



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

**Consolidated Financial Statements and
Supplementary Information**

For the Year Ended June 30, 2022

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



**and
Report Thereon**



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

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For the Year Ended June 30, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of 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, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Financial Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
November 2, 2022

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With Summarized Comparative Financial Information as of June 30, 2021)**

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,570,673	\$ 19,505,671
Accounts receivable, net	2,267,163	2,000,463
Contributions and grants receivables, current portion	5,741,882	2,510,789
Inventory	4,156,681	6,732,098
Prepaid expenses and other assets	633,279	372,329
Total Current Assets	28,369,678	31,121,350
Contributions and grants receivables, net of current portion	3,357,889	440,391
Investments	48,642,033	46,531,620
Investments related to deferred compensation	89,101	140,081
Property and equipment, net	30,475,625	30,799,507
TOTAL ASSETS	\$ 110,934,326	\$ 109,032,949
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,659,322	\$ 3,113,350
Grant advances	361,625	2,488,610
Capital lease obligations, current portion	183,410	245,621
Total Current Liabilities	4,204,357	5,847,581
Noncurrent liabilities		
Note payable	5,205,000	5,205,000
Capital lease obligations, net of current portion	262,660	446,068
Obligations related to deferred compensation	89,101	140,081
Total Noncurrent Liabilities	5,556,761	5,791,149
TOTAL LIABILITIES	9,761,118	11,638,730
Net Assets		
Without donor restrictions	87,811,490	92,319,279
With donor restrictions	13,361,718	5,074,940
TOTAL NET ASSETS	101,173,208	97,394,219
TOTAL LIABILITIES AND NET ASSETS	\$ 110,934,326	\$ 109,032,949

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, 2022
(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)**

	Without Donor Restrictions			With Donor Restrictions	2022 Total	2021 Total
	Non-In-Kind	In-Kind	Total			
OPERATING REVENUE AND SUPPORT						
In-kind food contributions	\$ -	\$ 58,155,327	\$ 58,155,327	\$ -	\$ 58,155,327	\$ 106,266,433
Contributions and grants	34,411,332	-	34,411,332	13,084,413	47,495,745	50,008,298
Government grants	-	-	-	11,219,675	11,219,675	15,643,773
Program service fees	3,638,791	-	3,638,791	-	3,638,791	4,681,184
Donated materials and services	-	1,510,768	1,510,768	-	1,510,768	2,916,221
Other income	326,120	-	326,120	-	326,120	774,560
Net assets released from restrictions:						
Released from purpose restrictions	15,872,195	-	15,872,195	(15,872,195)	-	-
Released from time restrictions	145,115	-	145,115	(145,115)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	54,393,553	59,666,095	114,059,648	8,286,778	122,346,426	180,290,469
OPERATING EXPENSES						
Program Services:						
Food resourcing and logistics	25,273,784	32,369,375	57,643,159	-	57,643,159	69,417,488
Community direct distributions	11,861,536	10,683,221	22,544,757	-	22,544,757	13,078,913
Government distributions	4,059,560	18,102,344	22,161,904	-	22,161,904	67,199,722
Partner relations and agency training	1,511,868	729	1,512,597	-	1,512,597	763,925
Food for Kids	1,304,488	609	1,305,097	-	1,305,097	1,912,088
Total Program Services	44,011,236	61,156,278	105,167,514	-	105,167,514	152,372,136
Supporting Services:						
Management and general	5,210,279	233,283	5,443,562	-	5,443,562	3,616,034
Fundraising	3,887,339	1,313	3,888,652	-	3,888,652	3,690,493
Total Supporting Services	9,097,618	234,596	9,332,214	-	9,332,214	7,306,527
TOTAL OPERATING EXPENSES	53,108,854	61,390,874	114,499,728	-	114,499,728	159,678,663
Change in net assets from operations	1,284,699	(1,724,779)	(440,080)	8,286,778	7,846,698	20,611,806
NONOPERATING ACTIVITIES						
Investment income (loss), net	(4,067,709)	-	(4,067,709)	-	(4,067,709)	3,801,229
CHANGE IN NET ASSETS	(2,783,010)	(1,724,779)	(4,507,789)	8,286,778	3,778,989	24,413,035
NET ASSETS, BEGINNING OF YEAR	88,575,019	3,744,260	92,319,279	5,074,940	97,394,219	72,981,184
NET ASSETS, END OF YEAR	\$ 85,792,009	\$ 2,019,481	\$ 87,811,490	\$ 13,361,718	\$ 101,173,208	\$ 97,394,219

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, 2022

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

	Program Services					Supporting Services				2022 Total	2021 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	\$ 32,362,676	\$ 9,711,573	\$ 18,099,293	\$ -	\$ -	\$ 60,173,542	\$ -	\$ -	\$ -	\$ 60,173,542	\$ 105,040,600
Donated materials and services	1,958	1,200,763	892	213	178	1,204,004	231,380	384	231,764	1,435,768	2,916,221
Depreciation – in-kind	4,741	1,847	2,159	516	431	9,694	1,903	929	2,832	12,526	10,805
Total In-Kind Expenses	32,369,375	10,914,183	18,102,344	729	609	61,387,240	233,283	1,313	234,596	61,621,836	107,967,626
Food related costs	15,269,894	8,443,821	304,814	-	-	24,018,529	-	-	-	24,018,529	26,104,878
Salaries and related benefits	4,930,855	1,916,187	2,212,277	896,810	334,587	10,290,716	2,918,660	1,607,667	4,526,327	14,817,043	13,255,104
Occupancy and transportation	2,284,188	700,968	690,811	43,262	36,794	3,756,023	155,944	77,850	233,794	3,989,817	3,061,670
Professional fees	313,435	79,289	145,567	322,192	3,031	863,514	1,206,181	565,319	1,771,500	2,635,014	1,996,157
Materials and supplies	1,226,082	130,624	247,487	64,068	858,869	2,527,130	36,343	27,453	63,796	2,590,926	2,517,933
Depreciation	503,783	193,689	225,176	52,679	44,005	1,019,332	194,292	94,866	289,158	1,308,490	1,288,703
Direct mail expenses	-	-	-	-	-	-	-	1,160,582	1,160,582	1,160,582	1,369,138
Office administrative expenses	339,517	23,722	72,592	37,915	2,503	476,249	208,416	289,389	497,805	974,054	556,984
IT software and hardware	215,434	82,533	95,803	83,872	18,610	496,252	434,115	40,120	474,235	970,487	1,182,590
Insurance	129,944	40,172	41,833	5,338	4,459	221,746	19,687	9,612	29,299	251,045	162,298
Travel, training and staff development	60,652	15,593	15,230	5,732	1,630	98,837	15,083	4,225	19,308	118,145	131,719
Miscellaneous	-	3,976	7,970	-	-	11,946	15,195	10,256	25,451	37,397	51,708
Interest expense	-	-	-	-	-	-	6,363	-	6,363	6,363	23,030
Special events	-	-	-	-	-	-	-	-	-	-	9,125
Total Non-In-Kind Expenses	25,273,784	11,630,574	4,059,560	1,511,868	1,304,488	43,780,274	5,210,279	3,887,339	9,097,618	52,877,892	51,711,037
TOTAL FUNCTIONAL EXPENSES	\$ 57,643,159	\$ 22,544,757	\$ 22,161,904	\$ 1,512,597	\$ 1,305,097	\$ 105,167,514	\$ 5,443,562	\$ 3,888,652	\$ 9,332,214	\$ 114,499,728	\$ 159,678,663

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, 2022
(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,778,989	\$ 24,413,035
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation-in-kind	12,526	10,805
Depreciation	1,308,490	1,288,703
Net unrealized and realized losses (gains) on investments	5,244,501	(3,310,422)
Loss on disposal of property and equipment	257,416	-
In-kind food contributions	(58,155,327)	(106,266,433)
In-kind food distributions	59,942,580	105,040,600
Change in allowance for doubtful accounts	71,789	-
Changes in assets and liabilities:		
Accounts receivable	(338,489)	(468,678)
Contributions and grants receivables	(6,148,591)	(441,256)
Prepaid expenses and other assets	(260,950)	95,329
Grant advances	(2,126,985)	2,348,149
Inventory, purchased goods	788,164	(1,104,158)
Accounts payable and accrued expenses	545,972	258,093
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,920,085	21,863,767
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,254,550)	(630,763)
Purchase of investments	(14,159,835)	(30,228,923)
Proceeds from sales of investments	6,804,921	2,946,046
NET CASH USED IN INVESTING ACTIVITIES	(8,609,464)	(27,913,640)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment of Paycheck Protection Program loan	-	(1,632,000)
Principal payments on capital lease	(245,619)	(292,967)
NET CASH USED IN FINANCING ACTIVITIES	(245,619)	(1,924,967)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,934,998)	(7,974,840)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,505,671	27,480,511
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,570,673	\$ 19,505,671
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 6,363	\$ 23,030
NONCASH INVESTING AND FINANCING ACTIVITIES		
Contributed long term assets capitalized	\$ 75,000	\$ -
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, 2022**

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 year 2022 was 59,452,762. The per pound value of donated and government food commodities fluctuates year-over-year and was \$1.79 in fiscal year 2022. 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) 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. 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. While garden activities were suspended during fiscal year 2021 due to the COVID-19 pandemic, garden activities resumed during fiscal year 2022.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

A. Organization (continued)

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.

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. In April 2022, the Lorton, Virginia facility was relocated to a temporary warehouse in anticipation of the facility's reconstruction. CAFB also operated a temporary warehouse storage site in Maryland.

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.

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 regardless of the timing of the related cash flows.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

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 when purchased 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 mutual funds (money market, fixed-income, real asset and equity), alternative investment strategy funds, fixed-income securities, and domestic and international equities.

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 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

F. Fair Value Measurement (continued)

Level 2 – Inputs to the valuation method include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liabilities has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

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. 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 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, 2022, the value of the donated goods and inventory balance reported in the consolidated statement of financial position was calculated using the calendar year 2020 estimate of \$1.79 per pound, which was the most recent estimate available when the Organization’s fiscal year began.

I. 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	5 to 39 years
Warehouse equipment	3 to 20 years
Office and computer equipment	3 to 10 years
Vehicles	5 to 10 years
Software	3 to 5 years

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

I. Property and Equipment and Related Depreciation (continued)

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.

J. 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, 2022.

K. 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, 2022, the Organization had no net assets with donor restrictions that are required to be maintained in perpetuity.

L. 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

L. Revenue Recognition (continued)

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.

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.

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 partner agencies' accounts as a form of assistance with purchase of food for distribution. During the year ended June 30, 2022, the Organization provided shopping grants in the amount of \$2,016,905 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.

Government 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

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

L. Revenue Recognition (continued)

administration costs related to food commodity distribution by the Organization. Revenue recognized on federal grant awards not yet 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 for satisfied conditions are reported as grant advances in the accompanying consolidated statement of financial position.

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.

M. Contributed Nonfinancial Assets

The Organization reports the fair value of donated food over which it has control (i.e. variance power) as operating revenue and support without donor restrictions and immediately thereafter, as expense when distributed. Other donated services and materials meeting recognition criteria under U.S. GAAP are also recorded as operating revenue and support and as expense based on estimated fair values. The Organization did not monetize any contributed nonfinancial assets and contributed nonfinancial assets did not have any donor restrictions.

N. New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (the FASB) issued *Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The Organization adopted ASU 2020-07 retrospectively on July 1, 2021. The adoption of the standard did not result in a material change to the financial statements.

O. 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	Full time equivalent employees
Company-wide technology	Full time equivalent employees
Office equipment rentals	Full time equivalent employees

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

O. Functional Allocation of Expenses (continued)

Expense	Method of Allocation
Insurance:	
Property	Full time equivalent employees
Cyber	Full time equivalent employees
Directors and Officers	Full time equivalent employees
Depreciation:	
Building and Improvements	Full time equivalent employees
Technology	Full time equivalent employees

P. 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.

Q. 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 investment income.

NOTE 2 – ACCOUNTS RECEIVABLE

Total accounts receivable of \$2,267,163 is composed primarily of amounts due from partner agencies for program service fees as of June 30, 2022.

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of amounts due from government agencies, foundations, individuals for committed, unconditional contributions and grants. As of June 30, 2022, the contributions and grants receivable were due to be collected were as follows:

Within one year	\$ 5,741,882
One to five years	<u>3,679,432</u>
Gross Contributions and Grants Receivable	9,421,314
Less: Discount to Net Present Value at 4.75%	<u>(321,543)</u>
Contributions and Grants Receivable, Net	<u>\$ 9,099,771</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE (continued)

The Organization has received various conditional grants as of June 30, 2022. The Organization records revenue and support on these conditional grants as the conditions are met. As of June 30, 2022, the Organization has yet to recognize revenue of approximately \$1,780,000 related to these conditional grants as conditions have not been met.

All balances are expected to be fully collected.

NOTE 4 – INVESTMENTS

Investments consisted of the following as of June 30, 2022:

Mutual funds:	
Fixed-income	\$ 30,857,037
Equity mutual	10,346,266
Money market	1,796,815
Real asset	694,340
Fixed-income securities	3,602,488
Domestic and international equities	899,103
Alternative investment strategy funds	<u>445,984</u>
Total Investments	<u>\$ 48,642,033</u>

Investment income (loss) is summarized as follows for the year ended June 30, 2022:

Interest and dividends	\$ 1,280,359
Net realized and unrealized losses	(5,244,501)
Investment fees	<u>(103,567)</u>
Investment (Loss), Net	<u>\$ (4,067,709)</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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, 2022, 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	\$ 30,857,037	\$ 30,857,037	\$ -	\$ -
Equity mutual funds:				
Domestic	6,329,289	6,329,289	-	-
International	4,016,977	4,016,977	-	-
Global – event driven	445,984	445,984	-	-
Money market mutual funds	1,796,815	1,796,815	-	-
Real asset mutual funds	694,340	694,340	-	-
Fixed-income securities:				
Corporate bonds	1,746,023	-	1,746,023	-
Government bonds	1,846,407	-	1,846,407	-
Asset-backed securities	10,058	-	10,058	-
Equities:				
Domestic	854,808	854,808	-	-
International	44,295	44,295	-	-
Total Investments	<u>48,642,033</u>	<u>45,039,545</u>	<u>3,602,488</u>	<u>-</u>
Investments related to deferred compensation plan:				
Equity mutual funds	<u>89,101</u>	<u>89,101</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 48,731,134</u>	<u>\$ 45,128,646</u>	<u>\$ 3,602,488</u>	<u>\$ -</u>

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 5 – FAIR VALUE MEASUREMENT (continued)

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

Equities; fixed-income, equity, money market, and real asset mutual 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 9.6 million pounds of food were distributed through the Organization’s Partner Direct Program during the year ended June 30, 2022. The value of approximately 9.6 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.

A summary of the value of food contributions, purchases, distributions and inventory balances for the year ended June 30, 2022, is as follows:

	Beginning Inventory	Purchases and Receipts	Distributed	Ending Inventory
Purchased	\$ 3,110,307	\$ 23,461,327	\$ (24,018,529)	\$ 2,553,105
Government	2,478,269	17,281,721	(18,479,906)	1,280,084
Donated	1,143,522	40,873,606	(41,693,636)	323,492
Grand Total	\$ 6,732,098	\$ 81,616,654	\$ (84,192,071)	\$ 4,156,681

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 6 – INVENTORY (continued)

A summary of the pounds of food contributions, purchases, distributions and inventory balances for the year ended June 30, 2022, is as follows:

	<u>Beginning Inventory</u>	<u>Purchases and Receipts</u>	<u>Distributed</u>	<u>Ending Inventory</u>
Purchased	3,637,818	24,105,767	(25,040,501)	2,703,084
Government	1,424,293	9,691,743	(10,402,617)	713,419
Donated	<u>657,197</u>	<u>23,533,169</u>	<u>(24,009,643)</u>	<u>180,723</u>
Grand Total	<u>5,719,308</u>	<u>57,330,679</u>	<u>(59,452,761)</u>	<u>3,597,226</u>

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, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 8,604,775	\$ -	\$ -	\$ 8,604,775
Building and improvements	27,672,932	1,004,643	(1,134,652)	27,542,923
Owned vehicles	1,290,588	72,128	-	1,362,716
Leased vehicles	2,127,488	-	-	2,127,488
Software and IT infrastructure	1,360,005	-	-	1,360,005
Office furniture and equipment	703,216	-	-	703,216
Warehouse equipment	<u>1,523,432</u>	<u>177,779</u>	<u>(233,555)</u>	<u>1,467,656</u>
Total Property and Equipment	43,282,436	1,254,550	(1,368,207)	43,168,779
Accumulated depreciation	<u>(12,482,929)</u>	<u>(1,321,016)</u>	<u>1,110,791</u>	<u>(12,693,154)</u>
Total Property and Equipment, Net of Accumulated Depreciation	<u>\$ 30,799,507</u>	<u>\$ (66,466)</u>	<u>\$ (257,416)</u>	<u>\$ 30,475,625</u>

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 – NOTES PAYABLE

On July 18, 2005, the Organization purchased an existing building at 4900 Puerto Rico Avenue, N.E., Washington, D.C. The Department of Housing and Community Development (DHCD) provided \$7,705,000 of financing in connection with the acquisition of the property. Under the terms of the agreement with DHCD, \$2,500,000 was forgiven during the year ended June 30, 2007, through the distribution of food products to D.C. partner agencies. The remaining balance of \$5,205,000 is considered a 40-year deferred loan with 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 9 – NET ASSETS

A. Net Assets With Donor Restrictions

The following is a summary of changes in net assets with donor restrictions for the year ended June 30, 2022:

	Beginning Balance	New Grants Received	Released from Restrictions	Ending Balance
Childhood Nutrition	\$ 470,867	\$ 610,718	\$ (296,868)	\$ 784,717
Capacity Building	83,669	1,495,912	(735,636)	843,945
Family Nutrition	131,843	592,472	(568,955)	155,360
Food Procurement	770,374	569,137	(664,685)	674,826
Monitoring and Evaluation	232,602	20,000	(131,786)	120,816
Pilot programs	2,204,000	2,762,286	(746,515)	4,219,771
Senior Programs	26,317	79,118	(94,118)	11,317
Distribution Expansion	28,846	-	(28,846)	-
Partner Relations and Support	27,096	-	-	27,096
Positioning and Engagement	324,521	1,535,840	(652,358)	1,208,003
Capital Purchases	250,000	5,526,738	(943,543)	4,833,195
Time restriction	151,660	220,000	(145,115)	226,545
Region	273,145	1,060,901	(1,177,919)	156,127
Federal Reimbursement	-	4,320,892	(4,320,892)	-
Emergency Response	100,000	5,510,074	(5,510,074)	100,000
Total Net Assets With Donor Restrictions	\$ 5,074,940	\$ 24,304,088	\$ (16,017,310)	\$ 13,361,718

**CAPITAL AREA FOOD BANK AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 9 – NET ASSETS (continued)

B. 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, 2022, the Organization’s net assets without donor restrictions were as follows:

Undesignated	\$ 39,169,457
Board-designated funds	<u>48,642,033</u>
Total Net Assets Without Donor Restrictions	<u>\$ 87,811,940</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, 2022, the Board of Directors designated an additional \$15,000,000 to the Funds and authorized a withdrawal of \$8,800,000. As of June 30, 2022, the balances of the Funds were as follows:

General reserve	\$ 15,488,751
Covid relief and recovery fund	13,070,954
Strategic initiatives fund	19,290,956
Capital repair and replacement fund	<u>791,372</u>
Total Board-designated funds	<u>\$ 48,642,033</u>

NOTE 10 – AVAILABILITY AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Organization’s financial assets available within one year of the consolidated statement of financial position date for general expenditures at June 30, 2022, were as follows:

Cash and cash equivalents	\$ 15,570,673
Receivables	8,009,045
Investments	<u>48,642,033</u>
Total Financial Assets Available	72,221,751
Less:	
Amounts unavailable for general expenditures within one year due to donors’ restriction with purpose restriction:	(10,003,829)
Amounts unavailable to management without Board approval:	
Board-designated funds	<u>(48,642,033)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 13,575,889</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 10 – 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 \$11,174,796 was available to draw upon as of June 30, 2022. 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 11 – IN-KIND FOOD CONTRIBUTIONS AND DISTRIBUTIONS

The Organization’s receipt of donated and government food is recorded as in-kind food contributions revenue in the accompanying consolidated statement of activities. In-kind food contributions are valued at fair value based on the Feeding America per pound valuation as described in the inventory section of Note 1 above. 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, 2022, is as follows:

	Beginning Inventory	Received	Distributed	Ending Inventory
Government	\$ 2,478,269	\$ 17,281,721	\$ (18,479,906)	\$ 1,280,084
Donated	1,143,522	40,873,606	(41,693,636)	323,492
Grand Total	\$ 3,621,791	\$ 58,155,327	\$ (60,173,542)	\$ 1,603,576

A summary of in-kind food contributions and distributions in pounds for the year ended June 30, 2022, is as follows:

	Beginning Inventory	Received	Distributed	Ending Inventory
Government	1,424,293	9,691,743	(10,402,617)	713,419
Donated	657,197	23,533,169	(24,009,643)	180,723
Grand Total	2,081,490	33,224,912	(34,412,260)	894,142

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 12 – DONATED MATERIALS AND SERVICES

In addition to in-kind food contributions, the Organization receives donated materials and services which are used to further the Organization’s activities. The following is a summary of donated materials and services received during the year ended June 30, 2022:

Operations consulting	\$ 1,200,000
Legal services	230,594
Long-term assets – construction management services	75,000
Other	<u>5,174</u>
Total Donated Materials and Services	<u>\$ 1,510,768</u>

The Organization receives donated legal services, operations consulting, and construction management services that would typically need to be purchased if not provided to the Organization on a pro-bono basis. These services, which require specialized skills, are recognized as donated contributions at fair value when provided. Donated legal services and operations consulting are expensed when the services are rendered and construction management services are capitalized as rendered, and depreciated over the useful life of the associated asset. The estimated fair value of these professional services are based on current market rates for similar professional services.

NOTE 13 – COMMITMENTS, CONTINGENCIES AND RISKS

A. Capital Leases

The Organization is obligated under various capital leases for vehicles. These capital leases are scheduled to expire at various dates through December 2028. The cost of vehicles included in property and equipment that were acquired under capital leases totaled \$2,127,488, with accumulated depreciation of \$1,872,953 as of June 30, 2022. Future minimum capital lease payments, together with the present value of net minimum capital payments, as of June 30, 2022, are as follows:

For the Year Ending	
<u>June 30,</u>	
2023	\$ 189,769
2024	97,657
2025	59,220
2026	45,780
2027	45,780
Thereafter	<u>17,415</u>
Total Minimum Payment Required	455,621
Less: Amount Representing Interest at Various Rates	<u>(9,551)</u>
Present Value of Net Minimum Capital Lease Payments	446,070
Less: Current Portion	<u>(183,410)</u>
Long-Term Portion	<u>\$ 262,660</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 – COMMITMENTS, CONTINGENCIES AND RISKS (continued)

B. Operating Leases

The Organization is obligated as a lessee under several noncancelable operating leases for its equipment. During the year ended June 30, 2022, the Organization entered into two noncancelable operating leases for additional warehouse space in Hyattsville, Maryland and Lorton, Virginia. In December 2021, the 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,	
2023	\$ 1,359,985
2024	1,370,463
2025	679,160
2026	699,535
2027	720,521
Thereafter	<u>365,584</u>
Total	<u>\$ 5,195,248</u>

Warehouse rental expense totaled \$1,526,925 for the year ended June 30, 2022, 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 14 – FINANCIAL INSTRUMENTS AND CREDIT RISK

A. 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, 2022, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000 was approximately \$4.6 million.

NOTE 15 – RELATED PARTIES

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

NOTE 16 – RETIREMENT PLANS

A. 401(k) Plan

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 \$716,205 for the year ended June 30, 2022, 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
For the Year Ended June 30, 2022**

NOTE 16 – 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, 2022, investments and obligations related to deferred compensation totaled \$89,101 and are included in the accompanying consolidated statement of financial position, representing the cumulative amount of contributions to the 457(b) Plan, as well as accumulated earnings and losses since the 457(b) Plan's inception.

NOTE 17 – INCOME TAXES

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended June 30, 2022, 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, 2022, 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, 2022.

As of June 30, 2022, 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 and interest expense, respectively. As of June 30, 2022, the Organization had no accruals for interest and/or penalties.

NOTE 18 – PRIOR YEAR SUMMARIZED COMPARATIVE 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 2021 amounts have been reclassified to conform with the 2022 presentation.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 19 – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 2, 2022, the date the consolidated financial statements were issued. Other than the events disclosed below, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.

In July 2022, the Organization signed a letter of intent and limited notice to proceed in an amount not to exceed approximately \$4.0 million with James G. Davis Construction for the initial phases of the demolition and reconstruction of the Organization's Lorton, Virginia facility (the Project).

In October 2022, the Organization obtained a \$10 million line of credit with a bank to provide for working capital related to the Project. The line of credit is for a term of 24 months; secured by a portion of the Organization's investment portfolio with the borrowing capacity subject to the market value of the underlying portfolio's assets; and bears an interest rate using the Secured Overnight Financing Rate (SOFR) plus 1.95%. No amounts have yet been borrowed on the line of credit.

SUPPLEMENTARY INFORMATION

**CAPITAL AREA FOOD BANK AND
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2022**

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 15,570,673	\$ -	\$ -	\$ 15,570,673
Accounts receivable, net	2,267,163	-	-	2,267,163
Contributions and grants receivable, current portion	5,741,882	-	-	5,741,882
Inventory	4,156,681	-	-	4,156,681
Prepaid expenses and other assets	633,279	-	-	633,279
Total Current Assets	28,369,678	-	-	28,369,678
Contributions and grants receivable, net of current portion	3,357,889	-	-	3,357,889
Investments	-	48,642,033	-	48,642,033
Investments related to deferred compensation	89,101	-	-	89,101
Property and equipment, net	30,475,625	-	-	30,475,625
TOTAL ASSETS	\$ 62,292,293	\$ 48,642,033	\$ -	\$ 110,934,326
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 3,659,322	\$ -	\$ -	\$ 3,659,322
Grant advances	361,625	-	-	361,625
Capital lease obligations, current portion	183,410	-	-	183,410
Total Current Liabilities	4,204,357	-	-	4,204,357
Noncurrent liabilities				
Note payable, net of current portion	5,205,000	-	-	5,205,000
Capital lease obligations, net of current portion	262,660	-	-	262,660
Obligations related to deferred compensation	89,101	-	-	89,101
Total Noncurrent Liabilities	5,556,761	-	-	5,556,761
TOTAL LIABILITIES	9,761,118	-	-	9,761,118
Net Assets				
Without donor restrictions	39,169,457	48,642,033	-	87,811,490
With donor restrictions	13,361,718	-	-	13,361,718
TOTAL NET ASSETS	52,531,175	48,642,033	-	101,173,208
TOTAL LIABILITIES AND NET ASSETS	\$ 62,292,293	\$ 48,642,033	\$ -	\$ 110,934,326

See independent auditors' report.

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

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2022

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
OPERATING REVENUE AND SUPPORT				
In-kind food contributions	\$ 58,155,327	\$ -	\$ -	\$ 58,155,327
Contributions and grants	56,295,745	15,000,000	(23,800,000)	47,495,745
Government grants	11,219,675	-	-	11,219,675
Program service fees	3,638,791	-	-	3,638,791
Donated materials and services	1,510,768	-	-	1,510,768
Other income	326,120	-	-	326,120
	<u>131,146,426</u>	<u>15,000,000</u>	<u>(23,800,000)</u>	<u>122,346,426</u>
OPERATING EXPENSES				
Program Services:				
Food resourcing and logistics	57,643,159	-	-	57,643,159
Community direct distributions	22,544,757	-	-	22,544,757
Government distributions	22,161,904	-	-	22,161,904
Partner relations and agency training	1,512,597	-	-	1,512,597
Food for Kids	1,305,097	-	-	1,305,097
	<u>105,167,514</u>	<u>-</u>	<u>-</u>	<u>105,167,514</u>
Supporting Services:				
Management and general	20,443,562	8,800,000	(23,800,000)	5,443,562
Fundraising	3,888,652	-	-	3,888,652
	<u>24,332,214</u>	<u>8,800,000</u>	<u>(23,800,000)</u>	<u>9,332,214</u>
	<u>129,499,728</u>	<u>8,800,000</u>	<u>(23,800,000)</u>	<u>114,499,728</u>
Change in net assets from operations	1,646,698	6,200,000	-	7,846,698
NONOPERATING ACTIVITIES				
Investment income (loss), net	21,878	(4,089,587)	-	(4,067,709)
CHANGE IN NET ASSETS	1,668,576	2,110,413	-	3,778,989
NET ASSETS, BEGINNING OF YEAR	50,862,599	46,531,620	-	97,394,219
NET ASSETS, END OF YEAR	<u>\$ 52,531,175</u>	<u>\$ 48,642,033</u>	<u>\$ -</u>	<u>\$ 101,173,208</u>

See independent auditors' report.