

MAZON: A JEWISH RESPONSE TO HUNGER

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MAZON: A Jewish Response to Hunger
(A California Non-Profit Organization)
Los Angeles, California

We have audited the accompanying financial statements of MAZON: A Jewish Response to Hunger (A California Non-Profit Organization), which comprise the statement of financial position as of June 30, 2020, 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.

Auditors' 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 of material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT - Continued

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, 2020, 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 Principles

As described in Note 2 to the financial statements, MAZON: A Jewish Response to Hunger has adopted ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note 11 to the financial statements, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Vorstin, Hays + Co.

Calabasas, California
October 15, 2020

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	<u>2020</u>
ASSETS	
Cash and cash equivalents	\$ 4,558,450
Accounts receivable	228
Investments	2,593,331
Deposits and prepaid expenses	251,960
Property and equipment, net	<u>51,838</u>
 Total assets	 <u>\$ 7,455,807</u>
LIABILITIES	
Accounts payable	\$ 71,764
Accrued vacation	113,720
Grants payable	276,000
Deferred rent	<u>197,873</u>
 Total liabilities	 659,357
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Without donor restrictions	5,636,564
With donor restrictions	<u>1,159,886</u>
 Total net assets	 <u>6,796,450</u>
 Total liabilities and net assets	 <u>\$ 7,455,807</u>

See accompanying auditors' report and notes to financial statements.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
REVENUE AND SUPPORT			
Contributions and grants	7,130,570	313,234	7,443,804
Interest income	60,415	10,009	70,424
Unrealized gain (loss) on investments	5,670	2,894	8,564
Restrictions released	535,857	(535,857)	-
Total revenue, support and restrictions released	7,732,512	(209,720)	7,522,792
EXPENSES			
Program services	5,590,141	-	5,590,141
Support services	399,700	-	399,700
Fundraising	770,734	-	770,734
Total expenses	6,760,575	-	6,760,575
CHANGE IN NET ASSETS	971,937	(209,720)	762,217
NET ASSETS - beginning of year	4,664,627	1,369,606	6,034,233
NET ASSETS - end of year	\$ 5,636,564	\$ 1,159,886	\$ 6,796,450

See accompanying auditors' report and notes to financial statements.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program</u> <u>Services</u>	<u>Support</u> <u>Services</u>	<u>Fund-</u> <u>Raising</u>	2020 <u>Total</u> <u>Expenses</u>
Salaries and related expenses				
Salaries and wages	\$ 1,453,874	\$ 188,902	\$ 215,821	\$ 1,858,597
Payroll taxes	105,112	13,741	15,721	134,574
Employee benefits	<u>216,942</u>	<u>27,614</u>	<u>32,884</u>	<u>277,440</u>
	1,775,928	230,257	264,426	2,270,611
Other expenses				
Advertising	23,185	251	246	23,682
Bank charges	230	905	44,683	45,818
Conferences and meetings	13,342	1,510	1,585	16,437
Dues and subscriptions	74,591	6,662	45,739	126,992
Equipment maintenance and repairs	13,090	1,175	1,350	15,615
Grants to other organizations	2,595,208	-	-	2,595,208
Information technology	10,321	1,278	1,468	13,067
Insurance	20,231	2,393	2,748	25,372
Miscellaneous expenses	1,566	(245)	63	1,384
Office expenses	23,506	3,965	2,587	30,058
Outside services	301,522	9,231	129,933	440,686
Postage and delivery	12,605	1,445	89,479	103,529
Printing	12,539	2,594	123,210	138,343
Professional fees	35,709	70,451	5,337	111,497
Program expenses	10,063	-	-	10,063
Rent	469,047	40,161	46,122	555,330
Taxes, licenses and fees	792	3,980	98	4,870
Telephone	56,251	8,026	4,336	68,613
Travel	<u>140,415</u>	<u>9,337</u>	<u>7,324</u>	<u>157,076</u>
	5,590,141	393,376	770,734	6,754,251
Depreciation	<u>-</u>	<u>6,324</u>	<u>-</u>	<u>6,324</u>
Total expenses	<u>\$ 5,590,141</u>	<u>\$ 399,700</u>	<u>\$ 770,734</u>	<u>\$ 6,760,575</u>

See accompanying auditors' report and notes to financial statements.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ <u>762,217</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	6,324
Unrealized (gain) loss on investments	(8,564)
(Increase) decrease in:	
Accounts receivable	(228)
Deposits and prepaid expenses	(112,366)
Increase (decrease) in:	
Accounts payable	(4,782)
Accrued vacation	6,781
Grants payable	226,000
Deferred rent	<u>14,057</u>
 Total adjustments	 <u>127,222</u>
 Net Cash Provided (Used) by Operating Activities	 889,439
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of fixed assets	(19,550)
Proceeds from sales of investments	137,550
Reinvested interest and dividends	<u>(29,621)</u>
 Net Cash Provided (Used) by Investing Activities	 <u>88,379</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 977,818
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>3,580,632</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 4,558,450</u>
SUPPLEMENTAL NON-CASH INFORMATION:	
Donated stock	<u>\$ 108,264</u>

See accompanying auditors' report and notes to financial statements.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. ORGANIZATION

Inspired by Jewish values and ideals, 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.

For more than 30 years, MAZON has been committed to ensuring that vulnerable people have access to the resources they need to be able to put food on the table now, while working to develop and advance long-term solutions to hunger. MAZON is a leading voice in in the United States and in Israel, 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 in the most food insecure states in 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

The Organization prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- *Net assets with donor restrictions.* Net assets with donor restricted are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use. The Organization's net assets with donor restrictions at June 30, 2020 were \$1,159,886.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

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

Accounts Receivable

Receivables consist of accounts receivables, and are stated at the amount management expects to collect from outstanding balances. The Organization uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all receivables were collectible at year-end and therefore no allowance for doubtful accounts was considered necessary at June 30, 2020.

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.

Deposits and Prepaid Expenses

Prepaid insurance, rent, deposits, and other expenses are expensed ratably over their respective terms of agreement.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment, Net

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 changes that materially increase values or extend useful lives are capitalized and depreciated over the estimated used lives of the related assets. All property and equipment with a cost greater than \$5,000 must be capitalized.

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
Leasehold improvements	Shorter of estimated useful life or term of lease	
Office equipment		3 – 5 years

Property and equipment are reviewed for impairment when a significant change in the asset’s use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Accrued Vacation

Accrued vacation benefits are accrued as earned. Regular full-time employees accrue vacation time based upon years of service to the Organization as follows:

<u>Length of Service</u>	<u>Annualized Accrual</u>
0 – 12 months	70 Hours (8.75 Days)
13 – 83 months	105 Hours (13.125 Days)
84+ months	140 Hours (17.5 Days)

Unused accrued vacation is paid at the time of termination. Total accrued vacation at June 30, 2020 was \$113,720.

Grants Payable

Grants payable are recorded when the grant is committed to the recipient organization. The Organization had grants payable totaling \$276,000 at June 30, 2020.

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
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed Securities

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

Classification of Revenues and Expenses

The Organization considers revenues and expenses in the statement of activities to be those revenues and expenses that result from exchange and non-exchange transactions or other activities that are connected directly to the Organization's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The Organization allocated 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 costs are charged to operations when incurred and are included in the Statement of Functional Expenses.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The Organization is required to pay an annual filing fee to the State of California and other states it operates in.

The Organization has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2020, the Organization had no material unrecognized tax benefits, tax penalties or interest.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30, 2019, 2018, and 2017, are subject to examination by the IRS, generally for 3 years after they were filed.

Accounting Pronouncements Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2019. There was no financial effect of adopting the new accounting principles on contributions for the year ended June 30, 2020.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Based on their evaluation, the Organization's management believes that the estimates and assumptions are reasonable; however, the actual results could differ from those estimates.

Fair Value Measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access on the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The common investment pool and money market account are valued at quoted market prices, which represent the net asset value of shares held by the Organization at year end.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

3. INVESTMENTS

The Organization measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Foundation to develop its own assumptions. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2020, are Level 1 inputs.

Investments consist of the following at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common investment pool	\$ -	\$ 2,578,734	\$ 2,578,734
Money market account	<u>14,597</u>	<u>-</u>	<u>14,597</u>
Total investments	<u>\$ 14,597</u>	<u>\$ 2,578,734</u>	<u>\$ 2,593,331</u>

At June 30, 2020, the Organization does not have any investments measured using Level 3 inputs.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3. INVESTMENTS - Continued

The composition of the investment return reported in the statement of activities is follows:

	<u>Amount</u>
Balance, at July 1, 2019	\$ 2,692,696
Proceeds from sales of investments	(137,550)
Reinvested interest and dividends	43,075
Realized and unrealized gains on investments	8,564
Investment management fees	<u>(13,454)</u>
Balance, at June 30, 2020	<u>\$ 2,593,331</u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30, 2020:

	<u>Amount</u>
Furniture and fixtures	\$ 88,801
Leasehold improvements	28,890
Office equipment	<u>30,702</u>
	148,393
Accumulated depreciation	<u>(96,555)</u>
Total property and equipment, net	<u>\$ 51,838</u>

Total depreciation expense for the year ended June 30, 2020 was \$6,324.

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 services 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 plus 50% of the next 2% of participant contributions. Matching contributions vest over a two-year period. Retirement plan matching contributions for the year ended June 30, 2020 was \$62,071. Discretionary contributions for the year totaled \$47,933.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)

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 for the year ended June 30, 2020 related to the office leases and equipment rental, including the amortization of deferred rent, totaled \$554,820.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 612,853
2022	630,134
2023	646,334
2024	664,242
2025	<u>237,771</u>
Total	<u>\$ 2,791,334</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, 2020, the total remaining commitment for this contract was approximately \$496,590.

MAZON: A JEWISH RESPONSE TO HUNGER
(A California Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Net assets with donor restrictions at June 30, 2020, consist of amounts restricted by donor-imposed stipulations; the activity for the year ended is as follows:

<u>Grant</u>	<u>Balance at 6/30/2019</u>	<u>Income</u>	<u>Expenditures</u>	<u>Balance at 6/30/2020</u>
Preside grant	\$ 42,211	\$ 102,367	\$ (144,578)	\$ -
EAF Grant Program	-	25,000	(25,000)	-
Military and Veterans	-	22,767	(22,767)	-
Israel Grants	-	105,000	(105,000)	-
Israel Office	417,557	-	(137,492)	280,065
MAP	-	5,000	(5,000)	-
Rural/Tribal Hunger	-	45,000	(45,000)	-
Senior Hunger	-	8,100	(8,100)	-
Unappropriated earnings on permanent endowment	51,438	12,903	(42,920)	21,421
Permanent endowment	<u>858,400</u>	<u>-</u>	<u>-</u>	<u>858,400</u>
Total	<u>\$ 1,369,606</u>	<u>\$ 326,137</u>	<u>\$ (535,857)</u>	<u>\$ 1,159,886</u>

8. ACCOUNTING FOR ENDOWMENTS

Interpretation of Relevant Law

The Board of Directors of the Organization have 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.

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8. ACCOUNTING FOR ENDOWMENTS - Continued

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

- The duration and preservation of the endowment fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy 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 net assets with donor restrictions. 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

The net asset composition of the endowment as of June 30, 2020, is as follows:

Type of endowment fund	<u>With Donor Restrictions</u>
Donor restricted funds:	
Permanent endowment	\$ 858,400
Interest income	10,009
Net realized and unrealized gain (loss)	<u>2,894</u>
Total	<u>\$ 871,303</u>

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8. ACCOUNTING FOR ENDOWMENTS - Continued

The changes in endowment net assets for the year ended June 30, 2020, are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, July 1, 2019	\$ 909,838
Investment return:	
Net investment return	<u>12,903</u>
Total investment return	922,741
Expenditures	<u>(42,920)</u>
Endowment net assets, June 30, 2020	<u>\$ 879,821</u>

9. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by the Organization at June 30, 2020 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	<u>June 30, 2020</u>
Financial assets:	
Cash and cash equivalents	\$ 4,558,450
Accounts receivable	228
Investments	<u>2,593,331</u>
Total financial assets	7,152,009
Less donor-imposed restrictions:	
Net assets with donor restrictions	<u>(1,159,886)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,992,123</u>

In addition to existing financial assets available to meet general expenditures within one year the Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses and has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 90 to 180 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended June 30, 2020 the level of liquidity and reserves was managed within the policy requirements.

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(CONTINUED)

10. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

The majority of the Organization's contributions and grants are received from corporations, foundations, and individuals and from agencies located throughout the state of California. As such, the Organization's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Organization's services.

11. CONTINGENCIES

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

12. SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to June 30, 2020, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 15, 2020, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.