

MAZON: A Jewish Response to Hunger

Financial Statements

June 30, 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MAZON: A Jewish Response to Hunger
Los Angeles, California

We have audited the accompanying financial statements of MAZON: A Jewish Response to Hunger (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S. ("U.S. GAAS"). 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MAZON: A Jewish Response to Hunger as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. GAAP.

Armanino LLP

Armanino^{LLP}
Los Angeles, California

October 26, 2016

MAZON: A Jewish Response to Hunger
Statement of Financial Position
June 30, 2016

ASSETS

Cash and cash equivalents	\$ 1,005,878
Investments	
Operating	1,663,926
Permanently restricted	556,550
Prepaid and other current assets	<u>128,096</u>
 Total assets	 <u><u>\$ 3,354,450</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 144,658
Accrued personnel costs	67,523
Grants payable	<u>283,000</u>
Total liabilities	<u>495,181</u>
 Commitments (Notes 4 and 5)	
 Net assets	
Unrestricted	1,721,374
Temporarily restricted	581,345
Permanently restricted	<u>556,550</u>
Total net assets	<u>2,859,269</u>
 Total liabilities and net assets	 <u><u>\$ 3,354,450</u></u>

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

MAZON: A Jewish Response to Hunger
Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Grants and contributions	\$ 6,813,245	\$ 1,222,389	\$ -	\$ 8,035,634
Net assets released from restriction	<u>911,545</u>	<u>(911,545)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,724,790</u>	<u>310,844</u>	<u>-</u>	<u>8,035,634</u>
Functional expenses				
Program services	<u>6,899,583</u>	<u>-</u>	<u>-</u>	<u>6,899,583</u>
Support services				
Management and general	500,302	-	-	500,302
Fundraising	<u>970,433</u>	<u>-</u>	<u>-</u>	<u>970,433</u>
Total support services	<u>1,470,735</u>	<u>-</u>	<u>-</u>	<u>1,470,735</u>
Total functional expenses	<u>8,370,318</u>	<u>-</u>	<u>-</u>	<u>8,370,318</u>
Change in net assets from operations	<u>(645,528)</u>	<u>310,844</u>	<u>-</u>	<u>(334,684)</u>
Investment returns				
Interest and dividends	13,215	4,217	-	17,432
Unrealized losses on investments	(86,784)	-	-	(86,784)
Investment management fees	<u>(10,955)</u>	<u>-</u>	<u>-</u>	<u>(10,955)</u>
Total investment returns	<u>(84,524)</u>	<u>4,217</u>	<u>-</u>	<u>(80,307)</u>
Change in net assets	(730,052)	315,061	-	(414,991)
Net assets, beginning of year	<u>2,451,426</u>	<u>266,284</u>	<u>556,550</u>	<u>3,274,260</u>
Net assets, end of year	<u>\$ 1,721,374</u>	<u>\$ 581,345</u>	<u>\$ 556,550</u>	<u>\$ 2,859,269</u>

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

MAZON: A Jewish Response to Hunger
Statement of Functional Expenses
For the Year Ended June 30, 2016

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries	\$ 1,218,183	\$ 200,618	\$ 225,750	\$ 1,644,551
Payroll taxes	95,013	13,199	17,526	125,738
Employee benefits	<u>201,052</u>	<u>28,382</u>	<u>35,345</u>	<u>264,779</u>
Total personnel expenses	1,514,248	242,199	278,621	2,035,068
Advertising and marketing	3,001	2,093	990	6,084
Bank and credit card charges	-	3,760	63,512	67,272
Contract services	16,214	56	46	16,316
Equipment rental	13,335	4,363	2,334	20,032
Grants to other organizations	3,913,037	-	-	3,913,037
Information technology	77,989	25,461	25,929	129,379
Insurance	10,148	1,624	1,882	13,654
Legal and professional fees	765,854	100,043	67,273	933,170
Licenses and fees	-	5,337	-	5,337
Mailing lists and gift processing	504	-	304,074	304,578
Occupancy	166,279	44,097	31,150	241,526
Office	20,536	15,508	1,264	37,308
Program	114,113	-	-	114,113
Postage and printing	109,561	20,563	168,060	298,184
Seminars and education	13,611	260	6,802	20,673
Telephone and communications	50,674	8,463	7,806	66,943
Travel and meetings	<u>110,479</u>	<u>26,475</u>	<u>10,690</u>	<u>147,644</u>
	<u>\$ 6,899,583</u>	<u>\$ 500,302</u>	<u>\$ 970,433</u>	<u>\$ 8,370,318</u>

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

MAZON: A Jewish Response to Hunger
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flows from operating activities	
Change in net assets	\$ (414,991)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Unrealized losses on investments	86,784
Reinvested interest and dividends, net of fees	(6,477)
Changes in operating assets and liabilities	
Prepaid and other current assets	22,405
Accounts payable	144,658
Accrued personnel costs	4,370
Grants payable	<u>283,000</u>
Net cash provided by operating activities	<u>119,749</u>
Net increase in cash and cash equivalents	119,749
Cash and cash equivalents, beginning of year	<u>886,129</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,005,878</u></u>

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

MAZON: A Jewish Response to Hunger
Notes to the Financial Statements
June 30, 2016

1. NATURE OF OPERATIONS

MAZON: A Jewish Response to Hunger (the "Organization") is a national nonprofit working to end hunger among people of all faiths and backgrounds in the United States and Israel.

MAZON, which means "food" in Hebrew, was the first national organization to rally the American Jewish community around the issue of hunger, and remains the only national Jewish organization dedicated exclusively to that same cause.

Since its founding in 1985, the Organization has established itself as a leader in the national anti-hunger movement. The Organization founded and continues to chair NAHO (National Association of Hunger Organizations) and participates in a number of other anti-hunger and interfaith coalitions. It also works in close collaboration with interfaith agencies of all denominations through its three interrelated strategies:

Partnership Grantmaking - The Organization makes annual partnership grants after carefully screening these partner organizations and assessing the scope and efficacy of their work to end food insecurity in their communities. Since awarding its first grants in 1986, the Organization has awarded grants totaling more than \$82 million to partners who represent the entire spectrum of the nation's anti-hunger network.

Strategic Initiatives - The Organization develops and implements strategic initiatives designed to address emerging issues in the anti-hunger movement. These initiatives have focused on advancing strategies to increase access to healthy food in the emergency food network, senior hunger and hunger in rural and remote areas of the United States.

Education, Outreach and Advocacy - The Organization also develops and implements programs to educate individuals of all ages about the reality of hunger, as well to empower them to become informed advocates in the fight to end hunger. The Organization promotes change as a means for ensuring not only that food is accessible to those who are hungry today, but also that no one goes hungry tomorrow.

The Organization raises funds by requesting donations from the American Jewish community and others, and soliciting grants from Foundations, synagogues and other organizations. The Organization has nearly 1,000 synagogue partners nationwide and strong relationships with the organizing bodies of the Reform, Reconstructionist, and Conservative movements as well as a broad spectrum of other Jewish organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

MAZON: A Jewish Response to Hunger
Notes to the Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Unrestricted net assets* - Include grants, contributions, and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.
- *Temporarily restricted net assets* - Include grants and contributions received where use is temporarily restricted by the donor or contributions and grants receivable which are time restricted. When the conditions of the restrictions are met or expire or the contributions and grants receivable are collected, the net assets of this class are reclassified to unrestricted net assets.
- *Permanently restricted net assets* - Include assets that have been restricted by the donor in perpetuity to generate unrestricted income to be expended by the Organization.

Cash and cash equivalents

The Organization considers all highly-liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the first-in, first-out method.

Promises to give

Unconditional promises to give cash and other assets to the Organization are reported at the fair value of the promise at the date the promise is received. Conditional promises to give and indications of intentions to give are not reported until the conditions are met.

Grants payable

Grants payable are recorded when the grant is committed to the recipient organization. The Organization had grants payable totaling \$283,000 at June 30, 2016. All grants are payable within one year.

Property and equipment

Purchases of property and equipment are recorded at cost. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives. As of June 30, 2016, property and equipment totaling \$202,361 has been fully depreciated.

MAZON: A Jewish Response to Hunger
Notes to the Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of related assets.

Grants and contributions

Grants and contributions are reported either as unrestricted or restricted depending on the existence of donor-imposed restrictions that limit the use of the support to a particular purpose or time period. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed securities

The Organization occasionally receives contributed securities which are recognized at fair value upon receipt. The policy is to sell securities within days after they have been contributed.

Functional expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated accordingly.

Advertising and marketing

Advertising costs are charged to operations when incurred and are included in the statement of functional expenses.

Income tax status

The Organization is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions.

The Organization's federal income tax and informational returns for tax years ended June 30, 2013, and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant state jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ended June 30, 2012, and subsequent.

MAZON: A Jewish Response to Hunger
Notes to the Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Subsequent events

The Organization has evaluated events subsequent to June 30, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through 10/26/2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

Concentrations of risk

Occasionally the Organization's bank and investment balances exceed FDIC- and SIPC-insured limits. The Organization has not experienced and does not anticipate any losses related to these accounts.

3. INVESTMENTS

The Organization reports its investments at fair value among three categories of price inputs available: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The Organization is invested in the Jewish Community Foundation Common Investment Pool (the "CIP"). The CIP invests in stocks, bonds, mutual funds, hedge funds, and private equity funds. Fair values of these funds are estimated using Net Asset Value per share; accordingly, management has classified the CIP as a Level 2 investment.

Investments consist of the following:

Operating	\$ 1,663,926
Permanently restricted	<u>556,550</u>
	<u>\$ 2,220,476</u>

MAZON: A Jewish Response to Hunger
Notes to the Financial Statements
June 30, 2016

3. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Jewish Community Foundation				
Common Investment Pool	\$ -	\$ 2,104,998	\$ -	\$ 2,104,998
Money market account	<u>115,478</u>	<u>-</u>	<u>-</u>	<u>115,478</u>
	<u>\$ 115,478</u>	<u>\$ 2,104,998</u>	<u>\$ -</u>	<u>\$ 2,220,476</u>

The Common Investment Pool consists of the following:

U.S. Equities	\$ 666,884
Fixed Income	460,019
Non-U.S. Equities	257,399
Global Equity Managers	165,543
Cash	134,835
Real Assets	114,313
Emerging Markets	107,385
Non-Marketable Alternative Assets	99,635
Marketable Alternative Assets	<u>98,985</u>
	<u>\$ 2,104,998</u>

Activity in the investments during the year was as follows:

Balance, beginning of year	\$ 2,300,783
Interest and dividends	17,432
Unrealized losses on investments	(86,784)
Investment management fees	<u>(10,955)</u>
Balance, end of year	<u>\$ 2,220,476</u>

4. RETIREMENT PLAN

The Organization has an IRC Section 401(k) defined contribution plan ("the Plan") covering substantially all of its employees with one year of service or more who meet all eligibility requirements of the Plan. Participants may make salary deferrals to their individual accounts up to the maximum allowable deferral amounts for deferred compensation plans. These participant contributions vest immediately. The Organization matches 100% of the first 3% of participant contributions plus 50% of the next 2% of participant contributions. The Organization also has the option to make discretionary contributions. Matching and discretionary contributions vest over a two-year period. Retirement plan contributions for the year totaled \$90,785, of which \$34,987 were discretionary employer contributions.

MAZON: A Jewish Response to Hunger
Notes to the Financial Statements
June 30, 2016

5. COMMITMENTS

The Organization leases office facilities and office equipment in Washington, D.C. and Los Angeles, California. The D.C. lease expires October 2020. The Los Angeles lease was executed in March 2016 and became effective August 2016 when the Organization relocated from its previous facility. This lease expires August 2024. The office equipment leases are due to expire on various dates through March 2020. Rent expense related to the leases totaled \$261,558 for the year.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2017	\$ 313,591
2018	417,144
2019	424,093
2020	435,600
2021	410,803
Thereafter	<u>1,320,066</u>
	<u>\$ 3,321,297</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets and releases during the year are as follows:

	<u>Released from Restrictions</u>	<u>Balance, June 30, 2016</u>
Israel Office Program	\$ (15,446)	\$ 323,854
Senior Hunger	(461,692)	148,383
Israel Grants	(160,000)	68,097
Help Our Heroes	(75,525)	37,524
Other	(1,000)	3,487
This Is Hunger	(110,000)	-
MAZON Advocacy Projects	(50,000)	-
Hunger Fellows	<u>(33,665)</u>	<u>-</u>
	<u>\$ (907,328)</u>	<u>\$ 581,345</u>

7. ENDOWMENT

The Organization's endowment includes donor restricted funds.

MAZON: A Jewish Response to Hunger
Notes to the Financial Statements
June 30, 2016

7. ENDOWMENT (continued)

Interpretation of relevant law

The Organization's Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the principal balance of the donor restricted endowment funds absent explicit donor stipulations to the contrary. Earnings from the donor restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds classified as permanently restricted net assets. Under this policy, as approved by the Board of Directors, the Organization diversifies its investments by investing in the Jewish Community Foundation Common Investment Pool (the "CIP")(see Note 3). Generally, the CIP permits additional investments and withdrawals on a quarterly basis. However, the CIP is a pooled fund with a large portfolio and a portion of the Organization's investment in the CIP is illiquid due to the restriction of specified investments within the CIP. The Organization has no commitment to invest additional funds into the CIP.

Spending policy

Under the current policy adopted in April 2012 by the Board of Directors, the Organization appropriates 5% of the total endowment for operations during the first quarter of each calendar year, based on the average of the endowment balances at the end of each calendar quarter during the preceding calendar year.

MAZON: A Jewish Response to Hunger
Notes to the Financial Statements
June 30, 2016

7. ENDOWMENT (continued)

Endowment net asset composition by type of fund

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 556,550	\$ 556,550

Changes in endowment net assets for the fiscal year ended June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, beginning of year	\$ -	\$ -	\$ 556,550	\$ 556,550
Investment return				
Interest and dividends	-	4,217	-	4,217
Reclassification of investment earnings	<u>4,217</u>	<u>(4,217)</u>	<u>-</u>	<u>-</u>
Total investment return	<u>4,217</u>	<u>-</u>	<u>-</u>	<u>4,217</u>
Appropriation for expenditure	<u>(4,217)</u>	<u>-</u>	<u>-</u>	<u>(4,217)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,550</u>	<u>\$ 556,550</u>

