



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

**Consolidated Financial Statements and
Supplementary Information**

For the Year Ended June 30, 2021

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



**and
Report Thereon**



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

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For the Year Ended June 30, 2021**

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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, 2021, 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.

Opinion

In our opinion, the 2021 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, 2021, 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 2020 consolidated financial statements, and in our report dated October 28, 2020, 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, 2020, 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
January 20, 2022

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With Summarized Financial Information as of June 30, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,733,853	\$ 27,480,511
Accounts receivable, net	950,045	709,549
Contributions and grants receivables, current portion	3,333,025	2,504,856
Inventory	6,732,098	4,402,107
Prepaid expenses and other assets	372,329	467,658
Total Current Assets	31,121,350	35,564,681
Contributions and grants receivables, net of current portion	440,391	827,304
Investments	46,531,620	15,938,321
Investments related to deferred compensation	140,081	117,093
Property and equipment, net	30,799,507	31,160,599
TOTAL ASSETS	\$ 109,032,949	\$ 83,607,998
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,113,350	\$ 2,855,257
Deferred revenue	2,488,610	140,461
Paycheck Protection Program loan	-	1,632,000
Capital lease obligations, current portion	245,621	266,726
Total Current Liabilities	5,847,581	4,894,444
Noncurrent liabilities		
Note payable	5,205,000	5,205,000
Capital lease obligations, net of current portion	446,068	410,277
Obligations related to deferred compensation	140,081	117,093
Total Noncurrent Liabilities	5,791,149	5,732,370
TOTAL LIABILITIES	11,638,730	10,626,814
Net Assets		
Without donor restrictions	92,319,279	68,595,500
With donor restrictions	5,074,940	4,385,684
TOTAL NET ASSETS	97,394,219	72,981,184
TOTAL LIABILITIES AND NET ASSETS	\$ 109,032,949	\$ 83,607,998

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, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)**

	Without Donor Restrictions			With Donor Restrictions	2021 Total	2020 Total
	Non-In-Kind	In-Kind	Total			
OPERATING REVENUE AND SUPPORT						
In-kind food contributions	\$ -	\$ 106,266,433	\$ 106,266,433	\$ -	\$ 106,266,433	\$ 47,278,011
Contributions and grants	41,704,094	-	41,704,094	8,304,204	50,008,298	36,145,594
Federal and state grants	-	-	-	15,643,773	15,643,773	5,474,087
Program service fees	4,681,184	-	4,681,184	-	4,681,184	2,789,272
Donated materials and services	-	2,916,221	2,916,221	-	2,916,221	840,139
Other income	774,560	-	774,560	-	774,560	394,863
Net assets released from restrictions:						
Released from purpose restrictions	23,197,881	-	23,197,881	(23,197,881)	-	-
Released from time restrictions	60,840	-	60,840	(60,840)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	70,418,559	109,182,654	179,601,213	689,256	180,290,469	92,921,966
OPERATING EXPENSES						
Program Services:						
Food resourcing and logistics	31,750,858	37,666,630	69,417,488	-	69,417,488	30,528,633
Community direct distributions	5,285,605	7,793,308	13,078,913	-	13,078,913	7,696,005
Government distributions	5,017,060	62,182,662	67,199,722	-	67,199,722	27,997,762
Partner relations and agency training	753,120	10,805	763,925	-	763,925	1,317,731
Food for Kids	1,912,088	-	1,912,088	-	1,912,088	1,510,320
Total Program Services	44,718,731	107,653,405	152,372,136	-	152,372,136	69,050,451
Supporting Services:						
Management and general	3,318,783	274,221	3,593,004	-	3,593,004	3,276,294
Fundraising	3,650,493	40,000	3,690,493	-	3,690,493	2,987,484
Total Supporting Services	6,969,276	314,221	7,283,497	-	7,283,497	6,263,778
TOTAL OPERATING EXPENSES	51,688,007	107,967,626	159,655,633	-	159,655,633	75,314,229
Change in net assets from operations	18,730,552	1,215,028	19,945,580	689,256	20,634,836	17,607,737
NONOPERATING ACTIVITIES						
Interest expense	(23,030)	-	(23,030)	-	(23,030)	(10,713)
Investment income, net	3,801,229	-	3,801,229	-	3,801,229	329,739
CHANGE IN NET ASSETS	22,508,751	1,215,028	23,723,779	689,256	24,413,035	17,926,763
NET ASSETS, BEGINNING OF YEAR	66,066,268	2,529,232	68,595,500	4,385,684	72,981,184	55,054,421
NET ASSETS, END OF YEAR	\$ 88,575,019	\$ 3,744,260	\$ 92,319,279	\$ 5,074,940	\$ 97,394,219	\$ 72,981,184

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, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)**

	Program Services					Supporting Services			2021 Total	2020 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	\$ 35,064,630	\$ 7,793,308	\$ 62,182,662	\$ -	\$ -	\$ 105,040,600	\$ -	\$ -	\$ -	\$ 105,040,600	\$ 51,377,591
Donated materials and services	2,602,000	-	-	-	-	2,602,000	274,221	40,000	314,221	2,916,221	840,139
Depreciation – in-kind	-	-	-	10,805	-	10,805	-	-	-	10,805	12,528
Total In-Kind Expenses	37,666,630	7,793,308	62,182,662	10,805	-	107,653,405	274,221	40,000	314,221	107,967,626	52,230,258
Salaries and related benefits	6,768,899	1,115,514	962,599	331,803	317,572	9,496,387	2,337,595	1,421,122	3,758,717	13,255,104	10,413,735
Food related costs	18,764,901	3,673,421	3,666,556	-	1,527,833	27,632,711	-	-	-	27,632,711	6,209,526
Occupancy and transportation	3,009,995	25,572	23,542	296	661	3,060,066	-	1,604	1,604	3,061,670	1,311,731
Travel, training and staff development	16,830	63,051	1,316	1,036	220	82,453	45,086	4,180	49,266	131,719	43,635
Office administrative expenses	46,770	26,349	46,503	9,800	337	129,759	164,329	262,896	427,225	556,984	603,749
Professional fees	672,216	186,245	35,527	155,226	-	1,049,214	528,991	417,952	946,943	1,996,157	561,589
Materials and supplies	770,129	128,604	50,628	4,827	-	954,188	21,859	26,048	47,907	1,002,095	373,676
Miscellaneous	49,743	-	-	-	-	49,743	-	1,965	1,965	51,708	10,132
IT software and hardware	567,339	45,871	153,992	134,505	47,137	948,844	116,446	117,300	233,746	1,182,590	1,030,537
Insurance	112,832	1,446	4,374	7,261	970	126,883	33,676	1,739	35,415	162,298	184,043
Depreciation	971,204	19,532	72,023	108,366	17,358	1,188,483	70,801	29,419	100,220	1,288,703	1,371,729
Direct mail expenses	-	-	-	-	-	-	-	1,357,143	1,357,143	1,357,143	772,627
Special events	-	-	-	-	-	-	-	9,125	9,125	9,125	197,262
Total Non-In-Kind Expenses	31,750,858	5,285,605	5,017,060	753,120	1,912,088	44,718,731	3,318,783	3,650,493	6,969,276	51,688,007	23,083,971
TOTAL OPERATING EXPENSES	\$ 69,417,488	\$ 13,078,913	\$ 67,199,722	\$ 763,925	\$ 1,912,088	\$ 152,372,136	\$ 3,593,004	\$ 3,690,493	\$ 7,283,497	\$ 159,655,633	\$ 75,314,229

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, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 24,413,035	\$ 17,926,763
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation- in-kind	10,805	12,528
Depreciation	1,288,703	1,371,729
Net unrealized and realized losses (gains) on investments	(3,310,422)	101,599
Gain on disposal of property and equipment	-	(5,020)
In-kind food contributions	(106,266,433)	(47,278,011)
In-kind food distributions	105,040,600	51,377,591
Change in allowance for doubtful accounts	-	22,006
Changes in assets and liabilities:		
Accounts receivable	(240,496)	(447,723)
Contributions and grants receivables	(441,256)	(1,032,864)
Prepaid expenses and other assets	95,329	(350,098)
Deferred revenue	2,348,149	140,461
Inventory – purchased goods	(1,104,158)	(1,559,311)
Accounts payable and accrued expenses	258,093	1,434,639
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,091,949	21,714,289
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(630,763)	(272,028)
Purchase of investments	(30,228,923)	(6,152,637)
Proceeds from sales of investments	2,946,046	3,596,797
NET CASH USED IN INVESTING ACTIVITIES	(27,913,640)	(2,827,868)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of Paycheck Protection Program loan	-	1,632,000
Principal payment of Paycheck Protection Program loan	(1,632,000)	-
Principal payments on capital lease	(292,967)	(262,862)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,924,967)	1,369,138
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,746,658)	20,255,559
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,480,511	7,224,952
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,733,853	\$ 27,480,511
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 23,030	\$ 10,713
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under a capital lease	\$ 307,652	\$ -

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, 2021**

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 help our neighbors thrive by creating more equitable access to food and opportunity through community partnerships. CAFB works to address hunger today and create brighter futures tomorrow for nearly 500,000 people across the region experiencing food insecurity. As the anchor in the area’s hunger relief infrastructure, CAFB supplies food to hundreds of local nonprofit organizations throughout the metro Washington, DC region, including pantries, soup kitchens, shelters, and low-income housing centers. CAFB also works in partnership with organizations across the region to address hunger’s root causes by pairing food with other critical services such as health care, job training, skill development, and higher education. In addition to food distributions, CAFB also operates a variety of nutrition education and urban agriculture programs, as well as several public advocacy initiatives. These activities are funded primarily through contributions, grants, program service fees and in-kind food donations.

CAFB food distribution in pounds for fiscal years 2021 and 2020 was 92,045,507 and 42,704,783 respectively. The per pound value of donated and government food commodities fluctuates year-over-year and was \$1.74 and \$1.62 in fiscal years 2021 and 2020, respectively. As such, in-kind distribution amounts within the consolidated financial statements may not mirror distribution trends by poundage. However, CAFB’s food distribution in pounds increased significantly over fiscal year 2020 food distributions in response to the COVID-19 pandemic.

CAFB administers several government and nongovernmental programs as described below.

Food Resourcing and Logistics

- a) Shopping Partners: The Shopping Partners program 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 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. While garden activities were suspended during the pandemic, 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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

A. Organization (continued)

Food for Kids

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

Community Direct Distributions

- a) Senior Brown Bag: CAFB provides 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) Family Markets: CAFB operates client-choice style food markets in area schools, serving in D.C., Maryland and Virginia.
- c) Mobile Markets: In partnership with community sites such as recreation centers and churches, CAFB hosts monthly Mobile Markets for residents to attend and receive assistance.
- d) 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.
- e) Joyful Food Markets: This monthly pop-up grocery market takes place at schools in D.C.’s Wards 7 and 8. Each market provides families with healthy, nonperishable groceries and fresh produce.

Government Distributions

- a) Commodity Supplemental Food Program (CSFP): CAFB provides seniors in D.C. and Maryland 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.
- c) Coronavirus Food Assistance Program (CFAP): During fiscal year 2021, CAFB participated in CFAP, through which approximately 27 million pounds of locally source dairy and produce were distributed primarily through partner agencies.

In addition to the CAFB’s 125,000 square foot distribution center and offices in Northeast Washington, a 10,000 square foot warehouse and office facility in Lorton, Virginia, serves our Northern Virginia agencies and direct service programs. During fiscal year 2021, CAFB also operated various other temporary warehouse storage sites in Maryland and Virginia.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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 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.

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

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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

F. Fair Value Measurement (continued)

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 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, 2021, only the Organization's investments, as described in Note 5, were measured at fair value on a recurring basis.

G. Allowance for Doubtful Accounts

Accounts receivable are recorded at their expected net realizable value. 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. 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. Conditional promises to give are not recognized until they become unconditional, that is when the barrier(s) in the agreement are overcome.

I. Inventory

Inventory consists of purchased, donated and government goods. Purchased goods are valued at 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

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CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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

I. Inventory (continued)

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, 2021, the value of the donated goods and inventory balance reported in the consolidated statement of financial position was calculated using the calendar year 2019 estimate of \$1.74 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, 2021.

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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, 2021, 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 receivables 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. The Organization offers shopping grants in the form of a credit to

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Revenue Recognition (continued)

partner agencies' accounts as a form of assistance with purchase of food for distribution. During the year ended June 30, 2021, the Organization provided shopping grants in the amount of \$4,069,880 which are netted against program service fees in the accompanying consolidated statement of activities to properly show program service fee revenue at net realizable value.

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 receivables 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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Functional Allocation of Expenses (continued)

Expense	Method of Allocation
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 Pronouncements

In May 2014, FASB issued Accounting Standards Update (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. The Organization adopted ASU 2014-09 and related amendments on July 1, 2020, using the modified retrospective method. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue and therefor no changes to the previously audited financial statements were required on a retrospective basis. The presentation and disclosure of revenue has been enhanced in accordance with the standard.

NOTE 2 – ACCOUNTS RECEIVABLE

Total accounts receivable of \$950,045 is composed primarily of amounts due from partner agencies as of June 30, 2021.

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NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of amounts due from government agencies and grant commitments made to the Organization by individuals and foundations. As of June 30, 2021, the contributions and grants receivable were due to be collected were as follows:

Within one year	\$ 3,333,025
One to five years	<u>469,480</u>
Gross Contributions and Grants Receivable	3,802,505
Less: Discount to Net Present Value at 3.25%	<u>(29,089)</u>
Contributions and Grants Receivable, Net	<u>\$ 3,773,416</u>

The Organization has received various conditional grants as of June 30, 2021. The Organization records revenue and support on these conditional grants as the conditions are met. As of June 30, 2021, the Organization has yet to recognize revenue of approximately \$3,594,610 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, 2021:

Fixed-income mutual funds	\$ 27,862,335
Equity mutual funds	10,641,808
Fixed-income securities	3,678,844
Money market mutual funds	2,745,304
Real asset mutual funds	1,032,582
Domestic and international equities	497,446
Alternative investment strategy funds	<u>73,301</u>
Total Investments	<u>\$ 46,531,620</u>

Investment income is summarized as follows for the year ended June 30, 2021:

Interest and dividends	\$ 563,499
Net realized and unrealized gains	3,310,422
Investment fees	<u>(72,692)</u>
Investment Income, Net	<u>\$ 3,801,229</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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, 2021, 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:				
Fixed-income mutual funds:				
Domestic mutual funds	\$ 26,896,459	\$ 26,896,459	\$ -	\$ -
International mutual funds	965,876	965,876	-	-
Equity mutual funds:				
Domestic	7,854,574	7,854,574	-	-
International	2,787,234	2,787,234	-	-
Fixed-income securities:				
Corporate bonds	2,500,663	-	2,500,663	-
Government bonds	1,066,942	-	1,066,942	-
Asset-backed securities	111,239	-	111,239	-
Money market mutual funds	2,745,304	2,745,304	-	-
Real asset mutual funds:				
Real estate	1,032,582	1,032,582	-	-
Equities:				
Domestic	454,563	454,563	-	-
International	42,883	42,883	-	-
Alternative investment strategy funds:				
Managed futures	<u>73,301</u>	<u>73,301</u>	<u>-</u>	<u>-</u>
Total Investments	<u>46,531,620</u>	<u>42,852,776</u>	<u>3,678,844</u>	<u>-</u>
Investments related to deferred compensation plan:				
Equity mutual funds:				
Domestic mutual funds	<u>140,081</u>	<u>140,081</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 46,671,701</u>	<u>\$ 42,992,857</u>	<u>\$ 3,678,844</u>	<u>\$ -</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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 5.7 million pounds of food were distributed through the Organization’s Partner Direct Program during the year ended June 30, 2021. The value of approximately 5.7 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 1.0 million pounds of these food contributions were not included in the Organization’s consolidated financial statements as the Organization did not take 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, 2021, is as follows:

	Beginning Inventory	Purchases and Receipts	Distributed	Ending Inventory
Purchased	\$ 2,703,784	\$ 26,511,401	\$ (26,104,878)	\$ 3,110,307
Government	143,475	64,517,456	(62,182,662)	2,478,269
Donated	2,252,483	41,748,977	(42,857,938)	1,143,522
	5,099,742	132,777,834	(131,145,478)	6,732,098
Partner Direct Proxy	-	1,825,831	(1,825,831)	-
Grand Total	\$ 5,099,742	\$ 134,603,665	\$ (132,971,309)	\$ 6,732,098
Reserve	(697,635)			-
Inventory, net	\$ 4,402,107			\$ 6,732,098

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 6 – INVENTORY (continued)

A summary of the pounds of food contributions, purchases, distributions and inventory balances for the year ended June 30, 2021, is as follows:

	Beginning Inventory	Purchases and Receipts	Distributed	Ending Inventory
Purchased	3,650,935	31,562,230	(31,575,347)	3,637,818
Government	88,565	37,078,998	(35,743,270)	1,424,293
Donated	1,390,422	23,993,665	(24,726,890)	657,197
	5,129,922	92,634,893	(92,045,507)	5,719,308
Partner Direct Proxy	-	1,049,328	(1,049,328)	-
Grand Total	5,129,922	93,684,221	(93,094,835)	5,719,308

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, 2021:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 8,604,775	\$ -	\$ -	\$ 8,604,775
Building and improvements	27,305,140	367,792	-	27,672,932
Owned vehicles	1,087,612	202,976	-	1,290,588
Leased vehicles	1,819,836	307,652	-	2,127,488
Software and IT infrastructure	1,360,005	-	-	1,360,005
Office furniture and equipment	672,616	30,600	-	703,216
Warehouse equipment	1,494,037	29,395	-	1,523,432
Total Property and Equipment	42,344,021	938,415	-	43,282,436
Accumulated depreciation	(11,183,422)	(1,299,507)	-	(12,482,929)
Total Property and Equipment, Net of Accumulated Depreciation	\$ 31,160,599	\$ (361,092)	\$ -	\$ 30,799,507

NOTE 8 – 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 was scheduled to mature in April 2022, with a fixed interest rate of 1% per annum. Although the loan amount was eligible for forgiveness pursuant to the PPP, the Organization repaid the loan in full in February 2021 with interest of \$14,503.

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NOTE 9 – 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 10 – 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, 2021:

	<u>Beginning Balance</u>	<u>New Grants Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Childhood Nutrition	\$ 296,382	\$ 433,514	\$ (259,029)	\$ 470,867
Capacity Building	83,669	100,000	(100,000)	83,669
Family Nutrition	227,767	1,085,000	(930,924)	381,843
Food Procurement	395,598	1,330,223	(955,447)	770,374
Monitoring and Evaluation	69,609	264,636	(101,643)	232,602
Pilot programs	2,234,569	727,805	(758,374)	2,204,000
Senior Programs	13,898	25,000	(12,581)	26,317
Distribution Expansion	91,968	140,698	(203,820)	28,846
Partner Relations and Support	38,092	30,300	(41,296)	27,096
Positioning and Engagement	155,026	310,630	(141,135)	324,521
Time restriction	160,000	52,500	(60,840)	151,660
Region	466,966	193,326	(387,147)	273,145
Federal Reimbursement	-	5,909,760	(5,909,760)	-
Emergency Response	<u>152,140</u>	<u>13,344,585</u>	<u>(13,396,725)</u>	<u>100,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,385,684</u>	<u>\$ 23,947,977</u>	<u>\$ (23,258,721)</u>	<u>\$ 5,074,940</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 10 – NET ASSETS (continued)

Net Assets Without Donor Restrictions

The Organization’s net assets without donor restrictions are composed of undesignated amounts and board-designated funds. As of June 30, 2021, the Organization’s net assets without donor restrictions were as follows:

Undesignated	\$ 45,787,659
Board-designated funds	<u>46,531,620</u>
Total Net Assets Without Donor Restrictions	<u>\$ 92,319,279</u>

The Board of Directors has established various funds (the Funds) to support the Organization’s long-term financial viability and program services. During the year ended June 30, 2021, the Board of Directors designated an additional \$26,800,000 to the Funds. There were no withdrawals from the Funds. As of June 30, 2021, the balances of the Funds were as follows:

General reserve	\$ 17,823,320
Covid relief and recovery fund	22,608,300
Strategic initiatives fund	5,200,000
Capital repair and replacement fund	<u>900,000</u>
Total Board-designated funds	<u>\$ 46,531,620</u>

NOTE 11 – 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, 2021, were as follows:

Cash and cash equivalents	\$ 19,733,853
Receivables	4,723,461
Investments	46,531,620
Investments related to deferred compensation	<u>140,081</u>
Total Financial Assets Available	71,129,015
Less:	
Amounts unavailable for general expenditures within one year due to donors’ restriction with purpose restriction:	
Receivables due in more than one year	(440,391)
Amounts to fund obligations under deferred compensation	(140,081)
Amounts unavailable to management without Board approval:	
Board-designated funds	<u>(46,531,620)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 24,016,923</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 11 – AVAILABILITY AND LIQUIDITY (continued)

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 sufficient operating cash 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 market funds, mutual funds, and equity securities. The Organization has a highly liquid money market account, of which \$10,155,139 was available to draw upon as of June 30, 2021. Additionally, the Organization has board-designated net assets that could be available for current operations with Board approval, if necessary. All donor restricted net assets to be received within one year are expected to be spent in the subsequent fiscal year.

NOTE 12 – 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, 2021, is as follows:

	Beginning Inventory	Received	Distributed	Ending Inventory
Government	\$ 143,475	\$ 64,517,456	\$ (62,182,662)	\$ 2,478,269
Donated	2,252,483	41,748,977	(42,857,938)	1,143,522
Grand Total	\$ 2,395,958	\$ 106,266,433	\$(105,040,600)	\$ 3,621,791

A summary of in-kind food contributions and distributions in pounds for the year ended June 30, 2021, is as follows:

	Beginning Inventory	Received	Distributed	Ending Inventory
Government	88,565	37,078,998	(35,743,270)	1,424,293
Donated	1,390,422	23,993,665	(24,726,890)	657,197
Grand Total	1,478,987	61,072,663	(60,470,160)	2,081,490

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 – 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, 2021:

Legal services	\$ 274,221
Operations consulting	2,400,000
Temporary warehouse storage	202,000
Other services	<u>40,000</u>
Total Donated Materials and Services	<u>\$ 2,916,221</u>

NOTE 14 – 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 December 2027. The cost of vehicles included in property and equipment that were acquired under capital leases totaled \$2,127,488, with accumulated depreciation of \$1,759,125 as of June 30, 2021. Future minimum capital lease payments, together with the present value of net minimum capital payments, as of June 30, 2021, are as follows:

For the Year Ending June 30,	
2022	\$ 251,982
2023	189,769
2024	97,657
2025	59,220
2026	45,780
Thereafter	<u>63,195</u>
Total Minimum Payment Required	707,603
Less: Amount Representing Interest at Various Rates	<u>(15,914)</u>
Present Value of Net Minimum Capital Lease Payments	691,689
Less: Current Portion	<u>(245,621)</u>
Long-Term Portion	<u>\$ 446,068</u>

B. Operating Leases

The Organization is obligated as a lessee under several noncancelable operating leases for its equipment. During the year ended June 30, 2021, the Organization entered into two noncancelable operating leases for additional warehouse space in Hyattsville, Maryland and Lorton, Virginia. In December 2021, the

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 – COMMITMENTS, CONTINGENCIES AND RISKS (continued)

B. Operating Leases (continued)

Organization signed a new 2-year lease for one of its warehouse spaces in Lorton, Virginia. The leases expire at various times through June 2024. The future minimum lease obligations under these agreements are as follows:

For the Year Ending June 30,	Office Equipment Lease	Warehouse Leases	Total
2022	\$ 13,716	\$ 1,658,195	\$ 1,671,911
2023	-	1,786,093	1,786,093
2024	-	1,468,199	1,468,199
Total			\$ 4,926,203

Office equipment rental expense totaled \$52,771 for the year ended June 30, 2021, and is included in office administrative expenses in the accompanying consolidated statement of functional expenses. Warehouse rental expense totaled \$868,712 for the year ended June 30, 2021, and is included in occupancy and transportation 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.

D. Risk and Uncertainty

The Organization is responding to the uncertainty and increased need for the Organization's services created by the COVID-19 outbreak by adjusting its operations accordingly and will continue to assess and monitor the situation as it evolves; however, at this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain and is continually evaluated by management.

NOTE 15 – 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,

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NOTE 15 – FINANCIAL INSTRUMENTS AND CREDIT RISK (continued)

Concentration of Credit Risk (continued)

bears some risk, the Organization has not experienced, nor does it anticipate, any losses on its funds. At June 30, 2021, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000 was approximately \$9.3 million.

NOTE 16 – 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. Ten members of the Board work for companies that have contributed to the Organization or received food distributions from the Organization.

NOTE 17 – 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 \$561,744 for the year ended June 30, 2021, 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%

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 – RETIREMENT PLANS (continued)

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, 2021, investments and obligations related to deferred compensation totaled \$140,081 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 18 – 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, 2021, 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, 2021, 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, 2021.

As of June 30, 2021, 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, 2021, the Organization had no accruals for interest and/or penalties.

NOTE 19 – 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, 2021, from which the summarized information was derived. Certain 2020 amounts have been reclassified to conform with the 2021 presentation.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 20 – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 20, 2022, the date the consolidated financial statements were issued. Except as disclosed in Note 14B regarding the new lease, 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, 2021

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 19,733,853	\$ -	\$ -	\$ 19,733,853
Accounts receivable, net	950,045	-	-	950,045
Contributions and grants receivable, current portion	3,333,025	-	-	3,333,025
Inventory	6,732,098	-	-	6,732,098
Prepaid expenses and other assets	372,329	-	-	372,329
Total Current Assets	31,121,350	-	-	31,121,350
Contributions and grants receivable, net of current portion	440,391	-	-	440,391
Investments	-	46,531,620	-	46,531,620
Investments related to deferred compensation	140,081	-	-	140,081
Property and equipment, net	30,799,507	-	-	30,799,507
TOTAL ASSETS	\$ 62,501,329	\$ 46,531,620	\$ -	\$ 109,032,949
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 3,113,350	\$ -	\$ -	\$ 3,113,350
Deferred revenue	2,488,610	-	-	2,488,610
Capital lease obligations, current portion	245,621	-	-	245,621
Total Current Liabilities	5,847,581	-	-	5,847,581
Noncurrent liabilities				
Note payable, net of current portion	5,205,000	-	-	5,205,000
Capital lease obligations, net of current portion	446,068	-	-	446,068
Obligations related to deferred compensation	140,081	-	-	140,081
Total Noncurrent Liabilities	5,791,149	-	-	5,791,149
TOTAL LIABILITIES	11,638,730	-	-	11,638,730
Net Assets				
Without donor restrictions	45,787,659	46,531,620	-	92,319,279
With donor restrictions	5,074,940	-	-	5,074,940
TOTAL NET ASSETS	50,862,599	46,531,620	-	97,394,219
TOTAL LIABILITIES AND NET ASSETS	\$ 62,501,329	\$ 46,531,620	\$ -	\$ 109,032,949

See independent auditors' report.

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

**CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2021**

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
OPERATING REVENUE AND SUPPORT				
In-kind food contributions	\$ 106,266,433	\$ -	\$ -	\$ 106,266,433
Contributions and grants	50,008,298	26,800,000	(26,800,000)	50,008,298
Federal and state grants	15,643,773	-	-	15,643,773
Program service fees	4,681,184	-	-	4,681,184
Donated materials and services	2,916,221	-	-	2,916,221
Other income	774,560	-	-	774,560
	<u>180,290,469</u>	<u>26,800,000</u>	<u>(26,800,000)</u>	<u>180,290,469</u>
TOTAL OPERATING REVENUE AND SUPPORT				
OPERATING EXPENSES				
Program Services:				
Food resourcing and logistics	69,417,488	-	-	69,417,488
Community direct distributions	13,078,913	-	-	13,078,913
Government distributions	67,199,722	-	-	67,199,722
Partner relations and agency training	763,925	-	-	763,925
Food for Kids	1,912,088	-	-	1,912,088
	<u>152,372,136</u>	<u>-</u>	<u>-</u>	<u>152,372,136</u>
Total Program Services				
Supporting Services:				
Management and general	30,393,004	-	(26,800,000)	3,593,004
Fundraising	3,690,493	-	-	3,690,493
	<u>34,083,497</u>	<u>-</u>	<u>(26,800,000)</u>	<u>7,283,497</u>
Total Supporting Services				
TOTAL OPERATING EXPENSES				
	<u>186,455,633</u>	<u>-</u>	<u>(26,800,000)</u>	<u>159,655,633</u>
Change in net assets from operations	(6,165,164)	26,800,000	-	20,634,836
NONOPERATING ACTIVITIES				
Interest expense	(23,030)	-	-	(23,030)
Investment income, net	7,930	3,793,299	-	3,801,229
	<u>(6,180,264)</u>	<u>30,593,299</u>	<u>-</u>	<u>24,413,035</u>
CHANGE IN NET ASSETS				
NET ASSETS, BEGINNING OF YEAR	<u>57,042,863</u>	<u>15,938,321</u>	<u>-</u>	<u>72,981,184</u>
NET ASSETS, END OF YEAR	<u>\$ 50,862,599</u>	<u>\$ 46,531,620</u>	<u>\$ -</u>	<u>\$ 97,394,219</u>

See independent auditors' report.