



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

**Consolidated Financial Statements and
Supplementary Information**

For the Year Ended June 30, 2020

(With Summarized Financial Information for the Year Ended June 30, 2019)



**and
Report Thereon**



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

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For the Year Ended June 30, 2020**

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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, 2020, 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. 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 2020 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Capital Area Food Bank and its subsidiary as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and in our report dated October 25, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited 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 supplementary consolidating information is presented for purposes of additional analysis and it is 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.

Marcum LLP

Washington, DC
October 28, 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Summarized Financial Information as of June 30, 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 27,480,511	\$ 7,224,952
Accounts receivable, net	709,549	283,832
Contributions and grants receivables, current portion	2,504,856	2,289,608
Inventory	4,402,107	6,942,376
Prepaid expenses and other assets	467,658	117,560
Total Current Assets	35,564,681	16,858,328
Contributions and grants receivables, net of current portion	827,304	9,688
Investments	15,938,321	13,484,080
Investments related to deferred compensation	117,093	103,944
Property and equipment, net	31,160,599	32,267,808
TOTAL ASSETS	\$ 83,607,998	\$ 62,723,848
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,855,257	\$ 1,420,618
Deferred revenue	140,461	-
Paycheck Protection Program loan	1,632,000	-
Capital lease obligations, current portion	266,726	262,863
Total Current Liabilities	4,894,444	1,683,481
Noncurrent liabilities		
Note payable	5,205,000	5,205,000
Capital lease obligations, net of current portion	410,277	677,002
Obligations related to deferred compensation	117,093	103,944
Total Noncurrent Liabilities	5,732,370	5,985,946
TOTAL LIABILITIES	10,626,814	7,669,427
Net Assets		
Without donor restrictions	68,595,500	53,615,638
With donor restrictions	4,385,684	1,438,783
TOTAL NET ASSETS	72,981,184	55,054,421
TOTAL LIABILITIES AND NET ASSETS	\$ 83,607,998	\$ 62,723,848

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, 2020**

(With Summarized Financial Information for the Year Ended June 30, 2019)

	Without Donor Restrictions			With Donor Restrictions	2020 Total	2019 Total
	Non-In-Kind	In-Kind	Total			
OPERATING REVENUE AND SUPPORT						
In-kind food contributions	\$ -	\$ 47,278,011	\$ 47,278,011	\$ -	\$ 47,278,011	\$ 51,385,790
Contributions and grants	29,674,609	-	29,674,609	6,470,985	36,145,594	14,168,848
Federal and state grants	-	-	-	5,474,087	5,474,087	4,584,498
Program service fees	3,036,129	-	3,036,129	-	3,036,129	2,442,309
Donated materials and services	-	840,139	840,139	-	840,139	148,206
Other income	394,863	-	394,863	-	394,863	385,012
Net assets released from restrictions:						
Released from purpose restrictions	8,998,171	-	8,998,171	(8,998,171)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	42,103,772	48,118,150	90,221,922	2,946,901	93,168,823	73,114,663
OPERATING EXPENSES						
Program Services:						
Food resourcing and logistics	10,049,286	20,492,097	30,541,383	-	30,541,383	30,040,579
Community direct distributions	1,193,767	6,502,238	7,696,005	-	7,696,005	17,011,257
Government distributions	3,564,298	24,433,464	27,997,762	-	27,997,762	14,801,616
Partner relations and agency training	1,550,253	1,585	1,551,838	-	1,551,838	1,476,847
Food for Kids	1,510,108	212	1,510,320	-	1,510,320	1,432,896
Total Program Services	17,867,712	51,429,596	69,297,308	-	69,297,308	64,763,195
Supporting Services:						
Management and general	2,534,669	741,625	3,276,294	-	3,276,294	2,262,493
Fundraising	2,928,447	59,037	2,987,484	-	2,987,484	1,812,137
Total Supporting Services	5,463,116	800,662	6,263,778	-	6,263,778	4,074,630
TOTAL OPERATING EXPENSES	23,330,828	52,230,258	75,561,086	-	75,561,086	68,837,825
Change in net assets from operations	18,772,944	(4,112,108)	14,660,836	2,946,901	17,607,737	4,276,838
NONOPERATING ACTIVITIES						
Interest expense	(10,713)	-	(10,713)	-	(10,713)	(14,512)
Investment income, net	329,739	-	329,739	-	329,739	641,033
CHANGE IN NET ASSETS	19,091,970	(4,112,108)	14,979,862	2,946,901	17,926,763	4,903,359
NET ASSETS, BEGINNING OF YEAR	46,974,298	6,641,340	53,615,638	1,438,783	55,054,421	50,151,062
NET ASSETS, END OF YEAR	\$ 66,066,268	\$ 2,529,232	\$ 68,595,500	\$ 4,385,684	\$ 72,981,184	\$ 55,054,421

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, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)**

	Program Services					Supporting Services			2020 Total	2019 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	\$ 20,483,990	\$ 6,501,922	\$ 24,391,679	\$ -	\$ -	\$ 51,377,591	\$ -	\$ -	\$ -	\$ 51,377,591	\$ 49,573,841
Donated materials and services	-	-	40,830	-	-	40,830	740,652	58,657	799,309	840,139	148,206
Depreciation – in-kind	8,107	316	955	1,585	212	11,175	973	380	1,353	12,528	12,864
Total In-Kind Expenses	20,492,097	6,502,238	24,433,464	1,585	212	51,429,596	741,625	59,037	800,662	52,230,258	49,734,911
Salaries and related benefits	4,766,964	421,804	916,860	1,001,976	304,607	7,412,211	1,763,939	1,237,585	3,001,524	10,413,735	8,791,751
Food related costs	2,144,766	672,758	2,229,071	1,937	1,127,360	6,175,892	33,356	278	33,634	6,209,526	5,266,465
Occupancy and transportation	1,199,254	5,441	62,841	19,370	12,439	1,299,345	7,742	4,644	12,386	1,311,731	1,130,511
Travel, training and staff development	6,049	2,562	3,487	2,431	965	15,494	25,221	2,920	28,141	43,635	49,589
Office administrative expenses	29,397	5,513	12,924	39,069	2,691	89,594	82,506	431,649	514,155	603,749	417,107
Professional fees	85,000	17,469	-	7,594	125	110,188	347,134	104,267	451,401	561,589	311,406
Materials and supplies	194,330	43,590	101,620	3,483	114	343,137	15,445	15,094	30,539	373,676	217,390
Miscellaneous	12,818	-	-	234,107	-	246,925	770	9,294	10,064	256,989	55,280
IT software and hardware	447,600	2,172	155,769	118,385	42,206	766,132	144,906	119,499	264,405	1,030,537	358,397
Insurance	127,949	1,640	4,960	8,234	1,100	143,883	38,188	1,972	40,160	184,043	175,379
Depreciation	1,035,159	20,818	76,766	113,667	18,501	1,264,911	75,462	31,356	106,818	1,371,729	1,629,974
Direct mail expenses	-	-	-	-	-	-	-	772,627	772,627	772,627	685,416
Special events	-	-	-	-	-	-	-	197,262	197,262	197,262	14,249
Total Non-In-Kind Expenses	10,049,286	1,193,767	3,564,298	1,550,253	1,510,108	17,867,712	2,534,669	2,928,447	5,463,116	23,330,828	19,102,914
TOTAL OPERATING EXPENSES	\$ 30,541,383	\$ 7,696,005	\$ 27,997,762	\$ 1,551,838	\$ 1,510,320	\$ 69,297,308	\$ 3,276,294	\$ 2,987,484	\$ 6,263,778	\$ 75,561,086	\$ 68,837,825

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, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,926,763	\$ 4,903,359
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation- in-kind	12,528	12,864
Depreciation	1,371,729	1,629,974
Net unrealized and realized losses (gains) on investments	101,599	(301,109)
(Gain) Loss on disposal of property and equipment	(5,020)	3,403
In-kind food contributions	(47,278,011)	(51,385,790)
In-kind food distributions	51,377,591	49,573,841
Change in allowance for doubtful accounts	22,006	47,803
Changes in assets and liabilities:		
Accounts receivable	(447,723)	(140,929)
Contributions and grants receivables	(1,032,864)	(678,846)
Prepaid expenses and other assets	(350,098)	23,384
Deferred revenue	140,461	-
Inventory – purchased goods	(1,559,311)	31,291
Accounts payable and accrued expenses	1,434,639	(54,639)
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,714,289	3,664,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(272,028)	(320,218)
Purchase of investments	(6,152,637)	(10,897,770)
Proceeds from sales of investments	3,596,797	8,154,954
NET CASH USED IN INVESTING ACTIVITIES	(2,827,868)	(3,063,034)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of Paycheck Protection Program loan	1,632,000	-
Principal payments on capital lease	(262,862)	(259,065)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,369,138	(259,065)
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,255,559	342,507
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,224,952	6,882,445
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 27,480,511	\$ 7,224,952
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 10,713	\$ 14,512

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, 2020**

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 2020 and 2019 was 42,704,783 and 37,638,825 respectively. The per pound value of donated and government food commodities fluctuates year-over-year and was \$1.62 and \$1.68 in fiscal years 2020 and 2019, respectively. As such, in-kind distribution amounts within the consolidated 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, 2020**

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 eleven 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, 2020**

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 effective 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 net assets without donor restrictions, 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, money market mutual funds, 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, 2020**

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, 2020, 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. 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. Unconditional 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. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is when the barrier(s) in the agreement are overcome. 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

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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

I. Inventory (continued)

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, 2020, the value of the donated goods and inventory balance reported in the consolidated statement of financial position was calculated using the calendar year 2018 estimate of \$1.62 per pound, which was the most recent estimate available when the Organization’s fiscal year began.

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, 2020.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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

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, 2020, the Organization had no net assets with donor restrictions that are required to be maintained in perpetuity.

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. Unconditional 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 unconditional 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 unconditional 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.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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

M. Revenue Recognition (continued)

Federal and state grant revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized as it is earned through expenditures and meeting the performance requirements in accordance with the agreements. On other conditional grant awards, revenue is recognized when the barriers are overcome, which is 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. Amounts received from the grantors in excess of amounts earned are reported as deferred revenue 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.

Unconditional 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.

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

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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

N. Functional Allocation of Expenses (continued)

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 Pronouncements

In May 2014, FASB issued Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In May 2020, the FASB extended by one year the effective date of ASU 2014-09, and the Organization elected to defer the adoption of ASU 2014-09.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. The Organization adopted ASU 2018-08 on July 1, 2019, using the modified prospective basis and the adoption of the standard did not result in a material change to the consolidated financial statements or the timing of revenue recognition for the Organization's grants and contributions.

NOTE 2 – ACCOUNTS RECEIVABLE

Total accounts receivable of \$709,549 are composed primarily of amounts due from partner agencies, and are shown net of their corresponding allowance for doubtful accounts of \$107,716, as of June 30, 2020.

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable amounts due from government agencies and grant commitments made to the Organization by individuals and foundations. As of June 30, 2020, the contributions and grants receivable due to be collected were as follows:

Within one year	\$ 2,504,856
One to five years	<u>896,731</u>
Gross Contributions and Grants Receivable	3,401,587
Less: Discount to Net Present Value at 1.5%	<u>(69,427)</u>
Contributions and Grants Receivable, Net	<u>\$ 3,332,160</u>

The Organization has received various conditional grants as of June 30, 2020. The Organization records revenue and support on these conditional grants as the conditions are met. As of June 30, 2020, the Organization has yet to recognize revenue of approximately \$2,894,000 related to these conditional grants as conditions have not been met.

All balances are expected to be collected.

NOTE 4 – INVESTMENTS

Investments consisted of the following as of June 30, 2020:

Equity mutual funds	\$ 7,462,737
Fixed-income securities	3,655,842
Fixed-income mutual funds	2,278,569
Money market mutual funds	1,343,092
Real asset mutual funds	755,562
Domestic and international equities	378,722
Alternative investment strategy funds	<u>63,797</u>
Total Investments	<u>\$ 15,938,321</u>

Investment income is summarized as follows for the year ended June 30, 2020:

Interest and dividends	\$ 487,696
Net realized and unrealized losses	(101,599)
Investment fees	<u>(56,358)</u>
Investment Income, Net	<u>\$ 329,739</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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, 2020, 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	\$ 5,384,478	\$ 5,384,478	\$ -	\$ -
International mutual funds	2,078,259	2,078,259	-	-
Fixed-income securities:				
Corporate bonds	2,094,024	-	2,094,024	-
Government bonds	1,350,792	-	1,350,792	-
Asset-backed securities	211,026	-	211,026	-
Money market funds	1,343,092	1,343,092	-	-
Real asset mutual funds:				
Real estate	755,562	755,562	-	-
Alternative investment strategy funds:				
Managed futures	63,797	63,797	-	-
Equities:				
Domestic	336,719	336,719	-	-
International	42,003	42,003	-	-
Fixed-income mutual funds:				
International	602,285	602,285	-	-
Domestic	<u>1,676,284</u>	<u>1,676,284</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 15,938,321</u>	<u>\$ 12,282,479</u>	<u>\$ 3,655,842</u>	<u>\$ -</u>
Investments related to deferred compensation plan:				
Equity mutual funds:				
Domestic mutual funds	<u>117,093</u>	<u>117,093</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 16,055,414</u>	<u>\$ 12,399,572</u>	<u>\$ 3,655,842</u>	<u>\$ -</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 5 – FAIR VALUE MEASUREMENT (continued)

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

Equities; equity, fixed-income, real asset and money market 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.

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 eight million pounds of food were distributed through the Organization’s Partner Direct Program during the year ended June 30, 2020. The value of approximately 6.1 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 1.9 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, 2020, is as follows:

	Beginning Inventory	Purchases and Receipts	Distributed	Ending Inventory
Purchased	\$ 446,838	\$ 7,534,019	\$ (5,277,073)	\$ 2,703,784
Government	3,808,487	20,726,667	(24,391,679)	143,475
Donated	2,687,051	26,551,344	(26,985,912)	2,252,483
	6,942,376	54,812,030	(56,654,664)	5,099,742
Partner Direct Proxy	-	3,211,101	(3,211,101)	-
Grand Total	\$ 6,942,376	\$ 58,023,131	\$ (59,865,765)	\$ 5,099,742
Reserve				(697,635)
Inventory, net				\$ 4,402,107

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 6 – INVENTORY (continued)

A summary of the pounds of food contributions, purchases, distributions and inventory balances for the year ended June 30, 2020, is as follows:

	Beginning Inventory	Purchases and Receipts	Distributed	Ending Inventory
Purchased	615,855	12,194,469	(9,159,389)	3,650,935
Government	2,267,279	12,794,239	(14,972,953)	88,565
Donated	1,591,871	16,388,831	(16,590,280)	1,390,422
	4,475,005	41,377,539	(40,722,622)	5,129,922
Partner Direct Proxy	-	1,982,161	(1,982,161)	-
Grand Total	4,475,005	43,359,700	(42,704,783)	5,129,922

NOTE 7 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other deposits as of June 30, 2020 included implementation costs for several enterprise software-as-a-service agreements of \$328,395. These costs are amortized over four years, which is the estimated useful life of the costs incurred. Amortization expense was approximately \$35,000 for the year ended June 30, 2020.

NOTE 8 – PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION

The following is a summary of changes in property and equipment for the fiscal year ended June 30, 2020:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 8,604,775	\$ -	\$ -	\$ 8,604,775
Building and improvements	27,265,477	39,663	-	27,305,140
Owned vehicles	911,311	219,725	(43,424)	1,087,612
Leased vehicles	1,819,836	-	-	1,819,836
Software and IT infrastructure	1,392,059	-	(32,054)	1,360,005
Office furniture and equipment	676,172	-	(3,556)	672,616
Warehouse equipment	1,481,397	12,640	-	1,494,037
Total Property and Equipment	42,151,027	272,028	(79,034)	42,344,021
Accumulated depreciation	(9,883,219)	(1,384,257)	84,054	(11,183,422)
Total Property and Equipment, Net of Accumulated Depreciation	\$ 32,267,808	\$ (1,112,229)	\$ 5,020	\$ 31,160,599

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 9 – PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Organization entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$1,632,000. The loan will mature in April 2022, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest will commence on November 15, 2020 with 18 consecutive monthly payments through the maturity date. The loan amount may be eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained.

NOTE 10 – 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 a 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.

NOTE 11 – 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, 2020:

	<u>Beginning Balance</u>	<u>New Grants Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Childhood Nutrition	\$ 714,515	\$ 391,720	\$ (809,853)	\$ 296,382
Capacity Building	-	100,000	(16,331)	83,669
Family Nutrition	11,889	533,000	(317,122)	227,767
Food Procurement	290,006	1,155,432	(1,049,840)	395,598
Monitoring and Evaluation	-	143,000	(73,391)	69,609
Pilot programs	250,000	2,420,172	(435,603)	2,234,569
Senior Programs	86,259	-	(72,361)	13,898

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 11 – NET ASSETS (continued)

Net Assets With Donor Restrictions (continued)

<i>(continued)</i>	<u>Beginning Balance</u>	<u>New Grants Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Distribution Expansion	\$ 46,968	\$ 60,625	\$ (15,625)	\$ 91,968
Partner Relations and Support	39,146	36,869	(37,923)	38,092
Positioning and Engagement	-	280,000	(124,974)	155,026
Capital Purchases	-	114,430	(114,430)	-
Time restriction	-	260,000	(100,000)	160,000
Region	-	1,151,000	(684,034)	466,966
Federal Reimbursement	-	3,372,864	(3,372,864)	-
Emergency Response	-	1,925,960	(1,773,820)	152,140
Total Net Assets With Donor Restrictions	<u>\$ 1,438,783</u>	<u>\$ 11,945,072</u>	<u>\$ (8,998,171)</u>	<u>\$ 4,385,684</u>

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, 2020, the Organization's net assets without donor restrictions were as follows:

Undesignated	\$ 52,657,179
Board-designated long-term reserve fund	<u>15,938,321</u>
Total Net Assets Without Donor Restrictions	<u>\$ 68,595,500</u>

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

NOTE 12 – 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, 2020, were as follows:

Cash and cash equivalents	\$ 27,480,511
Receivables	4,041,709
Investments	15,938,321
Investments related to deferred compensation	<u>117,093</u>
Total Financial Assets Available	47,577,634

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 12 – AVAILABILITY AND LIQUIDITY (continued)

Less:

Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction:

Receivables due in more than one year	\$ (827,304)
Amounts to fund obligations under deferred compensation	(117,093)
Amounts unavailable to management without Board approval:	
Board-designated for long-term reserve	<u>(15,938,321)</u>

Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 30,694,916</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 \$5,944,902 was available to draw upon as of June 30, 2020. 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.

NOTE 13 – 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, 2020, is as follows:

	<u>Beginning Inventory</u>	<u>Received</u>	<u>Distributed</u>	<u>Ending Inventory</u>
Government	\$ 3,808,487	\$ 20,726,667	\$ (24,391,679)	\$ 143,475
Donated	<u>2,687,051</u>	<u>26,551,344</u>	<u>(26,985,912)</u>	<u>2,252,483</u>
Grand Total	<u>\$ 6,495,538</u>	<u>\$ 47,278,011</u>	<u>\$ (51,377,591)</u>	<u>\$ 2,395,958</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 13 – IN-KIND FOOD CONTRIBUTIONS AND DISTRIBUTIONS (continued)

A summary of in-kind food contributions and distributions in pounds for the year ended June 30, 2020, is as follows:

	Beginning Inventory	Received	Distributed	Ending Inventory
Government	2,267,279	12,794,239	(14,972,953)	88,565
Donated	1,591,871	16,388,831	(16,590,280)	1,390,422
Grand Total	3,859,150	29,183,070	(31,563,233)	1,478,987

NOTE 14 – 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, 2020:

Legal services	\$ 310,628
Donated materials	130,486
Other services	399,025
Total Donated Materials and Services	\$ 840,139

NOTE 15 – 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 \$1,537,266 as of June 30, 2020. Future minimum capital lease payments, together with the present value of net minimum capital payments, as of June 30, 2020, are as follows:

For the Year Ending June 30,	
2021	\$ 273,576
2022	206,202
2023	143,989
2024	51,877
2025	13,440
Total Minimum Payment Required	689,084

Continued

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 15 – COMMITMENTS, CONTINGENCIES AND RISKS (continued)

A. Capital Leases (continued)

Less: Amount Representing Interest at Various Rates	\$ <u>(12,081)</u>
Present Value of Net Minimum Capital Lease Payments	677,003
Less: Current Portion	<u>(266,726)</u>
Long-Term Portion	<u>\$ 410,277</u>

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 <u>June 30,</u>		
2021	\$	44,064
2022		<u>13,716</u>
Total	\$	<u>57,780</u>

Office equipment rental expense totaled \$41,016 for the year ended June 30, 2020, and is included in office administrative expenses in the accompanying consolidated statement of functional expenses.

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 and/or meeting certain performance requirements under the provisions of the grant agreements. 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 16 – 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, 2020, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000 was approximately \$27.2 million.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 17 – 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. Twelve members of the Board work for companies that have contributed to the Organization or received food distributions from the Organization.

NOTE 18 – RETIREMENT PLANS

A. 401(k) Plan

The Organization sponsors 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 contribution expense to the 401(k) totaled \$484,073 for the year ended June 30, 2020, and is included in salaries and related benefits in the accompanying consolidated statement of functional expenses.

<u>Length of Service</u>	<u>Organization Automatic Retirement Contribution</u>	<u>Eligible for Employee Contribution</u>	<u>Employee Contribution Match</u>
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, 2020, investments and obligations related to deferred compensation totaled \$117,093 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 19 – 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, 2020, 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, 2020, 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, 2020.

As of June 30, 2020, there are no audits for any tax periods pending or 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, 2020, the Organization had no accruals for interest and/or penalties.

NOTE 20 – PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION AND RECLASSIFICATIONS

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, 2020, from which the summarized information was derived. Certain 2019 amounts have been reclassified to conform with the 2020 presentation.

NOTE 21 – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization considers itself to be a first responder and as a result has continued operations including operating its food distribution warehouse under a modified structure to provide food to its partners and families; however, at this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations cannot be predicted.

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2020, the date the consolidated financial statements were issued. Except for the events related to the COVID-19 outbreak and pandemic described above, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2020

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 27,480,511	\$ -	\$ -	\$ 27,480,511
Accounts receivable, net	709,549	-	-	709,549
Contributions and grants receivable, current portion	2,504,856	-	-	2,504,856
Inventory	4,402,107	-	-	4,402,107
Prepaid expenses and other assets	467,658	-	-	467,658
Total Current Assets	35,564,681	-	-	35,564,681
Contributions and grants receivable, net of current portion	827,304	-	-	827,304
Investments	-	15,938,321	-	15,938,321
Investments related to deferred compensation	117,093	-	-	117,093
Property and equipment, net	31,160,599	-	-	31,160,599
TOTAL ASSETS	\$ 67,669,677	\$ 15,938,321	\$ -	\$ 83,607,998
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,855,257	\$ -	\$ -	\$ 2,855,257
Deferred revenue	140,461	-	-	140,461
Paycheck Protection Program loan	1,632,000	-	-	1,632,000
Capital lease obligations, current portion	266,726	-	-	266,726
Total Current Liabilities	4,894,444	-	-	4,894,444
Noncurrent liabilities				
Note payable, net of current portion	5,205,000	-	-	5,205,000
Capital lease obligations, net of current portion	410,277	-	-	410,277
Obligations related to deferred compensation	117,093	-	-	117,093
Total Noncurrent Liabilities	5,732,370	-	-	5,732,370
TOTAL LIABILITIES	10,626,814	-	-	10,626,814
Net Assets				
Without donor restrictions	52,657,179	15,938,321	-	68,595,500
With donor restrictions	4,385,684	-	-	4,385,684
TOTAL NET ASSETS	57,042,863	15,938,321	-	72,981,184
TOTAL LIABILITIES AND NET ASSETS	\$ 67,669,677	\$ 15,938,321	\$ -	\$ 83,607,998

See independent auditors' report.

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

**CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2020**

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
OPERATING REVENUE AND SUPPORT				
In-kind food contributions	\$ 47,278,011	\$ -	\$ -	\$ 47,278,011
Contributions and grants	36,145,594	2,200,000	(2,200,000)	36,145,594
Federal and state grants	5,474,087	-	-	5,474,087
Program service fees	3,036,129	-	-	3,036,129
Donated materials and services	840,139	-	-	840,139
Other income	394,863	-	-	394,863
	<u>93,168,823</u>	<u>2,200,000</u>	<u>(2,200,000)</u>	<u>93,168,823</u>
TOTAL OPERATING REVENUE AND SUPPORT				
OPERATING EXPENSES				
Program Services:				
Food resourcing and logistics	30,541,383	-	-	30,541,383
Community direct distributions	7,696,005	-	-	7,696,005
Government distributions	27,997,762	-	-	27,997,762
Partner relations and agency training	1,551,838	-	-	1,551,838
Food for Kids	1,510,320	-	-	1,510,320
	<u>69,297,308</u>	<u>-</u>	<u>-</u>	<u>69,297,308</u>
Total Program Services				
Supporting Services:				
Management and general	5,476,294	-	(2,200,000)	3,276,294
Fundraising	2,987,484	-	-	2,987,484
	<u>8,463,778</u>	<u>-</u>	<u>(2,200,000)</u>	<u>6,263,778</u>
Total Supporting Services				
TOTAL OPERATING EXPENSES				
	<u>77,761,086</u>	<u>-</u>	<u>(2,200,000)</u>	<u>75,561,086</u>
Change in net assets from operations	15,407,737	2,200,000	-	17,607,737
NONOPERATING ACTIVITIES				
Interest expense	(10,713)	-	-	(10,713)
Investment income, net	75,498	254,241	-	329,739
	<u>15,472,522</u>	<u>2,454,241</u>	<u>-</u>	<u>17,926,763</u>
CHANGE IN NET ASSETS				
NET ASSETS, BEGINNING OF YEAR	<u>41,570,341</u>	<u>13,484,080</u>	<u>-</u>	<u>55,054,421</u>
NET ASSETS, END OF YEAR	<u>\$ 57,042,863</u>	<u>\$ 15,938,321</u>	<u>\$ -</u>	<u>\$ 72,981,184</u>

See independent auditors' report.