

END HUNGER

IN CALVERT COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



Independent Auditors' Report

Board of Directors
End Hunger In Calvert County, Inc.
Huntingtown, Maryland

Opinion

We have audited the accompanying financial statements of End Hunger In Calvert County, Inc. (End Hunger), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of End Hunger as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Report on Summarized Comparative Information

We have previously audited End Hunger's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bethesda, Maryland
August 31, 2022

Certified Public Accountants

End Hunger In Calvert County, Inc.

**Statement of Financial Position (Balance Sheet)
December 31, 2021
With Comparative Totals As of December 31, 2020**

	<u>2020</u>	<u>2021</u>
Assets		
Cash	\$ 718,662	\$ 504,058
Accounts Receivable - Net	40,871	951
Promises to Give - Net	253,015	237,163
Prepaid Expenses	4,650	4,650
Donated Food Inventory	200,572	424,943
Property and Equipment - Net	<u>1,809,324</u>	<u>4,696,447</u>
Total Assets	<u>\$ 3,027,094</u>	<u>\$ 5,868,212</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 210,446	\$ 161,177
Line of Credit	8,962	8,962
Forgivable Loan - SBA	92,303	-
EIDL Note Payable	<u>150,000</u>	<u>500,000</u>
Total Liabilities	<u>461,711</u>	<u>670,139</u>
Net Assets		
Without Donor Restrictions	1,947,388	5,157,593
With Donor Restrictions	<u>617,995</u>	<u>40,480</u>
Total Net Assets	<u>2,565,383</u>	<u>5,198,073</u>
Total Liabilities and Net Assets	<u>\$ 3,027,094</u>	<u>\$ 5,868,212</u>

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Activities (Income Statement)

For the Year Ended December 31, 2021

With Comparative Totals For the Year Ended December 31, 2020

2021

	<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support, and Reclassifications				
Event Registration and Sponsorship	\$ 192,401	\$ 182,359	\$ -	\$ 182,359
Grants	1,358,121	2,420,864	49,063	2,469,927
Contributions	293,895	-	162,196	162,196
Contributions - PPP	-	92,303	-	92,303
Contributions - ERC	-	166,830	-	166,830
Contributions - Shared Services	200,042	187,406	-	187,406
Food Donations	2,417,354	1,944,665	-	1,944,665
Coffee Shop - Revenue	436,317	597,757	-	597,757
Coffee Shop - Cost of Sales	(150,742)	(230,752)	-	(230,752)
Other	41,773	26,880	-	26,880
Net Assets Released from Restrictions	-	788,774	(788,774)	-
Total Revenues and Support	4,789,161	6,177,086	(577,515)	5,599,571
Expenses				
Food Assistance (Including Shared Service Expense of \$167,414)	3,516,557	2,478,664	-	2,478,664
Coffee Program	310,986	361,656	-	361,656
General and Administrative (Including Shared Service Expense of \$14,992)	89,046	121,561	-	121,561
Fundraising (Including Shared Service Expense of \$5,000)	16,183	5,000	-	5,000
Total Expenses	3,932,772	2,966,881	-	2,966,881
Changes in Net Assets	856,389	3,210,205	(577,515)	2,632,690
Net Assets, Beginning of Year	1,708,994	1,947,388	617,995	2,565,383
Net Assets, End of Year	\$ 2,565,383	\$ 5,157,593	\$ 40,480	\$ 5,198,073

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

**Statement of Functional Expense
For the Year Ended December 31, 2021**

With Comparative Totals For the Year Ended December 31, 2020

	2021						Total
	2020	Food Assistance	Coffee Program	Total Program	Management and General	Fundraising	
Food Assistance	\$ 2,790,337	\$ 1,748,508	\$ -	\$ 1,748,508	\$ -	\$ -	\$1,748,508
Personnel Costs	813,011	458,915	273,813	732,728	14,992	5,000	752,720
Occupancy and Utilities	83,546	93,383	22,527	115,910	-	-	115,910
Awareness	33,894	90,105	-	90,105	-	-	90,105
Client Support	3,166	2,547	-	2,547	-	-	2,547
Depreciation	37,104	66,910	-	66,910	-	-	66,910
Pantry Supplies	40,284	18,296	-	18,296	-	-	18,296
Professional Services	28,579	-	-	-	54,708	-	54,708
Bank and Payroll Fees	24,471	-	-	-	39,628	-	39,628
Office Expense	67,197	-	65,316	65,316	12,233	-	77,549
Special Events	11,183	-	-	-	-	-	-
Total Expenses	\$3,932,772	\$2,478,664	\$ 361,656	\$2,840,320	\$ 121,561	\$ 5,000	\$2,966,881

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

**Statement of Cash Flows
For the Year Ended December 31, 2021
With Comparative Totals For the Year Ended December 31, 2020**

	2020	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ 856,389	\$ 2,632,690
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities		
Depreciation	37,104	66,910
Food Donations	(2,417,354)	(1,944,665)
Food Distribution	2,335,031	1,720,294
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	11,703	39,920
Promises to Give - Net	140,740	15,852
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	111,749	(49,269)
Forgivable Loan - SBA	-	(92,303)
Due to Chesapeake Church	(50,000)	-
Net Cash Provided by (Used in) Operating Activities	<u>1,025,362</u>	<u>2,389,429</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(1,416,568)	(2,954,033)
Net Cash Provided by (Used in) Investing Activities	<u>(1,416,568)</u>	<u>(2,954,033)</u>
Cash Flows from Financing Activities		
Proceeds from Forgivable Loan - SBA	92,303	-
Proceeds from EIDL Note Payable	150,000	350,000
Net Cash Provided by (Used in) Financing Activities	<u>242,303</u>	<u>350,000</u>
Increase (Decrease) in Cash	(148,903)	(214,604)
Cash, Beginning of Year	867,565	718,662
Cash, End of Year	<u>\$ 718,662</u>	<u>\$ 504,058</u>

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2021

1. ORGANIZATION

End Hunger In Calvert County, Inc. (End Hunger) was incorporated in Huntingtown, Maryland on July 24, 2009, for the purpose of making distributions to not-for-profit organizations to assist public welfare.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of End Hunger have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires End Hunger to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of End Hunger. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of End Hunger or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

The accounts receivable balance represents amounts billed before year-end for which the payment from various sources is expected to be received in the subsequent period.

End Hunger In Calvert County, Inc.

**Notes to Financial Statements
December 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give are recorded as receivables and revenue when received. End Hunger distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Included in promises to give as of December 31, 2021 was \$166,830 of funding from the Employee Retention Credit (ERC).

Conditional promises to give are recognized when the conditions are met.

Management determines the allowance for doubtful promises to give by using the historical experience and the aging of the promise to give population. Promises to give are written off when deemed uncollectable. Based on management's evaluation, there is no allowance for doubtful promises to give as of December 31, 2021.

Donated Food Inventory

Donated food inventory is reported at fair value based on an average value per pound estimate calculated by the Maryland Food Bank.

Property and Equipment

Property and equipment are capitalized at cost and depreciated or amortized over useful lives of five to fifteen years. End Hunger's policy is to capitalize items over \$2,500.

Revenue Recognition

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

During the year ended December 31, 2021, End Hunger recognized a \$92,303 forgivable loan contribution from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) that was received in 2020. The forgivable loan was a conditional contribution that could be recognized as revenue when the underlying conditions were met. End Hunger elected to treat the legal forgiveness as the condition. During the year ended December 31, 2021, End Hunger received legal forgiveness and recognized \$92,303 as contribution revenue.

Additionally, during the year ended December 31, 2021, End Hunger recognized \$166,830 of funding from the Employee Retention Credit (ERC). The ERC provides refundable credits to eligible employers. The ERC is a conditional contribution and End Hunger has met the conditions to recognize the contribution revenue.

There were no unrecognized conditional contributions or grants as of December 31, 2021.

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Event registrations and sponsorships include amounts paid by or on behalf of participants and sponsors. Fees are based on published fixed rates and collected either at the time of registration, in advance resulting in a deferred revenue balance, or at the time that the event takes place and immediately recognized as revenue.

Income Taxes

End Hunger is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. End Hunger is subject to income taxes on unrelated business income, as defined by the Internal Revenue Service. During the year ended December 31, 2021, End Hunger had no taxable unrelated business income, and accordingly, no provision for income taxes is required in the accompanying financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, End Hunger may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of End Hunger and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for 2021.

End Hunger's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2021.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services on the basis of employee time and effort.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with End Hunger's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

Subsequent Events

Management has evaluated subsequent events through August 31, 2022 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

3. CONCENTRATION OF CREDIT RISK

End Hunger maintains its cash bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At December 31, 2021, End Hunger's balances exceeded the FDIC limit by approximately \$285,000.

4. PROMISES TO GIVE

As of December 31, 2021, promises to give are expected to be collected as follows:

Less Than One Year	\$	237,163
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5. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2021 are as follows:

Leasehold Improvements	\$	138,720
Furniture		20,148
Equipment		244,961
Computer and Software		20,192
Vehicles		216,541
Construction In Progress		4,335,495
		<hr/> 4,976,057
Accumulated Depreciation and Amortization		<hr/> (279,610)
Property and Equipment - Net	\$	<hr/> 4,696,447

Depreciation expenses for the year ended December 31, 2021 was \$66,910. Construction in progress represents the capitalized costs of the new warehouse. Depreciation will commence when the warehouse is placed in service.

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2021

6. NOTE PAYABLE

During the year ended December 31, 2021, End Hunger received an additional \$350,000 loan from the Economic Injury Disaster Loan (EIDL) program from the SBA. The interest rate for nonprofit organizations is 2.75% and repayable over thirty years beginning in July 2022. The note payable balance as of December 31, 2021 was \$500,000.

Aggregate maturities of the note payable as of December 31, 2021, are due in future years as follows:

2022	\$	6,244
2023		9,924
2024		10,265
2025		10,617
2026		10,983
Thereafter		451,967
		<hr/>
	\$	500,000
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7. CONSTRUCTION LOAN

End Hunger entered into a construction loan during 2019 that provides maximum borrowing of \$500,000. The loan is collateralized by End Hunger's assets. The interest rate is 5.5% as of December 31, 2021. The balance outstanding as of December 31, 2021 was \$8,962.

8. FOOD DONATIONS

End Hunger reports the fair value of food donations over which it has control (i.e., variance power) as donations without donor restrictions and, shortly thereafter, as expense when distributed to those in need. During the year ended December 31, 2021, End Hunger collected approximately 1,100,000 pounds of donated food. Based upon a study performed by Feeding America, the approximate average wholesale value of one pound of donated product at the national level ranged from \$1.74 to \$1.79 during 2021.

During the year ended December 31, 2021, End Hunger distributed approximately 960,000 pounds of donated product.

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2021

9. NET ASSETS

Net assets with donor restrictions include donor-restricted grants and contributions which are either time restricted or only available for certain program activities. Net assets with donor restrictions were released from restriction during the year ended December 31, 2021, due to purpose restrictions being accomplished.

Changes in net assets with donor restrictions during the year December 31, 2021, are as follows:

	Beginning of Year	Additions	Releases	End of Year
Purpose Restrictions:				
New Warehouse	\$ 549,318	\$ 157,658	\$ (706,976)	\$ -
Warehouse Staffing	20,000	25,000	(33,843)	11,157
Equipment	-	18,601	-	18,601
Mobile App / Classroom Access	9,125	-	(9,125)	-
Workforce Development	2,500	-	(1,778)	722
Kids Initiative	14,334	-	(14,334)	-
Lobby Employees	16,718	-	(16,718)	-
Culinary Kitchen	-	10,000	-	10,000
Time Restrictions:	6,000	-	(6,000)	-
	<u>\$ 617,995</u>	<u>\$ 211,259</u>	<u>\$ (788,774)</u>	<u>\$ 40,480</u>

Net assets without donor restrictions for the year ended December 31, 2021 were undesignated.

10. RELATED PARTY

End Hunger is affiliated with Chesapeake Church (the Church) through common management and shared administrative functions. The Church provided administrative support free of charge to End Hunger. During 2021, End Hunger recognized revenue and related expense of \$187,406 for contributed services received from the Church based on an allocation of staff time dedicated to End Hunger operations. These shared service expenses have been recorded as food assistance and general and administrative expenses in the statement of activities and functional expenses.

During the year ended December 31, 2021, End Hunger reimbursed the Church approximately 28,000 for expenses paid on End Hunger's behalf. During the year ended December 31, 2021,

During 2019, End Hunger entered into a 40-year lease with the Church to rent the Church's land for a warehouse for \$1 a year. The warehouse is being built as of December 31, 2021.

11. AVAILABILITY AND LIQUIDITY

End Hunger In Calvert County, Inc.

**Notes to Financial Statements
December 31, 2021**

The following represents End Hunger's financial assets at December 31, 2021:

Financial Assets at Year End:

Cash	\$	504,058
Accounts Receivable - Net		951
Promises to Give - Net		<u>237,163</u>
Total Financial Assets		742,172

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions		(40,480)
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		40,480
Quasi Endowment Established by the Board		<u>-</u>

Financial Assets Available to Meet General Expenditures
Over the Next Twelve Months

	\$	<u>742,172</u>
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As part of End Hunger's liquidity management plan, if there is cash in excess of daily requirements it would be transferred to income-generating accounts when appropriate.