

MANNA WORLDWIDE, INC.

Fort Worth, Texas

Consolidated Financial Statements

Year Ended December 31, 2016

MANNA WORLDWIDE, INC.
Consolidated Financial Statements
Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Manna Worldwide, Inc.

We have audited the accompanying consolidated financial statements of Manna Worldwide, Inc. (the "Organization"), a Texas nonprofit corporation, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Manna Worldwide, Inc. as of December 31, 2016, 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.

PSK LLP

Arlington, Texas
July 18, 2017

MANNA WORLDWIDE, INC.
Consolidated Statement of Financial Position
December 31, 2016

ASSETS	
Current assets	
Cash	\$ 607,442
Prepaid expenses	92,843
Inventory	<u>35,376</u>
Total current assets	<u>735,661</u>
Property and equipment	
Land	445,177
Buildings and improvements	432,860
Furniture and equipment	19,010
Vehicles	14,000
Accumulated depreciation	<u>(126,538)</u>
Net property and equipment	<u>784,509</u>
Other assets	
Investments	1,163,809
Other	<u>1,000</u>
Total other assets	<u>1,164,809</u>
Total assets	<u>\$ 2,684,979</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 16,177
Accrued expenses	<u>9,318</u>
Total current liabilities	<u>25,495</u>
Net assets	
Unrestricted	2,653,252
Temporarily restricted	<u>6,232</u>
Total net assets	<u>2,659,484</u>
Total liabilities and net assets	<u>\$ 2,684,979</u>

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

MANNA WORLDWIDE, INC.
 Consolidated Statement of Activities
 Year Ended December 31, 2016

Change in unrestricted net assets:

Revenues, gains and other support

Contributions	\$ 2,623,425
Contributions designated for associate support	1,301,570
Contributions for volunteer ministry trips	1,074,794
Special gifts	831,036
Interest income	34,210
Other income	1,645

Total revenues, gains and other support	<u>5,866,680</u>
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Expenses

Program expenses

Associate support	1,215,958
Africa	482,622
Asia	358,988
Europe	298,142
Middle East	6,100
North America	121,184
South / Central America	1,182,762
Volunteer ministry trips	712,538
Special gifts	1,289,560
Other	58,841

Total program expenses	<u>5,726,695</u>
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Supporting services

General and administration	597,641
Contract services	20,800
Facilities and equipment	38,822
Operations	90,173

Total supporting services	<u>747,436</u>
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Total expenses	<u>6,474,131</u>
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Change in net assets	(607,451)
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Net assets at beginning of the year	<u>3,266,935</u>
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Net assets at end of the year	<u>\$ 2,659,484</u>
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The accompanying notes are an integral part of these consolidated financial statements.

MANNA WORLDWIDE, INC.
Consolidated Statement of Cash Flows
Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ (607,451)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	16,008
(Increase) decrease in assets:	
Prepaid expenses	(56,217)
Inventory	(26,169)
Other	(252)
Increase (decrease) in liabilities:	
Accounts payable	16,177
Accrued expenses	<u>4,011</u>
Net cash used in operating activities	<u>(653,893)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(82,357)
Purchases of investments	<u>(33,897)</u>
Net cash used in investing activities	<u>(116,254)</u>
Net change in cash	(770,147)
Cash at beginning of the year	<u>1,377,589</u>
Cash at end of the year	<u>\$ 607,442</u>

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

MANNA WORLDWIDE, INC.
Notes to Financial Statements

1 - Organization and Nature of Activities

Manna Worldwide, Inc. (the “Organization”) is incorporated in the state of Texas as a nonprofit religious organization. The Organization has a passion for helping needy children located around the world with the objective of developing communities toward a more complete way of life. The Organization is committed to addressing nutritional, educational and spiritual needs of children and their families. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

In October 2016, the Organization acquired Mango Tree Coffee, LLC, a Colorado for-profit limited liability company. Net proceeds from the sale of coffee beans will benefit the Organization.

2 - Summary of Significant Accounting Policies

Basis of Accounting - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The consolidated financial statements of the Organization have been prepared using accounting principles generally accepted in the United States of America.

Basis of Consolidation - The accompanying consolidated financial statements for the year ended December 31, 2016 include Manna Worldwide, Inc. and Mango Tree Coffee, LLC. All material intercompany transactions have been eliminated.

Basis of Presentation - As required by the Not-for-Profit Entities Classification of Net Assets topic of the Financial Accounting Standards Board *Accounting Standards Codification* (“FASB ASC”), the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Programs - The Organization pursues its objectives through the execution of the following major programs:

Associate Support - Deputized support for Manna personnel received and disbursed through Manna Worldwide, Inc.

Africa - Identify full-time project partners in the region and assist in opening orphanages and nutrition centers for impoverished communities. Once projects are identified, donors are matched with specific projects and invited to visit and become involved in communication and added support. The projects begin with no end-date in mind, and are meant to facilitate development in communities toward a more complete way of life.

MANNA WORLDWIDE, INC.
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Asia - Identify full-time project partners in the region and assist in opening orphanages and nutrition centers for impoverished communities. Once projects are identified, donors are matched with specific projects and invited to visit and become involved in communication and added support. The projects begin with no end-date in mind, and are meant to facilitate development in communities toward a more complete way of life.

Europe - Facilitating nutrition centers, elderly care facilities and transition homes for post orphanage children. The projects in this region emphasize developmental growth through relationships, education training, career training and positive lifestyle choices.

Middle East - Provide assistance to Syrian refugees during a time of crisis.

North America - Reaching out to undernourished children by providing means to augment their daily nutrition through their local schools.

South / Central America - Identify full-time project partners in the region and assist in opening orphanages and nutrition centers for impoverished communities. Once projects are identified, donors are matched with specific projects and invited to visit and become involved in communication and added support. The projects begin with no end-date in mind, and are meant to facilitate development in communities toward a more complete way of life.

Volunteer Ministry Trips - Sponsoring trips for individuals to show the physical needs of children. Providing opportunities for people to see needs and become involved in changing lives.

Special Gifts - Gifts designated for new projects or other specific purposes not otherwise included in the categories above.

Use of Estimates - Management used estimates and assumptions in preparing these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenues and Support - Revenues and support for the Organization are primarily derived from contributions from churches, individuals and businesses.

Donated Services - No amounts have been reflected in the consolidated financial statements for donated services. The Organization pays for most services requiring specific expertise. A large number of people have contributed significant amounts of time to the activities of the Organization without compensation. The consolidated financial statements do not reflect the value of those contributed services.

Donated Assets - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair market values at the date of donation.

Compensated Absences - Employees of the Organization, administrative and ministerial, are entitled to paid vacation depending upon length of service and other factors. The Organization cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying consolidated financial statements. The Organization's policy is to recognize the cost of compensated absences when paid to employees.

MANNA WORLDWIDE, INC.
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents - For purposes of the consolidated financial statements, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2016.

Inventory - Inventory consists of books and coffee beans, which are stated at the lower of cost or market using the first-in, first-out method of accounting.

Investments - As required by the Not-for-Profit Entities Investments of Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities and an annuity are valued at their fair values in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Property and Equipment - It is the Organization's policy to capitalize property and equipment over \$5,000 at cost, if purchased, and fair market value at date of donation, if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	20 - 40 years
Furniture and equipment	3 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2016 amounted to \$16,008. Maintenance, repairs and minor renewals that do not significantly improve or extend the lives of the representative assets are expensed when incurred. Additions, improvements and major renewals are capitalized.

Additionally, the Organization acquires foreign property from time to time to use in its operations. In certain foreign countries, the Organization is not allowed to hold title or control property; likewise, proceeds from any subsequent sale are often not allowed to be expatriated. In these cases, amounts paid to acquire properties are expensed when paid.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Concentrations of Credit Risk - The Organization occasionally maintains deposits with financial institutions in excess of federally insured limits. The Organization has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risk.

Income Taxes - Manna Worldwide, Inc. is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. Mango Tree Coffee, LLC is considered a disregarded entity by the Internal Revenue Service; accordingly, it is viewed as a division of Manna Worldwide, Inc. for income tax purposes.

The Organization follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income for the year ended December 31, 2016. As of December 31, 2016, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements and does not expect this to change in the next twelve months. The 2013 through 2016 tax years remain subject to examination by the Internal Revenue Service.

MANNA WORLDWIDE, INC.
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Subsequent Events - Subsequent events have been evaluated through July 18, 2017, which is the date the consolidated financial statements were available to be issued.

3 - Annuity Contract

The Organization is the owner and beneficiary of a flexible premium deferred fixed annuity contract with death benefit with an initial premium amount of \$900,000. The annuity earns interest at the insurance company's declared rate, but not less than the minimum guaranteed interest rate of 3.00%. The annuity contract has a maturity date of the earlier of the annuitant's death or September 8, 2044.

4 - Retirement Plan

The Organization maintains a 403(b) retirement program for the benefit of its employees, whereby employees make elective contributions to the plan. Each year the Organization may, at its sole discretion, contribute to the retirement program. For the year ended December 31, 2016, contributions in the amount of \$18,337 were made on behalf of employees. Plan assets were held in fully funded, participant directed, separate accounts.

5 - Investments

Investments are comprised of the following at December 31, 2016:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Annuity contract	\$ 1,163,809	\$ 1,163,809	\$ -

The Organization follows the Fair Value Measurements topic of the FASB ASC for all financial assets and liabilities measured at fair value on a recurring basis. The topic establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. The topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The topic establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The topic establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

MANNA WORLDWIDE, INC.
Notes to Financial Statements

5 - Investments (continued)

The following is a listing of assets required to be measured at fair value on a recurring basis and where they are classified within the hierarchy as of December 31, 2016:

	Level I		Level II		Level III	Total
Annuity contract	\$	-	\$	-	\$ 1,163,809	\$ 1,163,809

The annuity is considered a Level III investment. The annuity is a flexible premium deferred fixed annuity contract valued at contract value, which approximates fair value. The annuity earned a guaranteed average rate of interest at 3.00% for the year ended December 31, 2016. While transactions for annuity contracts are not observable in the marketplace, contract value has historically provided a good approximation of fair value. The Organization has provided no reserves against the contract value for credit risk of the contract issuer.

The following table sets forth a summary of changes in the fair value of the Organization's Level III assets for the year ended December 31, 2016:

	Annuity Contract
Balance as of December 31, 2015	\$ 1,129,912
Interest income	33,897
Balance as of December 31, 2016	\$ 1,163,809

6 - Temporarily Restricted Net Assets

The balance of temporarily restricted net assets as of December 31, 2016 relates to certain contributions for which donors have imposed restrictions. These restrictions require the Organization to expend such funds for expenses directly related to certain program, administration and facilities-related activities. During the year ended December 31, 2016, there were no temporarily restricted net assets expended in accordance with donor restrictions.