

ANNE ARUNDEL COUNTY FOOD BANK, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Anne Arundel County Food Bank, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Anne Arundel County Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 Anne Arundel County Food Bank, Inc. as of June 30, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Anne Arundel County Food Bank, Inc. 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 opinions.

Prior Period Financial Statements

The financial statements of Anne Arundel County Food Bank, Inc. as of June 30, 2021 were audited by other auditors whose report dated December 2, 2021 expressed an unmodified opinion on those statements.

Correction of Errors

As discussed in Note 12 to the financial statements, certain errors resulting in an understatement of amounts previously reported as grants receivable, inventory and property as of June 30, 2021 were discovered by management of Anne Arundel County Food Bank, Inc. during the current year. In addition, certain errors resulting in the understatement of amounts previously reported as net assets with donor restrictions as of June 30, 2020 were discovered by management of Anne Arundel County Food Bank, Inc. during the current year. Accordingly, amounts previously reported as grants receivable, inventory, property, net assets, revenue and expenses have been restated in the 2021 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2021 and 2020, to correct the errors. Our opinion was not modified with respect to these matters.

Independent Auditor's Report (Continued)

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 Anne Arundel County Food Bank, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 and *Government 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 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 and *Government 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 Anne Arundel County Food Bank, Inc.'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 Anne Arundel County Food Bank, Inc.'s ability to continue as a going concern for a reasonable period of time.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of Anne Arundel County Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Anne Arundel Food Bank, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anne Arundel Food Bank, Inc.'s internal control over financial reporting and compliance.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
November 22, 2022

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,806,292	\$ 2,879,164
Investments	1,120,051	135,359
Grants receivable	183,100	830,042
Contributions receivable	1,000	2,214
Inventories	472,632	697,043
Prepaid expenses	14,168	4,901
Total Current Assets	<u>4,597,243</u>	<u>4,548,723</u>
Property, net of accumulated depreciation	<u>541,566</u>	497,301
Total Assets	<u>\$ 5,138,809</u>	<u>\$ 5,046,024</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 105,080	\$ 118,340
Deferred revenue	21,912	-0-
Total Current Liabilities	<u>126,992</u>	<u>118,340</u>
Commitments and Contingencies (Notes 9, 10 and 11)		
Net Assets		
Without donor restrictions	4,917,472	3,931,053
With donor restrictions	94,345	996,631
Total Net Assets	<u>5,011,817</u>	<u>4,927,684</u>
Total Liabilities and Net Assets	<u>\$ 5,138,809</u>	<u>\$ 5,046,024</u>

The accompanying notes are an integral part of these financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contributions - government agencies	\$ 2,315,284	\$ -0-	\$ 2,315,284
Grants and contributions - other	2,009,566	120,000	2,129,566
Gifts-in-kind	3,343,444	-0-	3,343,444
Special events, net	39,762	-0-	39,762
Net investment return	(14,114)	-0-	(14,114)
Loss on disposal of property	(1,546)	-0-	(1,546)
Miscellaneous income	3,164	-0-	3,164
Net assets released from restrictions:			
Satisfaction of program restrictions	1,022,286	(1,022,286)	-0-
Total Support and Revenue	8,717,846	(902,286)	7,815,560
Expenses			
Program services	6,935,623	-0-	6,935,623
Supporting services			
Management and general	510,547	-0-	510,547
Fundraising	285,257	-0-	285,257
Total Supporting Services	795,804	-0-	795,804
Total Expenses	7,731,427	-0-	7,731,427
Change in Net Assets	986,419	(902,286)	84,133
Net Assets at Beginning of Year, as originally reported	3,931,053	996,631	4,927,684
Prior Period Adjustment (See Note 12)	-0-	-0-	-0-
Net Assets at Beginning of Year, as restated	3,931,053	996,631	4,927,684
Net Assets at End of Year	\$ 4,917,472	\$ 94,345	\$ 5,011,817

2021

Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,969,069	\$ -0-	\$ 3,969,069
2,351,566	1,223,696	3,575,262
2,631,756	-0-	2,631,756
-0-	-0-	-0-
4,398	-0-	4,398
-0-	-0-	-0-
437	-0-	437
414,165	(414,165)	-0-
<u>9,371,391</u>	<u>809,531</u>	<u>10,180,922</u>
<u>7,206,082</u>	<u>-0-</u>	<u>7,206,082</u>
393,493	-0-	393,493
125,702	-0-	125,702
<u>519,195</u>	<u>-0-</u>	<u>519,195</u>
<u>7,725,277</u>	<u>-0-</u>	<u>7,725,277</u>
<u>1,646,114</u>	<u>809,531</u>	<u>2,455,645</u>
2,472,039	-0-	2,472,039
<u>(187,100)</u>	<u>187,100</u>	<u>-0-</u>
<u>2,284,939</u>	<u>187,100</u>	<u>2,472,039</u>
<u>\$ 3,931,053</u>	<u>\$ 996,631</u>	<u>\$ 4,927,684</u>

The accompanying notes are an integral part of these financial statements.

2021

Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
\$ 3,367,307	\$ -0-	\$ -0-	\$ -0-	\$ 3,367,307
2,937,272	-0-	-0-	-0-	2,937,272
6,304,579	-0-	-0-	-0-	6,304,579
385,335	76,866	52,398	-0-	514,599
39,747	7,929	5,405	-0-	53,081
-0-	-0-	-0-	-0-	-0-
19,839	3,957	2,698	-0-	26,494
444,921	88,752	60,501	-0-	594,174
-0-	148,873	10,165	-0-	159,038
112,322	22,405	15,273	-0-	150,000
136,026	27,134	18,497	-0-	181,657
39,657	7,911	5,393	-0-	52,961
25,964	5,179	3,531	-0-	34,674
17,536	3,498	2,384	-0-	23,418
30,524	6,089	4,151	-0-	40,764
-0-	-0-	-0-	-0-	-0-
51,846	-0-	-0-	-0-	51,846
-0-	1,099	-0-	-0-	1,099
-0-	-0-	-0-	-0-	-0-
-0-	44,452	-0-	-0-	44,452
-0-	28,882	-0-	-0-	28,882
12,080	2,409	1,642	-0-	16,131
12,433	2,482	1,691	-0-	16,606
6,830	1,362	929	-0-	9,121
3,388	676	461	-0-	4,525
5,927	1,182	806	-0-	7,915
562	112	76	-0-	750
1,487	296	202	-0-	1,985
-0-	-0-	-0-	-0-	-0-
-0-	700	-0-	-0-	700
7,206,082	393,493	125,702	-0-	7,725,277
-0-	-0-	-0-	-0-	-0-
\$ 7,206,082	\$ 393,493	\$ 125,702	\$ -0-	\$ 7,725,277

The accompanying notes are an integral part of these financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 84,133	\$ 2,455,645
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized losses (gains) on investments	908	(793)
Unrealized losses (gains) on investments	17,334	(1,727)
Donated stock	(20,112)	-0-
Depreciation	71,876	52,961
Loss on disposal of property	1,546	-0-
Changes in operating assets and liabilities:		
Grants receivable	646,942	(830,042)
Contributions receivable	1,214	(2,214)
Inventories	224,411	(180,262)
Prepaid expenses	(9,267)	3,963
Accounts payable and accrued expenses	(13,260)	100,882
Deferred revenue	21,912	-0-
Net Cash Provided by Operating Activities	<u>1,027,637</u>	<u>1,598,413</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,035,847)	(56,766)
Proceeds from sale and maturity of investments	32,913	6,657
Net proceeds from sale of donated stock	20,112	-0-
Proceeds from disposal of property	2,125	-0-
Purchase of property	(119,812)	(69,224)
Net Cash Used in Investing Activities	<u>(1,100,509)</u>	<u>(119,333)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(72,872)	1,479,080
Cash and Cash Equivalents at Beginning of Year	<u>2,879,164</u>	<u>1,400,084</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,806,292</u></u>	<u><u>\$ 2,879,164</u></u>

The accompanying notes are an integral part of these financial statements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies

The Anne Arundel County Food Bank, Inc. (the Food Bank) is a nonprofit organization incorporated in the State of Maryland on September 11, 1989. The mission of the Food Bank is to fight hunger by assuring that all of those in need, especially children, have access to food and other resources. The Food Bank serves under-resourced residents throughout Anne Arundel County who are facing food insecurity by obtaining nourishing food through food drives and partnerships with government, corporate, and nonprofit entities, and distributing that food through Agency Partners to neighbors in need. The Food Bank also distributes personal and household items, basic necessities, and medical equipment directly to those in need from its warehouse facility located in Crownsville, Maryland.

The accounting and reporting policies of the Food Bank conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Accounting: 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.

Cash and Cash Equivalents: The Food Bank classifies all investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents.

Investments: Investments with readily determinable fair values are reported at fair value in the statements of financial position. Investments whose fair values are not readily determinable are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses on investments are reported in the statements of activities as part of net investment return.

Grants Receivable and Deferred Revenue: Conditional grants are earned and recognized as revenue when the Food Bank has incurred related expenditures, which are reimbursable in accordance with specific grant requirements. Grants earned but not yet received are recorded as grants receivable on the statements of financial position. Grant proceeds received in advance are recorded as deferred revenue until they are earned.

Contributions Receivable: Unconditional promises to give are recorded as contributions receivable and recognized as revenue in the period the pledge is received. Unconditional promises to give in a future period are discounted to this net present value at the time the revenue is recorded. Estimates losses are generally determined from historical collection experience and review of outstanding contributions receivable. Contributions receivable are written off by management when, in their determination, all appropriate collection efforts have been taken. The management of the Food Bank has reviewed its outstanding contributions receivable for collectability and has determined that they are fully collectible; therefore, no allowance for uncollectible contributions receivable has been established.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Inventories: Inventories consists of food, paper products, household and personal items, and other supplies. Inventories that have been purchased, but which have not been distributed, are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Inventories contributed by donors are valued at the appropriate wholesale value which is determined annually by Feeding America.

For purposes of valuing food donated to and distributed by the Food Bank during the year, the Food Bank uses the average wholesale value determined annually by Feeding America in effect at the beginning of the year. For the years ended June 30, 2022 and 2021, inventory received and distributed was valued at \$1.70 and \$1.49 per pound, respectively. Commencing on July 1, 2022 and 2021, the receipt of inventory of food donated is valued at \$1.53 and \$1.70 per pound, respectively, based on the most current average wholesale value determined by Feeding America.

For purposes of valuing non-food donated to and distributed by the Food Bank during the year, the Food Bank uses the average wholesale value determined annually by Feeding America in effect at the beginning of the year. For the years ended June 30, 2022 and 2021, inventory received and distributed was valued at \$5.09 and \$11.71 per pound, respectively. Commencing on July 1, 2022 and 2021, the receipt of inventory of non-food donated is valued at \$9.80 and \$5.09 per pound, respectively, based on the most current average wholesale value determined by Feeding America.

Property: Property is stated at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. The Food Bank capitalizes all acquisitions of more than \$1,000 having an estimated useful life of more than one year. Expenditures for repairs and maintenance are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	15 years
Equipment and fixtures	5 - 7 years
Vehicles	5 years

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition: The Food Bank derives revenue primarily from grants, contributions, special events, and net investment return. Unconditional grants and contributions are recognized in the year the grants and contributions are pledged and/or received. Conditional grants are earned and recognized as revenue in proportion to the related expenditures incurred or when all conditions of the grant have been substantially met. Grants and contributions earned but not yet received are recorded as grants or contributions receivable. Grant proceeds received in advance and not yet earned are recorded as deferred revenue. Special events and investment income are recognized as revenue when earned.

Contributions: Contributions received are recorded with donor restriction or without donor restriction depending on the existence and/or nature of any donor restrictions

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a donor restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities.

Donated Commodities: Donated commodities are reflected in the accompanying financial statements at their estimated fair value at date of receipt.

Donated Services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Food Bank.

A substantial number of unpaid volunteers have made significant contributions of their time and services to the Food Bank. The value of this contributed time is not recorded as a contribution in these financial statements since the recognition criteria was not met.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates such as time and effort or other criteria.

Advertising: Advertising costs are charged to operations when incurred. The Food Bank had no significant direct-response advertising. Advertising expense for the years ended June 30, 2022 and 2021 totaled \$20,122 and \$1,099, respectively.

Income Taxes: The Food Bank is exempt from federal and state income taxes under Internal Revenue Code (IRC) §501(c)(3). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Food Bank had no unrelated business income for the years ended June 30, 2022 and 2021. Accordingly, no provision for income taxes is reflected in these financial statements. The Food Bank's federal exempt organization tax returns are subject to examination by the Internal Revenue Service (IRS), generally for a period of three years after the returns are filed.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain exercise and option to extend the lease or not to exercise an option to terminate the lease. The assets will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact of leases on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which is effective for fiscal years beginning after June 15, 2021. This ASU requires that contributed nonfinancial assets be reported as a separate line item in the statement of activities, as well as disclose the disaggregation of the contributed nonfinancial assets recognized by type, whether they are monetized or utilized during the reporting period, and if utilized, the programs or other activities in which these contributed nonfinancial assets were used. Management has adopted this standard and accordingly, all gifts-in-kind and donated services are separately reported with the required disclosures.

Reclassifications: Certain amounts previously reported in the 2021 financial statements have been reclassified to conform to the financial statement presentation for the year ended June 30, 2022.

Subsequent Events: In preparing these financial statements, the Food Bank has evaluated events and transactions for the potential recognition or disclosure through November 22, 2022, the date the financial statements were available to be issued. During the period July 1, 2022 through November 22, 2022, the Food Bank did not have any other material recognizable subsequent events.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 2: Liquidity

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,806,292	\$ 2,879,164
Investments	1,120,051	135,359
Grants receivable	183,100	830,042
Contributions receivable	1,000	2,214
Less: Net assets with donor restrictions	<u>(94,345)</u>	<u>(996,631)</u>
Financial Assets Available for General Expenditure	<u>\$ 4,016,098</u>	<u>\$ 2,850,148</u>

As part of the Food Bank's liquidity management plan, the Food Bank invests cash in excess of daily requirements in short-term investments.

Note 3: Investments

A summary of the investment portfolio, at fair value, as of June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Government and agency bonds	\$ 990,458	\$ -0-
Certificates of deposit	62,815	82,974
Exchange-traded funds	47,293	44,628
Mutual funds, equity	6,370	6,517
Mutual funds, fixed income	6,158	-0-
Money market funds	6,056	-0-
Cash equivalents	<u>901</u>	<u>1,240</u>
Total Investments	<u>\$ 1,120,051</u>	<u>\$ 135,359</u>

Net investment return, which includes interest earned on cash equivalents, consisted of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 5,118	\$ 2,422
Realized gains (losses) on investments	(908)	793
Unrealized gains (losses) on investments	(17,334)	1,727
Investment fees	<u>(990)</u>	<u>(544)</u>
Net Investment Return	<u>\$ (14,114)</u>	<u>\$ 4,398</u>

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 4: Fair Value Measurement

Generally Accepted Accounting Principles (GAAP) establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Food Bank include the following:

Money Market Funds, Certificates of Deposit and Cash Equivalents: Valued at original cost, which equals fair value.

Mutual Funds and Exchange-Traded Funds: Valued at the last sales price reported on the active market in which the individual fund is traded.

Government and Agency Bonds: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

In determining the appropriate levels, the Food Bank performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 4: Fair Value Measurement (Continued)

The table below represents the balances of assets as of June 30, 2022 measured at fair value on a recurring basis by level within the hierarchy:

	2022			
	Total	Level 1	Level 2	Level 3
Government and agency bonds	\$ 990,458	\$ -0-	\$ 990,458	\$ -0-
Certificates of deposit	62,815	-0-	62,815	-0-
Exchange-traded funds	47,293	47,293	-0-	-0-
Mutual funds, equity	6,370	6,370	-0-	-0-
Mutual funds, fixed income	6,158	6,158	-0-	-0-
Money market funds	6,056	6,056	-0-	-0-
Cash equivalents	901	901	-0-	-0-
Total Investments	\$ 1,120,051	\$ 66,778	\$ 1,053,273	\$ -0-

The table below represents the balances of assets as of June 30, 2021 measured at fair value on a recurring basis by level within the hierarchy:

	2021			
	Total	Level 1	Level 2	Level 3
Certificates of deposit	\$ 82,974	\$ -0-	\$ 82,974	\$ -0-
Exchange-traded funds	44,628	44,628	-0-	-0-
Mutual funds, equity	6,517	6,517	-0-	-0-
Cash equivalents	1,240	1,240	-0-	-0-
Total Investments	\$ 135,359	\$ 52,385	\$ 82,974	\$ -0-

Note 5: Property

Property consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Leasehold improvements	\$ 359,712	\$ 330,482
Equipment and fixtures	293,487	249,177
Vehicles	175,496	265,838
Construction in progress	16,345	-0-
Total cost	845,040	845,497
Less: Accumulated depreciation	(303,474)	(348,196)
	\$ 541,566	\$ 497,301

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 6: Inventories

Inventories of donated and purchased items as of June 30, 2022 and 2021 consist of the following:

	2022	2021
Food	\$ 237,297	\$ 289,711
Paper products	171,990	217,890
Household and personal products	33,045	138,186
Chemicals	9,503	4,032
Food held under The Emergency Food Assistance Program (TEFAP)	8,755	14,904
Medical equipment	6,325	25,692
Pet supplies	5,717	6,628
Total Inventories	\$ 472,632	\$ 697,043

Note 7: Net Assets

Net Assets without Donor Restrictions:

Net assets without donor restrictions for general operations - consists of the resources and obligations related to the daily operations of the Food Bank.

Net Assets with Donor Restrictions:

The Food Bank has several donor restricted funds, which may be fully expended but only for the purpose established by the respective donors.

Net assets with donor restrictions were available for the following purposes as of June 30, 2022:

	2021	Current Year Activity		2022
		Contributions	Released From Restrictions	
Subject to expenditure for specified purpose:				
Organizational capacity building (Deerbrook)	\$ 632,964	\$ 50,000	\$ (588,619)	\$ 94,345
Baby pantries and childrens food	32,596	40,000	(72,596)	-0-
Food distribution	119,432	30,000	(149,432)	-0-
COVID relief	176,497	-0-	(176,497)	-0-
Other program services	35,142	-0-	(35,142)	-0-
	\$ 996,631	\$ 120,000	\$ (1,022,286)	\$ 94,345

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 7: Net Assets (Continued)

Net assets with donor restrictions were available for the following purposes as of June 30, 2021:

	2020	Prior Year Activity		2021
		Contributions	Released From Restrictions	
Subject to expenditure for specified purpose:				
Organizational capacity building (Deerbrook)	\$ -0-	\$ 917,850	\$ (284,886)	\$ 632,964
COVID relief	123,050	63,405	(9,958)	176,497
Food distribution	34,050	142,995	(57,613)	119,432
Baby pantries and childrens food	-0-	32,596	-0-	32,596
Other program services	30,000	66,850	(61,708)	35,142
	<u>\$ 187,100</u>	<u>\$ 1,223,696</u>	<u>\$ (414,165)</u>	<u>\$ 996,631</u>

Note 8: Gifts-In-Kind

Contributed nonfinancial assets recognized within the statements of activities for the years ended June 30, 2022 and 2021 included the following:

	2022	2021
Food and supplies	\$ 3,095,618	\$ 2,465,046
Rent	150,000	150,000
Special events	34,152	-0-
Medical equipment	15,234	16,710
Information technology	24,076	-0-
Advertising	7,750	-0-
Campaign expenses	7,000	-0-
Consultants	4,894	-0-
Professional fees	4,720	-0-
Total	<u>\$ 3,343,444</u>	<u>\$ 2,631,756</u>

Donated commodities, which include food, supplies and medical equipment, are recorded at their estimated fair value on the date of receipt (see Note 1) and are used in the Food Bank's program services to further the Food Bank's mission of providing for needy families in the Maryland area.

Donated rent is recorded at its estimated fair value based on comparable per square foot rental prices in the Food Bank's surrounding area and are allocated in the statements of functional expenses based on estimates such as time and effort or other criteria.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 8: Gifts-In-Kind (Continued)

Donated special events includes venue, food and beverage, entertainment and other direct costs to donors to attend the Food Bank’s annual fundraising event. These costs are recorded at their estimated fair value, typically provided by the donor, on the date of receipt and are included in the statements of functional expenses in cost of direct benefits to donors and netted within special events on the statements of activities.

Donated services include information technology, advertising, campaign costs, accounting and legal services (professional fees), and other consultants. These costs are recorded at their estimated fair value, typically provided by the service provider, on the date of receipt and are included in their respective natural classification on the statements of functional expenses and allocated as follows in their respective functional classification:

	Program Services	Management and General	Fundraising	Total
Information technology	\$ 14,807	\$ 5,227	\$ 4,042	\$ 24,076
Advertising	-0-	-0-	7,750	7,750
Campaign expenses	-0-	-0-	7,000	7,000
Consultants	-0-	3,444	1,450	4,894
Professional fees	-0-	4,720	-0-	4,720
Total	\$ 14,807	\$ 13,391	\$ 20,242	\$ 48,440

Note 9: Commitments

The Food Bank entered into a non-cancelable lease agreement with the State of Maryland to lease warehouse and office space in Crownsville, Maryland which expires on September 30, 2034 and requires annual lease payments of \$1 per year. In addition to the annual rent for this space, the lease requires as additional rent, the Food Bank’s proportionate share of operating expenses of the landlord, as defined in the lease agreement. The fair value rent under this lease agreement has been determined to be \$150,000 per year (see Note 8).

Note 10: Retirement Plan

The Food Bank sponsors a salary reduction retirement plan that qualifies under Section 403(b) of the IRC and covers all employees other than those who normally work fewer than 20 hours per week. Eligible employees may contribute to the plan up to the maximum dollar amount allowed by the IRC. Employee contributions are 100% vested immediately. Employer contributions are vested on a tiered schedule as outlined in the plan agreement. Under the plan, the employer contributions to the plan are a specified match of participating employees’ elective contributions (50% of each dollar contributed up to a maximum of 6% of eligible compensation). The plan became effective December 1, 2020. Total pension expense for the years ended June 30, 2022 and 2021 was \$5,924 and \$-0-, respectively.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 11: Other Matters

Cash and Cash Equivalents: The Food Bank maintains its cash balances at one financial institution. Periodically during the year, the Food Bank's cash balances may exceed federally insured limits. The Food Bank has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Investment Risk: The Food Bank invests in professionally managed portfolio that may contain government and agency bonds, certificates of deposit, exchange-traded funds, mutual funds, and other investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, have had far reaching social, economic and financial impacts on the country. The pandemic continues at this time and the impact on the operations and the financial status of the Food Bank cannot be determined.

Note 12: Prior Period Adjustments

During the year ended June 30, 2022, management determined that the donor restricted net asset balance at the end of June 30, 2020 was understated by \$187,100 and the net assets without donor restrictions was overstated by that same amount on the financial statements. As a result, management has recorded a prior period adjustment to correct this error. Management also determined that the financial statements as of and for the year ended June 30, 2021 had the following errors: the amount recognized for grants and contributions receivable as of June 30, 2021 was understated by \$32,558 resulting in an understatement of grant and contribution revenue from government agencies in the same amount; the amount recognized as property, net of accumulated depreciation, was understated by \$13,987 resulting in an overstatement of depreciation in the same amount; and the amount recognized as inventory was understated by \$97,921 resulting in an overstatement of the value of donated goods distributed. As a result, the Food Bank has recorded a prior period adjustment to correct these errors. In addition, the financial statements for the year ended June 30, 2021 have been restated to properly reflect the recording of certain revenue and expense items that determine the proper classification of net assets with and without donor restrictions.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 12: Prior Period Adjustments (Continued)

The following is a summary of the effect of the prior period adjustment as of June 30, 2020 and the restatements on the financial statements for the year ended June 30, 2021.

	As Previously Reported	Effect of Restatements and Adjustments	As Restated
<u>Prior Period Adjustment:</u>			
Net assets at June 30, 2020:			
Without donor restrictions	\$ 2,472,039	\$ (187,100)	\$ 2,284,939
With donor restrictions	-0-	187,100	187,100
	<u>\$ 2,472,039</u>	<u>\$ -0-</u>	<u>\$ 2,472,039</u>
<u>Restatement of 2021 Financial Statements</u>			
<u>Statement of Activities</u>			
<u>Without Donor Restrictions</u>			
<u>Support and Revenue</u>			
Grants and contributions - government agencies	\$ 3,835,761	\$ 133,308	\$ 3,969,069
Grants and contributions - other	3,840,043	(1,488,477)	2,351,566
Gifts-in-kind	1,643,700	988,056	2,631,756
Net investment return	4,942	(544)	4,398
Miscellaneous income	437	-0-	437
Net assets released from restrictions			
Satisfaction of program restrictions	-0-	414,165	414,165
	<u>\$ 9,324,883</u>	<u>\$ 46,508</u>	<u>\$ 9,371,391</u>
<u>Total Expenses</u>			
Program services	\$ 7,188,166	\$ 17,916	\$ 7,206,082
Management and general	551,041	(157,548)	393,493
Fundraising	98,522	27,180	125,702
	<u>7,837,729</u>	<u>(112,452)</u>	<u>7,725,277</u>
	<u>\$ 1,487,154</u>	<u>\$ 158,960</u>	<u>\$ 1,646,114</u>

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Financial Statements
June 30, 2022 and 2021

Note 12: Prior Period Adjustment (Continued)

	As Previously Reported	Effect of Restatements and Adjustments	As Restated
<u>Restatement of 2021 Financial Statements (Continued)</u>			
With Donor Restrictions			
Support and Revenue			
Grants and contributions - government agencies	\$ 100,750	\$ (100,750)	\$ -0-
Grants and contributions - other	723,275	500,421	1,223,696
Net assets released from restrictions			
Satisfaction of program restrictions	-0-	(414,165)	(414,165)
Total With Donor Restrictions	\$ 824,025	\$ (14,494)	\$ 809,531
Change in Net Assets			
Without donor restrictions	\$ 1,487,154	\$ 158,960	\$ 1,646,114
With donor restrictions	824,025	(14,494)	809,531
Total Change in Net Assets	\$ 2,311,179	\$ 144,466	\$ 2,455,645
<u>Statement of Financial Position</u>			
Assets			
Cash and cash equivalents	\$ 2,962,138	\$ (82,974)	\$ 2,879,164
Investments	52,385	82,974	135,359
Accounts receivable	799,698	(799,698)	-0-
Grants receivable	-0-	830,042	830,042
Contributions receivable	-0-	2,214	2,214
Inventories	599,122	97,921	697,043
Prepaid expenses	4,901	-0-	4,901
Property, net of accumulated depreciation	483,314	13,987	497,301
Total Assets	\$ 4,901,558	\$ 144,466	\$ 5,046,024

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Directors
Anne Arundel County Food Bank, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Anne Arundel County Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Anne Arundel County Food Bank, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Anne Arundel County Food Bank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Anne Arundel County Food Bank Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompany schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings #2022-01 and Finding #2022-02 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding #2022-03 to be a significant deficiency.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anne Arundel County Food Bank, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Anne Arundel County Food Bank Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Anne Arundel County Food Bank, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Anne Arundel County Food Bank, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
November 22, 2022

ANNE ARUNDEL COUNTY FOOD BANK, INC.

SUPPLEMENTARY INFORMATION

JUNE 30, 2022 AND 2021

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (Allowable)
U.S. Department of Agriculture - Food Distribution Cluster				
Passed through Maryland Department of Human Services				
Passed through The Maryland Food Bank, Inc.				
Emergency Food Assistance Program (Administrative Costs)	10.568	Not Available	\$ 16,619	\$ 118,665
Passed through The Maryland Food Bank, Inc.				
Emergency Food Assistance Program (Food Commodities)	10.569	Not Available	<u>796,074</u>	<u>796,074</u>
Total U.S. Department of Agriculture - Food Distribution Cluster			<u>812,693</u>	<u>914,739</u>
U.S. Department of the Treasury				
Passed through Arundel Community Development Services, Inc.				
Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Available	-0-	1,393,000
U.S. Department of Homeland Security				
Passed through Federal Emergency Management Agency				
Emergency Food and Shelter National Board Program	97.024	377600-007	<u>-0-</u>	<u>7,545</u>
Total Expenditures of Federal Awards			<u>\$ 812,693</u>	<u>\$ 2,315,284</u>

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Anne Arundel County Food Bank, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Anne Arundel County Food Bank, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Anne Arundel County Food Bank, Inc.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Anne Arundel County Food Bank, Inc. has elected to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance**

To the Board of Directors
Anne Arundel County Food Bank, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Anne Arundel County Food Bank, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Anne Arundel County Food Bank, Inc.'s major federal programs for the year ended June 30, 2022. Anne Arundel County Food Bank, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Anne Arundel County Food Bank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Anne Arundel County Food Bank, Inc. and to meet our ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Anne Arundel County Food Bank, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Anne Arundel County Food Bank, Inc.'s federal programs.

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance (Continued)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Anne Arundel County Food Bank, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Anne Arundel County Food Bank, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing the audit in accordance with generally accepting auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include including examining, on a test basis, evidence regarding Anne Arundel County Food Bank, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Anne Arundel County Food Bank, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Anne Arundel County Food Bank, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control that we identified during the audit.

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance (Continued)**

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of finding and questioned costs as Findings #2022-04 and #2022-05. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Anne Arundel County Food Bank, Inc.'s response to noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Anne Arundel County Food Bank, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings #2022-04 and #2022-05 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Anne Arundel County Food Bank, Inc.'s response to the internal control over compliance findings identified in our audit in the accompanying schedule of findings and questioned costs.

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance (Continued)**

Report on Internal Control over Compliance (Continued)

Anne Arundel County Food Bank, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
November 22, 2022

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Anne Arundel County Food Bank, Inc. were prepared in accordance with GAAP.
2. Two material weaknesses and one significant deficiency disclosed during to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instance of noncompliance material to the financial statements of Anne Arundel County Food Bank, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Two significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Anne Arundel County Food Bank, Inc. expresses an unmodified opinion of all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were: Emergency Food Assistance Program (Administrative Costs #10.568 and Food Commodities #10.569), which are part of the Food Distribution Cluster, and Coronavirus State and Local Fiscal Recovery Funds (#21.027).
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Anne Arundel County Food Bank, Inc. did not qualify as a low-risk auditee as defined by the Uniform Guidance.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Findings - Financial Statement Audit

Finding #2022-01 - Internal Control over Year-End Inventory

Statement of Condition: During our testing of your internal control policies and procedures over year-end inventory, we noted several areas where appropriate year-end inventory controls were either missing or not functioning properly in order to mitigate risks related to potential misstatements or fraud.

The primary issues related to the year-end physical inventory controls established and the calculation and review functions performed by the Warehouse and Facility Manager. During our initial physical inventory observation, we noted instances where physical inventory counts of items performed by warehouse staff were either incorrectly counted or weighed. In addition, numerous pallets were misnumbered causing warehouse staff to capture counts on incorrect lines of the count sheets provided by the Warehouse and Facility Manager. At one point during the initial inventory observation, it was determined that one entire room of the warehouse was incorrectly weighed and recounts had to be reperformed. As a result, a secondary physical inventory observation was required to be performed by us. During our audit testing of the physical inventory at year-end, we noted several instances where recounts performed by us during the physical inventory observations were not corrected on the calculation sheets prepared by the Warehouse and Facility Manager. In addition, prices or calculations were missing on the spreadsheets. As a result, the year-end inventory was miscalculated at June 30, 2022 and had to be adjusted during our audit.

Criteria: In accordance with generally accepted accounting principles, the Food Bank is required to perform a physical inventory count at year end to determine that inventory is accurately valued for financial reporting. A critical part of this inventory count is the establishment of appropriate internal control policies and procedures, including the monitoring of their implementation.

Cause: Management did not have proper documentation of their inventory control procedures, did not properly train the staff performing the counts and did not properly monitor the physical inventory count process. In addition, there was no oversight in place to ensure the financial records related to inventory were being properly corrected and reconciled in the general ledger based on the counts performed at year-end.

Effect: As a result of the errors noted above, certain inventory had to be recounted and the financial statements as of and for the year ended June 30, 2022 were misstated. The Food Bank's inventory was understated by \$15,340 and related expenses were over by \$15,340.

Recommendation: We recommend that management fully implement and adopt strict internal control policies and procedures over year-end inventory as well as conduct a training for employees that are to perform the physical inventory counts. In addition, we recommend that someone other than the Warehouse and Facility Manager review the final year-end physical inventory count sheets to ensure all lines are completed and calculations are performed correctly.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Finding #2022-01 - Internal Control over Year-End Inventory (Continued)

Views of Responsible Officials and Planned Corrective Actions: While some financial processes and internal controls were in place before the audit, the organization acknowledges that there is an opportunity for improvement, including the development of enhanced internal control policies and procedures over year-end inventory as well as designing and implementing training of those individuals completing the physical inventory count. Without a standard operating procedure in place, there was inconsistency in the year-end inventory count, resulting in numerous discrepancies at the time of the FY22 year-end inventory count.

A written Year-End Inventory Count and Monthly Inventory Management Procedures document has been created and will be implemented effective December 1, 2022. It requires training for employees performing physical inventory, random control testing by Management, and new procedures to conduct monthly inventory counts on alternating commodities throughout the warehouse. Monthly inventory checks completed by the Warehouse and Facilities Manager and reviewed by Management will begin in December 2022; the results of the monthly inventory checks will be documented, and a hard copy of the results will be maintained by Management. The Bookkeeper will review the final year-end physical inventory count sheets to ensure all lines are completed and calculations are performed correctly.

Finding #2022-02 - Review of Journal Entries

Statement of Condition: During our testing of journal entries, we noted that the Bookkeeper performs all journal entries in QuickBooks on a recurring and non-recurring basis. These journal entries are not reviewed or approved by someone other than the Bookkeeper.

Criteria: In order to ensure journal entries are appropriate and have been posted correctly in the general ledger, they should be reviewed and approved by someone other than the Bookkeeper. This is extremely important for any nonrecurring journal entries posted in the general ledger. In addition, a journal entry report should be generated from the accounting software on a monthly basis.

Cause: Management did not consistently review all journal entries prepared by the Bookkeeper.

Effect: By not having a proper review and approval process, there exists the possibility of financial errors or potential fraud occurring and not being detected.

Recommendation: We recommend that all journal entries, along with supporting documentation, be formally reviewed and approved, in writing, by someone other than the Bookkeeper. It is important that a monthly journal entry report be generated directly from the accounting software and that all supporting documentation be provided to management for review. In addition, we recommend that management verify that the sequence of journal entries have been accounted for including the beginning and ending journal entries between months.

Views of Responsible Officials and Planned Corrective Actions: While some financial processes and internal controls were in place before the audit, the organization acknowledges that there is an opportunity for improvement, including the introduction of numbered journal entries and the review by Management on an ongoing basis.

As of November 1, 2022, all journal entries dating back to July 1, 2022 will be assigned a number, and a monthly journal entry report and copy of the support for each journal entry (corresponding numbers printed on backup) will be sent to Management to review. Management will confirm their review no later than 45 days after the month's end. A board representative from the Finance Committee will review the journal entries on at least a quarterly basis and will confirm their review no later than 45 days after the quarter's end.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Finding #2022-03 - Net Assets and Restricted Contribution Tracking and Reconciliations

Statement of Condition: During our audit, we noted that the Bookkeeper was tracking restricted donations and releases of restrictions; however, there were several calculation errors within the documentation provided and net assets with donor restrictions as of June 30, 2021 and 2020 were incorrectly presented in the prior issued financial statements.

Criteria: In accordance with generally accepted accounting principles, the Food Bank is required to track restricted contributions and their subsequent releases from restrictions in order to properly reflect net assets with donor restrictions at year-end.

Cause: Management did not have a proper understanding of restricted net assets and how restricted donor contributions and their subsequent releases should be tracked and recorded in the accounting software.

Effect: As a result of the errors noted above, the financial statements as of and for the year ended June 30, 2021 were misstated. The beginning net assets with donor restrictions as of July 1, 2020 were understated by \$187,100. The net assets with donor restrictions as of June 30, 2021 were overstated by \$14,494. The net effect of the errors on net assets with donor restrictions was \$172,606 as of June 30, 2021.

Recommendation: We recommend that the Bookkeeper and management review all grant and contribution agreements and/or support as they are received. When grants and contributions with donor restrictions are recorded in the general ledger, they should be recorded in a separate account called restricted grants and contributions to differentiate them from unrestricted grants and contributions. Management should review and reconcile the amounts recorded in the general ledger as restricted grants and contributions to the spreadsheets provided by the Bookkeeper. In addition, management should review the restricted grants and contribution schedule to ensure that calculation errors do not exist and formulas are used within the spreadsheet as opposed to hard-keyed data. Finally, management should review and approve the amounts recorded as releases from donor restrictions to ensure that these amounts comply with the intent of the donors.

Views of Responsible Officials and Planned Corrective Actions: In the previous fiscal year, the restricted funds were allocated to restricted revenue accounts in QuickBooks and a spreadsheet of restricted revenue released from restrictions was updated regularly by the bookkeeper. Management acknowledges that there was inconsistency between QuickBooks and the schedule, that there was no consistent reconciliation of the two, and that management was not regularly checking the spreadsheet to ensure no calculation errors existed.

The organization will continue to record restricted revenue separately from unrestricted revenue in QuickBooks, maintain restricted classes in QuickBooks and compare those classes to the restricted grants and contributions spreadsheet that is regularly updated. Effective November 1, 2022, every month, Management will review and reconcile the amounts recorded in the general ledger as restricted grants and contributions to the spreadsheets provided by the Bookkeeper. Management will confirm their review no later than 45 days after the month's end. Also, effective November 1, 2022, each month, Management will review the restricted grants and contributions spreadsheet to ensure formulas are used and calculation errors do not exist.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Findings and Questioned Costs - Major Federal Award Programs Audit

Finding #2022-04 - Equipment/Real Property Management

Food Distribution Cluster: Emergency Food Assistance Program (Administrative Costs) (Assistance Listing #10.568) and Emergency Food Assistance Program (Food Commodities) (Assistance Listing #10.569)

Statement of Condition: During our testing of internal control policies and procedures over equipment/real property management, we noted management had not created internal control policies and procedures to ensure the organization was in compliance with equipment/real property management. As a result, we noted that management was not properly tracking property purchased by federal grant funds per the OMB compliance requirements and the Code of Federal Regulations (2 CFR Part 200 Subpart D).

Criteria: In accordance with the OMB compliance requirements and the Code of Federal Regulations (2 CFR Part 200 Subpart D), management must create and monitor internal control policies and procedures to ensure that property records are maintained for all property purchased using federal grant funds. Adequate maintenance procedures must also be developed to keep the property in good condition. In addition, a physical inventory of the property purchased by federal grant funds is required.

Cause: Management did not have the proper internal control policies and procedures to monitor property purchased using federal grant funds nor did they have a proper understanding of equipment/real property management requirements. Therefore, they did not maintain an adequate listing of the property that was purchased with federal grant funds

Effect: Appropriate records were not maintained for previously purchased property using federal grant funds.

Recommendation: We recommend that management maintain documentation for all property purchased using federal grant funds. These records must include a description of the property, the serial number or other identification number, source of funding (including federal award identification number), who holds title, acquisition date, cost, location, use and condition of property, and any disposition data. In addition, procedures should be developed to ensure that routine maintenance is being completed on a timely basis. Documentation of this maintenance should be maintained within the property records. In addition, a physical inventory of the property purchased by federal grant funds should be performed on a routine basis and reconciled with the property records at least once every two years.

Views of Responsible Officials and Planned Corrective Actions: Before FY2021, the organization had not received federal funding to purchase equipment. In October 2022, the Organization's Bookkeeper updated the Fixed Asset Schedule to meet OMB compliance requirements. A schedule of preventative maintenance will be created and implemented by November 1, 2022, and maintained regularly by the Warehouse and Facilities Manager. A hard copy of all maintenance records will be retained by Management. On at least a quarterly basis, Management will review the schedule of preventative maintenance as well as the maintenance records.

ANNE ARUNDEL COUNTY FOOD BANK, INC.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Finding #2022-05 - Procurement and Suspension and Debarment

Food Distribution Cluster: Emergency Food Assistance Program (Administrative Costs) (Assistance Listing #10.568) and Emergency Food Assistance Program (Food Commodities) (Assistance Listing #10.569)

Statement of Condition: During our testing of internal control policies and procedures over procurement and suspension and debarment, we noted that management had established a formal purchasing policy, however, the policy did not address suspension and debarment and no procedures were established to ensure that purchases or subawards made under covered transactions were not made to parties that were suspended or debarred.

Criteria: In accordance with the OMB compliance requirements and the Code of Federal Regulations (2 CFR 200.214), management must create and monitor internal control policies and procedures to ensure that when the organization enters into a covered transaction with a vendor or subrecipient, policies and procedures are performed to ensure that the vendor or subrecipient is not suspended or debarred or otherwise excluded from participating in the transaction.

Cause: Management did not have the proper internal control policies and procedures to monitor vendors or subrecipients nor did they have a proper understanding of suspension and debarment requirements under the OMB compliance requirements and the Code of Federal Regulations (2 CFR 200.214).

Effect: As a result, the client was not in compliance with the suspension and debarment attribute as required. Fortunately, no vendors utilized during the year ended June 30, 2022 were listed as suspended or debarred.

Recommendation: We recommend that management develop procedures to ensure suspension and debarment procedures are performed for all new vendors and subrecipients. In addition, recurring vendors and subrecipients should be monitored annually to ensure there is no suspension or debarment of that vendor or subrecipient. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at www.sam.gov, (2) collecting a certification from the entity, or (2) adding a clause or condition to the covered transaction with that vendor or subrecipient.

Views of Responsible Officials and Planned Corrective Actions: In December 2021, the Organization's Board of Directors approved and adopted a procurement policy for the organization. The organization acknowledges that there is an opportunity for improvement of this policy, specifically to address suspension and debarment, and to establish procedures to ensure that purchases and subawards made under covered transactions are not made to parties that are suspended or debarred.

Management has created a Vendor Monitoring Tracking spreadsheet and effective November 1, 2022, this spreadsheet will be maintained by the Bookkeeper to document that new and existing vendors are monitored to verify that the vendor is not debarred, suspended, or otherwise excluded or ineligible for participation in Federal assistance programs or activities. Vendor status will be verified before using a new vendor and on an annual basis for existing vendors. Documentation of findings will be copied, saved, and retained. On at least a quarterly basis, Management will review the vendor monitoring tracking spreadsheet and documentation of findings. The Organization's procurement policy will be updated by November 1, 2022, to reflect the adoption of this procedure to address suspension and debarment.

Summary Schedule of Prior Audit Findings

None.



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**ANNE ARUNDEL COUNTY FOOD BANK, INC.
REPORT TO THE BOARD OF DIRECTORS
JUNE 30, 2022**

November 22, 2022

To the Board of Directors
Anne Arundel County Food Bank, Inc.

We have audited the financial statements of Anne Arundel County Food Bank, Inc. (the Food Bank) as of and for the year ended June 30, 2022 and have issued our report thereon dated November 22, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 26, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Food Bank are described in Note 1 to the financial statements. As described in Note 1, the Food Bank adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Accordingly, these accounting changes have been retrospectively applied to prior periods presented as if the standard has always been used. We noted no transactions entered into by the Food Bank during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- a) Management utilizes the Feeding America *Product Value Survey* to value donated inventory received, distributed and on hand at year end. This annual study is conducted on a calendar year basis and establishes an average value of donated items using statistical data based on donations throughout that year. The value of average donations can vary significantly based on the product mix of donations. The actual value of donated inventory received, distributed and on hand at year end that is actually handled by the Food Bank could vary significantly from the national averages due to product mix not mirroring national averages. The product value survey also represents a six-month lag in valuation data between the period of the survey and the Food Bank's fiscal year.

To the Board of Directors of
Anne Arundel County Food Bank, Inc.

Page Two

November 22, 2022

Qualitative Aspects of Accounting Practices (Continued)

- b) Depreciation is computed utilizing the straight-line method over the estimated useful lives of the property, which are based on historical experience with similar items.
- c) The functional allocation of expenses include certain costs that cannot be specifically allocated to a particular function but which benefit more than one functional category. As a result, these costs are allocated to program, management and general, and fundraising based on estimates of time and effort, square footage or other criteria.

We evaluated the key factors and assumptions used to develop the estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were:

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expenses
To capitalize various repairs and maintenance costs to leasehold improvements.	\$ 52,160	\$ -0-	\$ 52,160	\$ -0-	\$ (52,160)
To record a prior period adjustment for grant revenue recorded in the wrong period.	-0-	-0-	-0-	(32,558)	-0-
To record a prior period adjustment to correct accumulated depreciation for incorrect useful lives used.	13,987	-0-	13,987	-0-	-0-
To adjust accumulated depreciation, depreciation, and loss on disposal to actual amounts.	(6,070)	-0-	(6,070)	(483)	5,587
To adjustment accrued vacation to actual balance at year end.	-0-	3,630	(3,630)	-0-	3,630
To adjust accrued payroll and taxes to actual year end balance.	-0-	13,864	(13,864)	-0-	13,864
To record in-kind goods and services per schedules prepared by client.	-0-	-0-	-0-	200,440	200,440
To record a prior period adjustment related to incorrect values used for donated food at June 30, 2020.	-0-	-0-	-0-	-0-	97,921
To adjust inventory to actual year end balance.	15,340	-0-	15,340	-0-	(15,340)
Total Statement of Activities Effect				\$ 167,399	\$ 253,942
Total Statement of Financial Position Effect	\$ 75,417	\$ 17,494	\$ 57,923		

To the Board of Directors of
Anne Arundel County Food Bank, Inc.

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November 22, 2022

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2022. See Exhibit A for a copy of the signed letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Food Bank's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Food Bank's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Anne Arundel County Food Bank, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Gross, Mendelsohn & Associates, P. A.

To the Board of Directors of
Anne Arundel County Food Bank, Inc.

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November 22, 2022

**Exhibit A – Certain Written Communications Between Management and Our Firm
Signed Letter of Representation**



ANNE ARUNDEL COUNTY
FOOD BANK

Fighting hunger and feeding hope
throughout Anne Arundel County

November 22, 2022

Gross Mendelsohn & Associates, P.A.
1801 Porter St, Suite 500
Baltimore, MD 21230

This representation letter is provided in connection with your audit of the financial statements of Anne Arundel County Food Bank, Inc. (the Food Bank), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the disclosures (collectively, the financial statements), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 22, 2022, the following representations made to you during your audits.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter April 19, 2022 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP, as applicable.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Food Bank's accounts.

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- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Food Bank is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP, as applicable.
- 12) As part of your audit, you assisted with the preparation of the financial statements, disclosures and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures and schedule of expenditures of federal awards.

Information Provided

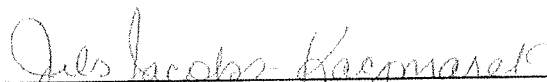
- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Food Bank from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements or the schedule of expenditures of federal awards.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) We have no knowledge of any fraud or suspected fraud that affects the Food Bank and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the Food Bank's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you the names of all of the Food Bank's related parties and all the related party relationships and transactions, including any side agreements, if applicable.
- 20) The Food Bank has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, if applicable.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

- 22) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 23) Anne Arundel County Food Bank, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Food Bank's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 24) With respect to federal award programs:
- a) We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
 - d) We have identified and disclosed to you all of our government programs and related activities subject to Uniform Guidance, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
 - f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
 - g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
 - h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
 - i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you, if applicable), including when applicable, those set forth in the *OMB Compliance Supplement* (including its Addendum), relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, as applicable.


- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you, if any, the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, Subpart E).
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u) If applicable, we have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- v) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records, if applicable.
- w) We have charged costs to federal awards in accordance with applicable cost principles.
- x) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

- z) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by Uniform Guidance.
 - aa) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
 - bb) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organization relating to noncompliance at the service organizations, if applicable.
- 25) We have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 26) We have a process to track the status of audit findings and recommendations.
- 27) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 28) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 29) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 30) In regards to the nonattest services performed by you as set forth in the engagement letter dated April 19, 2022, we have:
- a) Assumed all management responsibilities.
 - b) Overseen the services by designating an individual who possesses suitable skills, knowledge, and experience.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.

Anne Arundel County Food Bank, Inc.



Juls Jacobs-Kaczmarek, Bookkeeper



Leah Paley, Chief Executive Officer