END HUNGER

IN CALVERT COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 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, 2019, 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 2018 financial statements of End Hunger, and our report dated April 2, 2019, 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, 2018, is consistent, in all material respects, with the 2018 audited financial statements from which it has been derived.

Mullin PC

Bethesda, Maryland
March XX, 2020

Certified Public Accountants

End Hunger In Calvert County, Inc.

Statement of Financial Position
December 31, 2019
With Comparative Totals As of December 31, 2018

	2018	2019
Assets		
Cash	$ 100,392	**$ 867,565**
Accounts Receivable - Net	36,623	**52,574**
Promises to Give - Net	-	**393,755**
Prepaid Expenses	4,650	**4,650**
Donated Food Inventory	267,180	**118,249**
Property and Equipment - Net	160,257	**429,860**
Total Assets	$ 569,102	**$ 1,866,653**
Liabilities and Net Assets		
Liabilities		
Line of Credit	$ -	**$ 8,962**
Accounts Payable and Accrued Expenses	101,187	**98,697**
Due to Chesapeake Church	-	**50,000**
Total Liabilities	101,187	**157,659**
Net Assets		
Without Donor Restrictions	369,587	**460,357**
With Donor Restrictions	98,328	**1,248,637**
Total Net Assets	467,915	**1,708,994**
Total Liabilities and Net Assets	$ 569,102	**$ 1,866,653**

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Activities
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

	2018	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total
Revenues, Support, and Reclassifications				
Event Registration and Sponsorship	$ 216,189	**$ 213,749**	**$ -**	**$ 213,749**
Grants	207,674	**-**	**1,340,050**	**1,340,050**
Contributions	60,281	**173,894**	**175,703**	**349,597**
Contributions - Shared Services	141,351	**204,038**	**-**	**204,038**
Food Donations	1,993,216	**1,368,511**	**-**	**1,368,511**
Coffee Shop - Revenue	327,486	**380,079**	**-**	**380,079**
Coffee Shop - Cost of Sales	(117,585)	**(136,488)**		**(136,488)**
Other	35,205	**49,492**	**-**	**49,492**
Net Assets Released from Restrictions	-	**365,444**	**(365,444)**	**-**
Total Revenues and Support	2,863,817	**2,618,719**	**1,150,309**	**3,769,028**
Expenses				
Food Assistance (Including Shared Service Expense of $142,827)	2,244,443	**1,979,701**	**-**	**1,979,701**
Coffee Program	264,243	**274,194**	**-**	**274,194**
General and Administrative (Including Shared Service Expense of 61,211)	93,586	**129,039**	**-**	**129,039**
Fundraising	60,415	**145,015**	**-**	**145,015**
Total Expenses	2,662,687	**2,527,949**	**-**	**2,527,949**
Changes in Net Assets	201,130	**90,770**	**1,150,309**	**1,241,079**
Net Assets, Beginning of Year	266,785	**369,587**	**98,328**	**467,915**
Net Assets, End of Year	$ 467,915	**$ 460,357**	**$ 1,248,637**	**$ 1,708,994**

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Functional Expense
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

		2019					
	2018	Food Assistance	Coffee Program	Total Program	Management and General	Fundraising	**Total**
Food Assistance	$1,745,734	$1,533,166	$ -	$1,533,166	$ -	$ -	**$1,533,166**
Personnel Costs	606,732	312,799	234,671	547,470	61,211	71,408	**680,089**
Occupancy and Utilities	87,052	68,044	5,892	73,936	-	-	**73,936**
Awareness	29,216	19,782	-	19,782	-	-	**19,782**
Client Support	1,461	1,967	-	1,967	-	-	**1,967**
Depreciation	36,045	35,273	-	35,273	-	-	**35,273**
Pantry Supplies	6,302	8,670	-	8,670	-	-	**8,670**
Professional Services	30,257	-	-	-	34,509	-	**34,509**
Bank and Payroll Fees	16,443	-	-	-	23,135	-	**23,135**
Office Expense	43,030	-	33,631	33,631	10,184	-	**43,815**
Special Events	60,415	-	-	-	-	73,607	**73,607**
Total Expenses	$2,662,687	$1,979,701	$ 274,194	$2,253,895	$ 129,039	$ 145,015	**$2,527,949**

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

	2018	**2019**
Cash Flows from Operating Activities		
Change in Net Assets	$ 201,130	**$ 1,241,079**
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities		
Depreciation	36,045	**35,273**
Food Donations	(1,993,216)	**(1,368,511)**
Food Distribution	1,726,036	**1,517,442**
(Increase) Decrease in Assets		
Accounts Receivable	(27,287)	**(15,951)**
Promises to Give - Net	-	**(393,755)**
Prepaid Expenses	73	**-**
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	43,323	**(2,490)**
Due to Chesapeake Church	-	**50,000**
Deferred Revenue	(833)	**-**
Net Cash Provided by (Used in) Operating Activities	(14,729)	**1,063,087**
Cash Flows from Investing Activities		
Purchases of Property and Equipment	-	**(304,876)**
Net Cash Provided by (Used in) Investing Activities	-	**(304,876)**
Cash Flows from Financing Activities		
Proceeds from Line of Credit	-	**8,962**
Net Cash Provided by (Used in) Financing Activities	-	**8,962**
Increase (Decrease) in Cash	(14,729)	**767,173**
Cash, Beginning of Year	115,121	**100,392**
Cash, End of Year	$ 100,392	**$ 867,565**

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 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.

Adopted Accounting Pronouncements

During fiscal 2019, End Hunger adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, End Hunger applied the requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

The adoption of ASU 2018-08 did not have a material impact on End Hunger's accounting for contributions or federal grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, End Hunger adopted ASU 2014-09, using the modified retrospective approach. End Hunger applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized.

The five-step model requires End Hunger to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as End Hunger satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by End Hunger in the financial statements.

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.

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.

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.

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, 2019.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

There were no unrecognized conditional contributions or grants as of December 31, 2019.

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, 2019, 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 2019.

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 2019.

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 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 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, 2018, from which the summarized information was derived.

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 2021.

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, 2019, End Hunger's balances exceeded the FDIC limit by approximately $580,000.

4. PROMISES TO GIVE

As of December 31, 2019, promises to give are expected to be collected as follows:

Less Than One Year	$	352,497
Two To Five Years		41,258
	$	393,755

5. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2019 are as follows:

Leasehold Improvements	$	138,720
Furniture		16,456
Equipment		145,397
Computer and Software		5,692
Construction In Progress		300,916
		607,181
Accumulated Depreciation and Amortization		(177,321)
Property and Equipment - Net	$	429,860

Construction in progress represents the capitalized costs of the new warehouse. Depreciation will commence when the warehouse is placed in service.

6. LINE OF CREDIT

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

7. 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, 2019, End Hunger collected approximately 315,000 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 $1.62 to $1.68 during 2019.

During the year ended December 31, 2019, End Hunger distributed approximately 400,000 pounds of donated product.

8. 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, 2019, are $23,250. Rent expense for the year ended December 31, 2019, was $55,800.

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, 2019, due to purpose restrictions being accomplished.

Changes in net assets with donor restrictions during the year December 31, 2019, are as follows:

	Beginning of Year	Additions	Releases	End of Year
Purpose Restrictions:				
New Warehouse	$ 22,478	$ 1,457,762	$ (300,915)	$ 1,179,325
Warehouse Wage Assistance	24,850	-	(18,490)	6,360
Tax Program Manager	6,000	6,000	(12,000)	-
Equipment	-	26,991	-	26,991
Mobile App / Classroom Access	-	20,000	-	20,000
Culinary Workforce	-	5,000	(3,039)	1,961
Time Restrictions:	45,000	-	(31,000)	14,000
	$ 98,328	$ 1,515,753	$ (365,444)	$ 1,248,637

Net assets without donor restrictions for the year ended December 31, 2019 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 2019, End Hunger recognized revenue and related expense of $204,038 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, 2019, End Hunger reimbursed the Church approximately $52,737 for expenses paid on End Hunger's behalf. During the year ended December 31, 2019, End Hunger received approximately $28,114 in support from the Church.

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, 2019.

End Hunger owed the Church $50,000 as of December 31, 2019.

11. AVAILABILITY AND LIQUIDITY

The following represents End Hunger's financial assets at December 31, 2019:

Financial Assets at Year End:		
Cash	$	867,565
Accounts Receivable - Net		52,574
Promises to Give - Net		352,497
Total Financial Assets		1,272,636
Less Amounts Not Available To Be Used Within One Year:		
Net Assets With Donor Restrictions		(1,248,637)
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		1,248,637
Quasi Endowment Established by the Board		-
		-
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$	1,272,636

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.