END HUNGER

IN CALVERT COUNTY

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 and the statements of activities 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, 2016, 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 2015 financial statements of End Hunger, and our report dated June 9, 2016, 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, 2015, is consistent, in all material respects, with the 2015 audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended December 31, 2016, is presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Mullin PC

Bethesda, Maryland
May 12, 2017

Certified Public Accountants

End Hunger In Calvert County, Inc.

Statement of Financial Position
December 31, 2016
(With Comparative Totals for December 31, 2015)

	2015	**2016**
Assets		
Cash	$ 70,502	**$ 74,557**
Accounts Receivable - Net	1,600	**-**
Promises to Give - Net	-	**1,090**
Prepaid Expenses	12,274	**8,579**
Donated Food Inventory	-	**104,764**
Property and Equipment - Net	171,359	**148,520**
Total Assets	$ 255,735	**$ 337,510**
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	$ 87,387	**$ 46,804**
Deferred Rent	123,499	**-**
Deferred Revenue	4,720	**1,472**
Total Liabilities	215,606	**48,276**
Net Assets		
Unrestricted	11,007	**192,944**
Temporarily Restricted	29,122	**96,290**
Total Net Assets	40,129	**289,234**
Total Liabilities and Net Assets	$ 255,735	**$ 337,510**

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Activities
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2015	Unrestricted	Temporarily Restricted	Total 2016
Revenues, Support, and Reclassifications				
Event Registration and Sponsorship	$ 252,327	**$ 247,346**	**$ -**	**$ 247,346**
Grants	161,313	**38,561**	**140,485**	**179,046**
Contributions	105,623	**153,966**	**57,500**	**211,466**
Food Donations	701,771	**1,726,333**	**-**	**1,726,333**
Coffee Shop - Revenue	-	**107,372**	**-**	**107,372**
Coffee Shop - Cost of Sales	-	**(59,682)**		**(59,682)**
Other	11,563	**137,153**	**-**	**137,153**
Net Assets Released from Restriction	-	**130,817**	**(130,817)**	**-**
Total Revenues and Support	1,232,597	**2,481,866**	**67,168**	**2,549,034**
Expenses				
Food Assistance (Including Shared Service Expense of $53,000)	1,068,400	**2,060,343**	**-**	**2,060,343**
Coffee Program	-	**103,075**		**103,075**
General and Administrative (Including Shared Service Expense of $45,500)	77,042	**82,582**	**-**	**82,582**
Fundraising	49,512	**53,929**	**-**	**53,929**
Total Expenses	1,194,954	**2,299,929**	**-**	**2,299,929**
Changes in Net Assets	37,643	**181,937**	**67,168**	**249,105**
Net Assets, Beginning of Year	2,486	**11,007**	**29,122**	**40,129**
Net Assets, End of Year	$ 40,129	**$ 192,944**	**$ 96,290**	**$ 289,234**

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2015	**2016**
Cash Flows from Operating Activities		
Change in Net Assets	$ 37,643	**$ 249,105**
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	16,748	**30,899**
Deferred Rent	1,789	**(123,499)**
Loss on Disposal of Property and Equipment	-	**2,918**
Food Donations	(701,771)	**(1,600,890)**
Food Distribution	701,771	**1,496,126**
(Increase) Decrease in Assets		
Accounts Receivable	5,823	**1,600**
Promises to Give - Net	28,820	**(1,090)**
Prepaid Expenses	(8,474)	**3,695**
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	57,750	**(40,583)**
Deferred Revenue	3,120	**(3,248)**
Net Cash Provided by (Used in) Operating Activities	143,219	**15,033**
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(100,590)	**(10,978)**
Net Cash Provided by (Used In) Investing Activities	(100,590)	**(10,978)**
Increase (Decrease) in Cash	42,629	**4,055**
Cash, Beginning of Year	27,873	**70,502**
Cash, End of Year	$ 70,502	**$ 74,557**

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

The financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-For-Profit Entities Topic of the FASB ASC, End Hunger is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. End Hunger had no permanently restricted net asset as of December 31, 2016.

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, 2016.

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)

Deferred Rent

End Hunger leased a warehouse facility under a lease originally set to expire in May 2020. The lease provided two months of free rent and required minimum annual rents with increases every three years. Lease expense is required to be recognized on a straight-line basis over the term of the lease. Accordingly, the amount of rent expense does not coincide with the cash payments which creates a deferred rent liability. The deferred rent liability is being amortized over the term of the lease.

The unamortized deferred rent liability was reported as other income in the amount of $124,095 when the lease was cancelled.

Restricted and Unrestricted Support and Revenues

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

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 purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

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

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.

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, 2016, 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 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 2016.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. General and administrative expenses include those expenses that are not directly identifiable with any specific function, but that provide for the overall support and direction of End Hunger.

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, 2015, from which the summarized information was derived.

Subsequent Events

End Hunger has evaluated subsequent events through May 12, 2017, the date on which the financial statements were available to be issued.

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, 2016, End Hunger's balances were fully insured.

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2016 are as follows:

Leasehold Improvements	$	138,720
Furniture		10,826
Equipment		65,688
Computer and Software		2,769
		218,003
Accumulated Depreciation and Amortization		(69,483)
Property and Equipment - Net	$	148,520

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, 2016, End Hunger collected approximately 958,000 pounds of donated food. The approximate average wholesale value of one pound of donated product at the national level, which was determined to be $1.67 during 2016 was based upon a study performed by Feeding America.

During the year ended December 31, 2016, End Hunger distributed approximately 1.4 million pounds of donated and purchased 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.

The cancellation of the previous lease resulted in other income of $124,095 which represents the unamortized book value of the deferred rent liability.

Future minimum lease payments at December 31, 2016, are as follows:

2017	$	55,800
2018		55,800
2019		55,800
2020		23,250
	$	190,650

Rent expense for the year ended December 31, 2016, was $58,866.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include donor-restricted grants and contributions which are either time restricted or only available for certain program activities. Temporarily restricted net assets were released from restriction during the year ended December 31, 2016, due to purpose restrictions being accomplished.

Changes in temporarily restricted net assets during the year December 31, 2016, are as follows:

	Beginning of Year	Additions	Releases	End of Year
Purpose Restricted	$ 29,122	$ 197,985	$ (130,817)	$ 96,290

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 2016, End Hunger recognized revenue and related expense of $98,500 for contributed services received from the Church based on an allocation of staff time dedicated to End Hunger operations.

During the year ended December 31, 2016, End Hunger reimbursed the Church approximately $6,000 for expenses paid on End Hunger's behalf and received $7,683 in contributions from the Church.

Supplementary Information

End Hunger In Calvert County, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

		2016					
	2015	Food Assistance	Coffee Program	Total Program	Management and General	Fundraising	**Total**
Food Assistance	$ 719,985	$ 1,621,944	$ -	$ 1,621,944	$ -	$ -	**$ 1,621,944**
Personnel Costs	224,760	283,566	79,265	362,831	45,500	-	**408,331**
Occupancy and Utilities	89,898	70,656	7,681	78,337	-	-	**78,337**
Awareness	34,662	26,427	-	26,427	-	-	**26,427**
Client Support	675	1,801	-	1,801	-	-	**1,801**
Depreciation	16,748	30,899	-	30,899	-	-	**30,899**
Pantry Supplies	27,172	25,050	-	25,050	-	-	**25,050**
Professional Services	20,527	-	-	-	28,237	-	**28,237**
Bank and Payroll Fees	7,019	-	-	-	3,157	-	**3,157**
Office Expense	3,996	-	16,129	16,129	5,688	-	**21,817**
Special Events	49,512	-	-	-	-	53,929	**53,929**
Total Expenses	$ 1,194,954	$ 2,060,343	$ 103,075	$ 2,163,418	$ 82,582	$ 53,929	**$ 2,299,929**