

MAZON: A Jewish Response to Hunger

Financial Statements

June 30, 2019



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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 Massachusetts nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 United States of America. 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Armanino LLP

Armanino^{LLP}
Los Angeles, California

October 14, 2019

MAZON: A Jewish Response to Hunger
Statement of Financial Position
June 30, 2019

ASSETS

Cash and cash equivalents	\$ 3,580,632
Investments	2,692,696
Prepaid and other current assets	139,594
Property and equipment, net	<u>38,612</u>
Total assets	<u><u>\$ 6,451,534</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 76,546
Accrued personnel costs	106,939
Grants payable	50,000
Deferred rent	<u>183,816</u>
Total liabilities	<u>417,301</u>
Commitments (Notes 5 and 6)	
Net assets	
Without donor restrictions	4,664,627
With donor restrictions	<u>1,369,606</u>
Total net assets	<u>6,034,233</u>
Total liabilities and net assets	<u><u>\$ 6,451,534</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Grants and contributions	\$ 6,276,229	\$ 354,424	\$ 6,630,653
Special events, net of direct benefit costs of \$8,906	100,770	-	100,770
Net investment return	132,483	-	132,483
Interest income	63,227	-	63,227
Net assets released from restriction	<u>520,172</u>	<u>(520,172)</u>	<u>-</u>
Total revenues, gains and other support	<u>7,092,881</u>	<u>(165,748)</u>	<u>6,927,133</u>
Functional expenses			
Program services	<u>5,352,956</u>	<u>-</u>	<u>5,352,956</u>
Support services			
Management and general	508,789	-	508,789
Fundraising	<u>775,816</u>	<u>-</u>	<u>775,816</u>
Total support services	<u>1,284,605</u>	<u>-</u>	<u>1,284,605</u>
Total functional expenses	<u>6,637,561</u>	<u>-</u>	<u>6,637,561</u>
Change in net assets	455,320	(165,748)	289,572
Net assets, beginning of year	<u>4,209,307</u>	<u>1,535,354</u>	<u>5,744,661</u>
Net assets, end of year	<u>\$ 4,664,627</u>	<u>\$ 1,369,606</u>	<u>\$ 6,034,233</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, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 1,510,594	\$ 178,955	\$ 217,554	\$ 1,907,103
Payroll taxes	110,332	13,071	15,890	139,293
Employee benefits	<u>220,054</u>	<u>26,070</u>	<u>31,692</u>	<u>277,816</u>
Total personnel expenses	1,840,980	218,096	265,136	2,324,212
Advertising	10,863	307	279	11,449
Bank charges	412	35,183	32,680	68,275
Depreciation and amortization	5,330	631	768	6,729
Equipment rental	11,554	1,369	1,664	14,587
Grants to other organizations	2,010,928	-	-	2,010,928
Information technology	114,926	11,423	24,058	150,407
Insurance	21,523	2,532	3,079	27,134
Legal and professional fees	85,834	115,063	51,601	252,498
Postage and printing	62,908	3,328	192,512	258,748
Donor acquisition and gift processing	-	-	65,177	65,177
Rent	498,853	52,000	63,212	614,065
Program expenses	427,146	22,416	51,619	501,181
Office expense	23,368	5,271	3,262	31,901
Seminars and education	13,744	4,231	2,203	20,178
Telephone	64,184	8,143	7,209	79,536
Travel	159,745	19,497	11,262	190,504
Taxes and licenses	<u>658</u>	<u>9,299</u>	<u>95</u>	<u>10,052</u>
	<u>\$ 5,352,956</u>	<u>\$ 508,789</u>	<u>\$ 775,816</u>	<u>\$ 6,637,561</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, 2019

Cash flows from operating activities	
Change in net assets	\$ 289,572
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	6,729
Deferred rent	52,049
Net investment return	(132,483)
Changes in operating assets and liabilities	
Prepaid and other current assets	82,313
Accounts payable	(21,729)
Accrued personnel costs	26,582
Grants payable	40,000
Net cash provided by operating activities	<u>343,033</u>
Cash flows from investing activities	
Purchases of property and equipment	(22,697)
Proceeds from sales of investments	123,140
Purchases of investments	<u>(301,600)</u>
Net cash used in investing activities	<u>(201,157)</u>
Net increase in cash and cash equivalents	141,876
Cash and cash equivalents, beginning of year	<u>3,438,756</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,580,632</u></u>

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

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

1. NATURE OF OPERATIONS

MAZON: A Jewish Response to Hunger (the "Organization") is a national nonprofit advocacy organization 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 leading voice in Washington D.C. on anti-hunger issues, especially those that involve populations or problems that have been previously overlooked or ignored. The Organization works independently and in coalition with partners to engage policy makers to protect and strengthen vital government nutrition programs that help people put food on the table each day. It educates communities across the country about the realities of hunger and how they can get involved to help end it. It also provides funding, training and resources to nonprofit organizations to support their advocacy efforts across the United States and Israel, which includes a range of organization types, such as food banks, legal-service organizations, statewide coalitions and advocacy groups.

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 strong relationships with the organizing bodies of the Reform, Reconstructionist and Conservative movements, as well as a broad spectrum of other Jewish and interfaith 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 two classes of net assets: with donor restrictions and without donor restrictions.

- *Net assets without donor restrictions* - Include grants, contributions, and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.
- *Net assets with donor restrictions* - Include grants and contributions received where use is 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 net assets without donor restrictions. It also includes assets that have been restricted by the donor in perpetuity to generate unrestricted income to be expended by the Organization.

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, except for certain money market account balances included in investments (see Note 3).

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.

Property and equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. 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.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 years
Office equipment	3 - 5 years
Leasehold improvements	Shorter of estimated useful life or term of lease

Grants payable

Grants payable are recorded when the grant is committed to the recipient organization. The Organization had grants payable totaling \$50,000 at June 30, 2019.

Deferred rent

Deferred rent consists of the difference between cash payments and the recognition of rent expense on a straight-line basis over the life of the lease (see Note 6).

Grants and contributions

Grants and contributions are reported either as without donor restriction or with donor restriction depending on the existence of donor-imposed restrictions that limit the use of the support to a particular purpose or time period.

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016, 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, 2015, and subsequent.

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.

Concentrations of risk

Generally 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.

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 - e. Methods used to allocate costs among program and support functions.
 - f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.
4. Use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis for the year ended June 30, 2019.

Subsequent events

The Organization has evaluated events subsequent to June 30, 2019, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 14, 2019, 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.

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Common investment pool	\$ -	\$ 2,676,899	\$ -	\$ 2,676,899
Money market account	<u>15,797</u>	<u>-</u>	<u>-</u>	<u>15,797</u>
	<u>\$ 15,797</u>	<u>\$ 2,676,899</u>	<u>\$ -</u>	<u>\$ 2,692,696</u>

Activity in the investments during the year was as follows:

Balance, beginning of year	\$ 2,381,753
Purchases of investments	301,600
Proceeds from sales of investments	(123,140)
Reinvested interest and dividends	33,899
Realized and unrealized gains on investments	111,195
Investment management fees	<u>(12,611)</u>
Balance, end of year	<u>\$ 2,692,696</u>

During the year ended June 30, 2019, the Organization took \$63,227 of interest and dividends into its operations. The remainder was reinvested within investments.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Furniture and fixtures	\$ 88,801
Office equipment	19,517
Leasehold improvements	<u>22,340</u>
	130,658
Accumulated depreciation and amortization	<u>(92,046)</u>
	<u>\$ 38,612</u>

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

5. 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. Matching contributions vest over a two-year period. Retirement plan matching contributions for the year totaled \$52,349. Discretionary contributions for the year totaled \$38,699.

6. COMMITMENTS

Operating leases

The Organization leases office facilities and office equipment in Washington D.C., Encino, and Los Angeles, California under operating leases expiring at various dates through January 2025. Certain lease agreements contain rent escalation and abatement clauses, creating a deferred rent liability.

Rent expense related to the office leases and equipment rental, including the amortization of deferred rent, totaled \$628,652 for the year ended June 30, 2019.

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

<u>Year ending June 30,</u>		
2020	\$	536,683
2021		610,629
2022		627,931
2023		643,852
2024		662,774
Thereafter		<u>212,803</u>
	\$	<u>3,294,672</u>

Employment contract

The Organization has an employment contract with its Chief Executive Officer that provides for salary and benefits through June 30, 2022. As of June 30, 2019, the total remaining commitment for this contract was approximately \$722,526.

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions and releases during the year are as follows:

	<u>Released from Restrictions</u>	<u>Balance, June 30, 2019</u>
Preside grant	\$ (75,000)	\$ 42,211
Grants	(50)	-
Help our Heros	(26,000)	-
Israel Grants	(104,000)	-
Israel Office	(115,156)	417,557
MAP	(163,966)	-
Rural and Remote	(10,000)	-
Senior Hunger	(1,000)	-
This is Hunger	(25,000)	-
Unappropriated earnings on permanent endowment	-	51,438
Permanent endowment	-	858,400
	<u>\$ (520,172)</u>	<u>\$ 1,369,606</u>

8. ENDOWMENT

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 fund absent explicit donor stipulations to the contrary. Earnings from the donor restricted endowment fund are classified as net assets with donor restrictions 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 (depreciation) of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

8. ENDOWMENT (continued)

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 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.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 909,838	\$ 909,838

Changes in endowment net assets for the fiscal year ended June 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ -	\$ 798,855	\$ 798,855
Contributions	-	101,600	101,600
Net investment return	-	40,993	40,993
Appropriation for expenditure	-	(31,610)	(31,610)
Balance, end of year	<u>\$ -</u>	<u>\$ 909,838</u>	<u>\$ 909,838</u>

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2019

9. LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The total financial assets held by the Organization at June 30, 2019 and the amount of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial assets	
Cash and cash equivalents	\$ 3,580,632
Investments	<u>2,692,696</u>
	<u>6,273,328</u>
Less: amounts unavailable for general expenditure within one year	
Accounts payable and accrued expenses	(76,546)
Accrued personnel costs	(106,939)
Grants payable	(50,000)
Net assets with donor restrictions	<u>(1,369,606)</u>
	<u>(1,603,091)</u>
	<u>\$ 4,670,237</u>