

**CONSOLIDATED FINANCIAL STATEMENTS**

**CAPITAL AREA FOOD BANK, INC.**  
**AND AFFILIATE**

**FOR THE YEAR ENDED JUNE 30, 2025**

# CAPITAL AREA FOOD BANK, INC. AND AFFILIATE

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 4
EXHIBIT A - Consolidated Statement of Financial Position, as of June 30, 2025	5
EXHIBIT B - Consolidated Statement of Activities and Change in Net Assets, for the Year Ended June 30, 2025	6
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended June 30, 2025	7
EXHIBIT D - Consolidated Statement of Cash Flows, for the Year Ended June 30, 2025	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 - 25
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Consolidating Schedule of Financial Position, for the Year Ended June 30, 2025	26
SCHEDULE 2 - Consolidating Schedule of Activities and Change in Net Assets, for the Year Ended June 30, 2025	27



## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Capital Area Food Bank, Inc. and Affiliate  
Washington, D.C.

#### Opinion

We have audited the accompanying consolidated financial statements of Capital Area Food Bank, Inc. and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the consolidated change 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 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 Auditor's Responsibilities for the Audit of the Consolidated 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 Consolidated 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 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • WWW.GRFCPA.COM

## **Auditor's Responsibilities for the Audit of the Consolidated 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 auditor's 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 generally accepted 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, including omissions, 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 generally accepted auditing standards 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 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.

### **Emphasis of Matter**

As discussed in Note 17 to the consolidated financial statements, the Organization changed its method of accounting for revenue related to contributions of nonfinancial assets from Government agencies. Our opinion is not modified with respect to this matter.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 26 - 27 are presented for purposes of additional analysis 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 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

December 15, 2025

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2025**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 20,464,039
Accounts receivable, net of allowance for credit losses of \$130,000	584,904
Contributions and grants receivable, current portion	10,185,058
Inventory	3,666,439
Prepaid expenses and other assets	<u>570,808</u>
Total current assets	<u>35,471,248</u>

**NONCURRENT ASSETS**

Contributions and grants receivable, net of current portion	793,504
Investments	47,308,575
Investments, deferred compensation	193,297
Operating lease right-of-use asset, net	1,592,341
Financing lease right-of-use asset, net	2,989,323
Fixed assets, net	<u>59,214,718</u>
Total noncurrent assets	<u>112,091,758</u>

**TOTAL ASSETS**

**\$ 147,563,006**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 3,431,210
Refundable advances	2,691,928
Financing lease liabilities, current portion	546,749
Operating lease liabilities, current portion	<u>658,017</u>
Total current liabilities	<u>7,327,904</u>

**NONCURRENT LIABILITIES**

Note payable	5,205,000
Financing lease liabilities, net	2,485,710
Operating lease liabilities, net	1,061,248
Deferred compensation liability	<u>193,297</u>
Total noncurrent liabilities	<u>8,945,255</u>

Total liabilities

16,273,159

**NET ASSETS**

Without donor restrictions:	
Undesignated	68,335,955
Board designated	<u>52,933,574</u>
Total without donor restrictions	121,269,529
With donor restrictions	<u>10,020,318</u>
Total net assets	<u>131,289,847</u>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 147,563,006**

## CAPITAL AREA FOOD BANK, INC. AND AFFILIATE

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Without Donor Restrictions</u>			<u>With Donor Restrictions</u>	<u>Total</u>
	<u>Food Bank</u>	<u>Contributed Food</u>	<u>Total</u>		
<b>SUPPORT AND REVENUE</b>					
Private contributions and grants	\$ 31,320,247	\$ 18,817,339	\$ 50,137,586	\$ 15,815,890	\$ 65,953,476
Government assistance	18,210,288	33,349,412	51,559,700	5,000	51,564,700
Program service fees	5,259,545	-	5,259,545	-	5,259,545
Contributed nonfinancial assets (non-food)	1,984,135	-	1,984,135	-	1,984,135
Other income	605,899	-	605,899	-	605,899
Net assets released from donor restrictions	<u>24,912,542</u>	<u>-</u>	<u>24,912,542</u>	<u>(24,912,542)</u>	<u>-</u>
Total support and revenue	<u>82,292,656</u>	<u>52,166,751</u>	<u>134,459,407</u>	<u>(9,091,652)</u>	<u>125,367,755</u>
<b>EXPENSES</b>					
Program Services:					
Food for Today	44,267,228	52,573,145	96,840,373	-	96,840,373
Food for Brighter Futures	2,769,686	-	2,769,686	-	2,769,686
Nutrition education	547,552	-	547,552	-	547,552
Thought leadership and community engagement	<u>1,774,217</u>	<u>-</u>	<u>1,774,217</u>	<u>-</u>	<u>1,774,217</u>
Total program services	<u>49,358,683</u>	<u>52,573,145</u>	<u>101,931,828</u>	<u>-</u>	<u>101,931,828</u>
Supporting Services:					
Management and general	8,701,223	-	8,701,223	-	8,701,223
Fundraising	<u>5,369,623</u>	<u>-</u>	<u>5,369,623</u>	<u>-</u>	<u>5,369,623</u>
Total supporting services	<u>14,070,846</u>	<u>-</u>	<u>14,070,846</u>	<u>-</u>	<u>14,070,846</u>
Total expenses	<u>63,429,529</u>	<u>52,573,145</u>	<u>116,002,674</u>	<u>-</u>	<u>116,002,674</u>
Operating surplus (deficit)	18,863,127	(406,394)	18,456,733	(9,091,652)	9,365,081
<b>NONOPERATING ACTIVITIES</b>					
Net investment return	<u>4,244,712</u>	<u>-</u>	<u>4,244,712</u>	<u>-</u>	<u>4,244,712</u>
Change in net assets	23,107,839	(406,394)	22,701,445	(9,091,652)	13,609,793
Net assets at beginning of year, as restated (see Note 17)	<u>97,924,864</u>	<u>643,220</u>	<u>98,568,084</u>	<u>19,111,970</u>	<u>117,680,054</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 121,032,703</u></b>	<b><u>\$ 236,826</u></b>	<b><u>\$ 121,269,529</u></b>	<b><u>\$ 10,020,318</u></b>	<b><u>\$ 131,289,847</u></b>

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Program Services				Supporting Services				Total Expenses
	Food for Today	Food for Brighter Futures	Nutrition education	Thought leadership and community engagement	Total Program Services	Management and general	Fundraising	Total Supporting Services	
In-kind food distributions	\$ 52,573,145	\$ -	\$ -	\$ -	\$ 52,573,145	\$ -	\$ -	\$ -	\$ 52,573,145
Food-related costs	24,482,053	461,250	3,268	903	24,947,474	1,563	43,845	45,408	24,992,882
Salaries and benefits	11,033,107	1,090,256	367,717	890,481	13,381,561	4,563,295	2,344,386	6,907,681	20,289,242
Professional services	478,469	77,902	11,252	669,681	1,237,304	1,101,902	199,384	1,301,286	2,538,590
Depreciation and amortization	1,708,929	102,120	44,082	51,628	1,906,759	314,428	143,448	457,876	2,364,635
Occupancy, maintenance, and utilities	1,259,385	73,133	38,905	36,670	1,408,093	368,938	102,837	471,775	1,879,868
Supplies and minor equipment	761,868	709,646	13,451	4,757	1,489,722	129,466	14,388	143,854	1,633,576
Direct marketing expenses	-	-	-	-	-	4,003	1,452,484	1,456,487	1,456,487
Administrative costs	466,130	54,293	46,118	100,732	667,273	519,493	251,732	771,225	1,438,498
Warehouse and equipment	1,096,670	18,016	1,719	2,013	1,118,418	31,168	9,148	40,316	1,158,734
Donated materials and services	813,000	-	-	-	813,000	1,171,135	-	1,171,135	1,984,135
Partner network support	832,041	104,177	1,456	-	937,674	-	-	-	937,674
Vehicle fleet	809,252	24,790	-	-	834,042	20,032	2,567	22,599	856,641
Software and technology	441,710	33,319	19,584	16,314	510,927	199,100	45,082	244,182	755,109
Promotion and advertising	46,904	16,992	-	1,038	64,934	219,422	431,625	651,047	715,981
Bank fees and interest	37,710	3,792	-	-	41,502	150,035	331,601	481,636	523,138
Credit loss expense (recovery)	-	-	-	-	-	(92,757)	(2,904)	(95,661)	(95,661)
<b>TOTAL</b>	<b>\$ 96,840,373</b>	<b>\$ 2,769,686</b>	<b>\$ 547,552</b>	<b>\$ 1,774,217</b>	<b>\$ 101,931,828</b>	<b>\$ 8,701,223</b>	<b>\$ 5,369,623</b>	<b>\$ 14,070,846</b>	<b>\$ 116,002,674</b>

See accompanying notes to consolidated financial statements.

## CAPITAL AREA FOOD BANK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2025**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 13,609,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,364,635
Net realized and unrealized gains on investments	(2,132,562)
Change in allowance for credit losses	(94,000)
Change in allowance for doubtful accounts	(86,304)
Change in discount on long-term contributions and grants receivable	(4,548)
Amortization of operating lease right-of-use assets	603,375
Non-financial food contributions	(52,166,751)
Non-financial food distributions	52,573,145
Decrease (increase) in:	
Accounts receivable	112,465
Contributions and grants receivable	6,310,032
Inventory	1,948,176
Prepaid expenses and other assets	(39,151)
Decrease in:	
Accounts payable and accrued expenses	(2,810,438)
Refundable advances	(790,848)
Operating lease liabilities	<u>(619,049)</u>
Net cash provided by operating activities	<u>18,777,970</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of fixed assets	(3,480,427)
Purchase of investments	(14,964,691)
Proceeds from sale of investments	<u>11,114,953</u>
Net cash used by investing activities	<u>(7,330,165)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on finance leases	<u>(425,125)</u>
Net cash used by financing activities	<u>(425,125)</u>
Net increase in cash and cash equivalents	11,022,680
Cash and cash equivalents at beginning of year	<u>9,441,359</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u><u>\$ 20,464,039</u></u></b>

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Capital Area Food Bank, Inc. (CAFB) and Affiliate (collectively, the Organization) is a non-profit 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 more than 200 food banks across the country.

Capital Area Food Bank Foundation (the Foundation) is a non-profit 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 CAFB's Board of Directors.

Program Services -

*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, CAFB distributes the food for over 50 million nutritious meals each year through a network of nearly 400 regional non-profit 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:
  - o *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.
  - o *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;

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Program Services (continued) -

*Food for Today (continued):*

– *Direct Distribution Programs (continued):*

- *Children and Families (continued):* (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 after school 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.

*Food for Brighter Futures:* Food alone won’t solve hunger. To address the root causes of food insecurity and inequity in the region, CAFB 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, CAFB can meet people where they are and provide them with food to help address their most pressing concerns. CAFB 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.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Program Services (continued) -

*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:* CAFB'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 CAFB'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:* 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 CAFB to guide its organizational strategy and programmatic services, and by other regional organizations to inform planning and policy.
- *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:* CAFB's policy team stays apprised of local, state, and national policy issues that have the potential to impact the individuals served by CAFB, and makes recommendations on policy positions based on what will ultimately improve the lives of CAFB's clients.

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. CAFB also operates a temporary warehouse storage site in Maryland.

In total, CAFB distributed or facilitated the distribution of 72.4 million pounds of food during the fiscal year ended June 30, 2025, 54.5 million of which were distributed by CAFB. The per pound value of donated and Government food commodities fluctuates year-over-year and was \$1.97 in fiscal year 2025. 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 17.9 million pounds of food during the year ended June 30, 2025.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Principles of consolidation -

The accounts of CAFB have been consolidated with the Foundation (collectively, the Organization) in accordance with U.S. GAAP which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization has adopted a policy whereby donor-restricted contributions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the contributions are received. This treatment is referred to as the simultaneous release policy and is applied consistently across all programs and activities. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization had no net assets with perpetual donor restrictions as of June 30, 2025. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents other than money market funds held in its investments. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statement of Activities and Change in Net Assets.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to agency receivables. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. The estimated allowance for credit losses was \$130,000 at June 30, 2025.

Contributions and grants receivable -

Contributions and grants receivable include unconditional promises to give that are expected to be collected in future years. Contributions and grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term contributions and grants receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

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 uncollectable are charged to bad debt expense, and a reserve for uncollectable grants is recorded. As a result of these reviews, a reserve for uncollectable grants of \$9,696 was recorded as of June 30, 2025.

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 (FIFO) 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, 2025, the value of the donated goods and inventory balance reported in the Consolidated Statement of Financial Position was calculated using Feeding America's June 30, 2024 estimate of \$1.97 per pound, which was the most recent estimate available when the Organization's fiscal year began.

The following table summarizes the value of inventory balances from each receiving channel as of June 30, 2025:

Purchased	\$ 1,415,862
Government	2,013,751
Donated	<u>236,826</u>
<b>TOTAL INVENTORY</b>	<b><u>\$ 3,666,439</u></b>

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Inventory (continued) -

Management performs an annual physical count of all inventory and, as a result, inventory is adjusted annually to agree to the physical count. Therefore, management has not established an allowance for obsolete inventory. Inventory written off in conjunction with the annual physical count was deemed immaterial to the consolidated financial statements.

Fixed assets -

Fixed assets with a cost equal to or exceeding \$5,000 and a useful life of greater than one year are capitalized and stated at cost or fair value at date of the gift for donated assets, net of accumulated depreciation and amortization. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related 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 maintenance and repairs is expensed as incurred. Depreciation and amortization expense totaled \$2,364,635 for the year ended June 30, 2025.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When an asset is considered impaired, the carrying amount is reduced to the asset's current fair value, and a corresponding loss is reported in the Consolidated Statement of Activities and Change in Net Assets. There were no impairment losses recognized for the year ended June 30, 2025.

Income taxes -

The Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Organization is not a private foundation.

Support and revenue -

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 contributions are considered support without donor restrictions unless specifically restricted by the donor. The Organization reports unconditional contributions as support with donor restrictions if they are received with donor stipulations that limit the use of the assets to particular purposes or to future periods. When a time restriction expires or a purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restriction.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Support and revenue (continued) -

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 restrictions. Net assets are reclassified from net assets with donor restrictions to net asset without donor restrictions when the underlying asset is placed in service.

Conditional promises to give, which contain a measurable barrier and a right of return, are not recognized as contributions until the measurable barrier is overcome. In accordance with the Organization's simultaneous release policy, revenue from conditional contributions is recognized as support without donor restrictions at the time the barrier is met, as the purpose restriction is deemed fulfilled simultaneously. Amounts received in advance of meeting specified conditions are recorded as refundable advances. Revenue recognized on contributions not yet collected is included in contributions and grants receivable. The Organization's conditional promises to give to be received in future years totaled \$2,144,369 as of June 30, 2025. The Organization's refundable advances totaled \$2,691,928 as of June 30, 2025.

Government assistance revenue is derived from both financial grants and contracts and nonfinancial contributions of food, both of which are treated as conditional contributions. For financial grants and contracts, which are conditioned upon performance requirements or the incurrence of qualifying expenses, revenue is recognized as it is earned by meeting those conditions. For contributions of nonfinancial food from Government agencies, the Organization has determined that the barrier to entitlement is the distribution of this food to eligible recipients. Upon receipt, the value of Government-provided food is recorded as inventory. When the food is distributed, the barrier is met and the revenue is recognized.

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, 2025, the Organization provided discounts, promotions and shopping grants in the amount of \$2,916,774, which is netted against program service fees in the accompanying Consolidated Statement of Activities and Change in Net Assets to properly show program service fee revenue at net realizable value.

Contributed nonfinancial assets -

Contributed nonfinancial assets consisted of contributed food, services and materials. The Organization recognizes contributed food over which it has control (i.e., variance power) as revenue with or without donor restrictions as applicable based on the existence or absence of donor restrictions, and as expense when distributed.

Contributed food is valued based on the Feeding America per pound valuation described in the inventory section above. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. None of the donated goods were monetized through sale.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area were allocated based on the estimates deemed equitable by management. The following table summarizes the allocated expenses and their respective allocation bases:

Expense	Allocation Base
Personnel costs	Time and effort
Company-wide technology	Full-time equivalent employees
Office equipment rentals	Full-time equivalent employees
Insurance	Full-time equivalent employees
Facilities costs	Full-time equivalent employees
Depreciation	Full-time equivalent employees

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

**2. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended June 30, 2025. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Common Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.
- *Fixed-Income Securities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2025</u>
<b>Investments:</b>				
Fixed income mutual funds:				
Domestic	\$ 14,964,758	\$ -	\$ -	\$ 14,964,758
Equity mutual funds:				
Domestic	10,133,528	-	-	10,133,528
International	5,664,529	-	-	5,664,529
Money market mutual funds	9,497,580	-	-	9,497,580
Real asset mutual funds	1,074,243	-	-	1,074,243
Fixed-income securities:				
Bonds domestic	-	4,133,783	-	4,133,783
Bonds international	-	119,727	-	119,727
Common stock:				
Domestic	1,026,037	-	-	1,026,037
International	94,334	-	-	94,334
Alternative mutual funds	<u>600,056</u>	<u>-</u>	<u>-</u>	<u>600,056</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 43,055,065</u></b>	<b><u>\$ 4,253,510</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 47,308,575</u></b>
<b>Deferred Compensation Investments:</b>				
Equity mutual funds	<u>\$ 193,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,297</u>
<b>TOTAL</b>	<b><u>\$ 43,248,362</u></b>	<b><u>\$ 4,253,510</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 47,501,872</u></b>

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Net investment return consisted of the following for the year ended June 30, 2025:

Interest and dividends	\$ 2,214,137
Net realized and unrealized gains	2,132,562
Investment fees	<u>(101,987)</u>
 <b>NET INVESTMENT RETURN</b>	 <b><u>\$ 4,244,712</u></b>

**3. CONTRIBUTIONS AND GRANTS RECEIVABLE**

The Organization has received written promises to give from various donors totaling \$11,110,754 as of June 30, 2025. Contributions and grants receivable that are due in more than one year have been recorded at the net present value of their estimated future cash flows using discount rates ranging from 1.27% to 4.88%. Contributions and grants receivable due to be collected were as follows as of June 30, 2025:

Less than one year	\$ 10,194,754
One to five years	<u>916,000</u>
 Total	 11,110,754
Less: Allowance to discount balance to present value	(122,496)
Less: Reserve for uncollectable grants	<u>(9,696)</u>
 <b>CONTRIBUTIONS AND GRANTS RECEIVABLE, NET</b>	 <b><u>\$ 10,978,562</u></b>

**4. CONTRACT ASSETS**

Contract assets consisted of the following as of June 30, 2025:

Trade and other receivables	\$ 714,904
Less: Allowance for credit losses	<u>(130,000)</u>
 <b>TOTAL CONTRACT ASSETS</b>	 <b><u>\$ 584,904</u></b>

The allowance for credit losses consisted of the following, as of and for the year ended June 30, 2025:

Allowance for credit losses, beginning of year	\$ 224,000
Additions (charges to expenses)	17,000
Deductions (write-offs, net of recoveries)	<u>(111,000)</u>
 <b>ALLOWANCE FOR CREDIT LOSSES, END OF YEAR</b>	 <b><u>\$ 130,000</u></b>

The balance of contract assets (trade and other receivables) as of July 1, 2024 was \$603,369 net of an allowance for credit losses of \$224,000.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**5. FIXED ASSETS**

Fixed assets consisted of the following as of June 30, 2025:

Land	\$ 8,604,775
Buildings and improvements	58,931,433
Capitalized internal use software	111,525
Office furniture and equipment	890,636
Software and IT infrastructure	640,342
Owned vehicles	1,469,699
Warehouse equipment	<u>2,356,685</u>
 Total fixed assets	 73,005,095
Less: Accumulated depreciation and amortization	<u>(13,790,377)</u>
 <b>FIXED ASSETS, NET</b>	 <b><u>\$ 59,214,718</u></b>

**6. NOTE 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. The Organization must comply with certain debt covenants in relation to the note payable. In addition, the note payable is secured by certain assets.

**7. BOARD DESIGNATED NET ASSETS**

The Organization's net assets without donor restrictions include certain amounts that have been designated to funds by the Board of Directors to support the Organization's long-term financial viability and program services. During the year ended June 30, 2025, the Board of Directors authorized a withdrawal of \$1,500,000.

Board designated net assets included the following as of June 30, 2025:

Strategic Initiatives Fund	\$ 20,260,352
General Reserve	22,430,356
Covid Relief and Recovery Fund	9,041,611
Capital Repair and Replacement Fund	<u>1,201,255</u>
 <b>BOARD DESIGNATED NET ASSETS</b>	 <b><u>\$ 52,933,574</u></b>

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of June 30, 2025:

Subject to expenditure for specified purpose:	
Food for Today	\$ 3,364,272
Food for Brighter Futures	3,942,520
Nutrition Education	16,250
Thought Leadership and Community Engagement	424,522
Capital Projects	<u>1,516,916</u>
Subtotal	9,264,480
Subject to passage of time	<u>755,838</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 10,020,318</u></b>

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended June 30, 2025:

Purpose restrictions accomplished:	
Food for Today	\$ 7,188,236
Food for Brighter Futures	2,368,594
Nutrition Education	26,345
Thought Leadership and Community Engagement	731,382
Capital Projects	14,434,652
Expiration of time restrictions	<u>163,333</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 24,912,542</u></b>

**9. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following as of June 30, 2025:

Cash and cash equivalents	\$ 20,464,039
Investments	47,308,575
Accounts receivable, net	584,904
Contributions and grants receivable, current portion	<u>10,185,058</u>
Subtotal financial assets available within one year	78,542,576
Less: Donor-restricted funds (purpose-restricted)	(9,264,480)
Less: Board designated funds	<u>(52,933,574)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 16,344,522</u></b>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become 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.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**9. LIQUIDITY AND AVAILABILITY (Continued)**

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 \$8,237,523 was available to draw upon as of June 30, 2025. In addition, the Organization has Board designated net assets without donor restrictions that were established by the Board of Directors that may be drawn upon in the event of financial distress or an immediate liquidity need.

**10. CONTRIBUTED NONFINANCIAL ASSETS**

The Organization was the beneficiary of certain contributed nonfinancial assets which allowed the Organization to provide greater resources towards its various programs. Contributed nonfinancial assets included contributed food, legal services, consulting services and media space. No donor-imposed restrictions were associated with the contributed nonfinancial assets.

Contributed food is received from private and Government donors and is included in Private contributions and grants and Government assistance support and revenue in the accompanying Consolidated Statement of Activities. 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 contributed food are included in In-kind food distributions and benefited the Food for Today functional category in the accompanying Consolidated Statement of Functional Expenses.

A summary of the value of food contributions and distributions for the year ended June 30, 2025 is as follows:

	<u>Beginning Inventory</u>	<u>Received</u>	<u>Distributed</u>	<u>Ending Inventory</u>
Government	\$ 3,195,282	\$ 32,167,881	\$ (33,349,412)	\$ 2,013,751
Donated	<u>643,220</u>	<u>18,817,339</u>	<u>(19,223,733)</u>	<u>236,826</u>
<b>TOTAL</b>	<b><u>\$ 3,838,502</u></b>	<b><u>\$ 50,985,220</u></b>	<b><u>\$ (52,573,145)</u></b>	<b><u>\$ 2,250,577</u></b>

Contributed legal services, consulting services and media space are included in Contributed nonfinancial assets (non-food) support and revenue in the accompanying Consolidated Statement of Activities, and are recorded at their estimated fair market value as of the date of the gift.

The contributed nonfinancial assets (non-food) consisted of the following for the year ended June 30, 2025:

Legal services	\$ 1,034,370
Consulting services	867,990
Media space	<u>81,775</u>
<b>TOTAL</b>	<b><u>\$ 1,984,135</u></b>

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**10. CONTRIBUTED NONFINANCIAL ASSETS (Continued)**

Contributed legal services, consulting services and media space have been recorded in Donated materials and services in the accompanying Consolidated Statement of Functional Expenses and benefited the following functional expense categories for the year ended June 30, 2025:

Food for Today	\$ 813,000	
Management and general	<u>1,171,135</u>	
<b>TOTAL</b>	<b>\$ <u>1,984,135</u></b>	

**11. LEASE COMMITMENTS**

The Organization follows FASB ASC 842 for leases. The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Organization has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Operating Leases:

In December 2021, the Organization signed a two-year lease for one of its warehouse spaces in Lorton, Virginia. In June 2022, the lease was extended through December 2027. The office lease includes an escalation of base rentals which is being amortized on a basis to achieve straight-line rent expense over the life of the lease. The present value of the lease liability was calculated using a discount rate of 2.92%. The remaining lease term for the operating lease is 2.5 years.

For the year ended June 30, 2025, total lease cost was \$663,486 and total cash paid was \$679,160 for the operating lease.

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 February 2032.

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. For the year ended June 30, 2025, total lease cost was \$524,341 and total cash paid was \$506,486 for the finance leases. Right-of-use assets obtained in exchange for new finance lease liabilities totaled \$1,794,916 for the year ended June 30, 2025.

For the year ended June 30, 2025, total amortization on the right-of-use assets was \$442,980 and total interest expense was \$81,361 for all financing leases. As of June 30, 2025, the weighted-average remaining lease term and rate for financing leases is 5 years and 3.66%.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**11. LEASE COMMITMENTS (Continued)**

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of June 30, 2025:

<u>Year Ending June 30,</u>	<u>Operating</u>	<u>Finance</u>
2026	\$ 699,535	\$ 648,412
2027	720,521	641,533
2028	365,584	582,911
2029	-	536,131
2030	-	448,647
Thereafter	<u>-</u>	<u>511,799</u>
	1,785,640	3,369,433
Less: Imputed interest	<u>(66,375)</u>	<u>(336,974)</u>
	1,719,265	3,032,459
Less: Current portion	<u>(658,017)</u>	<u>(546,749)</u>
<b>LONG-TERM PORTION</b>	<b><u>\$ 1,061,248</u></b>	<b><u>\$ 2,485,710</u></b>

**12. RETIREMENT PLAN**

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 \$831,864 for the year ended June 30, 2025 and is included in Salaries and 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. Contribution expense to the 457(b) Plan totaled \$65,424 for the year ended June 30, 2025 and is included in Salaries and benefits in the accompanying Consolidated Statement of Functional Expenses. As of June 30, 2025, investments and obligations related to deferred compensation totaled \$193,297, 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.

**13. CONCENTRATION OF REVENUE**

As of June 30, 2025, approximately 40% of the outstanding receivable balances were due from one donor. During the year ended June 30, 2025, approximately 28% of total contributions were received from one donor.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**14. CONTINGENCY**

The Organization receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the Federal awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits. Audits in accordance with the applicable provisions of Subpart F of the Uniform Guidance have been completed for all required fiscal years through 2025.

**15. COMMITMENTS**

Line of Credit:

In January 2024, the Boards of CAFB and the Foundation authorized a \$16 million line of credit between the Foundation and CAFB. The interest-free line of credit allowed CAFB to borrow up to \$16 million from the Foundation's Strategic Initiative reserve funds to support costs associated with the construction of its new office and warehouse facility in Lorton, Virginia. The line of credit is being repaid from collections of grants and pledges. Amounts were available to be drawn through September 30, 2024 and the line of credit will remain in place until fully repaid. As of June 30, 2025, CAFB owed \$5.625 million to the Foundation.

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.

**16. RELATED PARTY**

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. Pledges receivable from Board Members totaled approximately \$39,000 as of the year ended June 30, 2025.

**17. RESTATEMENT OF BEGINNING NET ASSETS**

During the year ended June 30, 2025, the Organization elected to change their accounting policy over revenue recognition as it relates to contributed food received from Government agencies. Previously, the Organization recognized contributed food received from Government agencies as unconditional donor restricted revenue upon receipt, whereby the restriction would be released once the food was distributed to the eligible recipients.

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**17. RESTATEMENT OF BEGINNING NET ASSETS (Continued)**

Beginning in fiscal year 2025, the Organization changed its policy such that the Organization recognizes contributed food received from Government agencies as conditional contributions upon receipt. Under the new policy, the value of the contributed food will be considered a refundable advance which will be recognized as contribution revenue when the barrier (distribution to the eligible recipients) has been met. The change in accounting policy was made in order to better match revenue recognition with the expenditure of Federal awards and to achieve consistency in revenue recognition of both financial and nonfinancial assets from Government agencies.

The change in accounting policy has had the following impact on beginning net assets as of July 1, 2024:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Net assets with donor restrictions	\$ 22,273,763	\$ (3,161,793)	\$ 19,111,970
Net assets without donor restrictions	<u>98,601,573</u>	<u>(33,489)</u>	<u>98,568,084</u>
<b>TOTAL</b>	<u>\$ 120,875,336</u>	<u>\$ (3,195,282)</u>	<u>\$ 117,680,054</u>

The above adjustment of \$3,195,282 represents undistributed contributed food from Government agencies at June 30, 2024. Under the new accounting policy, this amount would be reported as a refundable advance liability until the food has been distributed, at which time revenue would be recognized.

**18. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 15, 2025, the date the consolidated financial statements were issued.

**SUPPLEMENTAL INFORMATION**

**CAPITAL AREA FOOD BANK, INC. AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2025**

	Capital Area Food Bank	Capital Area Food Bank Foundation	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 20,464,039	\$ -	\$ -	\$ 20,464,039
Accounts receivable, net of allowance for credit losses of \$130,000	584,904	-	-	584,904
Due from affiliate	-	5,625,000	(5,625,000)	-
Contributions and grants receivable, current portion	10,185,058	-	-	10,185,058
Inventory	3,666,439	-	-	3,666,439
Prepaid expenses and other assets	570,808	-	-	570,808
Total current assets	35,471,248	5,625,000	(5,625,000)	35,471,248
<b>NONCURRENT ASSETS</b>				
Contributions and grants receivable, net of current portion	793,504	-	-	793,504
Investments	-	47,308,575	-	47,308,575
Investments related to deferred compensation	193,297	-	-	193,297
Operating lease right-of-use assets	1,592,341	-	-	1,592,341
Financing lease right-of-use assets	2,989,323	-	-	2,989,323
Fixed assets, net	59,214,718	-	-	59,214,718
Total noncurrent assets	64,783,183	47,308,575	-	112,091,758
<b>TOTAL ASSETS</b>	<b>\$ 100,254,431</b>	<b>\$ 52,933,575</b>	<b>\$ (5,625,000)</b>	<b>\$ 147,563,006</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 3,431,210	\$ -	\$ -	\$ 3,431,210
Due to affiliate	5,625,000	-	(5,625,000)	-
Deferred revenue	2,691,928	-	-	2,691,928
Finance lease obligations, current portion	546,749	-	-	546,749
Operating lease obligations, current portion	658,017	-	-	658,017
Total current liabilities	12,952,904	-	(5,625,000)	7,327,904
<b>NONCURRENT LIABILITIES</b>				
Notes payable	5,205,000	-	-	5,205,000
Finance lease obligations, net of current portion	2,485,710	-	-	2,485,710
Operating lease obligations, net of current portion	1,061,248	-	-	1,061,248
Obligations related to deferred compensation	193,297	-	-	193,297
Total noncurrent liabilities	8,945,255	-	-	8,945,255
Total liabilities	21,898,159	-	(5,625,000)	16,273,159
<b>NET ASSETS</b>				
Without donor restrictions	68,335,954	52,933,575	-	121,269,529
With donor restrictions	10,020,318	-	-	10,020,318
Total net assets	78,356,272	52,933,575	-	131,289,847
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 100,254,431</b>	<b>\$ 52,933,575</b>	<b>\$ (5,625,000)</b>	<b>\$ 147,563,006</b>

## CAPITAL AREA FOOD BANK, INC. AND AFFILIATE

**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Capital Area Food Bank</b>	<b>Capital Area Food Bank Foundation</b>	<b>Eliminations</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>				
Private contributions and grants	\$ 67,453,476	\$ -	\$ (1,500,000)	\$ 65,953,476
Government assistance	51,564,700	-	-	51,564,700
Program service fees	5,259,545	-	-	5,259,545
Contributed non-financial assets (non-food)	1,984,135	-	-	1,984,135
Other income	605,899	-	-	605,899
Total support and revenue	<u>126,867,755</u>	<u>-</u>	<u>(1,500,000)</u>	<u>125,367,755</u>
<b>EXPENSES</b>				
Program Services:				
Food for Today	96,840,373	1,500,000	(1,500,000)	96,840,373
Food for Brighter Futures	2,769,686	-	-	2,769,686
Nutrition education	547,552	-	-	547,552
Thought leadership and community engagement	1,774,217	-	-	1,774,217
Total program services	<u>101,931,828</u>	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>101,931,828</u>
Supporting Services:				
Management and general	8,701,223	-	-	8,701,223
Fundraising	5,369,623	-	-	5,369,623
Total supporting services	<u>14,070,846</u>	<u>-</u>	<u>-</u>	<u>14,070,846</u>
Total expenses	<u>116,002,674</u>	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>116,002,674</u>
Change in net assets from operations	10,865,081	(1,500,000)	-	9,365,081
<b>NONOPERATING ACTIVITIES</b>				
Investment income, net	562,412	3,682,300	-	4,244,712
Change in net assets	11,427,493	2,182,300	-	13,609,793
Net assets at beginning of year, as restated (see Note 17)	66,928,779	50,751,275	-	117,680,054
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 78,356,272</u></b>	<b><u>\$ 52,933,575</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 131,289,847</u></b>