>TOTAL PERSONNEL COSTS</b>	<b>1,719,944</b>	<b>273,407</b>	<b>401,496</b>	<b>674,903</b>	<b>2,394,847</b>
<b>NONPERSONNEL COSTS</b>					
Food and packaging	1,619,139	-	-	-	1,619,139
Insurance contract direct cost	129,418	-	-	-	129,418
Kitchen materials	25,716	-	-	-	25,716
Janitorial supplies	13,016	-	-	-	13,016
Advertising, marketing, and PR	2,667	-	28,080	28,080	30,747
Advocacy	1,142	1,142	-	1,142	2,284
Credit card processing fees	-	-	26,145	26,145	26,145
Dues, fees and subscriptions	30,911	1,819	15,587	17,406	48,317
Equipment rentals	8,614	457	913	1,370	9,984
Event expense	4,550	-	132,574	132,574	137,124
Fuel	22,074	-	-	-	22,074
Individual giving	-	-	54,568	54,568	54,568
In-kind goods and services	622,486	-	-	-	622,486
Insurance	68,056	5,082	2,248	7,330	75,386
Investment service charges	-	32,839	156	32,995	32,995
Licenses/permits	5,392	226	557	783	6,175
Maintenance contract	14,228	212	425	637	14,865
Miscellaneous	1,937	1,883	810	2,693	4,630
Newsletter expense	-	-	7,174	7,174	7,174
Office expense	24,484	6,709	2,718	9,427	33,911
Postage and printing	9,158	553	6,006	6,559	15,717
Professional fees	61,420	33,432	2,943	36,375	97,795
Repairs and maintenance	65,221	-	462	462	65,683
Rent	395,006	23,235	46,471	69,706	464,712
Real estate taxes	12,072	710	1,420	2,130	14,202
Staff development	5,913	340	1,104	1,444	7,357
Social enterprise	-	1,876	-	1,876	1,876
Stipends	-	-	3,273	3,273	3,273
Telecommunications and website	22,725	1,611	26,632	28,243	50,968
Travel and related expense	14,936	4,318	5,205	9,523	24,459
Uniforms	4,078	-	-	-	4,078
Utilities	41,757	2,456	4,913	7,369	49,126
Volunteer and community relations	13,337	-	-	-	13,337
Bad debts	-	64,480	-	64,480	64,480
<b>TOTAL NONPERSONNEL COSTS</b>	<b>3,239,453</b>	<b>183,380</b>	<b>370,384</b>	<b>553,764</b>	<b>3,793,217</b>
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>4,959,397</b>	<b>456,787</b>	<b>771,880</b>	<b>1,228,667</b>	<b>6,188,064</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>361,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>361,524</b>
<b>TOTAL EXPENSES</b>	<b>\$ 5,320,921</b>	<b>\$ 456,787</b>	<b>\$ 771,880</b>	<b>\$ 1,228,667</b>	<b>\$ 6,549,588</b>

See Notes to Financial Statements

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

Year Ended June 30, 2017

	2017				Total
	Meals and Services	Supporting Services			
		Management and General	Fund-raising	Subtotal	
<b>PERSONNEL COSTS</b>					
Payroll	\$ 1,165,051	\$ 207,671	\$ 274,719	\$ 482,390	\$ 1,647,441
Employee benefits	172,520	23,394	32,892	56,286	228,806
Payroll taxes	95,138	14,953	21,574	36,527	131,665
<b>TOTAL PERSONNEL COSTS</b>	<b>1,432,709</b>	<b>246,018</b>	<b>329,185</b>	<b>575,203</b>	<b>2,007,912</b>
<b>NONPERSONNEL COSTS</b>					
Food and packaging	1,419,060	-	-	-	1,419,060
Insurance contract direct cost	23,082	-	-	-	23,082
Kitchen materials	42,181	-	-	-	42,181
Janitorial supplies	13,335	-	-	-	13,335
Advertising, marketing, and PR	4,045	1,332	28,075	29,407	33,452
Advocacy	688	689	-	689	1,377
Credit card processing fees	-	-	24,341	24,341	24,341
Dues, fees and subscriptions	27,949	1,010	12,718	13,728	41,677
Equipment rentals	8,361	480	1,331	1,811	10,172
Event expense	-	-	127,032	127,032	127,032
Fuel	20,950	-	-	-	20,950
Individual giving	-	-	36,753	36,753	36,753
In-kind goods and services	545,130	-	60,570	60,570	605,700
Insurance	59,997	4,943	1,946	6,889	66,886
Investment service charges	-	24,364	150	24,514	24,514
Licenses/permits	5,612	210	2,922	3,132	8,744
Maintenance contract	13,354	655	1,311	1,966	15,320
Miscellaneous	1,463	765	(131)	634	2,097
Newsletter expense	-	-	8,976	8,976	8,976
Office expense	25,902	7,836	9,255	17,091	42,993
Postage and printing	4,355	560	17,646	18,206	22,561
Professional fees	59,613	11,671	983	12,654	72,267
Repairs and maintenance	65,982	-	-	-	65,982
Rent	412,279	23,437	152,342	175,779	588,058
Real estate taxes	190	11	22	33	223
Staff development	4,657	214	718	932	5,589
Social enterprise	-	14,069	-	14,069	14,069
Stipends	-	-	2,555	2,555	2,555
Storage	-	-	1,755	1,755	1,755
Telecommunications and website	26,443	1,770	14,842	16,612	43,055
Travel and related expense	12,821	1,369	8,669	10,038	22,859
Uniforms	1,558	-	-	-	1,558
Utilities	38,182	1,672	11,249	12,921	51,103
Volunteer and community relations	10,880	-	50	50	10,930
Bad debts	-	35,000	-	35,000	35,000
<b>TOTAL NONPERSONNEL COSTS</b>	<b>2,848,069</b>	<b>132,057</b>	<b>526,080</b>	<b>658,137</b>	<b>3,506,206</b>
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>4,280,778</b>	<b>378,075</b>	<b>855,265</b>	<b>1,233,340</b>	<b>5,514,118</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>109,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,265</b>
<b>TOTAL EXPENSES</b>	<b>\$ 4,390,043</b>	<b>\$ 378,075</b>	<b>\$ 855,265</b>	<b>\$ 1,233,340</b>	<b>\$ 5,623,383</b>

See Notes to Financial Statements

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 1,502,083	\$ 2,251,310
Adjustments to reconcile increase in net assets to net cash flows from operating activities		
Depreciation and amortization	361,524	109,265
Bad debt expense	64,480	35,000
Net realized (gains) losses on investments	53,700	(52,223)
Gain on sale of property and equipment	(10,184)	(6,000)
Net unrealized (gains) losses on investments	68,447	(130,178)
Decrease (increase) in operating assets		
Accounts receivable	196,067	(623,862)
Pledges receivable	1,031,597	1,311,600
Prepaid expenses and other assets	(32,387)	44,304
Deposits	44,758	9,813
Increase (decrease) in operating liabilities		
Accounts payable	20,644	(10,047)
Accrued expenses	47,587	(29,182)
Deferred revenues	(31,541)	22,400
Deferred lease incentive	(37,875)	542,875
Deferred lease expense	65,669	216,084
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>3,344,569</u>	<u>3,691,159</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase of investments	(4,063,504)	(296,141)
Purchases of property and equipment	(98,100)	(4,113,841)
Proceeds from sale of property and equipment	60,048	6,000
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(4,101,556)</u>	<u>(4,403,982)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (756,987)	 (712,823)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,981,457</u>	<u>2,694,280</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,224,470</u>	<u>\$ 1,981,457</u>

See Notes to Financial Statements

## METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE

### NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies**

**Nature of business** - Metropolitan Area Neighborhood Nutrition Alliance ("MANNA") is a non-profit, nonsectarian organization providing home-delivered meals as well as nutrition education and counseling to persons at acute nutritional risk due to a life threatening illness. MANNA serves the greater Philadelphia Area, including part of New Jersey and northern Delaware. MANNA is supported primarily through contributions, grants, and special event fund-raising. For the years ended June 30, 2018 and 2017, MANNA served 1,126,220 and 995,270 meals, respectively. Also, for the years ended June 30, 2018 and 2017, MANNA provided meal services to 2,426 and 3,225 consumers, respectively, and nutritional counseling to 1,627 and 2,080 consumers, respectively.

**Basis of accounting** - The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial statement presentation** - MANNA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of these categories are as follows:

**Unrestricted net assets** are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

**Temporarily restricted net assets** include gifts for which donor-imposed or grantor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted. Temporarily restricted net assets as of June 30, 2018 and 2017, include gifts for which donor-imposed restrictions have not yet been met and Capital Campaign contributions to be used for MANNA's new facility expenses.

**Permanently restricted net assets** include gifts, trusts, and pledges, if any, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions. MANNA had no such assets as of June 30, 2018 and 2017.

**Income taxes** - MANNA is a not-for-profit corporation and has been recognized as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

MANNA accounts for the effects of any uncertain tax positions based on a "more likely than not" threshold applied to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense.

MANNA has identified its tax status as a tax-exempt entity as a tax position; however, MANNA has determined that such tax position does not result in an uncertainty requiring recognition.

MANNA believes it is no longer subject to income tax examinations for tax years ended prior to and including June 30, 2015.

## METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE

### NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

**Contributions** - Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, if any, due in the next year, are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**Accounts and pledges receivable** - Contributions are recognized when the donor makes a promise to give to MANNA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

MANNA uses the allowance method to determine uncollectible pledge receivables. The allowance is based on prior years' experience and management's analysis. As of June 30, 2018 and 2017, the allowance was \$12,500 and \$23,000, respectively, for the pledges receivable.

MANNA also provides for an allowance for losses equal to the estimated losses that will be incurred in the collection of its accounts receivable. The estimated losses are based on a review of the current status of the existing accounts receivable. As of June 30, 2018 and 2017, the allowance was \$51,480 and \$12,000, respectively.

**Contributed services** - During the years ended June 30, 2018 and 2017, contributed services meeting the requirements for recognition in the financial statements have been recorded. Many individuals volunteer their time and perform a variety of tasks that assist MANNA in its mission. MANNA received approximately 54,000 and 45,000 volunteer hours, which are necessary for it to carry out its programs, during the years ended June 30, 2018 and 2017, respectively. An estimate of \$554,000 and \$495,000 has been recognized for this general labor, for the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, other contributed goods and services meeting the requirements for recognition in the financial statements, in the amounts of \$28,086 and \$110,700, have been recorded. In-kind advertising received during the years ended June 30, 2018 and 2017, has been estimated at \$2,022 and \$54,200, respectively.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and cash equivalents** - MANNA considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Fee for service contracts** - MANNA has various provider services agreements with health insurance plans to provide meals services and nutritional counseling to referred members of the various plans. Revenue is recognized as meals are delivered or services provided.

## METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE

### NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

**Property and equipment** - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support, 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, MANNA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. MANNA reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated and amortized using the straight-line method over the estimated useful life. Expenditures for property costing in excess of \$1,000, or that materially increase the estimated useful life of assets, are capitalized. Maintenance and repairs are charged to expense as incurred.

**Allocation of functional expenses** - Expenses are charged to the program based on direct expenditures incurred. Any expenditure not directly chargeable has been allocated among program and supporting services classifications on the basis of time records and on estimates made by MANNA's management.

**Deferred revenue** - Deferred revenue consists of monies received in advance for certain special events that have not taken place as of the date of the statement of financial position. Revenue will be earned as each event is completed.

**Compensated absences** - Compensated absences have not been accrued because the amount cannot be reasonably estimated.

**Advertising costs** - MANNA expenses the costs of advertising (including marketing and public relations), mainly related to special events, as incurred. Total expense was approximately \$32,800 and \$87,700 for the years ended June 30, 2018 and 2017, respectively. Included in the amount for the years ended June 30, 2018 and 2017, was \$2,022 and \$54,200, respectively, of in-kind advertising received.

**Recent accounting pronouncements** - In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): "Presentation of Financial Statements of Not-for-Profit Entities". The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. MANNA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The amendments in this ASU increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU will be effective for fiscal years beginning after December 15, 2019. MANNA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

**Recent accounting pronouncements** - In June 2018, the FASB issued ASU 2018-08, "Not-for-Profit Entities (Topic 958): "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". This amendment should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance; and (2) determining whether a contribution is conditional. This ASU will be effective for fiscal years beginning after December 15, 2019 and should be applied under a modified prospective basis. The organization is currently evaluating the accounting, transition, and disclosure requirements of the ASU and cannot currently estimate the financial impact, if any, of such adoption.

**Reclassifications** - Certain items in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

**Subsequent events** - MANNA has evaluated subsequent events through January 4, 2019 which is the date the financial statements were available to be issued.

**(2) Investments**

MANNA has invested excess unrestricted assets with professional financial advisors. These investments are allocated in various types of investments detailed as follows:

	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain</b>
<b><u>June 30, 2018</u></b>			
Investments			
Cash and money market funds	\$ 265,932	\$ 265,932	\$ -
Certificates of deposit	2,894,000	2,894,000	-
Mutual funds	3,796,275	4,072,042	275,767
Total investments	\$ 6,956,207	\$ 7,231,974	\$ 275,767

	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain</b>
<b><u>June 30, 2017</u></b>			
Investments			
Cash and money market funds	\$ 31,004	\$ 31,004	\$ -
Mutual funds	2,915,399	3,259,613	344,214
Total investments	\$ 2,946,403	\$ 3,290,617	\$ 344,214

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**NOTES TO FINANCIAL STATEMENTS**

**(2) Investments (continued)**

Investment returns for the years ended June 30, 2018 and 2017, consisted of the following:

	<b>2018</b>	<b>2017</b>
Dividends and interest	\$ 113,481	\$ 72,618
Net realized gains on investments	183,878	52,223
Net unrealized gains (loss) on investments	(68,447)	130,178
	<b>\$ 228,912</b>	<b>\$ 255,019</b>

**(3) Concentration of credit risk involving cash**

MANNA maintains its cash in multiple accounts with one bank located in Philadelphia, Pennsylvania and in one investment portfolio. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year, MANNA may have cash balances in these financial institutions in excess of this limit.

**(4) Property and equipment**

The following is a summary of property and equipment, at cost, less accumulated depreciation and amortization:

	<b>Estimated Useful Lives</b>	<b>June 30,</b>	
		<b>2018</b>	<b>2017</b>
Cost			
Transportation equipment	5 Yrs.	\$ 219,802	\$ 219,802
Kitchen equipment	5 Yrs.	1,045,265	1,037,619
Leasehold improvements	10 Yrs.	3,725,894	3,711,399
Office equipment	5 Yrs.	884,069	860,574
Total cost		5,875,030	5,829,394
Accumulated depreciation and amortization		1,545,618	1,186,694
Net property and equipment		<b>\$ 4,329,412</b>	<b>\$ 4,642,700</b>

Depreciation and amortization expenses were \$361,524 and \$109,265, for the years ended June 30, 2018 and 2017, respectively.

**(5) Commitments and contingencies**

**Building lease** - In November of 2015, MANNA entered into a new 184-month lease agreement, commencing on June 30, 2016, for its current facility. Base monthly obligations under this agreement after a four-month rent-free period, starting at \$35,813 per month increasing by approximately 2.5% every year to a monthly rent of \$50,603. MANNA will also be responsible for a portion of operating costs and property taxes of the building. Rent is recognized on the straight-line basis over the life of the lease.

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**NOTES TO FINANCIAL STATEMENTS**

**(5) Commitments and contingencies (continued)**

The new lease included a leasehold improvement incentive whereby MANNA received \$580,750. A deferred lease incentive liability is reflected on the statement of financial position and is being amortized over the lease term.

Future minimum rental payments required are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 447,800
2020	459,000
2021	470,500
2022	482,300
2023	494,300
Thereafter	4,628,900
	<u>\$ 6,982,800</u>

Rent expense for the years ended June 30, 2018 and 2017, was \$464,712 and \$588,058, respectively

**Contractual adjustments** - The contracts and grants under which MANNA conducts its programs contain provisions defining costs which are allowable and reimbursable within the program. Program billings are subject to audit by various governmental funding sources. Audits of these billings may result in adjustments for disallowances.

**(6) Retirement plans**

MANNA provided a Non-ERISA employee benefit retirement plan established pursuant to Section 403(b) of the Internal Revenue Code. An employee was eligible to join the first month after thirty (30) days employed. The benefit plan was a tax deferred annuity plan, whereby employees elected to voluntarily contribute up to the maximum amount allowed in accordance with Section 403(b) of the Internal Revenue Code. To maintain its status as a Non-ERISA 403(b) plan, matching contributions by the employer were prohibited. Therefore, no matching contributions were made during the year. During the year ended June 30, 2018, the plan was terminated.

In September 2017, MANNA began providing to its employees a defined contribution benefit plan under Section 401(k) of the Internal Revenue Code. Employees are eligible upon date of hire. MANNA will match \$1.50 for every \$1.00 deferred by the employee up to 3% of the employee's salary. The match amount can be changed by management upon a 30 day notice. Management also has the discretion to contribute a profit sharing portion that is applied to all employee's accounts whether or not they are participating in the 401(k) plan. For the year ended June 30, 2018 the total match and profit sharing contribution is \$100,000.

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**NOTES TO FINANCIAL STATEMENTS**

**(7) Revenue concentration**

MANNA received approximately 13% and 14% of its total revenue for the years ended June 30, 2018 and 2017, respectively, from the City of Philadelphia, primarily for home delivered meals for AIDS/HIV positive clients. While there is no imminent plan on the part of the government to discontinue these funds, the contracts are renewed on an annual basis depending upon the availability of funds. MANNA also received approximately 19% and 21% of its total revenue for the years ended June 30, 2018 and 2017, respectively, from one of the health plans. While there is no imminent plan on the part of the health plan to terminate the ancillary agreement, the contract is renewed on an annual basis.

**(8) Line of credit**

On January 9, 2015, MANNA entered into an uncommitted, revolving line of credit agreement with a bank for maximum borrowings of \$1,500,000. The line bears interest equal to LIBOR plus 2.50%. The line of credit is collateralized by all of MANNA's investments. There was no outstanding balance on the line of credit as of June 30, 2018.

**(9) Pledges receivable**

Contributions to be received in one year or less are reported at net realizable value. Contributions to be received after one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them to their present value at a risk-adjusted rate. Thereafter, amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors.

Pledges receivable consist of capital campaign pledges. For the year ended June 30, 2018, there are pledges due in more than one year, that are reflected at the present value of future cash flows using a discount rate of 2.50%, which will be amortized over the life of the associated pledges.

Pledges receivable consists of the following:

	<u>2018</u>	<u>2017</u>
Receivable in one year or less	\$ 543,636	\$ 1,176,567
Receivable in two years	404,977	449,167
Receivable in three years	220,000	404,976
Receivable in four years	50,000	220,000
Receivable in five or more years	<u>-</u>	<u>50,000</u>
Total pledges receivable before discount	1,218,613	2,300,710
Less discounts to net present value	(24,200)	(51,200)
Less provision for uncollectible pledges	<u>(12,500)</u>	<u>(23,000)</u>
Total pledges receivable	<u>\$ 1,181,913</u>	<u>\$ 2,226,510</u>

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**NOTES TO FINANCIAL STATEMENTS**

**(10) Temporarily restricted net assets and releases from restrictions**

As of June 30, 2018 and 2017, temporarily restricted net assets consist of the following amounts with donor purpose and time restrictions:

	<u>July 1, 2017</u>	<u>Contributions</u>	<u>Released From Restrictions</u>	<u>June 30, 2018</u>
Purpose restricted				
Capital Campaign	\$ 2,721,364	\$ 709,050	\$ 468,078	\$ 2,962,336
Fund-raising event	-	49,500	-	49,500
Bus token purchases	-	1,000	-	1,000
Time restricted				
General purposes	-	20,000	-	20,000
	<u>\$ 2,721,364</u>	<u>\$ 779,550</u>	<u>\$ 468,078</u>	<u>\$ 3,032,836</u>

  

	<u>July 1, 2016</u>	<u>Contributions</u>	<u>Released From Restrictions</u>	<u>June 30, 2017</u>
Purpose restricted				
Capital Campaign	\$ 4,909,699	\$ 1,596,091	\$ 3,784,426	\$ 2,721,364
Fund-raising events	40,000	-	40,000	-
	<u>\$ 4,949,699</u>	<u>\$ 1,596,091</u>	<u>\$ 3,824,426</u>	<u>\$ 2,721,364</u>

**(11) Supplemental disclosure of noncash investing activities**

During the year ended June 30, 2018, the Organization sold property and equipment with a cost and accumulated depreciation of \$52,464 and \$2,600, respectively, with proceeds of \$60,048, resulting in a gain of \$10,184.

During the year ended June 30, 2017, the Organization disposed of \$1,727,866 of fully depreciated property and equipment with proceeds of \$6,000, resulting in a gain of \$6,000.

**SUPPLEMENTAL SCHEDULE**

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**SCHEDULE OF FEDERAL, STATE, AND LOCAL EXPENDITURES**

Year Ended June 30, 2018

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Expenditures</u>
Federal financial assistance			
U.S. Department of Health and Human Services: Pass-through: Department of Public Health AIDS Activities Coordinating Office			
HIV Emergency Relief Project Grants	93.914	RS7581	\$ 504,745
HIV Emergency Relief Project Grants	93.914	RS8581	85,125
U.S. Department of Health and Human Services: Pass-through: Department of Public Health AIDS Activities Coordinating Office			
HIV Care Formula Grants	93.917	RXA8031	121,783
HIV Care Formula Grants	93.917	RXB8031	<u>112,094</u>
Total federal financial assistance			<u>823,747</u>
State financial assistance			
Commonwealth of Pennsylvania: Pass-through: City of Philadelphia Department of Public Health AIDS Activities Coordinating Office			
	n/a	GF8420	<u>215,000</u>
Total state financial assistance			<u>215,000</u>
Local financial assistance			
City of Philadelphia Department of Public Health AIDS Activities Coordinating Office			
General Fund	n/a	GF8420	<u>2,679</u>
Total local financial assistance			<u>2,679</u>
Total federal, state, and local financial assistance			<u>\$ 1,041,426</u>

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**  
**NOTES TO SCHEDULE OF FEDERAL, STATE, AND LOCAL EXPENDITURES**

**(1) Basis of presentation**

The accompanying schedule of expenditures of federal, state, and local awards (the "Schedule") includes the award activity of MANNA under programs of the federal and local government for the year ended June 30, 2018. The information in this Schedule 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") and the *City of Philadelphia Subrecipient Audit Guide*. Because the Schedule presents only a selected portion of the operations of MANNA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MANNA. All financial awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this Schedule.

**(2) Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Indirect cost rate**

MANNA has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.



**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 of  
**Metropolitan Area Neighborhood Nutrition Alliance**

We have audited, in accordance with the 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, and the City of Philadelphia *Subrecipient Audit Guide*, the financial statements of Metropolitan Area Neighborhood Nutrition Alliance ("MANNA"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 4, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MANNA'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's internal control. Accordingly, we do not express an opinion on the effectiveness of MANNA'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 MANNA'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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MANNA'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 MANNA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MANNA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mayer Hoffman McCann P.C.*

Plymouth Meeting, Pennsylvania  
January 4, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
**Metropolitan Area Neighborhood Nutrition Alliance**

**Report on Compliance for Each Major Federal Program**

We have audited Metropolitan Area Neighborhood Nutrition Alliance's ("MANNA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on MANNA's major federal program for the year ended June 30, 2018. MANNA's major federal program is 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 MANNA's major federal program 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"), and the *City of Philadelphia Subrecipient Audit Guide*. 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 the Organization'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 the major federal program. However, our audit does not provide a legal determination of MANNA's compliance.

***Opinion on the Major Federal Program***

In our opinion, MANNA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.



## **Other Matters**

The result of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001. Our opinion on the major federal program is not modified with respect to these matters.

MANNA's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. MANNA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of MANNA 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's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the MANNA'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 a 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2018-001 that we consider to be a significant deficiency.

MANNA's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. MANNA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Mayer Hoffman McCann P.C.*

Plymouth Meeting, Pennsylvania  
January 4, 2019

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2018

**Section 1**

**Summary of Auditors' Results**

**Financial Statements**

- |  |               |
|--|---------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified    |
| 2. Internal control over financial reporting:  |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified?  | None Reported |
| 3. Noncompliance material to financial statements noted?   | No            |

**Federal Awards**

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | Yes        |
| 2. Type of auditors' report issued on compliance for major programs:                                  | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes        |
| 4. Identification of major federal program:   |            |

CFDA Number

93.914

Name of Federal Program or Cluster

U.S. Department of Health and Human Services HIV Emergency Relief Project Grants

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee?                                 | No        |

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENT OF EXPENDITURES AND REVENUES**

**Section 2**

**Financial Statement Findings**

None Noted

**Section 3**

**Federal Award Findings and Questioned Costs**

**Corrective Actions Not Started or in Process**

**Finding 2018-001**

Federal Agency: U.S. Department of Health and Human Services  
Federal Program: 93.914, HIV Emergency Relief Project Grants  
Type of Finding: Control Deficiency in Internal Control, Noncompliance

Criteria or Specific Requirement - Eligible beneficiaries must be low-income or families of people with HIV. Individuals receiving benefits must meet applicable eligibility requirements as noted in the contract. When eligibility expires, benefits must be discontinued. Ryan White re-certifications must be performed every six months to continue receiving benefits.

Condition - Documentation of re-certifications in accordance with program requirements for two individuals out of a sample of 40 did not exist. The two individuals continued to receive meals under the Program for a period of five to six months after Ryan White certifications had expired.

Context - We sampled 40 individuals out of a population of 326. Proper re-certifications were not performed for two of these individuals.

Questioned Costs - None

Effect - Potential for non-eligible individuals to receive meals under the Program.

Cause - There were miscommunications between MANNA and the client in receiving the required documentation for Ryan White re-certification as well as failure to suspend meal delivery timely when the proper documentation was not received. However, there are compensating controls established by MANNA to reduce the risk of noncompliance related to internal controls over eligibility requirements, which includes pop-up alerts on the server approximately 1 month prior to expiration of certifications.

Identification as a Repeat Finding - No similar findings in prior years.

Recommendation - We recommend that the client implements policies and procedures to ensure that meal services are not provided to individuals without proper documentation and that meal services are suspended timely when re-certifications are not performed.

## METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE

### STATEMENT OF EXPENDITURES AND REVENUES

#### Federal Award Findings and Questioned Costs (continued)

Views of Responsible Officials and Planned Corrective Actions - The expired Ryan White cards found for the two MANNA clients isn't typical for our organization and was identified as an issue stemming from the client's provider. The current process at MANNA for collecting RW Eligibility cards, or the individual pieces of information for the MANNA registered dietitians to create a RW Eligibility card, is stated on our referral form and is supplied by the medical care provider who refers their patient to MANNA. Since MANNA does not have access to that type of information, we are reliant on the PCP to send that information to us so that we can start the client's services or extend their program. In the past, we developed the practice of starting the meal delivery services, even if we did not have a copy of the RW card, to prevent the delay of serving the client who is dealing with a serious illness and at acute nutritional risk. We would then set a one month reminder in our software system to alert staff to follow-up with the PCP and client to obtain the RW Eligibility card and, if we still couldn't get a copy of that card, we would temporarily suspend services for the client until we had that information. In these two identified instances, appropriate follow up measures were not taken to obtain the corresponding eligibility cards.

As a result of this audit finding, we have reviewed and updated our current policies and procedures to ensure that meal services are not provided to individuals without proper documentation and that meal services are suspended timely when re-certifications are not performed.

In June 2018, MANNA switched to a new client software system which closely mirrors an Electronic Health records system and allows us to collect and store more data on our clients. We now have a section for 'Important Documents' which allows us to use the required checklist area to mark the necessary documents, upload forms, and enter document expiration dates. We are now using this tool to keep track of the RW Eligibility card expiration dates using a monthly report which allows us better capability in tracking this information and identifying clients who need to update this card with their PCP prior to the expiration date. We are also no longer starting clients on our meal program, or extending their services with MANNA, without having a valid RW Eligibility card and have communicated this change to both our referral sources and clients. We are confident that these changes to our policies and procedures will allow for more timely and accurate documentation of this required information.

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENT OF EXPENDITURES AND REVENUES**

PROVIDER NAME: **METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**  
FUNDING SOURCE: Part A Supplemental Ryan White HIV/AIDS Treatment Modernization Act  
AWARD NUMBER: RS7581  
AWARD AMOUNT: \$587,006  
ACTIVITY DESCRIPTIONS: Food Bank/Home Delivered Meals  
EFFECTIVE DATES: March 1, 2017 to February 28, 2018

PERSONNEL SERVICES:		
Salary	\$	-
Fringe benefits		-
		<hr/>
Subtotal personnel services	\$	-
OPERATING EXPENDITURES:		
Travel		-
Equipment		-
Supplies		504,745
Subcontract expenditures		-
Rent		-
Utilities		-
Communication		-
Leased equipment		-
Insurance		-
Printing		-
Repairs/maintenance		-
Other		-
		<hr/>
Subtotal operating expenditures		<u>504,745</u>
TOTAL DIRECT (PERSONNEL + OPERATING) EXPENDITURES		504,745
INDIRECT EXPENDITURES		<hr/> -
TOTAL BUDGETED EXPENDITURES	\$	<u>504,745</u>
PROGRAM REVENUES	\$	<u>504,745</u>
NET AACO FUNDED EXPENDITURES	\$	<u>504,745</u>

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENT OF EXPENDITURES AND REVENUES**

PROVIDER NAME: **METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**  
FUNDING SOURCE: Part A Supplemental Ryan White HIV/AIDS Treatment Modernization Act  
AWARD NUMBER: RS8581  
AWARD AMOUNT: \$85,125  
ACTIVITY DESCRIPTIONS: Food Bank/Home Delivered Meals  
EFFECTIVE DATES: March 1, 2018 to February 28, 2019

PERSONNEL SERVICES:		
Salary	\$	-
Fringe benefits		-
		<hr/>
Subtotal personnel services	\$	-
OPERATING EXPENDITURES:		
Travel		-
Equipment		-
Supplies		85,125
Subcontract expenditures		-
Rent		-
Utilities		-
Communication		-
Leased equipment		-
Insurance		-
Printing		-
Repairs/maintenance		-
Other		-
		<hr/>
Subtotal operating expenditures		<hr/> 85,125
TOTAL DIRECT (PERSONNEL + OPERATING) EXPENDITURES		85,125
INDIRECT EXPENDITURES		<hr/> -
TOTAL BUDGETED EXPENDITURES	\$	<hr/> <hr/> 85,125
PROGRAM REVENUES	\$	<hr/> <hr/> 85,125
NET AACO FUNDED EXPENDITURES	\$	<hr/> <hr/> 85,125

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENT OF EXPENDITURES AND REVENUES**

PROVIDER NAME: **METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**  
FUNDING SOURCE: Part B Supplemental Ryan White HIV/AIDS Treatment Modernization Act  
AWARD NUMBER: RXA8031  
AWARD AMOUNT: \$121,783  
ACTIVITY DESCRIPTIONS: Food Bank/Home Delivered Meals  
EFFECTIVE DATES: July 1, 2017 to June 30, 2018

PERSONNEL SERVICES:		
Salary	\$ -	
Fringe benefits	-	
	<hr/>	
Subtotal personnel services		\$ -
OPERATING EXPENDITURES:		
Travel	-	
Equipment	-	
Supplies	121,783	
Subcontract expenditures	-	
Rent	-	
Utilities	-	
Communication	-	
Leased equipment	-	
Insurance	-	
Printing	-	
Repairs/maintenance	-	
Other	-	
	<hr/>	
Subtotal operating expenditures		<u>121,783</u>
TOTAL DIRECT (PERSONNEL + OPERATING) EXPENDITURES		121,783
INDIRECT EXPENDITURES		<hr/> -
TOTAL BUDGETED EXPENDITURES		<u>\$ 121,783</u>
PROGRAM REVENUES		<u>\$ 121,783</u>
NET AACO FUNDED EXPENDITURES		<u>\$ 121,783</u>

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENT OF EXPENDITURES AND REVENUES**

PROVIDER NAME: **METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**  
 FUNDING SOURCE: Part B Supplemental Ryan White HIV/AIDS Treatment Modernization Act  
 AWARD NUMBER: RXB8031  
 AWARD AMOUNT: \$112,094  
 ACTIVITY DESCRIPTIONS: Food Bank/Home Delivered Meals  
 EFFECTIVE DATES: July 1, 2017 to June 30, 2018

PERSONNEL SERVICES:	
Salary	\$ -
Fringe benefits	-
	<hr/>
Subtotal personnel services	\$ -
OPERATING EXPENDITURES:	
Travel	-
Equipment	-
Supplies	112,094
Subcontract expenditures	-
Rent	-
Utilities	-
Communication	-
Leased equipment	-
Insurance	-
Printing	-
Repairs/maintenance	-
Other	-
	<hr/>
Subtotal operating expenditures	<u>112,094</u>
TOTAL DIRECT (PERSONNEL + OPERATING) EXPENDITURES	112,094
INDIRECT EXPENDITURES	<hr/> -
TOTAL BUDGETED EXPENDITURES	<u><u>\$ 112,094</u></u>
PROGRAM REVENUES	<u><u>\$ 112,094</u></u>
NET AACO FUNDED EXPENDITURES	<u><u>\$ 112,094</u></u>

**METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**

**STATEMENT OF EXPENDITURES AND REVENUES**

PROVIDER NAME: **METROPOLITAN AREA NEIGHBORHOOD NUTRITION ALLIANCE**  
FUNDING SOURCE: City of Philadelphia General Fund  
AWARD NUMBER: G8420  
AWARD AMOUNT: \$217,679  
ACTIVITY DESCRIPTIONS: Food Bank  
EFFECTIVE DATES: July 1, 2017 to June 30, 2018

PERSONNEL SERVICES:		
Salary	\$	-
Fringe benefits		-
		<hr/>
Subtotal personnel services	\$	-
OPERATING EXPENDITURES:		
Travel		-
Equipment		-
Supplies		217,679
Subcontract expenditures		-
Rent		-
Utilities		-
Communication		-
Leased equipment		-
Insurance		-
Printing		-
Repairs/maintenance		-
Other		-
		<hr/>
Subtotal operating expenditures		<u>217,679</u>
TOTAL DIRECT (PERSONNEL + OPERATING) EXPENDITURES		217,679
INDIRECT EXPENDITURES		<hr/> -
TOTAL BUDGETED EXPENDITURES	\$	<u><u>217,679</u></u>
PROGRAM REVENUES	\$	<u><u>217,679</u></u>
NET AACO FUNDED EXPENDITURES	\$	<u><u>217,679</u></u>