

END HUNGER

IN CALVERT COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023



Independent Auditor's 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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bethesda, Maryland
November XX, 2024

Certified Public Accountants

End Hunger In Calvert County, Inc.

**Statement of Financial Position
December 31, 2023
With Comparative Totals As of December 31, 2022**

	<u>2022</u>	<u>2023</u>
Assets		
Cash	\$ 425,884	\$ 337,866
Accounts Receivable - Net	80,739	14,910
Promises to Give - Net	138,625	-
Prepaid Expenses	5,774	-
Donated Food Inventory	611,907	330,327
Property and Equipment - Net	<u>6,843,830</u>	<u>7,485,750</u>
Total Assets	<u>\$ 8,106,759</u>	<u>\$ 8,168,853</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 199,776	\$ 84,232
Long-Term Debt	1,028,234	1,479,227
EIDL Note Payable	500,000	500,000
Refundable Advance	<u>500,000</u>	<u>8,757</u>
Total Liabilities	<u>2,228,010</u>	<u>2,072,216</u>
Net Assets		
Without Donor Restrictions	5,727,736	5,983,597
With Donor Restrictions	<u>151,013</u>	<u>113,040</u>
Total Net Assets	<u>5,878,749</u>	<u>6,096,637</u>
Total Liabilities and Net Assets	<u>\$ 8,106,759</u>	<u>\$ 8,168,853</u>

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

**Statement of Activities
For the Year Ended December 31, 2023
With Comparative Totals For the Year Ended December 31, 2022**

	2023			
	<u>2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support, and Reclassifications				
Event Registration and Sponsorship	\$ 216,065	\$ 182,603	\$ -	\$ 182,603
Grants	741,561	857,225	135,349	992,574
Contributions	150,861	191,922	-	191,922
Contributions - In-Kind - Food	1,677,855	2,107,123	-	2,107,123
Contributions - In-Kind - Other	634,478	161,504	-	161,504
Coffee Shop - Revenue	704,223	693,891	-	693,891
Coffee Shop - Cost of Food	(277,717)	(267,140)	-	(267,140)
Other	58,570	32,539	-	32,539
Net Assets Released from Restrictions	-	173,322	(173,322)	-
Total Revenues and Support	<u>3,905,896</u>	<u>4,132,989</u>	<u>(37,973)</u>	<u>4,095,016</u>
Expenses				
Food Assistance (Including Shared Service Expense of \$143,584)	2,701,861	3,238,606	-	3,238,606
Coffee Program	360,142	418,325	-	418,325
General and Administrative (Including Shared Service Expense of \$12,920)	158,217	215,197	-	215,197
Fundraising (Including Shared Service Expense of \$5,000)	5,000	5,000	-	5,000
Total Expenses	<u>3,225,220</u>	<u>3,877,128</u>	<u>-</u>	<u>3,877,128</u>
Changes in Net Assets	680,676	255,861	(37,973)	217,888
Net Assets, Beginning of Year	5,198,073	5,727,736	151,013	5,878,749
Net Assets, End of Year	<u>\$ 5,878,749</u>	<u>\$ 5,983,597</u>	<u>\$ 113,040</u>	<u>\$ 6,096,637</u>

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

**Statement of Functional Expense
For the Year Ended December 31, 2023**

With Comparative Totals For the Year Ended December 31, 2022

2023

	<u>2022</u>	<u>Food Assistance</u>	<u>Coffee Program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Food Assistance	\$ 1,500,891	\$ 2,359,598	\$ -	\$ 2,359,598	\$ -	\$ -	\$2,359,598
Personnel Costs	774,015	493,982	334,151	828,133	12,920	5,000	846,053
Occupancy and Utilities	547,138	101,624	14,133	115,757	-	-	115,757
Awareness	118,358	113,275	-	113,275	-	-	113,275
Client Support	2,195	2,804	-	2,804	-	-	2,804
Depreciation and Amortization	68,621	152,068	-	152,068	588	-	152,656
Pantry Supplies	5,545	15,255	-	15,255	-	-	15,255
Professional Services	49,951	-	-	-	107,748	-	107,748
Bank and Payroll Fees	62,083	-	-	-	31,846	-	31,846
Uncollectible Pledges	19,930	-	-	-	51,348	-	51,348
Office Expense	76,493	-	70,041	70,041	10,747	-	80,788
Total Expenses	<u>\$3,225,220</u>	<u>\$3,238,606</u>	<u>\$ 418,325</u>	<u>\$3,656,931</u>	<u>\$ 215,197</u>	<u>\$ 5,000</u>	<u>\$3,877,128</u>

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

**Statement of Cash Flows
For the Year Ended December 31, 2023
With Comparative Totals For the Year Ended December 31, 2022**

	2022	2023
Cash Flows from Operating Activities		
Change in Net Assets	\$ 680,676	\$ 217,888
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	68,621	152,656
Food Donations	(1,677,855)	(2,107,123)
Food Distribution	1,490,891	2,388,703
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(167,315)	65,829
Promises to Give - Net	186,065	138,625
Prepaid Expenses	(1,124)	5,774
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	38,599	(115,544)
Refundable Advance	500,000	(491,243)
Net Cash Provided by (Used in) Operating Activities	1,118,558	255,565
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(1,187,770)	(306,723)
Net Cash Provided by (Used in) Investing Activities	(1,187,770)	(306,723)
Cash Flows from Financing Activities		
Net Repayment on Line of Credit	(8,962)	-
Principle Payment on Long-Term Debt	-	(36,860)
Net Cash Provided by (Used in) Financing Activities	(8,962)	(36,860)
Increase (Decrease) in Cash	(78,174)	(88,018)
Cash, Beginning of Year	504,058	425,884
Cash, End of Year	\$ 425,884	\$ 337,866
Supplemental Schedule of Non-Cash Transactions:		
Building in Progress financed through Long-Term Debt	\$ 1,028,234	\$ 487,853

See accompanying Notes to Financial Statements.

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2023

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 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 in accordance with the accrual basis of accounting and 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.

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.

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

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, 2023.

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.

Impairment of Long-Lived Assets

End Hunger reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property and equipment are less than its carrying amount, management compares the carrying amount of the property and equipment to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2023.

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, 2023.

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, 2023, End Hunger had no taxable unrelated business income, and accordingly, no provision for income taxes is required in the accompanying financial statements.

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 2023.

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 2023.

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 presents the natural classification detail of expenses by function. Accordingly, the categories of expenses that are attributable to more than one program or supporting function 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, 2022, from which the summarized information was derived.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires End Hunger to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

End Hunger In Calvert County, Inc.

**Notes to Financial Statements
December 31, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through November XX, 2024, 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 in bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. End Hunger's balances in these accounts, from time to time, exceed insurable limits. End Hunger has not experienced any credit losses on its cash to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2023 are as follows:

Leasehold Improvements	\$ 138,720
Furniture	20,148
Equipment	315,197
Computer and Software	20,192
Vehicles	179,070
Buildings - Warehouse	<u>7,301,058</u>
	7,974,385
Accumulated Depreciation and Amortization	<u>(488,635)</u>
Property and Equipment - Net	<u>\$ 7,485,750</u>

Depreciation and amortization expense for the year ended December 31, 2023 was \$152,656.

5. NOTE PAYABLE

End Hunger is obligated under a 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, 2023 was \$500,000.

End Hunger In Calvert County, Inc.

**Notes to Financial Statements
December 31, 2023**

5. NOTE PAYABLE (CONTINUED)

Aggregate maturities of the note payable as of December 31, 2023, are due in future years as follows:

2024	\$	3,692
2025		12,999
2026		13,361
2027		13,733
2028		14,115
Thereafter		<u>442,100</u>
	\$	<u>500,000</u>

6. CONSTRUCTION LOAN

End Hunger entered into a construction loan during the year that provides maximum borrowing of \$1,500,000. The loan is collateralized by End Hunger's assets. The interest rate is 4.25% as of December 31, 2023 and is subject to adjustment every 3 years. The loan is payable over a term loan repayable in 240 monthly payments. The balance at December 31, 2023 is \$1,479,227 and the monthly payment of principal and interest is \$9,267.

Aggregate maturities of the note payable as of December 31, 2023, are due in future years as follows:

2024	\$	50,016
2025		52,184
2026		54,445
2027		56,805
2028		59,266
Thereafter		<u>1,206,511</u>
	\$	<u>1,479,227</u>

7. IN-KIND CONTRIBUTIONS

The Organization received the following gifts-in-kind for the year ended December 31, 2023:

Food Inventory	\$	2,107,123
Warehouse and General Support		<u>161,504</u>
	\$	<u>2,268,627</u>

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2023

7. IN-KIND CONTRIBUTIONS (CONTINUED)

End Hunger's policy related to gifts-in-kind is to utilize the assets given to carry out its mission. If an asset is provided that does not allow End Hunger to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

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, 2023, End Hunger collected approximately 852,000 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 \$1.79 to \$1.93 during 2023.

During the year ended December 31, 2023, End Hunger distributed approximately 1,010,900 pounds of donated product.

End Hunger was provided management and warehouse support from a related entity in the form of employee time and effort. The services received at no cost to End Hunger during the year ended December 31, 2023 were \$161,504

All gifts-in-kind received by the Organization for the year ended December 31, 2023 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

8. 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, 2023, due to purpose restrictions being accomplished.

Changes in net assets with donor restrictions during the year December 31, 2023, are as follows:

	Beginning of Year	Additions	Releases	End of Year
Purpose Restrictions:				
New Warehouse	\$ 80,000	\$ 113,254	\$ (136,322)	\$ 56,932
Equipment	-	2,165	-	2,165
Food Distribution	-	19,930	(6,500)	13,430
Culinary Kitchen	51,013	-	(10,500)	40,513
	<u>\$ 151,013</u>	<u>\$ 135,349</u>	<u>\$ (173,322)</u>	<u>\$ 113,040</u>

End Hunger In Calvert County, Inc.

Notes to Financial Statements December 31, 2023

9. 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 2023, End Hunger recognized revenue and related expense of \$161,504 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, 2023, End Hunger reimbursed the Church approximately \$75,000 for expenses paid on End Hunger's behalf. In addition, End Hunger reimbursed the Church approximately \$162,000 for additional administrative support the Church provided to End Hunger during the year in excess of amounts contributed.

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, 2023. As disclosed in Note 8, the below market land lease was valued at \$449,546 for 2023.

10. AVAILABILITY AND LIQUIDITY

The following represents End Hunger's financial assets at December 31, 2023:

Financial Assets at Year End:

Cash	\$	337,866
Accounts Receivable - Net		<u>14,910</u>
Total Financial Assets		352,776

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions		(113,040)
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		<u>113,040</u>
Quasi Endowment Established by the Board		<u>-</u>
		<u>-</u>

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

\$ 352,776

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.