



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

ANNE ARUNDEL COUNTY FOOD BANK, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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Independent Auditor's Report

To the Board of Directors
Anne Arundel County Food Bank, Inc.

We have audited the accompanying financial statements of Anne Arundel County Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anne Arundel County Food Bank, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

April 10, 2018

ANNE ARUNDEL COUNTY FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|------------|--------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 148,647 | \$ 222,362 |
| Accounts Receivable | - | 992 |
| Inventory | 688,180 | 1,233,202 |
| Prepaid Expenses | 798 | 6,217 |
| Total Current Assets | 837,625 | 1,462,773 |
| Fixed Assets: | | |
| Property and Equipment, Net of Accumulated Depreciation of \$224,489 and \$211,625, Respectively | 86,780 | 146,069 |
| Other Assets: | | |
| Security Deposit | - | 1,000 |
| Total Assets | \$ 924,405 | \$ 1,609,842 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 6,981 | \$ 13,837 |
| Payroll Taxes Payable | 786 | 224 |
| Total Current Liabilities | 7,767 | 14,061 |
| Total Liabilities | 7,767 | 14,061 |
| Net Assets: | | |
| Unrestricted | 916,638 | 1,595,781 |
| Total Net Assets | 916,638 | 1,595,781 |
| Total Liabilities and Net Assets | \$ 924,405 | \$ 1,609,842 |

See independent auditor's report and accompanying notes to financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|-------------------------|
| REVENUE AND SUPPORT | | |
| Anne Arundel County Grants | \$ 120,391 | \$ 108,525 |
| Anne Arundel County Reimbursement for TEFAP | 15,000 | 20,000 |
| Contributions | 283,527 | 368,894 |
| United Way of Central Maryland | 29,221 | 20,512 |
| Rental Income | 7,898 | 9,944 |
| Interest Income | 89 | 149 |
| Inkind Donations | 2,927,239 | 1,981,100 |
| Loss on Disposal | <u>(22,238)</u> | <u>-</u> |
| Total Revenue and Support | 3,361,127 | 2,509,124 |
| EXPENSES | | |
| Program Services | 3,833,742 | 1,763,953 |
| Management and General | 161,967 | 120,628 |
| Fundraising | <u>44,561</u> | <u>42,299</u> |
| Total Expenses | <u>4,040,270</u> | <u>1,926,880</u> |
| Change in Net Assets | (679,143) | 582,244 |
| Unrestricted Net Assets at Beginning of Year | <u>1,595,781</u> | <u>1,013,537</u> |
| Unrestricted Net Assets at End of Year | <u>\$ 916,638</u> | <u>\$ 1,595,781</u> |

See independent auditor's report and accompanying notes to financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

| | Program Services | Management and General | Fundraising | Total Expenses |
|-----------------------------------|---------------------|------------------------------|------------------|---------------------|
| Audit Fees | \$ - | \$ 5,150 | \$ - | \$ 5,150 |
| Depreciation | 28,539 | 5,708 | 3,805 | 38,052 |
| Dues and Subscriptions | 1,776 | 355 | 237 | 2,368 |
| Equipment Rental | 12,570 | 2,514 | 1,676 | 16,760 |
| Food Purchases | 8,303 | - | - | 8,303 |
| Food Storage | 27,824 | - | - | 27,824 |
| Inkind Food and Supply Donations | 3,322,261 | - | - | 3,322,261 |
| Insurance | 31,898 | 6,380 | 4,253 | 42,531 |
| Legal and Accounting | - | 3,750 | - | 3,750 |
| Meals and Entertainment | 3,093 | 619 | 413 | 4,125 |
| Office Expenses | 21,026 | 4,205 | 2,802 | 28,033 |
| Payroll Taxes | 16,940 | 3,387 | 2,259 | 22,586 |
| Postage and Shipping | 1,440 | 288 | 192 | 1,920 |
| Rent Expense - Donated Facilities | 123,000 | 27,000 | - | 150,000 |
| Repair and Maintenance - Trailer | - | 59,226 | - | 59,226 |
| Repair and Maintenance - Vehicles | 18,144 | - | - | 18,144 |
| Salaries | 175,693 | 35,139 | 23,425 | 234,257 |
| Telephone | 1,729 | 345 | 231 | 2,305 |
| Transportation Expense | 10,084 | 2,016 | 1,345 | 13,445 |
| Utilities | 29,422 | 5,885 | 3,923 | 39,230 |
| Total Expenses | \$ 3,833,742 | \$ 161,967 | \$ 44,561 | \$ 4,040,270 |

See independent auditor's report and accompanying notes to financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

| | Program Services | Management and General | Fundraising | Total Expenses |
|-----------------------------------|---------------------|------------------------------|------------------|---------------------|
| Audit Fees | \$ - | \$ 6,800 | \$ - | \$ 6,800 |
| Depreciation | 19,743 | 3,949 | 2,633 | 26,325 |
| Dues and Subscriptions | 1,529 | 306 | 204 | 2,039 |
| Equipment Rental | 13,752 | 2,750 | 1,834 | 18,336 |
| Food Purchases | 33,561 | - | - | 33,561 |
| Food Storage | 19,392 | - | - | 19,392 |
| Inkind Food and Supply Donations | 1,251,799 | - | - | 1,251,799 |
| Insurance | 36,897 | 7,380 | 4,920 | 49,197 |
| Legal and Accounting | - | 3,600 | - | 3,600 |
| Meals and Entertainment | 2,450 | 490 | 327 | 3,267 |
| Office Expenses | 27,350 | 5,470 | 3,647 | 36,467 |
| Payroll Taxes | 12,923 | 2,585 | 1,723 | 17,231 |
| Postage and Shipping | 1,463 | 293 | 195 | 1,951 |
| Rent Expense - Donated Facilities | 122,740 | 27,260 | - | 150,000 |
| Repair and Maintenance - Trailer | - | 19,523 | - | 19,523 |
| Repair and Maintenance - Vehicles | 19,238 | - | - | 19,238 |
| Salaries | 150,167 | 30,033 | 20,022 | 200,222 |
| Telephone | 2,174 | 435 | 290 | 2,899 |
| Temporary Help | 11,147 | 2,229 | 1,486 | 14,862 |
| Transportation Expense | 9,357 | 1,871 | 1,248 | 12,476 |
| Utilities | 28,271 | 5,654 | 3,770 | 37,695 |
| Total Expenses | <u>\$ 1,763,953</u> | <u>\$ 120,628</u> | <u>\$ 42,299</u> | <u>\$ 1,926,880</u> |

See independent auditor's report and accompanying notes to financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (679,143) | \$ 582,244 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 38,052 | 26,325 |
| Loss on Disposal | 22,238 | - |
| (Increase) Decrease in Operating Assets: | | |
| Accounts Receivable | 992 | 2,322 |
| Inventory | 545,022 | (579,301) |
| Prepaid Expenses | 5,419 | (5,474) |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable | (6,857) | (13,719) |
| Payroll Taxes Payable | 562 | (7,210) |
| | <u>(72,715)</u> | <u>5,187</u> |
| Net Cash Provided (Used) by Operating Activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sale of Equipment | 1,000 | - |
| Purchase of Property and Equipment | <u>(2,000)</u> | <u>(79,625)</u> |
| | <u>(1,000)</u> | <u>(79,625)</u> |
| Net Cash Used by Investing Activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | <u>-</u> | <u>-</u> |
| Net Decrease in Cash and Cash Equivalents | (73,715) | (74,438) |
| Cash and Cash Equivalents, Beginning of Year | <u>222,362</u> | <u>296,800</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 148,647</u> | <u>\$ 222,362</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Interest Paid | <u>\$ -</u> | <u>\$ -</u> |
| Income Taxes Paid | <u>\$ -</u> | <u>\$ -</u> |

See independent auditor's report and accompanying notes to financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Anne Arundel County Food Bank, Inc. (the Organization), is a Maryland not-for-profit corporation, formed in 1986. The mission of the Organization is to fight hunger by assuring that all of those in need have access to food and other basic necessities. The Organization distributes food through church pantries, homeless and battered spouse shelters, soup kitchens, day care and senior centers, and other not-for-profit organizations that provide food directly to needy families. The Organization also distributes furniture, appliances, medical equipment, and vehicles directly to those in need from its warehouse facility located at 120 Marbury Dr., Crownsville, Maryland. The Organization's support comes primarily from donor contributions and government grants.

Basis of Accounting

The financial statements of Anne Arundel County Food Bank, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization's financial reporting classifies resources, for accounting and reporting purposes, into three net asset categories according to externally (donor) imposed restrictions. The Organization records unconditional promises to give (pledges) as receivables and revenues and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows.

- Permanently Restricted - the portion of the net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- Temporarily Restricted - the portion of the net assets resulting from contributions or other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- Unrestricted - the portion of the net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Uses of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities as of the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains its cash and certificates of deposit in high credit quality financial institutions. At times, the balances may exceed the federally insured limits of \$250,000. As of June 30, 2017, the Organization did not have a balance in excess of FDIC limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts due for work performed under program service agreements. All unconditional promises to give are due within one year and are considered fully collectible. There is no interest or late fees charged to the accounts receivable accounts. An allowance for doubtful accounts is recorded when management identifies past due accounts as potentially uncollectible; these accounts are written off in the period when management deems them uncollectible. At June 30, 2017 and 2016, all accounts are considered fully collectible based on management's analysis of outstanding balances and historical collection experience.

Inventory

Inventory consists of food, furniture, and medical equipment donated to the Organization. Food inventory is recorded on the first in, first out method at estimated fair value at the date of donation using the Product Valuation Survey Methodology, a report prepared by Feeding America, which determines the approximate average wholesale value of one pound of donated products at the national level. Feeding America is a national food bank network nonprofit corporation.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment acquisitions are recorded at cost if the estimated useful life exceeds one year. Depreciation is provided over the estimated useful lives of the assets using the straight line method. Gifts of long lived assets such as land, buildings, or equipment are recorded at their fair market values and reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Acquisition of property and equipment with a useful life of one year or greater and cost or fair market value of \$1,000 or more is capitalized.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Donated Services

Individuals and other groups contribute substantial amounts of materials and services toward the fulfillment of programs initiated by the Organization. Donated services are recognized as contributions at their estimated fair value at the date of donation, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers have donated significant amounts of time to the Organization's program services and to its fundraising campaigns. During the years ended June 30, 2017 and 2016, over 20,000 volunteer hours were performed valued at an estimated value of \$199,155 and \$199,080, respectively. Services include a plumber, an electrician, IT support, office support, and ten to twelve warehouse laborers five to six days a week. However, these amounts have not been recognized in the accompanying statements of activities and changes in net assets for these contributed services because the conditions for requiring recognition of such volunteer effort under generally accepted accounting principles do not exist.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Donated Services (Continued)

Donations of materials and facilities are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Allocation of Expenses

Expenses are allocated between program services, management and general support, and fundraising, in accordance with generally accepted accounting principles, and have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is a nonprofit corporation whose revenue is derived from contributions and other fundraising activities and is not subject to federal or state income taxes. The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code.

The Organization's informational return filings are subject to audit by the Internal Revenue Service, generally for three years after filing.

Subsequent Events

The Organization evaluated subsequent events through the date that the financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to April 10, 2018 that would have a material impact on the financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016 consisted of the following:

| | Estimated Useful Life | <u>2017</u> | <u>2016</u> |
|--------------------------------|--------------------------|------------------|-------------------|
| Equipment and Fixtures | 5-7 years | \$ 106,893 | \$ 106,392 |
| Vehicles | 5 years | 204,376 | 224,002 |
| Modular Trailer | 10 years | <u>---</u> | <u>27,300</u> |
| Total | | 311,269 | 357,694 |
| Less: Accumulated Depreciation | | <u>(224,489)</u> | <u>(211,625)</u> |
| Property and Equipment, Net | | \$ <u>86,780</u> | \$ <u>146,069</u> |

NOTE 3 - INKIND CONTRIBUTIONS

Donated food is received through federal assistance (TEFAP) and donations from corporate, not-for-profit, and individual donors. Donated food is valued using USDA cost-per-pound data, Feeding America data, and values assigned by the TEFAP program. Other in-kind donations, including furniture, medical supplies, and facilities, are valued at market value at the time of donation. All services are offered at no charge to help needy families and individuals.

| <u>Item</u> | <u>2017</u> | <u>2016</u> |
|-------------------|---------------------|---------------------|
| Food Products | \$ 2,506,862 | \$ 1,621,128 |
| Medical Equipment | 51,925 | 55,280 |
| Furniture | 87,680 | 154,692 |
| Facilities | 150,000 | 150,000 |
| Household | <u>130,772</u> | <u>---</u> |
| Total | \$ <u>2,927,239</u> | \$ <u>1,981,100</u> |

Donated facilities income and expense results from 30,000 square feet leased from the State of Maryland under a month-to-month agreement for \$1 per annum.

NOTE 4 - INVENTORY

Inventory at June 30 is comprised of the following:

| | <u>2017</u> | <u>2016</u> |
|-------------------|-------------------|---------------------|
| Food | \$ 266,572 | \$ 361,668 |
| Medical Equipment | 28,295 | 66,151 |
| Furniture | 222,653 | 805,383 |
| Household | <u>170,660</u> | <u>---</u> |
| Total | \$ <u>688,180</u> | \$ <u>1,233,202</u> |