

MAZON: A Jewish Response to Hunger

Financial Statements

June 30, 2018



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 14



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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
Los Angeles, California

October 5, 2018

MAZON: A Jewish Response to Hunger
Statement of Financial Position
June 30, 2018

ASSETS

Cash and cash equivalents	\$ 3,438,756
Investments	2,381,753
Prepaid and other assets	221,907
Property and equipment, net	<u>22,644</u>
Total assets	<u><u>\$ 6,065,060</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 98,275
Accrued personnel costs	80,357
Grants payable	10,000
Deferred rent	<u>131,767</u>
Total liabilities	<u><u>320,399</u></u>
Commitments (Notes 5 and 6)	
Net assets	
Unrestricted	4,209,307
Temporarily restricted	778,554
Permanently restricted	<u>756,800</u>
Total net assets	<u><u>5,744,661</u></u>
Total liabilities and net assets	<u><u>\$ 6,065,060</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Grants and contributions	\$ 7,896,701	\$ 822,064	\$ 200,000	\$ 8,918,765
Net assets released from restriction	<u>397,523</u>	<u>(397,523)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>8,294,224</u>	<u>424,541</u>	<u>200,000</u>	<u>8,918,765</u>
Functional expenses				
Program services	5,655,888	-	-	5,655,888
Management and general	462,618	-	-	462,618
Fundraising	<u>706,710</u>	<u>-</u>	<u>-</u>	<u>706,710</u>
Total functional expenses	<u>6,825,216</u>	<u>-</u>	<u>-</u>	<u>6,825,216</u>
Change in net assets from operations	<u>1,469,008</u>	<u>424,541</u>	<u>200,000</u>	<u>2,093,549</u>
Investment returns				
Interest and dividends	31,452	413	7,226	39,091
Realized and unrealized gains on investments	100,152	1,809	31,685	133,646
Investment management fees	(9,047)	(163)	(2,862)	(12,072)
Reclassification of investment earnings	<u>-</u>	<u>36,049</u>	<u>(36,049)</u>	<u>-</u>
Total investment returns	<u>122,557</u>	<u>38,108</u>	<u>-</u>	<u>160,665</u>
Change in net assets	1,591,565	462,649	200,000	2,254,214
Net assets, beginning of year	<u>2,617,742</u>	<u>315,905</u>	<u>556,800</u>	<u>3,490,447</u>
Net assets, end of year	<u>\$ 4,209,307</u>	<u>\$ 778,554</u>	<u>\$ 756,800</u>	<u>\$ 5,744,661</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, 2018

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries	\$ 1,342,297	\$ 189,545	\$ 230,247	\$ 1,762,089
Payroll taxes	98,121	13,841	16,827	128,789
Employee benefits	<u>203,381</u>	<u>29,535</u>	<u>35,209</u>	<u>268,125</u>
Total personnel expenses	1,643,799	232,921	282,283	2,159,003
Advertising and marketing	13,357	1,298	27	14,682
Bank and credit card charges	-	7,132	67,074	74,206
Depreciation and amortization	2,558	342	401	3,301
Equipment rental	10,774	1,524	1,853	14,151
Grants to other organizations	2,156,500	-	-	2,156,500
Information technology	110,306	12,825	21,001	144,132
Insurance	16,284	2,302	2,799	21,385
Legal and professional fees	245,051	106,267	22,112	373,430
Licenses and fees	-	6,603	-	6,603
Mailing lists and gift processing	-	-	60,176	60,176
Occupancy	368,708	51,968	63,018	483,694
Office	22,405	15,223	4,258	41,886
Program	758,945	-	-	758,945
Postage and printing	83,698	2,389	162,106	248,193
Seminars and education	11,694	2,723	1,370	15,787
Telephone and communications	50,740	6,626	8,086	65,452
Travel and meetings	<u>161,069</u>	<u>12,475</u>	<u>10,146</u>	<u>183,690</u>
	<u>\$ 5,655,888</u>	<u>\$ 462,618</u>	<u>\$ 706,710</u>	<u>\$ 6,825,216</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, 2018

Cash flows from operating activities	
Change in net assets	\$ 2,254,214
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	3,301
Deferred rent	18,481
Realized and unrealized gains on investments	(133,646)
Reinvested interest and dividends, net of fees	(18,405)
Changes in operating assets and liabilities	
Prepaid and other assets	13,381
Accounts payable	37,078
Accrued personnel costs	(286)
Grants payable	<u>(15,000)</u>
Net cash provided by operating activities	<u>2,159,118</u>
Cash flows from investing activities	
Purchases of property and equipment	(15,086)
Proceeds from sales of investments	<u>118,850</u>
Net cash provided by investing activities	<u>103,764</u>
Net increase in cash and cash equivalents	2,262,882
Cash and cash equivalents, beginning of year	<u>1,175,874</u>
Cash and cash equivalents, end of year	<u>\$ 3,438,756</u>

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

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- *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.

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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, 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 \$10,000 at June 30, 2018.

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).

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2015, 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, 2014, 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.

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent events

The Organization has evaluated events subsequent to June 30, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 5, 2018, 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.

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	\$ 1,782,898
Endowment	<u>598,855</u>
	<u>\$ 2,381,753</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Jewish Community Foundation				
Common investment pool	\$ -	\$ 2,375,584	\$ -	\$ 2,375,584
Money market account	<u>6,169</u>	<u>-</u>	<u>-</u>	<u>6,169</u>
	<u>\$ 6,169</u>	<u>\$ 2,375,584</u>	<u>\$ -</u>	<u>\$ 2,381,753</u>

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

3. INVESTMENTS (continued)

The CIP consists of the following:

Fixed income	\$ 813,188
U.S. equities	698,546
Non-U.S. equities	326,804
Global equity managers	91,298
Marketable alternative assets	119,581
Emerging markets	150,502
Real assets	57,906
Cash	55,496
Non-marketable alternative assets	<u>62,263</u>
	<u><u>\$ 2,375,584</u></u>

Activity in the investments during the year was as follows:

Balance, beginning of year	\$ 2,348,552
Reinvested interest and dividends	30,477
Realized and unrealized gains on investments	133,646
Proceeds from sales of investments	(118,850)
Investment management fees	<u>(12,072)</u>
Balance, end of year	<u><u>\$ 2,381,753</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and fixtures	\$ 66,104
Office equipment	17,702
Leasehold improvements	<u>22,340</u>
	106,146
Accumulated depreciation and amortization	<u>(83,502)</u>
	<u><u>\$ 22,644</u></u>

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

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 \$58,239. Discretionary contributions for the year totaled \$39,565.

6. COMMITMENTS

Operating leases

The Organization leases office facilities and office equipment in Washington, D.C. and Los Angeles, California under operating leases expiring at various dates through August 2024. Certain lease agreements contain rent escalation and abatement clauses, creating a deferred rent liability.

Rent expense related to the leases, including the amortization of deferred rent, totaled \$497,845 for the year ended June 30, 2018.

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

<u>Year ending June 30,</u>	
2019	\$ 517,591
2020	532,262
2021	510,730
2022	507,350
2023	520,257
Thereafter	<u>673,367</u>
	<u>\$ 3,261,557</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, 2018, the total commitment for this contract was approximately \$949,822.

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

7. 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, 2018</u>
Israel Office Program	\$ (86,405)	\$ 532,713
Senior Hunger	(5,000)	-
Israel Grants	(89,664)	-
Help Our Heroes	(27,350)	15,000
Rural and Remote	(25,050)	-
This Is Hunger	-	25,000
MAP	(136,214)	163,786
Unappropriated Earnings on Permanent Endowment (see Note 8)	<u>(27,840)</u>	<u>42,055</u>
	<u>\$ (397,523)</u>	<u>\$ 778,554</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 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

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

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 net asset composition by type of fund

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 42,055</u>	<u>\$ 756,800</u>	<u>\$ 798,855</u>

MAZON: A Jewish Response to Hunger
Notes to Financial Statements
June 30, 2018

8. ENDOWMENT (continued)

Endowment net asset composition by type of fund (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ -	\$ 31,787	\$ 556,800	\$ 588,587
Contributions	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Investment return				
Reinvested interest and dividends	-	413	7,226	7,639
Realized and unrealized gains on investments	-	1,809	31,685	33,494
Investment management fees	-	(163)	(2,862)	(3,025)
Reclassification of investment earnings	<u>-</u>	<u>36,049</u>	<u>(36,049)</u>	<u>-</u>
Total investment return	-	38,108	-	38,108
Appropriation for expenditure	<u>-</u>	<u>(27,840)</u>	<u>-</u>	<u>(27,840)</u>
Balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 42,055</u></u>	<u><u>\$ 756,800</u></u>	<u><u>\$ 798,855</u></u>