

Capital Area Food Bank, Inc. and Affiliate

Consolidated Financial Report
June 30, 2023

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RSM US LLP

Independent Auditor's Report

Board of Directors
Capital Area Food Bank, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Capital Area Food Bank, Inc. and Affiliate (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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 (collectively, the 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, 2023, and the changes in their net assets and their 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)* and applied this standard using the modified retrospective method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are issued or are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
November 9, 2023

Capital Area Food Bank, Inc. and Affiliate

**Consolidated Statement of Financial Position
June 30, 2023**

Assets	
Current assets:	
Cash and cash equivalents	\$ 13,649,926
Accounts receivable, net	5,118,823
Contributions and grants receivables, current portion	4,368,088
Inventory	5,306,530
Prepaid expenses and other assets	821,459
Total current assets	29,264,826
Contributions and grants receivables, net of current portion	2,741,016
Investments	48,759,459
Investments- deferred compensation	115,125
Operating lease right of use assets	3,576,568
Financing lease right of use assets	972,772
Property and equipment, net	33,135,849
Total assets	\$ 118,565,615
Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	\$ 4,595,661
Refundable advances	15,000
Financing lease liabilities, current portion	222,665
Operating lease liabilities, current portion	1,348,875
Total current liabilities	6,182,201
Noncurrent liabilities:	
Note payable	5,205,000
Finance lease liabilities, net of current portion	816,533
Operating lease liabilities, net of current portion	2,338,314
Deferred compensation	115,125
Total noncurrent liabilities	8,474,972
Total liabilities	14,657,173
Commitments and contingencies (Note 13)	
Net assets:	
Without donor restrictions	88,373,530
With donor restrictions	15,534,912
Total net assets	103,908,442
Total liabilities and net assets	\$ 118,565,615

See notes to consolidated financial statements.

Capital Area Food Bank, Inc. and Affiliate

Consolidated Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions			With Donor	Total
	Non-In-Kind	In-Kind	Total	Restrictions	
Revenue and support:					
Contributions of nonfinancial assets:					
Food	\$ -	\$ 24,799,306	\$ 24,799,306	\$ 18,205,615	\$ 43,004,921
Materials and Services	-	453,908	453,908	-	453,908
Contributions and grants	27,050,465	-	27,050,465	11,008,632	38,059,097
Government grants	-	-	-	20,782,260	20,782,260
Program service fees	5,142,210	-	5,142,210	-	5,142,210
Other income	328,130	-	328,130	-	328,130
Net assets released from restrictions:					-
Released from purpose restrictions	31,181,996	16,535,317	47,717,313	(47,717,313)	-
Released from time restrictions	106,000	-	106,000	(106,000)	-
Total revenue and support	63,808,801	41,788,531	105,597,332	2,173,194	107,770,526
Expenses:					
Program services:					
Food for Today	50,063,918	42,304,041	92,367,959	-	92,367,959
Food for Brighter Futures	1,689,364	540	1,689,904	-	1,689,904
Nutrition Education	511,521	317	511,838	-	511,838
Thought Leadership and Community Engagement	1,373,422	310	1,373,732	-	1,373,732
Total program services	53,638,225	42,305,208	95,943,433	-	95,943,433
Supporting services:					
Management and general	6,034,917	392,479	6,427,396	-	6,427,396
Fundraising	5,144,617	1,050	5,145,667	-	5,145,667
Total supporting services	11,179,534	393,529	11,573,063	-	11,573,063
Total expenses	64,817,759	42,698,737	107,516,496	-	107,516,496
Change in net assets from operations	(1,008,958)	(910,206)	(1,919,164)	2,173,194	254,030
Nonoperating activities:					
Investment income, net	2,481,204	-	2,481,204	-	2,481,204
Change in net assets	1,472,246	(910,206)	562,040	2,173,194	2,735,234
Net assets:					
Beginning	85,792,009	2,019,481	87,811,490	13,361,718	101,173,208
Ending	\$ 87,264,255	\$ 1,109,275	\$ 88,373,530	\$ 15,534,912	\$ 103,908,442

See notes to consolidated financial statements.

Capital Area Food Bank, Inc. and Affiliate

Consolidated Statement of Functional Expenses Year Ended June 30, 2023

	Program Services					Supporting Services			
	Food for Today	Food for Brighter Futures	Nutrition Education	Thought Leadership and Community Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
In-kind food distributions	\$ 42,295,713	\$ -	\$ -	\$ -	\$ 42,295,713	\$ -	\$ -	\$ -	\$ 42,295,713
Donated materials and services	-	-	-	-	-	390,498	-	390,498	390,498
Depreciation—in-kind	8,328	540	317	310	9,495	1,981	1,050	3,031	12,526
Total in-kind expenses	42,304,041	540	317	310	42,305,208	392,479	1,050	393,529	42,698,737
Food-related costs	31,222,385	267,952	2,039	-	31,492,376	-	-	-	31,492,376
Salaries and related benefits	10,490,581	750,197	358,947	634,959	12,234,684	3,373,588	2,014,185	5,387,773	17,622,457
Occupancy and transportation	4,100,177	95,836	30,925	30,213	4,257,151	202,418	114,230	316,648	4,573,799
Materials and supplies	2,383,495	222,703	49,149	8,130	2,663,477	33,850	11,676	45,526	2,709,003
Professional fees	115,767	179,576	3,561	562,848	861,752	1,075,518	492,334	1,567,852	2,429,604
Direct mail expenses	-	-	-	-	-	-	1,605,661	1,605,661	1,605,661
Depreciation	818,894	53,100	31,171	30,453	933,618	198,515	103,254	301,769	1,235,387
Office administrative expenses	156,560	67,070	2,715	50,323	276,668	249,633	665,244	914,877	1,191,545
IT software and hardware	559,464	35,214	21,653	20,172	636,503	197,635	73,808	271,443	907,946
Bad debt expense	-	-	-	-	-	457,190	-	457,190	457,190
Travel, training and staff development	23,288	3,863	4,230	29,357	60,738	191,601	36,186	227,787	288,525
Insurance	187,346	12,148	7,131	6,967	213,592	44,566	23,622	68,188	281,780
Miscellaneous	5,961	1,705	-	-	7,666	10,403	4,417	14,820	22,486
Total non-in-kind expenses	50,063,918	1,689,364	511,521	1,373,422	53,638,225	6,034,917	5,144,617	11,179,534	64,817,759
Total	\$ 92,367,959	\$ 1,689,904	\$ 511,838	\$ 1,373,732	\$ 95,943,433	\$ 6,427,396	\$ 5,145,667	\$ 11,573,063	\$ 107,516,496

See notes to consolidated financial statements.

Capital Area Food Bank, Inc. and Affiliate

Consolidated Statement of Cash Flows Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 2,735,234
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation-in-kind	12,526
Depreciation and amortization	1,235,387
Net unrealized and realized gains on investments	(801,415)
Non-financial food contributions	(43,004,921)
Non-financial food distributions	42,295,713
Proceeds from contributions restricted for long-term purposes	(4,116,000)
Change in allowance for doubtful accounts	183,438
Amortization of operating lease right of use assets	1,355,994
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(3,035,098)
Contributions and grants receivables	1,990,667
Inventory	(440,641)
Prepaid expenses and other assets	(188,180)
Increase (decrease) in:	
Accounts payable and accrued expenses	936,339
Refundable advances	(346,625)
Operating lease liabilities	(1,245,373)
Net cash used in operating activities	<u>(2,432,955)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(3,975,789)
Purchases of investments	(12,469,409)
Proceeds from sales of investments	13,153,398
Net cash used in investing activities	<u>(3,291,800)</u>
Cash flows from financing activities:	
Principal payments on finance leases	(311,992)
Proceeds from contributions restricted for long-term purposes	4,116,000
Net cash provided by (used in) financing activities	<u>3,804,008</u>
Net decrease in cash and cash equivalents	(1,920,747)
Cash and cash equivalents:	
Beginning	<u>15,570,673</u>
Ending	<u>\$ 13,649,926</u>
Supplemental disclosures of cash flow information:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows - payments on operating leases	<u>\$ 1,359,985</u>
Operating cash outflows - payments on finance leases	<u>\$ 21,379</u>
Right of use assets obtained in exchange for new finance leases	<u>\$ 905,120</u>
Addition to right of use asset for operating lease as of July 1, 2022	<u>\$ 4,932,562</u>
Addition to operating lease liability as of July 1, 2022	<u>\$ 4,932,562</u>

See notes to consolidated financial statements.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Capital Area Food Bank, Inc. (CAFB, the Food Bank) is a nonprofit organization organized under the laws of the District of Columbia. CAFB's mission is to help our neighbors thrive by creating more equitable access to food and opportunity through community partnerships. CAFB serves individuals living across the Washington metropolitan region, and is a member of Feeding America, which is comprised of a network of 200 food banks across the country.

CAFB administers several government and nongovernmental programs as described below.

Food For Today: CAFB works to address hunger today for people across the region experiencing food insecurity. As the anchor in the area's hunger relief infrastructure, CAFB supplies food to hundreds of local partner organizations and directly distributes food through a variety of programs.

Food Distribution Partners: With help from retail grocers, manufacturers, and local growers, along with our generous supporters, the Food Bank distributes the food for over 50 million nutritious meals each year through a network of nearly 400 regional nonprofit organizations. These partners include a range of organizations, including pantries, soup kitchens, shelters, and others. For most of these partners, CAFB is the primary or sole source of the food they distribute.

Direct Distribution Programs: While most of the food CAFB provides reaches our neighbors through our network of partners, sometimes it is necessary for CAFB to directly provide food to kids, seniors, and families directly where they live and learn. These programs reach three major groups:

- **Community at large:** CAFB operates multiple direct food distributions that are widely accessible by all members of the community. These include **Mobile** and **Community Markets**, which are monthly no-cost pop-up markets that bring food directly into neighborhoods where it's needed.
- **Children and families:** Recognizing the particular importance of nutrition for young people, CAFB supplies children and their families with the food they need through multiple programs operated in partnership with schools and childcare locations. These include (1) **Family Markets**, which are hosted in schools throughout the region and offer no-cost food for kids and families in a convenient market-like setting; (2) **Early Childcare Family Markets**, which are focused on families with children enrolled in Head Start centers and provide produce that is high in essential nutrients needed for young children; (3) **School Pantry** sites, which are located within school buildings and provide a variety of shelf-stable food items for the school community; (4) **Joyful Food Markets**, which are operated in partnership with the organization Martha's Table and provide food for families through school- and community-center based markets in DC's Wards 7 and 8; (5) **After School Meal** sites, through which kids receive hearty snacks or evening meals at a variety of afterschool programs throughout the area via the federal Child and Adult Care Food Program; and (6) **Summer Meals**, which provides the nutritious meals kids need to continue growing and learning when school meals are unavailable through the federal Summer Food Service Program.
- **Older adults:** To meet the unique needs of food insecure seniors, CAFB operates multiple programs that include (1) **The Senior Bag Program**, which provides monthly, senior-specific bags of healthy groceries to people over 55; and (2) **Grocery Plus and My Groceries to Go sites**, through which income-eligible seniors over 60 living in DC, as well as Montgomery and Prince George's counties in Maryland, receive nutritious groceries each month via the federal Community Supplemental Food Program.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Food For Brighter Futures: Food alone won't solve hunger. To address the root causes of food insecurity and inequity in the region, the Food Bank is piloting innovative approaches for pairing food with other critical services, such as health care and education. By expanding beyond CAFB's traditional food provider network, the Food Bank can meet people where they are and provide them with food to help address their most pressing concerns. The Food Bank also operates innovative food access programs to create more ways in which neighbors with transportation or other constraints can get the food they need.

Food Is Medicine: (also known as Food Plus Health) These initiatives integrate food into health care settings to promote disease prevention and management, resulting in healthier outcomes at every stage of life. CAFB partners with medical institutions across the region to provide patients facing food insecurity with medically tailored groceries either during their clinic visits or via home delivery.

Food for Upward Mobility: (also known as Food Plus Education and Food Plus Workforce) Through its programs focused on creating greater economic opportunity for those it serves, CAFB bundles food and other support services for college students to help improve academic outcomes and long-term financial stability. CAFB partners with institutions of higher education throughout the region to provide food insecure students with nutrition via multiple models, including home delivery, on-campus pantries, and free meal-swipe programs.

Food Access Initiatives: This area of CAFB's work develops and implements commercial-like food distribution models to extend the CAFB's reach to those experiencing food insecurity. For example, clients in areas with very few grocery stores also are seeking options for purchasing nutritious food. To respond to this need, CAFB operates **Curbside Groceries**. These mobile grocery trucks, operating in DC's Ward 8 and Maryland's Prince George's County, offer a new kind of neighborhood retail option, where people can buy produce, protein, and other grocery staples at affordable prices.

Nutrition Education: In addition to food distributions, CAFB also operates a variety of nutrition education and urban agriculture programs.

Cooking and nutrition classes: To support the people it serves with improving or maintaining their health and well-being, the CAFB's team of registered dietitians regularly hold nutrition education classes for its partners and community members. CAFB also develops and distributes nutrition resources, including cards, in multiple languages with culturally relevant recipes for healthy, low-cost meals that use ingredients commonly provided by the food bank.

Urban Garden: The Food Bank's half-acre Urban Demonstration Garden offers an outdoor "learning laboratory" where school children and community members can learn how to grow good, nutritious food with just a small piece of land. Located at the Food Bank's Northeast DC facility, the space features raised beds and fruit trees, and is home to an outdoor teaching kitchen where CAFB holds classes on nutrition, cooking, and gardening.

Thought Leadership and Community Engagement

Food Insecurity Research: The CAFB regularly partners with research institutions to gather and publish data and information about food insecurity, inequity, and other issues related to its work. This information is used by the Food Bank to guide its organizational strategy and programmatic services, and by other regional organizations to inform planning and policy.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Client Leadership Council: To amplify the voices of the people it serves, CAFB convenes a Client Leadership Council (CLC) each year. A cohort of individuals who live in the Food Bank's service area and who are experiencing food insecurity receive advocacy training through the CLC. This 10-month training program supports their growth as advocates for themselves and their communities.

Policy Analysis: The Food Bank's policy team stays apprised of local, state, and national policy issues that have the potential to impact the individuals served by the Food Bank, and makes recommendations on policy positions based on what will ultimately improve the lives of the Food Bank's clients.

In total, CAFB distributed or facilitated the distribution of 69.3 million pounds of food during fiscal year 2023. CAFB food distribution in pounds for fiscal year 2023 was 59.2 million. The per pound value of donated and government food commodities fluctuates year-over-year and was \$1.92 in fiscal year 2023. As such, in-kind distribution amounts within the consolidated financial statements may not mirror distribution trends by poundage.

In addition to the pounds reported in the consolidated financial statements, CAFB is responsible for the distribution of Partner Direct product. Partner Direct product represents product received from donors which are retrieved directly by the partner agencies eliminating CAFB's need to handle the product. Through the Partner Direct program, CAFB facilitated the distribution of 10.1 million pounds of food.

CAFB operates from a 125,000 square foot distribution center and offices in Northeast Washington, and a 10,000 square foot warehouse and office facility in Lorton, Virginia. In April 2022, the Lorton, Virginia facility was relocated to a temporary warehouse in anticipation of the facility's reconstruction. CAFB also operates a temporary warehouse storage site in Maryland.

Capital Area Food Bank Foundation (the Foundation) is a nonprofit entity organized under the laws of the District of Columbia. 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.

A summary of the Organization's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of CAFB and the Foundation (collectively, the Organization). All significant inter-entity balances and transactions between CAFB and the Foundation have been eliminated as part of the consolidation.

Basis of presentation: The Organization follows the accounting requirements of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions: 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.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

With donor restrictions: 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, 2023, the Organization had no net assets with donor restrictions that are required to be maintained in perpetuity.

Measure of operations: Change in net assets from operations includes all revenue and expenses arising from the Organization's programmatic and supporting services, excluding net investment income.

Cash and cash equivalents: The Organization considers all cash and highly liquid investments with initial maturities of three months or less when purchased to be cash and cash equivalents.

Investments: Investments with readily determinable fair values are reflected 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), fixed-income securities, and domestic and international equities.

Financial risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash and cash equivalents.

The Organization's investments are also 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.

Accounts receivable: Accounts receivable are composed primarily of amounts due from partner agencies for program service fees as of June 30, 2023 and 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. The provision for doubtful accounts was \$333,438 as of June 30, 2023.

Contributions and grants receivable: Contributions and grants receivable consist of amounts due from government agencies, foundations, and individuals for committed, unconditional contributions and grants. Unconditional contributions and grants receivable that are expected to be collected within one year are recorded at net realizable value. Amounts to be collected beyond one year are recorded at their present value using discount rates ranging from 4.49% to 5.40%.

Management periodically reviews the status of all contributions and grants receivable for collectability based on management's knowledge of and relationship with the donor and the payment history of each donor. Amounts deemed to be uncollectible are charged to bad debt expense, and an allowance for doubtful accounts is recorded. As a result of these reviews, all balances are expected to be fully collected as of June 30, 2023, and no related allowance for doubtful accounts is recorded.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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. The Organization also acts as a pass-through distribution partner to several government food commodity programs. These two channels are supplemented by the Purchased Product and Fresh Produce Program.

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, 2023, the value of the donated goods and inventory balance reported in the consolidated statement of financial position was calculated using the calendar year 2021 estimate of \$1.92 per pound, which was the most recent estimate available when the Organization's fiscal year began.

Property and equipment: Property and equipment are stated at cost or fair value at date of the gift for donated assets. 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

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.

Valuation 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, 2023.

Leases: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of \$4,932,562 at July 1, 2022. The adoption of the new lease standard did not materially impact consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Revenue and support: 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.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Organization recognizes all unconditional contributed support and promises to give at their net realizable value in the period in which the commitment is made. Unconditional grants, contributions and promises to give 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 promises to give 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. Unconditional promises to give are recorded at their net realizable value if expected to be collected within one year, or at their present value if expected to be collected in more than one year. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is when the barrier(s) in the agreement are overcome.

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 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. The Organization recognizes donor restricted revenue and a corresponding release from restriction once barriers are overcome for federal and non-federal conditional grants. 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.

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 discounts, promotions and 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, 2023, the Organization provided discounts, promotions and shopping grants in the amount of \$4,394,615, 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.

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.

Contributed nonfinancial assets: The Organization reports the fair value of donated food over which it has control (i.e., variance power) as revenue without donor restrictions and as expense when distributed. Other donated services and materials meeting recognition criteria under *Topic 958, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, are also recorded as revenue and support and as expense based on estimated fair values.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

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
Insurance	Full time equivalent employees
Depreciation	Full time equivalent employees

Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.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.

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) or the IRC. There was no provision for income taxes for the year ended June 30, 2023, as the Organization had no significant net unrelated business income.

Subsequent events: The Organization has evaluated subsequent events through November 9, 2023, the date on which the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

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, 2023, were as follows:

Cash and cash equivalents	\$ 13,649,926
Accounts receivable, net	5,118,823
Contributions and grants receivables, current portion	4,368,088
Investments	48,759,459
Total financial assets available	71,896,296
Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	15,534,912
Amounts unavailable to management without Board approval:	
Board-designated funds	48,759,459
Financial assets available to meet general expenditures within one year	\$ 7,601,925

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability (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 \$10,881,363 was available to draw upon as of June 30, 2023. 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 3. Contributions and Grants Receivable

At June 30, 2023, the contributions and grants receivable were due to be collected were as follows:

Within one year	\$ 4,368,088
One to five years	2,973,616
Gross contributions and grants receivable	<u>7,341,704</u>
Less discounts to net present value at 4.75%	<u>(232,600)</u>
Contributions and grants receivable, net	<u><u>\$ 7,109,104</u></u>

The Organization has received various conditional grants as of June 30, 2023. The Organization records revenue and support on these conditional grants as the conditions are met. As of June 30, 2023, the Organization has yet to recognize revenue of approximately \$3.4 million related to these conditional grants as conditions have not been met.

Note 4. Inventory

A summary of the value of inventory balances from each receiving channel at June 30, 2023, is as follows:

Purchased	\$ 2,737,895
Government	1,670,299
Donated	898,336
Total	<u><u>\$ 5,306,530</u></u>

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 5. Investments

The Organization follows FASB ASC Topic 820, Fair Value Measurement, which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurement. This standard uses the following prioritized input levels to measure fair value. The input levels for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ ask spreads and liquidity discounts.

Investments valued using Level 1 inputs include mutual funds, money market funds, and equities, the fair values of which were based on quoted prices for identical assets in active markets. Investments valued using Level 2 inputs include government and corporate bonds, the fair values of which were based on observable inputs such as pricing spreads based on the credit risk of the issuer, maturity, current yield and other terms and conditions of each fixed-income security.

Investments, which are measured at fair value on a recurring basis, consist of the following at June 30, 2023:

	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income mutual funds:				
Domestic	\$ 27,780,625	\$ 27,780,625	\$ -	\$ -
Equity mutual funds:				
Domestic	7,481,072	7,481,072	-	-
International	4,301,970	4,301,970	-	-
Global—event driven	444,148	444,148	-	-
Money market mutual funds	3,196,755	3,196,755	-	-
Real asset mutual funds	661,738	661,738	-	-
Fixed-income securities:				
Corporate bonds	1,897,503	-	1,897,503	-
Government bonds	1,884,467	-	1,884,467	-
Asset-backed securities	7,416	-	7,416	-
Equities:				
Domestic	1,029,741	1,029,741	-	-
International	74,024	74,024	-	-
Total investments	<u>\$ 48,759,459</u>	<u>\$ 44,970,073</u>	<u>\$ 3,789,386</u>	<u>\$ -</u>
Investments held for deferred compensation plan:				
Equity mutual funds	<u>\$ 115,125</u>	<u>\$ 115,125</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Investment income is summarized as follows for the year ended June 30, 2023:

Interest and dividends	\$ 1,753,689
Net realized and unrealized gains	801,415
Investment fees	(73,900)
Investment income, net	<u>\$ 2,481,204</u>

Note 6. Property and Equipment

Property and equipment consists of the following at June 30, 2023:

	<u>Beginning Balance</u>
Building and improvements	\$ 31,028,468
Land	8,604,775
Warehouse equipment	1,730,778
Software and IT infrastructure	1,373,877
Owned vehicles	1,165,269
Office furniture and equipment	703,216
Capitalized internal use software	111,525
	<u>44,717,908</u>
Accumulated depreciation	<u>(11,582,059)</u>
	<u>\$ 33,135,849</u>

Depreciation expense was \$1,247,913 for the year ended June 30, 2023.

Note 7. Retirement Plans

401(k) plan: The Organization sponsors a 401(k) plan which includes an Organization-funded retirement contribution based on employee contributions paired with tiered contribution rates based on years of service. The 401(k) plan covers substantially all employees and contributions are immediately 100% vested. Retirement contribution expense to the 401(k) totaled \$911,779 for the year ended June 30, 2023, and is included in salaries and related benefits in the accompanying consolidated statement of functional expenses.

457(b) deferred compensation plan: The Organization 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 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, 2023, investments and obligations related to deferred compensation totaled \$115,125 and are included in the accompanying consolidated statement of financial position, representing the cumulative amount of contributions to the 457(b) Plan, as well as accumulated earnings and losses since the 457(b) Plan's inception.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

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. Leases

Operating leases: In December 2021, the Organization signed a new two-year lease for one of its warehouse spaces in Lorton, Virginia. During the year ended June 30, 2022, the Organization entered into two noncancellable operating leases for additional warehouse space in Hyattsville, Maryland, and Lorton, Virginia. The leases expire at various times through June 2028.

Finance leases: The Organization is obligated under various finance leases for vehicles. These finance leases generally have initial terms of seven years and are scheduled to expire at various dates through January 2030. Interest rates range from 0.88% to 2.92%.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the right of use assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	\$ 1,470,606
Finance lease cost - amortization of right of use assets	186,883
Finance lease cost - interest on lease liabilities	21,380
Total lease cost	<u>\$ 1,678,869</u>

Supplemental consolidated statement of financial position information related to leases is as follows for the year ended June 30, 2023:

Weighted-average remaining lease term	
Operating leases	3.74
Finance leases	5.28

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 9. Leases (Continued)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2023:

	Operating Leases	Finance Leases
Years ending June 30:		
2024	\$ 1,438,629	\$ 241,537
2025	679,160	203,100
2026	699,535	189,660
2027	720,521	189,660
2028	365,584	151,675
Thereafter	-	122,307
Total lease payments	3,903,429	1,097,939
Less imputed interest	(216,240)	(58,741)
Total present value of lease liabilities	<u>\$ 3,687,189</u>	<u>\$ 1,039,198</u>

Note 10. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions consisted of the following at June 30, 2023:

	Beginning Balance	New Grants Received	Released From Restrictions	Ending Balance
Food for Today	\$ 3,067,664	\$ 24,166,253	\$ (25,286,597)	\$ 1,947,320
Food for Brighter Futures	4,687,622	1,017,283	(1,375,634)	4,329,271
Nutrition Education	-	178,500	(34,291)	144,209
Thought Leadership and Community Engagement	1,080,642	391,065	(716,690)	755,017
Time Restriction	215,000	75,000	(106,000)	184,000
Capital Projects	4,632,335	5,873,845	(3,768,784)	6,737,396
Restricted Inventory	-	18,205,616	(16,535,317)	1,670,299
Discount on Pledges	(321,545)	88,945	-	(232,600)
	<u>\$ 13,361,718</u>	<u>\$ 49,996,507</u>	<u>\$ (47,823,313)</u>	<u>\$ 15,534,912</u>

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

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, 2023, the Organization's net assets without donor restrictions were as follows:

Undesignated	\$ 39,614,071
Board-designated funds	48,759,459
Total net assets without donor restrictions	<u>\$ 88,373,530</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, 2023, the Board of Directors authorized a withdrawal of \$2,000,000. At June 30, 2023, the balances of the Funds were as follows:

Strategic initiatives fund	\$ 20,012,392
General reserve	16,414,617
Covid relief and recovery fund	11,497,277
Capital repair and replacement fund	835,173
Total Board-designated funds	<u>\$ 48,759,459</u>

Note 11. Non-financial 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. 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, 2023, is as follows:

	Beginning Inventory	Received	Distributed	Ending Inventory
Government	\$ 1,280,084	\$ 18,205,615	\$ (17,818,751)	\$ 1,666,948
Donated	323,492	24,799,306	(24,476,962)	645,836
Grand total	<u>\$ 1,603,576</u>	<u>\$ 43,004,921</u>	<u>\$ (42,295,713)</u>	<u>\$ 2,312,784</u>

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 12. Contributed Nonfinancial Materials and Services

In addition to in-kind food contributions, the Organization receives contributed materials and services which are used to further the Organization's activities. The following is a summary of contributed materials and services received during the year ended June 30, 2023:

Legal services	\$ 390,498
Furniture	63,410
	<u>\$ 453,908</u>

The Organization receives contributed legal services that would typically need to be purchased if not provided to the Organization on a pro-bono basis. Contributed legal services are valued and reported at the estimated fair market value in the financial statements based on rates provided by law firms equivalent to rates charged to paying customers. Contributed legal services are expensed when the services are rendered. The contributed legal services did not have any donor-imposed restrictions.

Donated furniture was expensed when received as it was deemed not material for capitalization by management.

The Organization did not monetize any contributed nonfinancial materials or services.

Note 13. Commitments and Contingencies

Construction contracts: In 2022 the Organization began the demolition and construction of a new office and warehouse facility on its existing site in Lorton, Virginia with a total estimated cost of \$36.4 million (the Project). 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 (Davis) for the initial phases of the Project. Subsequently, the Organization has signed subcontractor authorization letters with Davis in the amount of approximately \$17 million for construction and material related to the Project. Construction in progress through June 30, 2023 was approximately \$4.4 million.

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.

Federal grants: The Organization receives grants from federal agencies. Revenue from such grants is recognized only to the extent of actual grant expenses incurred. Reimbursed costs are subject to audit and final determination of allowability by the federal government. Therefore, there is the possibility that any amount received in excess of allowable costs would be required to be refunded. The Organization believes that no material liability would result from such an audit.

Employment agreements: The Organization has an agreement with its current President and Chief Executive Officer that was approved by the Board of Directors. Under the terms of the agreement, if the Organization terminates the employee without cause, the Organization would be obligated to pay severance and benefits in accordance with the terms of the agreement. In addition, the agreement stipulates should certain goals and objectives be met each year, the Organization may be obligated to pay additional compensation.

Capital Area Food Bank, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 14. 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.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Capital Area Food Bank, Inc.

We have audited the accompany consolidated financial statements of Capital Area Food Bank, Inc. and Affiliate (the Organization) as of and for the year ended June 30, 2023, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual entities and 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 consolidating 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.

RSM US LLP

Washington, D.C.
November 9, 2023

Capital Area Food Bank, Inc. and Affiliate

Consolidating Statement of Financial Position June 30, 2023

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 13,649,926	\$ -	\$ -	\$ 13,649,926
Accounts receivable, net	5,118,823	-	-	5,118,823
Contributions and grants receivables, current portion	4,368,088	-	-	4,368,088
Inventory	5,306,530	-	-	5,306,530
Prepaid expenses and other assets	821,459	-	-	821,459
Total current assets	29,264,826	-	-	29,264,826
Contributions and grants receivables, net of current portion	2,741,016	-	-	2,741,016
Investments	-	48,759,459	-	48,759,459
Investments- deferred compensation	115,125	-	-	115,125
Operating lease right of use assets	3,576,568	-	-	3,576,568
Financing lease right of use assets	972,772	-	-	972,772
Property and equipment, net	33,135,849	-	-	33,135,849
Total assets	\$ 69,806,156	\$ 48,759,459	\$ -	\$ 118,565,615
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	\$ 4,595,661	\$ -	\$ -	\$ 4,595,661
Refundable advances	15,000	-	-	15,000
Finance lease liabilities, current portion	222,665	-	-	222,665
Operating lease liabilities, current portion	1,348,875	-	-	1,348,875
Total current liabilities	6,182,201	-	-	6,182,201
Noncurrent liabilities:				
Note payable	5,205,000	-	-	5,205,000
Financing lease liabilities, net of current portion	816,533	-	-	816,533
Operating lease liabilities, net of current portion	2,338,314	-	-	2,338,314
Deferred compensation	115,125	-	-	115,125
Total noncurrent liabilities	8,474,972	-	-	8,474,972
Total liabilities	14,657,173	-	-	14,657,173
Net assets:				
Without donor restrictions	39,614,071	48,759,459	-	88,373,530
With donor restrictions	15,534,912	-	-	15,534,912
Total net assets	55,148,983	48,759,459	-	103,908,442
Total liabilities and net assets	\$ 69,806,156	\$ 48,759,459	\$ -	\$ 118,565,615

Capital Area Food Bank, Inc. and Affiliate

Consolidating Statement of Activities Year Ended June 30, 2023

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
Revenue and support:				
Contributions of nonfinancial assets:				
Food	\$ 43,004,921	\$ -	\$ -	\$ 43,004,921
Materials and services	453,908	-	-	453,908
Contributions and grants	40,059,097	-	(2,000,000)	38,059,097
Government grants	20,782,260	-	-	20,782,260
Program service fees	5,142,210	-	-	5,142,210
Other income	328,130	-	-	328,130
Total revenue and support	109,770,526	-	(2,000,000)	107,770,526
Expenses:				-
Program services:				-
Food for Today	92,367,959	-	-	92,367,959
Food for Brighter Futures	1,689,904	-	-	1,689,904
Nutrition Education	511,838	-	-	511,838
Thought Leadership	1,373,732	-	-	1,373,732
Total program services	95,943,433	-	-	95,943,433
Supporting services:				
Management and general	6,427,396	2,000,000	(2,000,000)	6,427,396
Fundraising	5,145,667	-	-	5,145,667
Total supporting services	11,573,063	2,000,000	(2,000,000)	11,573,063
Total expenses	107,516,496	2,000,000	(2,000,000)	107,516,496
Change in net assets from operations	2,254,030	(2,000,000)	-	254,030
Nonoperating activities:				
Investment income, net	363,778	2,117,426	-	2,481,204
Change in net assets	2,617,808	117,426	-	2,735,234
Net assets:				
Beginning	52,531,175	48,642,033	-	101,173,208
Ending	\$ 55,148,983	\$ 48,759,459	\$ -	\$ 103,908,442