END HUNGER

IN CALVERT COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

MULLINS P.C.
A CPA firm dedicated to serving nonprofits

Independent Auditors' Report

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

Report on the Financial Statements

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, 2018 and the statements of activities, functional expenses and cash flows for the year 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider internal control relevant to End Hunger'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 End Hunger'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.

Report on the Financial Statements (Continued)

Auditors' Responsibility (Continued)

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 End Hunger In Calvert County, Inc., as of December 31, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the 2017 financial statements of End Hunger, and our report dated May 2, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the 2017 audited financial statements from which it has been derived.

Mullin PC

Bethesda, Maryland
April 2, 2019

Certified Public Accountants

End Hunger In Calvert County, Inc.

Statement of Financial Position
December 31, 2018
With Comparative Totals As of December 31, 2017

	2017	2018
Assets		
Cash	$ 115,121	**$ 100,392**
Accounts Receivable - Net	9,336	**36,623**
Prepaid Expenses	4,723	**4,650**
Donated Food Inventory	-	**267,180**
Property and Equipment - Net	196,302	**160,257**
Total Assets	$ 325,482	**$ 569,102**
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	$ 57,864	**$ 101,187**
Deferred Revenue	833	**-**
Total Liabilities	58,697	**101,187**
Net Assets		
Without Donor Restrictions	231,547	**369,587**
With Donor Restrictions	35,238	**98,328**
Total Net Assets	266,785	**467,915**
Total Liabilities and Net Assets	$ 325,482	**$ 569,102**

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Activities
For the Year Ending December 31, 2018
With Comparative Totals For the Year Ended December 31, 2017

		2018		
	2017	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support, and Reclassifications				
Event Registration and Sponsorship	$ 305,752	**$ 216,189**	**$ -**	**$ 216,189**
Grants	312,702	**106,674**	**101,000**	**207,674**
Contributions	63,559	**60,281**	**-**	**60,281**
Contributions - Shared Services	160,065	**141,351**	**-**	**141,351**
Food Donations	780,066	**1,993,216**	**-**	**1,993,216**
Coffee Shop - Revenue	183,330	**327,486**	**-**	**327,486**
Coffee Shop - Cost of Sales	(89,003)	**(117,585)**		**(117,585)**
Other	36,270	**35,205**	**-**	**35,205**
Net Assets Released from Restrictions	-	**37,910**	**(37,910)**	**-**
Total Revenues and Support	1,752,741	**2,800,727**	**63,090**	**2,863,817**
Expenses				
Food Assistance (Including Shared Service Expense of $98,169)	1,389,886	**2,244,443**	**-**	**2,244,443**
Coffee Program	222,063	**264,243**		**264,243**
General and Administrative (Including Shared Service Expense of $43,182)	82,774	**93,586**	**-**	**93,586**
Fundraising	80,467	**60,415**	**-**	**60,415**
Total Expenses	1,775,190	**2,662,687**	**-**	**2,662,687**
Changes in Net Assets	(22,449)	**138,040**	**63,090**	**201,130**
Net Assets, Beginning of Year	289,234	**231,547**	**35,238**	**266,785**
Net Assets, End of Year	$ 266,785	**$ 369,587**	**$ 98,328**	**$ 467,915**

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Functional Expense
For the Year Ending December 31, 2018
With Comparative Totals For the Year Ended December 31, 2017

		2018					
	2017	Food Assistance	Coffee Program	Total Program	Management and General	Fundraising	**Total**
Food Assistance	$ 887,040	$1,745,734	$ -	$1,745,734	$ -	$ -	**$1,745,734**
Personnel Costs	583,155	340,776	222,774	563,550	43,182	-	**606,732**
Occupancy and Utilities	69,917	84,909	2,143	87,052	-	-	**87,052**
Awareness	38,695	29,216	-	29,216	-	-	**29,216**
Client Support	2,504	1,461	-	1,461	-	-	**1,461**
Depreciation	36,521	36,045	-	36,045	-	-	**36,045**
Pantry Supplies	5,433	6,302	-	6,302	-	-	**6,302**
Professional Services	24,756	-	-	-	30,257	-	**30,257**
Bank and Payroll Fees	7,928	-	-	-	16,443	-	**16,443**
Office Expense	38,774	-	39,326	39,326	3,704	-	**43,030**
Special Events	80,467	-	-	-	-	60,415	**60,415**
Total Expenses	$1,775,190	$2,244,443	$ 264,243	$2,508,686	$ 93,586	$ 60,415	**$2,662,687**

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Cash Flows
For the Year Ending December 31, 2018
With Comparative Totals For the Year Ended December 31, 2017

	2017	**2018**
Cash Flows from Operating Activities		
Change in Net Assets	$ (22,449)	**$ 201,130**
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities		
Depreciation	36,521	**36,045**
Food Donations	(780,066)	**(1,993,216)**
Food Distribution	884,830	**1,726,036**
(Increase) Decrease in Assets		
Accounts Receivable	(9,336)	**(27,287)**
Promises to Give - Net	1,090	**-**
Prepaid Expenses	3,856	**73**
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	11,060	**43,323**
Deferred Revenue	(639)	**(833)**
Net Cash Provided by (Used in) Operating Activities	124,867	**(14,729)**
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(84,303)	**-**
Net Cash Provided by (Used in) Investing Activities	(84,303)	**-**
Increase (Decrease) in Cash	40,564	**(14,729)**
Cash, Beginning of Year	74,557	**115,121**
Cash, End of Year	$ 115,121	**$ 100,392**

See accompanying Notes to Financial Statements.

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 Accounting

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

Basis of Presentation

End Hunger has adopted *Accounting Standards Update 2014-16, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (ASU 2014-16) for the year ended December 31, 2018. This standard was issued by the Financial Accounting Standards Board (FASB) to improve the previous net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2014-16 reduces the number of net assets classifications from three to two: with donor restrictions and without donor restrictions. The ASU also requires not-for-profits to report expenses by functional and natural classification in one location in the financial statements and requires not-for-profits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets.

As required by ASU 2014-16, the Foundation applied the requirements on a retrospective basis in the year of adoption. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as "Unrestricted net assets" have been reclassified to be presented as "Net assets without donor restrictions." Similarly, all amounts previously reported as "Temporarily restricted net assets" and "Permanently restricted net assets" have been reclassified to be presented as "Net assets with donor restrictions." The changes in net assets have been similarly reclassified. There was no change in total net assets or total change in net assets as a result of the adoption of ASU 2014-16.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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, where by 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 statements of activities.

Use 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 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.

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. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

Conditional promises to give are recognized when the conditions are substantially 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, 2018.

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 $1,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Support and Revenues

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated food from food drives, local organizations and fundraising events is recorded as a contribution at its estimated fair market value on the date of the donation. The fair market value is determined by an average value per pound estimate calculated by the Maryland Food Bank.

Revenue Recognition

Event revenue is recorded in the year in which the events are held.

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, 2018, 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 2018.

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 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements 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 benefits allocated 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, 2017, from which the summarized information was derived.

Upcoming Accounting Pronouncements

In May 2014, the FASB issued a new standard, ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. The core principle of the standard is that an entity should recognize revenue when it satisfies a performance obligation at an amount that reflects the consideration the entity expects to receive in exchange for transferring goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard will be effective for the fiscal year beginning January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, Lease Amendments to the FASB Accounting Standards Codification (Topic 842), which amends the recognition of lease assets by organizations. The new standards require a lessee to recognize assets and liabilities for leases with lease terms of 12 or more months, in addition to modifications improvements on lessor accounting, in conjunction with the new guidance on revenue recognition noted above in ASU-2014-09. Additional disclosures will be required for the amount, timing, and uncertainty of cash flows arising from leases, and the standard will be effective for fiscal years beginning January 1, 2020.

Subsequent Events

Management has evaluated subsequent events through April 2, 2019 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, 2018, End Hunger's balances were fully insured.

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2018 are as follows:

Leasehold Improvements	$	138,720
Furniture		16,456
Equipment		144,360
Computer and Software		2,769
		302,305
Accumulated Depreciation and Amortization		(142,048)
Property and Equipment - Net	$	160,257

5. FOOD DONATIONS

End Hunger reports the fair value of food donations over which it has control (i.e., variance power) as unrestricted donations and, shortly thereafter, as expense when distributed to those in need. During the year ended December 31, 2018, End Hunger collected approximately 1,035,000 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 $1.68 to $1.73 during 2018.

During the year ended December 31, 2018, End Hunger distributed approximately 877,000 pounds of donated product.

6. OPERATING LEASE

During 2016, End Hunger entered into a new lease for a warehouse facility and terminated its previous lease for the space. The lease has fixed monthly payments of $4,650 and terminates in May of 2020.

Future minimum lease payments at December 31, 2018, are as follows:

2019	$	55,800
2020		23,250
	$	79,050

Rent expense for the year ended December 31, 2018, was $55,800.

7. 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, 2018, due to purpose restrictions being accomplished.

Changes in net assets with donor restrictions during the year December 31, 2018, are as follows:

	Beginning of Year	Additions	Releases	End of Year
Purpose Restrictions:				
New Warehouse	$ 20,000	$ 19,000	$ (16,522)	$ 22,478
Warehouse Wage Assistance	-	25,000	(150)	24,850
Tax Program Manager	13,500	12,000	(19,500)	6,000
Coffee Shop	-	-	-	-
Food Distribution	646	-	(646)	-
Culinary Students	1,092	-	(1,092)	-
Time Restrictions:	-	45,000	-	45,000
	$ 35,238	$ 101,000	$ (37,910)	$ 98,328

Net assets without donor restrictions for the year ended December 31, 2018 were undesignated.

8. 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 2018, End Hunger recognized revenue and related expense of $132,893 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 statements of activities and functional expenses.

During the year ended December 31, 2018, End Hunger reimbursed the Church approximately $71,157 for expenses paid on End Hunger's behalf. During the year ended December 31, 2018, End Hunger received approximately $38,295 in support from the Church.

End Hunger owed the Church $22,500 as of December 31, 2018. There were no receivables to End Hunger as of December 31, 2018.

9. AVAILABILITY AND LIQUIDITY

The following represents End Hunger's financial assets at December 31, 2018:

Financial Assets at Year End:		
Cash	$	100,392
Accounts Receivable - Net		36,623
Total Financial Assets		137,015
Less Amounts Not Available To Be Used Within One Year:		
Net Assets With Donor Restrictions		98,328
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		(82,328)
Quasi Endowment Established by the Board		-
		16,000
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$	121,015

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.

10. SUBSEQUENT EVENTS

Subsequent to year end, End Hunger executed a $500,000 line of credit to defray certain costs related to the warehouse construction project.