



CAPITAL AREA FOOD BANK AND CAPITAL AREA FOOD BANK FOUNDATION

Consolidated Financial Statements and Supplementary Information

For the Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)



**and
Report Thereon**



**Reports Required in Accordance with
Uniform Guidance**

For the Year Ended June 30, 2019



**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Capital Area Food Bank and
Capital Area Food Bank Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Capital Area Food Bank (CAFB) and its subsidiary, the Capital Area Food Bank Foundation (the Foundation) (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses 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 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 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 auditor considers internal control relevant to the entity'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 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 consolidated financial statements.

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

Continued

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Opinion

In our opinion, the 2019 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Capital Area Food Bank and its subsidiary as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The Organization's 2018 consolidated financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP, and whose report dated October 25, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (supplementary information)*, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
October 25, 2019

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

(With Summarized Financial Information as of June 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,224,952	\$ 6,882,445
Accounts receivable, net	283,832	190,706
Pledges receivable, current portion	1,395,128	64,650
Contributions and grants receivables	894,480	1,536,911
Inventory	6,942,376	5,161,718
Prepaid expenses and other deposits	117,560	140,944
Total Current Assets	16,858,328	13,977,374
Pledges receivable, net of current portion	9,688	18,889
Investments	13,484,080	10,440,155
Investments related to deferred compensation	103,944	-
Property and equipment, net	32,267,808	33,593,831
TOTAL ASSETS	\$ 62,723,848	\$ 58,030,249
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,420,618	\$ 1,475,257
Capital lease obligations, current portion	262,863	259,064
Total Current Liabilities	1,683,481	1,734,321
Noncurrent liabilities		
Notes payable	5,205,000	5,205,000
Capital lease obligations, net of current portion	677,002	939,866
Obligations related to deferred compensation	103,944	-
Total Noncurrent Liabilities	5,985,946	6,144,866
TOTAL LIABILITIES	7,669,427	7,879,187
Net Assets		
Without donor restrictions	53,615,638	49,051,011
With donor restrictions	1,438,783	1,100,051
TOTAL NET ASSETS	55,054,421	50,151,062
TOTAL LIABILITIES AND NET ASSETS	\$ 62,723,848	\$ 58,030,249

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

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

(With Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restrictions			With Donor Restrictions	2019 Total	2018 Total
	Non-In-Kind	In-Kind	Total			
OPERATING REVENUE AND SUPPORT						
In-kind food contributions	\$ -	\$ 51,385,790	\$ 51,385,790	\$ -	\$ 51,385,790	\$ 52,425,531
Contributions and grants	11,851,806	-	11,851,806	2,317,042	14,168,848	11,878,763
Federal and state grants	3,434,933	-	3,434,933	1,149,565	4,584,498	4,277,939
Program service fees	2,442,309	-	2,442,309	-	2,442,309	2,334,239
Donated materials and services	-	148,206	148,206	-	148,206	258,240
Other income	385,012	-	385,012	-	385,012	361,884
Net assets released from restrictions:						
Released from purpose restrictions	3,127,875	-	3,127,875	(3,127,875)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	21,241,935	51,533,996	72,775,931	338,732	73,114,663	71,536,596
OPERATING EXPENSES						
Program Services:						
Food resourcing and logistics	9,211,129	20,829,450	30,040,579	-	30,040,579	37,080,887
Community direct distributions	1,896,916	15,114,341	17,011,257	-	17,011,257	12,811,184
Government distributions	1,161,936	13,639,680	14,801,616	-	14,801,616	15,129,736
Partner relations and agency training	1,475,220	1,627	1,476,847	-	1,476,847	1,430,075
Food for Kids	1,432,679	217	1,432,896	-	1,432,896	1,694,296
Total Program Services	15,177,880	49,585,315	64,763,195	-	64,763,195	68,146,178
Supporting Services:						
Management and general	2,113,287	149,206	2,262,493	-	2,262,493	2,495,712
Fundraising	1,811,747	390	1,812,137	-	1,812,137	2,152,990
Total Supporting Services	3,925,034	149,596	4,074,630	-	4,074,630	4,648,702
TOTAL OPERATING EXPENSES	19,102,914	49,734,911	68,837,825	-	68,837,825	72,794,880
Change in net assets from operations	2,139,021	1,799,085	3,938,106	338,732	4,276,838	(1,258,284)
NONOPERATING ACTIVITIES						
Interest expense	(14,512)	-	(14,512)	-	(14,512)	(117,850)
Investment income, net	641,033	-	641,033	-	641,033	595,066
Gain on NMTC unwind	-	-	-	-	-	7,003,138
CHANGE IN NET ASSETS	2,765,542	1,799,085	4,564,627	338,732	4,903,359	6,222,070
NET ASSETS, BEGINNING OF YEAR	44,208,756	4,842,255	49,051,011	1,100,051	50,151,062	43,928,992
NET ASSETS, END OF YEAR	\$ 46,974,298	\$ 6,641,340	\$ 53,615,638	\$ 1,438,783	\$ 55,054,421	\$ 50,151,062

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

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)**

	Program Services					Supporting Services			2019 Total	2018 Total	
	Food Resourcing and Logistics	Community Direct Distributions	Government Distributions	Partner Relations and Agency Training	Food for Kids	Total Program Services	Management and General	Fundraising			Total Supporting Services
In-kind food distributions	\$ 20,821,124	\$ 15,114,017	\$ 13,638,700	\$ -	\$ -	\$ 49,573,841	\$ -	\$ -	\$ -	\$ 49,573,841	\$ 53,680,128
Donated materials and services	-	-	-	-	-	-	148,206	-	148,206	148,206	258,240
Depreciation – in-kind	8,326	324	980	1,627	217	11,474	1,000	390	1,390	12,864	12,526
Total In-Kind Expenses	20,829,450	15,114,341	13,639,680	1,627	217	49,585,315	149,206	390	149,596	49,734,911	53,950,894
Salaries and related benefits	4,059,499	420,779	806,514	974,780	269,324	6,530,896	1,457,997	802,858	2,260,855	8,791,751	8,532,616
Food related costs	2,766,499	1,378,352	9,058	8,292	1,104,090	5,266,291	174	-	174	5,266,465	5,039,191
Occupancy and transportation	762,110	23,650	117,954	110,088	22,704	1,036,506	66,900	27,105	94,005	1,130,511	1,061,010
Travel, training and staff development	8,821	7,758	4,107	2,979	309	23,974	23,710	1,905	25,615	49,589	42,146
Office administrative expenses	29,081	7,572	8,640	88,671	2,156	136,120	117,202	163,785	280,987	417,107	484,627
Professional fees	-	7,112	-	15,450	-	22,562	264,290	24,554	288,844	311,406	329,860
Materials and supplies	97,344	6,314	91,683	8,852	1,117	205,310	10,900	1,180	12,080	217,390	194,338
Miscellaneous	334	5	150	52,639	-	53,128	1,675	477	2,152	55,280	244,801
IT software and hardware	122,367	13,626	34,584	80,692	9,148	260,417	47,784	50,196	97,980	358,397	256,117
Insurance	124,907	1,681	4,927	7,818	1,186	140,519	31,905	2,955	34,860	175,379	172,689
Depreciation	1,240,167	30,067	84,319	124,709	22,645	1,501,907	90,198	37,869	128,067	1,629,974	1,664,075
Direct mail expenses	-	-	-	-	-	-	-	685,416	685,416	685,416	635,985
Special events	-	-	-	250	-	250	552	13,447	13,999	14,249	186,531
Total Non-In-Kind Expenses	9,211,129	1,896,916	1,161,936	1,475,220	1,432,679	15,177,880	2,113,287	1,811,747	3,925,034	19,102,914	18,843,986
TOTAL OPERATING EXPENSES	\$ 30,040,579	\$ 17,011,257	\$ 14,801,616	\$ 1,476,847	\$ 1,432,896	\$ 64,763,195	\$ 2,262,493	\$ 1,812,137	\$ 4,074,630	\$ 68,837,825	\$ 72,794,880

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

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,903,359	\$ 6,222,070
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation- in-kind	12,864	12,526
Depreciation	1,629,974	1,664,075
Amortization of deferred financing costs	-	13,787
Net unrealized and realized gains on investments	(301,109)	(344,449)
Loss on disposal of property and equipment	3,403	79,417
In-kind food contributions	(51,385,790)	(52,425,531)
In-kind food distributions	49,573,841	53,680,128
Gain on NMTC Unwind	-	(7,003,138)
Change in allowance for doubtful accounts	47,803	(16,131)
Changes in assets and liabilities:		
Accounts receivable	(140,929)	4,193
Pledges receivable	(1,321,277)	168,304
Contributions and grants receivables	642,431	(189,376)
Interest receivable	-	119,859
Inventory – purchased goods	31,291	(10,472)
Prepaid expenses and other deposits	23,384	(31,696)
Accounts payable and accrued expenses	(54,639)	234,020
Interest payable	-	(121,646)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,664,606	2,055,940
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(320,218)	(84,550)
Purchase of investments	(10,897,770)	(4,027,031)
Proceeds from sales of investments	8,154,954	2,447,696
NET CASH USED IN INVESTING ACTIVITIES	(3,063,034)	(1,663,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease	(259,065)	(242,965)
NET CASH USED IN FINANCING ACTIVITIES	(259,065)	(242,965)
NET INCREASE IN CASH AND CASH EQUIVALENTS	342,507	149,090
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,882,445	6,733,355
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,224,952	\$ 6,882,445
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 14,512	\$ 225,712
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under a capital lease	\$ -	\$ 270,958
Forgiveness of debt associated with notes payable	\$ -	\$ 28,800,000
Forgiveness of debt associated with note receivable	\$ -	\$ 20,833,437

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

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Capital Area Food Bank (CAFB, the Food Bank) is a nonprofit organization organized under the laws of the District of Columbia. CAFB is a member of Feeding America, the nation's largest domestic hunger-relief organization, consisting of a network of 200 food banks across the country. CAFB's mission is to create access to good, healthy food in every community. CAFB is the largest organization in the Washington metropolitan area working to solve hunger and its companion problems: chronic under nutrition, heart disease and obesity. CAFB operates two warehouses that receive, process and distribute food to approximately 450 local nonprofit feeding programs throughout the Metropolitan Washington, D.C. area, as well as delivering food directly into hard-to-reach areas. These local partners include shelters, low-income day care centers, soup kitchens and emergency food programs. In addition to distributing food, the Food Bank is active in implementing educational programs, sustainable agriculture/food security programs and community advocacy/outreach programs addressing the underlying causes of hunger. These activities are funded primarily through contributions, grants, program service fees and in-kind food donations.

CAFB food distribution in pounds for fiscal years 2019 and 2018 was 37,638,825 and 38,649,790 respectively. The per pound value of donated and government food commodities fluctuates year-over-year and was \$1.68 and \$1.73 in fiscal years 2019 and 2018, respectively. As such, in-kind distribution amounts within the financial statements may not mirror distribution trends by poundage.

CAFB administers several government and nongovernmental programs as described below.

Food Resourcing and Logistics

- a) Agency Shopping Mart: The Agency Shopping Mart enables CAFB's partner agencies to conserve their limited resources by ordering donated and purchased food from CAFB at prices significantly lower than retail cost.
- b) Partner Direct: CAFB facilitates retail pick-up directly between 50 food bank partners and food donors. This allows agencies to collect donations directly from stores, saving on transportation and other costs.

Partner Relations and Agency Training

- a) Urban Garden: The garden at the Food Bank's Northeast Washington facility features beehives, raised beds, fruit trees, and nutrition and gardening lessons, as well as supplying some produce for lessons in the Teaching Kitchen. CAFB's garden program aims to train partner agencies in how to start their own gardens as a way of creating a low-cost sustainable food supply.

Food for Kids

- a) Kids Café/Afterschool and Summer Meals: The food bank provides free, healthy meals and snacks to around 2,100 and 2,200 students attending after-school and summer enrichment programs, respectively.

Continued

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Organization (continued)

Community Direct Distributions

- a) Senior Brown Bag: CAFB provides almost 5,000 seniors with a 30-40 pound bag of groceries each month. Healthy recipes, a nutrition newsletter and information on how to access community resources in specific neighborhoods are also included.
- b) Weekend Bag: This program provides kid-friendly bags of groceries for children to ensure that they have enough to eat when not at school. This program serves nearly 2,500 children weekly at nearly 40 sites around the region.
- c) Family Markets: CAFB operates 45 client-choice style food markets in area schools, serving over 10,000 families per month in D.C., Maryland and Virginia.
- d) Mobile Markets: In partnership with community sites such as recreation centers and churches, CAFB hosts 89 monthly Mobile Markets for residents to attend and receive assistance.
- e) Community Marketplace: At this monthly farmer's market-inspired event, CAFB offers fresh, seasonal produce at no cost. Health, housing and other service providers are also on site as additional resources for clients. Currently, three Community Marketplaces serve hundreds of clients one Saturday a month: one each in Virginia, Maryland and D.C.
- f) Joyful Food Markets: This monthly pop-up grocery market takes place at over 50 schools in D.C.'s Wards 7 and 8. Each market provides families with healthy, nonperishable groceries and fresh produce.
- g) Brighter Bites: Approximately 200 families are able to obtain fresh produce through our weekly distributions at five school sites in Prince George's County.

Government Distributions

- a) Commodity Supplemental Food Program (CSFP): CAFB provides approximately 5,400 D.C. seniors and 500 Maryland seniors with a bag of healthy groceries each month. In the summer, participants also receive produce vouchers redeemable at participating farmer's markets.
- b) The Emergency Food Assistance Program: CAFB receives USDA commodities and distributes them to certain qualified agencies without any service fees. Over six million pounds were distributed under this program the past fiscal year.

In addition to the CAFB's 125,000 square foot distribution center and offices in Northeast Washington, a 16,000 square foot warehouse and office facility in Lorton, Virginia, serves our Northern Virginia agencies and direct service programs.

The Capital Area Food Bank Foundation (the Foundation) is a nonprofit entity organized under the laws of the District of Columbia. Incorporated on April 29, 2010, the Foundation was organized solely to support the charitable purposes of CAFB, the Foundation's sole member. As such, the Foundation's activities include raising funds, including capital funds, and managing and investing such funds for the benefit of its supported organization, CAFB. The Foundation is governed by a Board of Directors that is appointed by the Food Bank's Board of Directors.

Continued

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

C. Principles of Consolidation

The consolidated financial statements of CAFB and the Foundation (collectively known as the Organization) have been prepared on the accrual basis of accounting. As required under GAAP, CAFB and the Foundation have been consolidated due to the presence of common control and economic interest. All significant inter-company balances and transactions between CAFB and the Foundation have been eliminated as part of the consolidation.

D. Cash and Cash Equivalents

The Organization considers all cash and store credits and highly liquid investments with initial maturities of three months or less to be cash and cash equivalents. Cash balances held in dedicated investment accounts are reflected as investments within the consolidated financial statements.

E. Investments

Investments are reported at 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 between market participants at the measurement date. Investment income, including net realized and unrealized gains (losses), is reflected in the consolidated statement of activities as an increase (decrease) in unrestricted net assets, unless the investment income use is restricted by explicit donor stipulation for a specific purpose or law. Interest and dividend income is recorded on the accrual basis. The Organization's investments consist of fixed-income securities, equity mutual funds, fixed-income mutual funds, domestic and international equities, alternative investment strategy funds, cash and cash equivalents, and real asset mutual funds.

The Organization's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near future and will materially affect the amounts reported in the consolidated financial statements.

F. Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurement. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fair Value Measurement (continued)

pricing the asset or liability. To increase consistency and comparability in fair value measurement, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. The three levels of the fair value hierarchy are described as follows:

Level 1 – Based on unadjusted, quoted market prices in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Based on unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining fair value.

As of June 30, 2019, only the Organization's investments, as described in Note 5, were measured at fair value on a recurring basis.

G. Allowance for Doubtful Accounts

The Organization uses the allowance method to record potentially uncollectible receivables. The allowance for doubtful accounts is determined based upon an annual review of receivable balances, including the age of the balance and the historical experience with the donor or partner agency.

H. Pledges, Contributions and Grants Receivable

Promises to give are recognized as revenue when the donor has made an unconditional promise to contribute funds to the Organization in future periods. Promises to give are recorded at their net realizable value if expected to be collected within one year, or at their present value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has undertaken reasonable collection efforts are written off.

I. Inventory

Inventory consists of purchased, donated and government goods. Purchased goods are valued at lower of cost or net realizable value on a first in, first out basis. Donated and government goods are valued using Feeding America's Independent Accountants' Report of the estimated weighted average wholesale value of such goods. Management believes this benchmark reflects an accurate basis for estimating the value of the Organization's donated food goods, and it is a widely accepted standard used by other food banks throughout the United States. For the year ended June 30, 2019, the value of the donated goods and inventory balance reported in the consolidated statement of financial position was calculated using the calendar year 2017 estimate of \$1.68 per pound, which was the most recent number available when the Organization's fiscal year began.

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**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Property and Equipment and Related Depreciation

Property and equipment are stated at cost or fair value at date of the gift for donated assets. Property and equipment under capital leases are capitalized and recorded at the present value of the future minimum lease payments. The Organization capitalizes asset purchases with acquisition values over \$5,000 and a useful life greater than one year. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	20 to 39 years
Warehouse equipment	3 to 10 years
Office and computer equipment	3 to 10 years
Vehicles	5 to 10 years
Software	3 to 5 years

Property and equipment held under capital leases are depreciated on a straight-line basis over the lesser of the leases' term and anticipated renewals or the estimated useful lives of the assets.

The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in revenue and support or expense in the accompanying consolidated statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

K. Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended June 30, 2019.

L. Classification of Net Assets

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of June 30, 2019, the Organization had no net assets with donor restrictions that are required to be maintained in perpetuity.

Continued

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Revenue Recognition

Revenue from contributed food received, the expense for contributed food distributed, and the contributed food inventory value are all based on the Feeding America per pound valuation described in the inventory section above. The Organization treats contributed food as contributions without donor restrictions and records the revenue at the time of receipt based on the number of pounds of food contributed.

The Organization recognizes all unconditional contributed support and pledges at their net realizable value in the period in which the commitment is made. Grants, contributions and pledges are considered revenue and support without donor restrictions and are available for general operations unless specifically restricted by the donor. The Organization reports grants, contributions, and pledges of cash and other assets as revenue and support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to particular purposes or to future periods. When the stipulated time restriction expires or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Revenue recognized for grants and contributions that have been committed to the Organization but have not been received is reflected as contributions and grants receivable in the accompanying consolidated statement of financial position.

Program service fees are comprised of revenue earned by the Organization for the delivery of food products to its partner agencies. This revenue consists of the cost reimbursement for purchased food and a per pound shared maintenance fee on donated goods. This revenue is recognized upon the partner agencies' receipt of the food.

Federal and state grant revenue is recognized as it is earned through expenditures in accordance with the agreements. On other grant awards, revenue is recognized based on the submission for reimbursement of administration costs related to food commodity distribution by the Organization. Revenue recognized on federal grant awards for which billings have not been presented to or collected from the awarding agency is included in contributions and grants receivable in the accompanying consolidated statement of financial position.

Donated materials and services are recognized at their estimated fair value when received. Donated services are recognized if the services received create or enhance nonfinancial assets or if the services require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Contributions of long-lived assets, or contributions of cash and other assets restricted to the purchase of long-lived assets, are reported as support that increases net assets with donor restriction. Net assets are reclassified from net assets with donor restriction to net asset without donor restriction when the underlying asset is placed in service.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to a specific functional area of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. The allocated expenses and their respective bases are shown below.

Expense	Method of Allocation
Personnel costs	Time and effort
Occupancy costs	Square footage
Company-wide technology	Full time equivalent
Office equipment rentals	Full time equivalent
Insurance:	
Property	Square footage
Cyber	Full time equivalent
Directors and Officers	Full time equivalent
Depreciation:	
Building and Improvements	Square footage
Technology	Full time equivalent

O. Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

P. Definition of Operations

Operating revenue and expenses generally reflect those revenues and expenses that arise from the Organization's programmatic and supporting activities, and exclude interest revenue, investment income and interest expense.

Q. New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and

Continued

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. New Accounting Pronouncement (continued)

availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The major changes of the ASU affecting the Organization include (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) requiring that all nonprofits disclose a summary of the allocation methods used to allocate costs; (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and (d) presenting investment return net of external and direct internal investment expenses.

NOTE 2 – ACCOUNTS, CONTRIBUTIONS AND GRANTS RECEIVABLE

Total accounts receivable of \$283,832 are composed primarily of amounts due from partner agencies, and are shown net of their corresponding allowance for doubtful accounts of \$85,710, as of June 30, 2019.

Contributions and grants receivable consist of amounts due from government agencies and donor estate bequests. All amounts are due within one year and are considered fully collectible; thus, no allowance has been recorded.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable primarily reflect grant commitments made to the Organization by individuals and foundations. As of June 30, 2019, the pledges receivable due to be collected were as follows:

Within one year	\$ 1,395,128
One to five years	<u>10,000</u>
Gross Pledges Receivable	1,405,128
Less: Discount to Net Present Value at 1.5%	<u>(312)</u>
Pledges Receivable, Net	<u>\$ 1,404,816</u>

All balances are expected to be collected.

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 4 – INVESTMENTS

Investments consisted of the following as of June 30, 2019:

Equity mutual funds	\$ 6,357,959
Fixed-income securities	2,909,141
Fixed-income mutual funds	1,251,896
Cash and cash equivalents	1,419,234
Real asset mutual funds	892,941
Alternative investment strategy funds	433,788
Domestic and international equities	<u>219,121</u>
Total Investments	<u>\$ 13,484,080</u>

Investment income is summarized as follows for the year ended June 30, 2019:

Interest and dividends	\$ 389,881
Net realized and unrealized gains	301,109
Investment fees	<u>(49,957)</u>
Investment Income, Net	<u>\$ 641,033</u>

NOTE 5 – FAIR VALUE MEASUREMENT

The table below summarizes the Organization's investments measured at fair value on a recurring basis as of June 30, 2019, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Equity mutual funds:				
Domestic mutual funds	\$ 4,205,569	\$ 4,205,569	\$ -	\$ -
International mutual funds	2,152,390	2,152,390	-	-
Fixed-income securities:				
Corporate bonds	1,596,659	-	1,596,659	-
Government bonds	1,211,939	-	1,211,939	-
Asset-backed securities	100,543	-	100,543	-
Real asset mutual funds:				
Real estate	892,941	892,941	-	-

Continued

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 5 – FAIR VALUE MEASUREMENT (continued)

(continued)	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments: (continued)				
Alternative investment strategy funds:				
Long/short equity	\$ 263,262	\$ 263,262	\$ -	\$ -
Multi-alternatives	74,542	74,542	-	-
Managed futures	64,130	64,130	-	-
Market neutral	31,854	31,854	-	-
Equities:				
Domestic	190,002	190,002	-	-
International	29,119	29,119	-	-
Fixed-income mutual funds:				
International	543,288	543,288	-	-
Domestic	<u>708,608</u>	<u>708,608</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 12,064,846</u>	<u>\$ 9,155,705</u>	<u>\$ 2,909,141</u>	<u>\$ -</u>
Investments related to deferred compensation plan:				
Equity mutual funds:				
Domestic mutual funds	<u>103,944</u>	<u>103,944</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value ^(a)	<u>\$ 12,168,790</u>	<u>\$ 9,259,649</u>	<u>\$ 2,909,141</u>	<u>\$ -</u>

^(a) Excludes cash and cash equivalents of \$1,419,234 which are not measured within the fair value hierarchy.

The following is a description of the valuation methodology used to determine the fair value for investments.

Equities; equity, fixed-income and real asset mutual funds; and alternative investment strategy funds – Valued at quoted prices available in an active market for identical assets.

Fixed-income securities – Valued based on current yields, the securities' terms and conditions, and market activity. Information used includes market sources, credit information, observed market movement and sector news. The value is provided to the Organization by the investment manager.

Continued

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 6 – INVENTORY

The Organization utilizes a variety of channels to maximize the distribution of healthy food throughout the region. The largest pipeline consists of food donated by local retailers and the general public. These are referred to as Donated in the tables below. The Organization also acts as a pass-through distribution partner to several government food commodity programs that are reflected in the Government section in the tables below. These two channels are supplemented by the Purchased Product and Fresh Produce Program described as Purchased below.

In addition to the food distributed directly by the Organization to its member agencies and other food banks, over seven million pounds of food were distributed through the Organization’s Partner Direct Program during the year ended June 30, 2019. The value of approximately 4.8 million pounds of this total was reported to the Organization by certain member agencies and partners and was included in the Organization’s accompanying consolidated financial statements. The other 2.2 million pounds of these food contributions were not included in the Organization’s consolidated financial statements as the Organization never took custody of the goods and did not determine which entities received the in-kind goods. Accordingly, these are disclosed as Partner Direct Proxy.

A summary of the value of food contributions, purchases, distributions and inventory balances for the year ended June 30, 2019, is as follows:

	Beginning Inventory	Purchases and Receipts	Distributed	Ending Inventory
Purchased	\$ 478,129	\$ 2,867,187	\$ (2,898,478)	\$ 446,838
Government	2,167,017	15,280,170	(13,638,700)	3,808,487
Donated	2,516,572	36,105,620	(35,935,141)	2,687,051
	5,161,718	54,252,977	(52,472,319)	6,942,376
Partner Direct Proxy	-	3,760,920	(3,760,920)	-
Grand Total	\$ 5,161,718	\$ 58,013,897	\$ (56,233,239)	\$ 6,942,376

A summary of the pounds of food contributions, purchases, distributions and inventory balances for the year ended June 30, 2019, is as follows:

	Beginning Inventory	Purchases and Receipts	Distributed	Ending Inventory
Purchased	\$ 650,030	\$ 5,925,752	\$ (5,959,927)	\$ 615,855
Government	1,253,176	9,095,746	(8,081,643)	2,267,279
Donated	1,456,583	21,493,900	(21,358,612)	1,591,871
	3,359,789	36,515,398	(35,400,182)	4,475,005
Partner Direct Proxy	-	2,238,643	(2,238,643)	-
Grand Total	\$ 3,359,789	\$ 38,754,041	\$ (37,638,825)	\$ 4,475,005

Continued

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 7 – PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION

The following is a summary of changes in property and equipment for the fiscal year ended June 30, 2019:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 8,604,775	\$ -	\$ -	\$ 8,604,775
Building and improvements	27,237,693	31,187	(3,403)	27,265,477
Owned vehicles	995,698	-	(84,387)	911,311
Leased vehicles	1,819,836	-	-	1,819,836
Software and IT infrastructure	1,207,775	184,284	-	1,392,059
Office furniture and equipment	676,172	-	-	676,172
Warehouse equipment	1,376,650	104,747	-	1,481,397
Total Property and Equipment	41,918,599	320,218	(87,790)	42,151,027
Accumulated depreciation	(8,324,768)	(1,642,838)	84,387	(9,883,219)
Total Property and Equipment, Net of Accumulated Depreciation	\$ 33,593,831	\$ (1,322,620)	\$ (3,403)	\$ 32,267,808

NOTE 8 – NOTES PAYABLE

On July 18, 2005, the Organization purchased an existing building at 4900 Puerto Rico Avenue, N.E., Washington, D.C. The Department of Housing and Community Development (DHCD) provided \$7,705,000 of financing in connection with the acquisition of the property. Under the terms of the agreement with DHCD, \$2,500,000 was forgiven during the year ended June 30, 2007, through the distribution of food products to D.C. partner agencies. The remaining balance of \$5,205,000 is considered a 40-year deferred loan with maturity date of July 18, 2045, and is repayable only if the property is sold, if the Organization moves away from the District of Columbia, or if the Organization ceases to fulfill its principal mission. Management has determined that the imputed interest on the note payable, which is conditioned on the Organization fulfilling the above criteria, is immaterial to the consolidated financial statements taken as a whole, and it is therefore not reflected in these consolidated financial statements. The loan is secured by a deed of trust on the Organization's interest in the land and improvements of the property.

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**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 9 – NET ASSETS

Net Assets With Donor Restrictions

The following is a summary of changes in net assets without donor restrictions for the year ended June 30, 2019:

	Beginning Balance	New Grants Received	Released from Restrictions	Ending Balance
Childhood Nutrition	\$ 131,695	\$ 724,762	\$ (141,942)	\$ 714,515
Fresh Produce	453,210	866,563	(1,069,773)	250,000
Pilot programs	-	250,000	-	250,000
Senior Programs	30,045	239,846	(183,632)	86,259
Distribution Expansion	26,480	88,523	(68,035)	46,968
Healthy Food Purchases	11,580	225,384	(196,956)	40,008
Partner Relations and Support	51,910	42,500	(55,264)	39,146
Family Nutrition	355,031	571,689	(914,833)	11,887
Capital Purchases	40,100	-	(40,100)	-
Education and Advocacy	-	17,000	(17,000)	-
Emergency Response	-	440,340	(440,340)	-
Total Net Assets With Donor Restrictions	\$ 1,100,051	\$ 3,466,607	\$ (3,127,875)	\$ 1,438,783

Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of June 30, 2019, the Organization's net assets without donor restrictions were as follows:

Undesignated	\$ 40,131,558
Board-designated long-term reserve fund	13,484,080
Total Net Assets Without Donor Restrictions	\$ 53,615,638

The Board of Directors established a long-term reserve to support the Organization's long-term financial viability.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 10 – AVAILABILITY AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures at June 30, 2019, were as follows:

Cash and cash equivalents	\$ 7,224,952
Receivables	2,583,128
Investments	13,484,080
Investments related to deferred compensation	<u>103,944</u>
Total Financial Assets Available	23,396,104
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction:	
Receivables due in more than one year	(9,688)
Amounts to fund obligations under deferred compensation	(103,944)
Amounts unavailable to management without Board approval:	
Board-designated for long-term reserve	<u>(13,484,080)</u>
Financial Assets Available to Meet General Expenditures Within One Year	\$ <u>9,798,392</u>

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs on a quarterly basis. As a result, management is aware of the cyclical nature of the Organization's cash flow related to its various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. Operating funds are periodically transferred to or from the long-term reserve fund based on the cash forecast for the fiscal year. Transfer amounts are determined with the goal of maintaining operating cash levels above \$2 million throughout the year. Should operating cash levels fall below that amount, the Organization can access its liquid investments to meet obligations, and therefore the investments are available to meet current cash flow needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including money markets, mutual funds, and equity securities. The Organization has a highly liquid money market account, of which \$5,219,404 was available to draw upon as of June 30, 2019. Additionally, the Organization has board-designated net assets in the long-term reserve that could be available for current operations with Board approval, if necessary.

Continued

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 11 – IN-KIND FOOD CONTRIBUTIONS AND DISTRIBUTIONS

The Organization’s receipt of donated and government food is recorded as in-kind food contributions revenue in the accompanying consolidated statement of activities. Distributions of in-kind food are included in in-kind food distributions in the accompanying consolidated statement of functional expenses.

A summary of the value of in-kind food contributions and distributions for the year ended June 30, 2018, is as follows:

	Beginning Inventory	Received	Distributed	Ending Inventory
Government	\$ 2,167,017	\$ 15,280,170	\$ (13,638,700)	\$ 3,808,487
Donated	2,516,572	36,105,620	(35,935,141)	2,687,051
Grand Total	\$ 4,683,589	\$ 51,385,790	\$ (49,573,841)	\$ 6,495,538

A summary of in-kind food contributions and distributions in pounds for the year ended June 30, 2019, is as follows:

	Beginning Inventory	Received	Distributed	Ending Inventory
Government	\$ 1,253,176	\$ 9,095,746	\$ (8,081,643)	\$ 2,267,279
Donated	1,456,583	21,493,900	(21,358,612)	1,591,871
Grand Total	\$ 30,589,646	\$ (29,440,255)	\$ 3,859,150	

NOTE 12 – DONATED MATERIALS AND SERVICES

In addition to in-kind food contributions, the Organization receives donated materials and services which are used to further the Organization’s activities. The following is a summary of donated materials and services received during the year ended June 30, 2019:

Legal services	\$ 139,763
Donated materials	1,443
Other services	7,000
Total Donated Materials and Services	\$ 148,206

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 13 – COMMITMENTS, CONTINGENCIES AND RISKS

A. Capital Leases

The Organization is obligated under various capital leases for vehicles. These capital leases are scheduled to expire at various dates through October 2024. The cost of vehicles included in fixed assets that were acquired under capital leases totaled \$1,819,836, with accumulated depreciation of \$1,261,188 as of June 30, 2019. Future minimum capital lease payments, together with the present value of net minimum capital payments, as of June 30, 2019, are as follows:

For the Year Ending June 30,		
2020	\$	273,576
2021		273,576
2022		206,202
2023		143,989
2024		51,877
Thereafter		13,440
Total Minimum Payment Required		962,660
Less: Amount Representing Interest at Various Rates		(22,795)
Present Value of Net Minimum Capital Lease Payments		939,865
Less: Current Portion		(262,863)
Long-Term Portion	\$	677,002

B. Operating Leases

The Organization is obligated as a lessee under several noncancelable operating leases for its equipment. The leases expire at various times through October 2022. The future minimum lease obligations under these agreements are as follows:

For the Year Ending June 30,		
2020	\$	46,980
2021		44,064
Thereafter		13,716
Total	\$	104,760

Office equipment rental expense totaled \$42,079 for the year ended June 30, 2019, and is included in office administrative expenses in the accompanying consolidated statement of functional expenses.

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 13 – COMMITMENTS, CONTINGENCIES AND RISKS (continued)

C. Compliance Audit

The Organization has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although Organization expects such amounts, if any, to be insignificant.

NOTE 14 – FINANCIAL INSTRUMENTS AND CREDIT RISK

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to a concentration of credit risk, consist principally of cash balances maintained at various creditworthy financial institutions. While the amount at a given bank at times exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, the Organization has not experienced, nor does it anticipate, any losses on its funds. At June 30, 2019, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000 was approximately \$6.4 million.

NOTE 15 – RELATED PARTIES

Included among the Organization's Board of Directors are volunteers from the Washington, D.C., metropolitan community, who provide valuable assistance to the Organization in the development of policies and programs. Six members of the Board work for companies that have contributed to the Organization or received food distributions from the Organization.

NOTE 16 – RETIREMENT PLANS

A. 401(k) Plan

Beginning July 1, 2016, the Organization sponsored a 401(k) plan which includes an Organization-funded retirement contribution based on employee contributions (Employee Contribution Match below) paired with tiered contribution rates based on years of service. Employees with over five years of service at the time of implementation were grandfathered under the previous policy in which the Organization makes an employer contribution equal to 10% of the employee's salary. Staff members with less than five years of service were converted to the new plan based on longevity as detailed below. The 401(k) plan covers substantially all employees and contributions are immediately 100% vested. Retirement contributions expense to the 401(k) totaled \$417,554 for the year ended June 30, 2019, and is included in salaries and related benefits in the accompanying consolidated statement of functional expenses.

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 16 – RETIREMENT PLANS (continued)

A. 401(k) Plan (continued)

Length of Service	Organization Automatic Retirement Contribution	Eligible for Employee Contribution	Employee Contribution Match
0 to 90 days	0%	No	0%
91 days to 1 year	0%	Yes	Up to 3%
1 to 3 years	3%	Yes	Up to 3%
3+ years	5%	Yes	Up to 3%
Grandfathered employees	10%	Yes	0%

B. 457(b) Deferred Compensation Plan

The Organization also has a 457(b) deferred compensation plan (the 457(b) Plan) covering certain highly compensated employees. The 457(b) Plan is funded by employer contributions in accordance with regulations established under Section 457(b) of the Internal Revenue Code (the IRC). The funds for the 457(b) Plan are held in trust by the Organization in a separate account and are invested by the trustees, as permitted by the 457(b) eligible deferred compensation trust documents. As of June 30, 2019, investments and obligations related to deferred compensation totaled \$103,944 and are included in the accompanying consolidated statement of financial position, representing the cumulative amount of contributions to the 457(b) Plan, as well as accumulated earnings and losses since the 457(b) Plan's inception.

NOTE 17 – INCOME TAXES

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended June 30, 2019, as the Organization had no net material unrelated business income. GAAP requires management to evaluate tax positions taken by the Organization. The Organization has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management has analyzed its uncertainty in income taxes for the year ended June 30, 2019, and concluded that there was no uncertainty in income taxes that would require recognition in the financial statements or that may have any effect on its tax-exempt status, and no provision for income taxes is required for the year ended June 30, 2019.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 17 – INCOME TAXES (continued)

As of June 30, 2019, the statute of limitations for tax years ended June 30, 2016, through June 30, 2018, remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Organization files tax returns; however, there are currently no audits in progress. It is the Organization's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of June 30, 2019, the Organization had no accruals for interest and/or penalties.

NOTE 18 – RECLASSIFICATIONS

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

NOTE 19 – PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 20 – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 25, 2019, the date the consolidated financial statements were issued. There were no subsequent events that require recognition in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2019**

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,224,952	\$ -	\$ -	\$ 7,224,952
Accounts receivable, net	283,832	-	-	283,832
Pledges receivable, current portion	1,395,128	-	-	1,395,128
Contributions and grants receivable	894,480	-	-	894,480
Inventory	6,942,376	-	-	6,942,376
Prepaid expenses and other deposits	117,560	-	-	117,560
Total Current Assets	16,858,328	-	-	16,858,328
Pledges receivable, net of current portion	9,688	-	-	9,688
Investments	-	13,484,080	-	13,484,080
Investments related to deferred compensation	103,944	-	-	103,944
Property and equipment, net	32,267,808	-	-	32,267,808
TOTAL ASSETS	\$ 49,239,768	\$ 13,484,080	\$ -	\$ 62,723,848
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,420,618	\$ -	\$ -	\$ 1,420,618
Capital lease obligations, current portion	262,863	-	-	262,863
Total Current Liabilities	1,683,481	-	-	1,683,481
Noncurrent liabilities				
Notes payable, net of current portion	5,205,000	-	-	5,205,000
Capital lease obligations, net of current portion	677,002	-	-	677,002
Obligations related to deferred compensation	103,944	-	-	103,944
Total Noncurrent Liabilities	5,985,946	-	-	5,985,946
TOTAL LIABILITIES	7,669,427	-	-	7,669,427
Net Assets				
Without donor restrictions	40,131,558	13,484,080	-	53,615,638
With donor restrictions	1,438,783	-	-	1,438,783
TOTAL NET ASSETS	41,570,341	13,484,080	-	55,054,421
TOTAL LIABILITIES AND NET ASSETS	\$ 49,239,768	\$ 13,484,080	\$ -	\$ 62,723,848

See independent auditors' report.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2019**

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
OPERATING REVENUE AND SUPPORT				
In-kind food contributions	\$ 51,385,790	\$ -	\$ -	\$ 51,385,790
Contributions and grants	14,168,848	2,500,000	(2,500,000)	14,168,848
Federal and state grants	4,584,498	-	-	4,584,498
Program service fees	2,442,309	-	-	2,442,309
Donated materials and services	148,206	-	-	148,206
Other income	385,012	-	-	385,012
TOTAL OPERATING REVENUE AND SUPPORT	73,114,663	2,500,000	(2,500,000)	73,114,663
OPERATING EXPENSES				
Program Services:				
Food resourcing and logistics	30,040,579	-	-	30,040,579
Community direct distributions	17,011,257	-	-	17,011,257
Government distributions	14,801,616	-	-	14,801,616
Partner relations and agency training	1,476,847	-	-	1,476,847
Food for Kids	1,432,896	-	-	1,432,896
Total Program Services	64,763,195	-	-	64,763,195
Supporting Services:				
Management and general	4,762,493	-	(2,500,000)	2,262,493
Fundraising	1,812,137	-	-	1,812,137
Total Supporting Services	6,574,630	-	(2,500,000)	4,074,630
TOTAL OPERATING EXPENSES	71,337,825	-	(2,500,000)	68,837,825
Change in net assets from operations	1,776,838	2,500,000	-	4,276,838
NONOPERATING ACTIVITIES				
Interest expense	(14,512)	-	-	(14,512)
Investment income, net	97,108	543,925	-	641,033
CHANGE IN NET ASSETS	1,859,434	3,043,925	-	4,903,359
NET ASSETS, BEGINNING OF YEAR	39,710,907	10,440,155	-	50,151,062
NET ASSETS, END OF YEAR	\$ 41,570,341	\$ 13,484,080	\$ -	\$ 55,054,421

See independent auditors' report.

**INDEPENDENT AUDITORS' 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**

To the Board of Directors of the
Capital Area Food Bank and
Capital Area Food Bank Foundation

We 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 consolidated financial statements of the Capital Area Food Bank and Capital Area Food Bank Foundation (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we 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 consolidated 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Continued
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.

Marcum LLP

Washington, DC
October 25, 2019

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

To the Board of Directors of the
Capital Area Food Bank and
Capital Area Food Bank Foundation

Report on Compliance for Each Major Federal Program

We have audited the Capital Area Food Bank and Capital Area Food Bank Foundation's (collectively referred to as the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal program are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Continued
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Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on the major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Washington, DC
October 25, 2019

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
FOOD AND NUTRITION SERVICES:			
Child and Adult Care Food Program	10.558		
<i>Pass-through from Maryland State Department of Education</i>		MSDE-BS/NT-SNPA	\$ 387,075
<i>Pass-through from the Virginia Department of Health</i>		N/A	234,318
<i>Pass-through from District of Columbia Office of the State Superintendent of Education (OSSE)</i>		V-162	<u>208,328</u>
Subtotal CFDA #10.558			<u>829,721</u>
Children Nutrition Cluster			
(CFDA Numbers 10.553, 10.555, 10.556 and 10.559):			
Summer Food Service Program for Children	10.559		
<i>Pass-through from Maryland State Department of Education</i>		347105	118,130
<i>Pass-through from District of Columbia OSSE</i>		N/A	59,265
<i>Pass-through from Virginia Department of Health</i>		59962	<u>72,931</u>
Subtotal CFDA #10.559 and Children Nutrition Cluster			<u>250,326</u>
Food Distribution Cluster (CFDA Numbers 10.565, 10.568 and 10.569):			
Commodity Supplemental Food Program	10.565		
<i>Pass-through from District of Columbia Department of Health (Food Commodities)</i>		CHA2018-000005	1,378,048
<i>Pass-through from District of Columbia Department of Health</i>		CHA2018-000005	404,047
<i>Pass-through from Montgomery County Department of Health and Human Services (Food Commodities)</i>		1087608	109,269
<i>Pass-through from Montgomery County Department of Health and Human Services</i>		1087608	25,151
<i>Pass-through from Maryland Department of Aging</i>		N/A	<u>35,183</u>
Subtotal CFDA #10.565			<u>1,951,698</u>
Emergency Food Assistance Program (Administrative Costs)	10.568		
<i>Pass-through from Virginia Department of Agriculture and Consumer Services (VDACS)</i>		67-150	132,485
<i>Pass-through from District of Columbia OSSE Wellness and Nutrition Services Division</i>		N/A	355,549
<i>Pass-through from Maryland Department of Human Resources Family Investment Administration</i>		FIA/FNS 19-012	<u>360,639</u>
Subtotal CFDA #10.568			<u>848,673</u>

See accompanying notes to this schedule.

Continued

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Emergency Food Assistance Program (Food Commodities)	10.569		
<i>Pass-through from District of Columbia OSSE Wellness and Nutrition Services Division</i>		N/A	\$ 1,766,895
<i>Pass-through from VDACS</i>		67-150	1,263,273
<i>Pass-through from Maryland Department of Human Resources Family Investment Administration</i>		FIA/FNS 19-012	<u>2,078,172</u>
Subtotal CFDA #10.569			<u>5,108,340</u>
Total Food Distribution Cluster (CFDA Numbers 10.565, 10.568, and 10.569)			<u>7,908,711</u>
Total U.S. Department of Agriculture			<u>8,988,758</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)			
Community Development Block Grants			
Section 108 Loan Guarantees	14.248		
Pass-through from District of Columbia Department of Housing and Urban Development – Outstanding loan balance on a loan provided by HUD		DC-DHCD No. 2005-28	<u>5,205,000</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Emergency Food and Shelter National Board Program	97.024		
Pass-through from District of Columbia FEMA Board, Community Life Services		N/A	<u>24,616</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 14,218,374</u></u>

See accompanying notes to this schedule.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019**

Note 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2019. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA 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 reimbursement.

NOTE 3 – INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

For the year ended June 30, 2019, the Organization issued no awards to subrecipients as defined under the Uniform Guidance.

NOTE 5 – DONATED FOOD COMMODITIES

Nonmonetary assistance is reported in the SEFA at the fair value of the commodities disbursed to partner agencies based on the values determined by USDA. This value is different from how the Organization reports the value of commodities in inventory in the accompanying consolidated statement of activities. As of June 30, 2019, the Organization had food commodities totaling \$3,808,487 in inventory related to the federal programs based on the Feeding America valuation procedures, which is how the amount is recorded in the consolidated statement of financial position.

NOTE 6 – U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LOAN

The Organization did not receive any new loans during the year ended June 30, 2019. The loan outstanding as of the beginning of the year was included in the schedule. As of June 30, 2019, the outstanding loan balance is \$5,205,000.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether financial statements audited were prepared

In accordance with GAAP:

 X Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Type of auditors’ report issued on compliance for major program(s):

 X Unmodified Qualified
 Adverse Disclaimer

Internal control over major program(s):

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

 X Yes No

Identification of Major Program(s):

CFDA Numbers	Title of Federal Program or Cluster
10.565, 10.568 and 10.569	Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? X Yes No

SECTION II – FINDINGS-FINANCIAL STATEMENT AUDIT

None required to be reported.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

SECTION III – FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS PROGRAMS AUDIT

Finding No. 2019-001: Documentation of Participant Enrollment and Eligibility- Significant Deficiency

U.S. Department of Agriculture Commodity Supplemental Food Program CFDA # 10.565: Pass-through from District of Columbia Department of Health; Grant Number CHA2018-000005; Grant Period October 1, 2017, through September 30, 2018.

Condition: The Organization did not maintain completed certification or recertification documentation with regards to an applicant’s eligibility in accordance with federal regulations and the FY 2018 State Plan. The finding was reported by the Washington D.C. Department of Health in its Fiscal Year 2018 Monitoring and Evaluation Report issued in October 2018, related to the Organization’s administration of the CSFP program. This finding does not apply to the other two CFDA numbers that were part of the major program cluster (10.568 and 10.569). These CFDA numbers also were not part of the USDA audit.

Criteria: OMB Uniform Guidance and the Washington D.C. Department of Health’s State Plan provide categorical or income eligibility requirements and guidelines. According to 7 CFR section 247.9(a) and 7 CFR 247.9(b), a local agency must certify households as eligible to receive a CSFP food package by applying categorical and income eligibility criteria. Categorical eligibility is limited to elderly (persons at least 60 years of age) and to women, infants and children. Income eligibility is based on state agencies i.e., Washington D.C. Department of Health guidelines outlined in the State Plan. According to 7 CFR Section 247.29, Reports and recordkeeping, state and local agencies must maintain accurate and complete records relating among other items, eligibility determinations, receipts, disposal and inventory of commodities, and the receipt and disbursement of administrative funds. All records are required to be retained for three years.

Context: The issue was identified as part of the Washington D.C. Department of Health monitoring and evaluation audit. With the understanding that a correction action plan was implemented, we performed testing over participant eligibility. Out of a sample of 18, only one lacked documentation of participant certification or recertification. We did observe that this participant’s annual recertification for FY 2020 was performed and documented in August 2019. Also, since distributions of food packages to each participant is monthly, the months of July – October 2018 (corrective action plan implemented) were excluded from this finding.

Cause: Inconsistencies in the system of internal controls in adhering to established process and procedures as well as inadequate training and review by program staff with regards to the completion and retention of enrollment application for each participant of the CSFP Program.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

SECTION III – FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS PROGRAMS AUDIT (continued)

Finding No. 2019-001: Documentation of Participant Enrollment and Eligibility- Significant Deficiency (continued)

Questioned Costs: N/A

Effect: By not verifying and adequately documenting each participant’s determination of eligibility against the state established and required eligibility guidelines, the Organization risks providing food to individuals ineligible to participate in the program and failing to achieve the objectives of the program.

Auditors’ Recommendation: We recommend that the Organization establish enhanced internal control over policies and procedures to perform this verification and retain documentation of such documentation in respective participant file maintained by the Organization.

Repeat Finding: No

Views of Responsible Officials and Planned

Corrective Actions: As of July 1, 2019, the DC and Maryland State Plans were amended to extend the certification period to three years. Soft checks to be conducted every 12 months. The Organization implemented the new rules immediately. Our next enrollment period will begin in February 2020 and go through May 2020. Soft checks will be conducted annually until the next required certification period in 2023.

Beginning with the February to May 2020 enrollment period, physical certification forms will be maintained in a locked centralized file and organized by site. Within each file, forms will be alphabetized. Certification forms will also be maintained electronically in a shared folder and alphabetized by last name. Incoming certification forms will be tracked on a weekly basis, scanned and filed in the site’s physical file. All applications will be cross-checked with the Link2Feed database and applicants will be notified of their status within 10 days of receipt.

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

SECTION IV- STATUS OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported

Major Federal Award Programs Audit Finding and Questioned Costs

None required to be reported