MANDELA PARTNERS
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF COMBINED FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

YEAR ENDED DECEMBER 31, 2019

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

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HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

August 17, 2020

Board of Directors
Mandela Partners
Oakland, California

I have audited the combined financial statements of Mandela Partners (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

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

Auditor's Responsibility
My responsibility is to express an opinion on these combined financial statements based on my audit. I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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, I 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 combined financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1200 CONCORD AVENUE, SUITE 250, CONCORD, CA 94520 • (925) 603-0800 • (925) 603-0804 FAX

Opinion

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Mandela Partners as of December 31, 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.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal, state, and county awards as found on page 17, is presented for purposes of additional analysis and are not a required component of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 17, 2020, on my consideration of Mandela Partners' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mandela Partners' internal control over financial reporting and compliance.

Healy and Associates

Healy and Associates
Concord, California

MANDELA PARTNERS
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 558,192
Accounts receivable	373
Pledges and grants receivable	386,838
Prepaid expenses	33,592
Total Current Assets	978,995
Revolving loan funds receivable	86,507
Right of use - Premises	146,335
Property and equipment, net	61,736
Intangible assets, net	7,058
Security deposit	8,544
Total Assets	$ 1,289,175
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 93,861
Deferred revenue	31,996
Note payable	3,333
Lease payable - current portion	86,866
Total Current Liabilities	216,056
Lease payable - noncurrent portion	55,012
Total Liabilities	271,068
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Without donor restrictions	726,798
With donor restrictions	291,309
Total Net Assets	1,018,107
Total Liabilities and Net Assets	$ 1,289,175

MANDELA PARTNERS
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program service fees	$ 207,843	$ -	$ 207,843
Government grants and contracts	1,072,927	-	1,072,927
Contributions, grants, and awards	188,614	227,000	415,614
Food sales	149,742	-	149,742
In-kind services	7,700	-	7,700
Interest income	5,576	-	5,576
Loss on disposal of assets	(23,789)	-	(23,789)
Other income	40,431	-	40,431
	1,649,044	227,000	1,876,044
Net assets released from restriction	309,206	(309,206)	-
TOTAL REVENUE AND SUPPORT	1,958,250	(82,206)	1,876,044
EXPENDITURES			
Program services	1,567,715	-	1,567,715
Administrative services	109,098	-	109,098
Fundraising expenses	94,772	-	94,772
TOTAL EXPENSES	1,771,585	-	1,771,585
CHANGE IN NET ASSETS	186,665	(82,206)	104,459
NET ASSETS, beginning of year	540,133	373,515	913,648
NET ASSETS, end of year	$ 726,798	$ 291,309	$ 1,018,107

MANDELA PARTNERS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Administrative Services	Fundraising Expenses	Total
Salaries and wages	$ 736,297	$ 40,957	$ 75,691	$ 852,945
Payroll taxes	65,488	3,868	6,488	75,844
Employee benefits	66,003	4,053	7,642	77,698
Total Personnel Expenses	867,788	48,878	89,821	1,006,487
Produce and food	194,555	-	-	194,555
Rent	123,783	5,287	2,156	131,226
Professional fees	44,095	30,422	97	74,614
Restaurant expenses	69,127	-	-	69,127
Depreciation and amortization	39,645	-	-	39,645
Utilities and building services	34,716	323	619	35,658
Program supplies	34,056	-	-	34,056
Furniture and equipment	26,703	295	-	26,998
Stipends	25,010	-	-	25,010
Travel	19,915	153	100	20,168
Insurance	12,051	7,716	-	19,767
Incubation	15,961	-	-	15,961
Taxes and fees	12,090	(634)	-	11,456
IT services	3,543	6,941	-	10,484
Bad debt	10,200	-	-	10,200
Bank charges	9,704	423	43	10,170
In-kind services	7,700	-	-	7,700
Printing and copying	7,361	125	62	7,548
Office supplies	801	5,727	95	6,623
Maintenance and repair	3,712	-	-	3,712
Dues and memberships	560	-	1,779	2,339
Advertising and PR	1,474	807	-	2,281
Computers, hardware, and software	1,626	405	-	2,031
Meals	314	1,300	-	1,614
Restaurant supplies	986	-	-	986
Miscellaneous expenses	237	700	-	937
Postage and shipping	2	191	-	193
Board expenses	-	39	-	39
Total Expenses	$ 1,567,715	$ 109,098	$ 94,772	$ 1,771,585

MANDELA PARTNERS
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 104,459
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	39,645
Loss on disposal of asset	23,789
CHANGES IN ASSETS AND LIABILITIES:	
Accounts receivable	(111,227)
Prepaid expenses	5,569
Change in right of use asset	99,898
Accounts payable and accrued expenses	(4,282)
Unearned revenue	9,254
Change in lease liability	(104,355)
NET CASH PROVIDED BY OPERATING ACTIVITIES	62,750
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of intangible assets	(7,700)
Revolving loan funds receivable	7,370
NET CASH PROVIDED BY INVESTING ACTIVITIES	(330)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment on capital lease payable	(4,309)
NET CASH USED BY FINANCING ACTIVITIES	(4,309)
CHANGE IN CASH AND CASH EQUIVALENT	58,111
CASH AND CASH EQUIVALENTS, beginning of year	500,081
CASH AND CASH EQUIVALENTS, end of year	$ 558,192

NOTE A – NATURE OF ACTIVITIES

Mandela Partners (Organization) is a California nonprofit public benefit corporation, incorporated in 2004 and operates from its headquarters in Oakland, California.

Mandela Partners works in partnership with local residents, family farmers, and community-based businesses to improve health, create wealth, and build assets through local food enterprises in low income communities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The combined financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its combined financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> **Net assets with donor restrictions**: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Principles of Consolidation

The combined financial statements include the accounts of Mandela Partners and Oak Harvest Kitchen, LLC (a subsidiary created, controlled, and owned exclusively by Mandela Partners). All significant balances and transactions between the two organizations have been eliminated.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates
The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents
Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fair Value Measurements
The Organization's financial instruments include cash and cash equivalents measured using Level 1 inputs. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined 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." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets and liabilities in active markets.
Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

Accounts, Pledges, and Grants Receivable
Accounts, pledges, and grants receivable consist of amounts due from various governmental agencies, corporations, and foundations and are reflected at their net realizable value. The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2019.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revolving Loan Funds Receivable

Revolving loan funds receivable represent the net realizable value of funds lent to community partner organizations and entrepreneurs. The loans are made in accordance with Mandela Partners' vision of providing low and no cost financial tools, coupled with culturally relevant technical assistance, to enhance vital resourcing which allows locally owned businesses to grow. Terms of the loans vary, with interest rates ranging from 0.0% to 3.9% per annum with repayment terms generally over 30 months. The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2019.

Fixed Assets

Fixed asset additions in excess of $5,000 are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Deferred Revenue

Deferred revenue represents funds received in advance of ongoing programs which span over two fiscal years. Such amounts have been recorded as a liability on the combined statement of financial position and will be reflected as revenue on the combined statement of activities in the subsequent fiscal period.

Tax Exemption Status

The Organization has received exempt status for Mandela Partners under section 501(c)(3) of the Internal Revenue Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has no unrelated business income, and management has analyzed tax positions taken and has concluded that there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the combined financial statements.

In-Kind Contributions

The Organization records donated services at their estimated fair value on the date of receipt. Donated services for the year ended December 31, 2019 are $7,700 as reflected in the accompanying combined statement of activities and combined statement of functional expenses.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition
The Organization is supported primarily through governmental grants and contracts, foundation grants and awards, contributions, and program fees.

In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities,* contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Functional Allocation of Expenses
The costs of program activities and supporting services have been summarized on a functional basis in the combined statement of functional expenses. The combined statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited based on employee time and effort spent in the functional area.

Newly Adopted Accounting Principles
In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization adopted the standard on January 1, 2019. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Relevant Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization plans to adopt the standard on January 1, 2020. The Organization is currently evaluating impact of adopting this new guidance on its combined financial statements.

NOTE C – ACCOUNTS, PLEDGES, AND GRANTS RECEIVABLE

Accounts, pledges, and grants receivable at December 31, 2019 are due as follows:

Due within one year:	
Grants and pledges receivable	$ 386,838
Accounts receivable	373
Total due within one year	$ 387,211

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 include the following:

Leasehold improvements	$ 65,178
Incubator equipment	24,537
Vehicle	21,237
Furniture and equipment	88,762
Total property and equipment	199,714
Less accumulated depreciation	(137,978)
Property and equipment, net	$ 61,736

Depreciation expense for the year ended December 31, 2019 was $39,003.

NOTE E – INTANGIBLE ASSETS

Intangible assets at December 31, 2019 include the following:

Software	$7,700
Less accumulated amortization	(642)
Property and equipment, net	$ 7,058

Amortization expense for the year ended December 31, 2019 was $642.

NOTE F – REVOLVING LOAN FUNDS

During the year ended December 31, 2019, the Organization provided funding to eligible entities with interest rates ranging from 0.0% to 3.9% per annum with repayment terms generally over 30 months. At December 31, 2019, revolving loan funds receivable consists of the following:

Unsecured notes receivable due through 2025.	$ 86,507

When the interest rate charged is less than fair market value on notes receivable, the interest expense if imputed would be immaterial to these combined financial statements taken as a whole and has therefore not been recorded.

NOTE G – CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management believes the Organization has complied with the terms of all grants.

NOTE H – CONCENTRATIONS

Total cash held by the Organization at December 31, 2019, exceeded the federally insured limits provided from the Federal Deposit Insurance Corporation (FDIC) by $291,148. To date, the Organization has not experienced any losses with respect to the accounts. Management monitors the creditworthiness of the financial institutions on an on-going basis.

At December 31, 2019, three funders accounted for 58% of total receivables (25%, 22%, and 11%).

The Organization received approximately 31% of its annual revenue from three funders (13%, 9%, and 9%). The loss of that funding could have an impact on the future operations of the Organization.

NOTE I – RIGHT OF USE ASSET AND LEASES

In accordance with ASU 2016-02, *Leases*, Mandela Partners is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. Accordingly, Mandela Partners has recorded a total lease liability in the amount of $141,878 for its facilities and other equipment lease contracts (split between current amount of $86,866 and noncurrent amount of $55,012) and a corresponding right of use asset for the premises in the amount of $146,335. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of December 31, 2019 was 4.0%. As of December 31, 2019, Mandela Partners is obligated under several separate operating lease agreements as follows:

1344 7th Street

Mandela Partners leases its corporate office space under a multi-year operating lease agreement which expires December 31, 2021. The lease requires a monthly base rent of $2,177 as of December 31, 2019 and the organization is responsible for its proportionate share of building, maintenance and operating expenses which includes taxes, insurance, and utilities.

1430 7th Street

Mandela Partners also rents retail spaces under a multi-year operating lease agreement which expires August 1, 2022. The lease requires a monthly base rent of $1,704 as of December 31, 2019 and the organization is responsible for its proportionate share of building, maintenance and operating expenses which includes taxes, insurance, and utilities.

499 14th Street

Mandela Partners together with Oak Harvest Kitchen, LLC also rents retail spaces under a multi-year operating lease agreement which expires August 31, 2020. The lease requires a total monthly base rent of $5,482 as of December 31, 2019 and the organization is responsible for its proportionate share of building, maintenance and operating expenses which includes taxes, insurance, and utilities. Rent expense for all property leases amounted to $131,226 for the year ended December 31, 2019.

Future minimum lease payments representing the amortized principal balance of the lease liability as of December 31, 2019 are as follows:

Year Ended	
2020	$ 81,513
2021	$ 40,534
2022	$ 24,288

NOTE J – NOTE PAYABLE

Note payable at December 31, 2019 consists of the following:

As part of the donation of CORE Kitchen, Mandela Partners inherited the remaining portion of an operating loan. The loan requires a monthly payment in the amount of $278. The loan was amended in April 2019 to defer payments until October 2020, at which time the payments will resume.	$3,333
Total	$ 3,333

NOTE K – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date, comprise the following:

Cash and cash equivalents	$ 558,192
Accounts, pledges, and grants receivable	387,211
Total Financial Assets	945,403
Less amounts not available to be used within one year:	
Net assets with purpose restrictions to be met in one year	(291,309)
Financial assets available to meet cash needs for general expenditures within one year	$ 654,094

The Organization has $654,094 in financial assets available within one year of the combined statement of financial position date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE L – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off. The amount of paid time off liability at December 31, 2019 is $18,547 and is reflected in the accompanying combined financial statement of financial position in accounts payable and accrued expenses. In addition, $33,936 was payable at December 31, 2019 related to wage and tax expense incurred but not yet paid by that date.

The Organization offers participation in a 401(k) deferred compensation plan to employees who meet the criteria. The Organization did not match employee voluntary deferrals during the fiscal year ended December 31. 2019.

NOTE M – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2019, net assets with donor restriction activity consisted of the following:

Nature of Restriction	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Specific purpose:				
Community development	$ 48,515	$ 95,000	($ 87,195)	$ 56,320
Healthy retail network	30,000	57,000	(49,951)	37,049
General operations	45,000	-	(35,000)	10,000
Total specific purpose	123,515	152,000	(172,146)	103,369
Time restricted	250,000	75,000	(137,060)	187,940
Total restricted net assets	$ 373,515	$ 227,000	($ 309,206	$ 291,309

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through August 17, 2020, the date the combined financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2019, that required recognition or disclosure in the combined financial statements.

In April 2020, Mandela Partners and Oak Harvest Kitchen, LLC received approximately $192,000 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The Organizations each intend to use the funds on eligible expenses and seek forgiveness in 2020 and record the grant revenue. However, the actual amount the Organization will earn or need to repay on the loan funds for any unearned portion cannot be determined.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter could negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

ADDITIONAL INFORMATION

MANDELA PARTNERS
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND COUNTY FINANCIAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Program Name	Federal CFDA Number	Contract Number	Contract Period	Award Amount	Disbursements/ Expenditures
Federal:					
Department of Health and Human Services					
Community Services Block Grant Community Economic Development (CED) project	93.570	90EE1144-01-00	09/30/16 - 09/29/19	$ 360,000	$ 176,223
Community Services Block Grant A Marketplace for Community Health and Wealth	93.570	90EE1184-01-01	09/30/17 - 09/29/20	$ 683,200	$ 251,626
Department of Agriculture					
New Markets for Farmers	10.172	16LFPPCA0021	09/30/16 - 09/19/19	$ 488,478	$ 89,746
Food Insecurity Nutrition Incentive Grants Program	10.331	2015-70018-23327	04/01/15 - 03/31/18	$ 422,500	$ 7,056
Passed through the California Department of Food and Agriculture					
Specialty Crop Block Grant Program	10.170	17-0275-016-SC	11/01/17 - 04/30/20	$ 319,649	$ 165,606
Specialty Crop Block Grant Program	10.170	19-0001-010-SF	11/01/19 - 04/30/22	$ 218,254	$ -
Total Federal Awards			Total Federal Awards	2,492,081	690,257
State:					
State of California, Department of Food and Agriculture					
California Nutrition Incentive Program - Expansion - Interfaith		17-0754-000-SG	6/30/2018 - 3/31/2020	$ 302,515	$ 118,008
Healthy Stores Refrigeration		19-0813-000-SG	12/1/19 - 6/30/21	$ 87,097	$ -
State of California, Employment Development Department					
Workforce Innovation and Opportunity Act (WIOA) Plan Workforce Accelerator Fund (WAF) 7.0 - Adult Rd 2		K9113032	5/1/2019 - 9/30/2020	$ 150,000	$ 58,183
Total State Awards			Total State Awards	539,612	176,191
County:					
Alameda County Public Health Department					
Measure A - Healthy Retail Program		900605	7/1/18-6/30/19	85,698	42,552
Measure A - Healthy Retail Program - Ashland		900605	7/1/18-6/30/19	45,017	16,430
Measure A - Healthy Retail Program		900605	7/1/19-6/30/20	85,698	41,561
Measure A - Healthy Retail Program - Ashland		900605	7/1/19-6/30/20	45,017	21,400
ACPHD - BB4HE		PHG16FH31300	2/1/19-6/30/19	50,000	50,000
			Total County Awards	311,430	171,943
			Grand Total Federal, State, and County Awards	$ 3,343,123	$ 1,038,391

BASIS OF PRESENTATION - The accompanying schedule of expenditures of federal, state, and county awards (the Schedule) includes the federal award activity of Mandela Partners under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented for informational purposes, and it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mandela Partners .

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursementMandela Partners has no sub recipients.

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the combined financial statements of Mandela Partners

2. No reportable conditions relating to the audit of the combined financial statements are reported in the Independent Auditor's Report on Organization's Compliance and Internal Control over Financial Reporting.

3. No instances of noncompliance material to the combined financial statements of Mandela Partners were disclosed during the audit.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

Current Year – None
Prior Year – None

ADDITIONAL REPORT

MANDELA PARTNERS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

August 17, 2020

Board of Directors
Mandela Partners
Oakland, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Mandela Partners, which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated August 17, 2020.

Internal Control Over Financial Reporting
In planning and performing my audit of the combined financial statements, I considered Mandela Partners' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mandela Partners' internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

1200 CONCORD AVENUE, SUITE 250, CONCORD, CA 94520 • (925) 603-0800 • (925) 603-0804 FAX

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mandela Partners' combined financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Healy and Associates

Healy and Associates
Concord, California