

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2024 AND 2023**

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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 statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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.

## **Independent Auditor's Report (Continued)**

### ***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.

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.

**Independent Auditor's Report (Continued)**

***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 October 18, 2024, 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  
October 18, 2024

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 38,885	\$ 2,801,508
Cash and cash equivalents, board designated	3,129,893	-0-
Total Cash and Cash Equivalents	<u>3,168,778</u>	2,801,508
Investments	2,054,882	1,934,104
Grants receivable	420,957	2,422
Contributions receivable	41,000	21,724
Inventories	346,273	212,658
Prepaid expenses	35,909	19,442
Total Current Assets	<u>6,067,799</u>	4,991,858
<b>Property</b> , net of accumulated depreciation	799,022	757,598
<b>Other Assets</b>		
Contributions receivable, long-term	37,711	55,481
<b>Total Assets</b>	<u>\$ 6,904,532</u>	<u>\$ 5,804,937</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 199,414	\$ 122,701
Deferred revenue	89,650	54,000
Total Current Liabilities	<u>289,064</u>	176,701
<b>Commitments and Contingencies</b> (Notes 10, 12 and 13)		
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	3,407,787	5,550,891
Board designated funds	3,129,893	-0-
Total Without Donor Restrictions	<u>6,537,680</u>	5,550,891
With donor restrictions	77,788	77,345
Total Net Assets	<u>6,615,468</u>	5,628,236
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,904,532</u>	<u>\$ 5,804,937</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, 2024 and 2023**

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Grants and contributions - government agencies	\$ 2,289,227	\$ -0-	\$ 2,289,227
Grants and contributions - other	2,745,437	179,978	2,925,415
Gifts-in-kind	2,803,426	-0-	2,803,426
Special events (net of direct benefits to donors of \$38,925 and \$37,985)	75,399	-0-	75,399
Net investment return	232,199	-0-	232,199
Miscellaneous income	965	-0-	965
Net assets released from restrictions:			
Satisfaction of program restrictions	179,535	(179,535)	-0-
Satisfaction of time restrictions	-0-	-0-	-0-
<b>Total Support and Revenue</b>	<b>8,326,188</b>	<b>443</b>	<b>8,326,631</b>
<b>Expenses</b>			
Program services	6,414,582	-0-	6,414,582
Supporting services:			
Management and general	508,441	-0-	508,441
Fundraising	416,376	-0-	416,376
<b>Total Supporting Services</b>	<b>924,817</b>	<b>-0-</b>	<b>924,817</b>
<b>Total Expenses</b>	<b>7,339,399</b>	<b>-0-</b>	<b>7,339,399</b>
<b>Change in Net Assets before Other Income</b>	<b>986,789</b>	<b>443</b>	<b>987,232</b>
<b>Other Income</b>			
Contributions for renovation/acquisition of property	-0-	-0-	-0-
Net assets released from restrictions:			
Renovation/acquisition of property	-0-	-0-	-0-
Other Income	-0-	-0-	-0-
<b>Change in Net Assets</b>	<b>986,789</b>	<b>443</b>	<b>987,232</b>
<b>Net Assets at Beginning of Year</b>	<b>5,550,891</b>	<b>77,345</b>	<b>5,628,236</b>
<b>Net Assets at End of Year</b>	<b>\$ 6,537,680</b>	<b>\$ 77,788</b>	<b>\$ 6,615,468</b>

**2023**

<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 2,329,445	\$ -0-	\$ 2,329,445
1,978,940	264,504	2,243,444
3,364,221	-0-	3,364,221
72,161	-0-	72,161
103,140	-0-	103,140
-0-	-0-	-0-
261,504	(261,504)	-0-
20,000	(20,000)	-0-
<u>8,129,411</u>	<u>(17,000)</u>	<u>8,112,411</u>
<u>6,708,703</u>	<u>-0-</u>	<u>6,708,703</u>
490,759	-0-	490,759
346,530	-0-	346,530
<u>837,289</u>	<u>-0-</u>	<u>837,289</u>
<u>7,545,992</u>	<u>-0-</u>	<u>7,545,992</u>
<u>583,419</u>	<u>(17,000)</u>	<u>566,419</u>
-0-	50,000	50,000
50,000	(50,000)	-0-
<u>50,000</u>	<u>-0-</u>	<u>50,000</u>
633,419	(17,000)	616,419
<u>4,917,472</u>	<u>94,345</u>	<u>5,011,817</u>
<u>\$ 5,550,891</u>	<u>\$ 77,345</u>	<u>\$ 5,628,236</u>

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



**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2024 and 2023**

	2024				
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
<b>Program Food Costs</b>					
Value of donated goods distributed	\$ 3,261,450	\$ -0-	\$ -0-	\$ -0-	\$ 3,261,450
Cost of purchased goods	2,127,411	-0-	-0-	-0-	2,127,411
Total program food costs	<u>5,388,861</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,388,861</u>
<b>Personnel Expenses</b>					
Salaries	594,573	235,206	228,711	-0-	1,058,490
Payroll taxes	45,938	18,172	17,671	-0-	81,781
Other benefits	45,728	18,089	17,590	-0-	81,407
Pension	5,574	2,205	2,144	-0-	9,923
Total personnel expenses	<u>691,813</u>	<u>273,672</u>	<u>266,116</u>	<u>-0-</u>	<u>1,231,601</u>
Occupancy	144,939	49,361	47,999	-0-	242,299
Depreciation	95,915	37,943	36,895	-0-	170,753
Information technology	43,882	17,359	16,880	-0-	78,121
Consultants	-0-	49,356	3,650	-0-	53,006
Office expense	11,245	12,389	17,283	-0-	40,917
Special events	-0-	-0-	-0-	38,925	38,925
Insurance	20,146	7,970	7,750	-0-	35,866
Professional fees	-0-	35,627	-0-	-0-	35,627
Travel and transportation	11,368	4,497	4,373	-0-	20,238
Advertising	-0-	16,099	-0-	-0-	16,099
Campaign expenses	-0-	-0-	13,060	-0-	13,060
Payroll processing fees	4,710	1,863	1,812	-0-	8,385
Meetings	1,451	2,305	558	-0-	4,314
Miscellaneous	252	-0-	-0-	-0-	252
Total expenses by function	<u>6,414,582</u>	<u>508,441</u>	<u>416,376</u>	<u>38,925</u>	<u>7,378,324</u>
Less: Cost of direct benefits to donors netted with special events revenue in the statements of activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(38,925)</u>	<u>(38,925)</u>
Total expenses reported on the statements of activities	<u>\$ 6,414,582</u>	<u>\$ 508,441</u>	<u>\$ 416,376</u>	<u>\$ -0-</u>	<u>\$ 7,339,399</u>

**2023**

Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
\$ 4,131,938	\$ -0-	\$ -0-	\$ -0-	\$ 4,131,938
1,560,595	-0-	-0-	-0-	1,560,595
5,692,533	-0-	-0-	-0-	5,692,533
504,709	191,092	170,091	-0-	865,892
41,985	15,896	14,149	-0-	72,030
25,958	9,828	8,748	-0-	44,534
5,183	1,962	1,747	-0-	8,892
577,835	218,778	194,735	-0-	991,348
274,568	87,594	77,968	-0-	440,130
72,324	27,383	24,374	-0-	124,081
32,751	12,400	11,037	-0-	56,188
-0-	59,933	7,793	-0-	67,726
11,014	16,742	3,711	-0-	31,467
-0-	-0-	-0-	37,985	37,985
23,286	8,816	7,848	-0-	39,950
-0-	34,814	-0-	-0-	34,814
17,453	6,608	5,882	-0-	29,943
-0-	14,623	-0-	-0-	14,623
-0-	-0-	11,042	-0-	11,042
3,208	1,214	1,081	-0-	5,503
3,141	1,854	1,059	-0-	6,054
590	-0-	-0-	-0-	590
6,708,703	490,759	346,530	37,985	7,583,977
-0-	-0-	-0-	(37,985)	(37,985)
\$ 6,708,703	\$ 490,759	\$ 346,530	\$ -0-	\$ 7,545,992

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 987,232	\$ 616,419
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on investments	-0-	(3,468)
Unrealized gains on investments	(96,523)	(48,846)
Donated stock	(16,590)	(19,137)
Depreciation	170,753	124,081
Non-cash property contributions	-0-	(23,219)
Contributions received for renovation/acquisition of property	-0-	(50,000)
Changes in operating assets and liabilities:		
Grants receivable	(418,535)	180,678
Contributions receivable	(1,506)	(76,205)
Inventories	(133,615)	259,974
Prepaid expenses	(16,467)	(5,274)
Accounts payable and accrued expenses	76,713	17,621
Deferred revenue	35,650	32,088
Net Cash Provided by Operating Activities	<u>587,112</u>	<u>1,004,712</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(3,720,093)	(1,844,638)
Proceeds from sale and maturity of investments	3,695,838	1,082,899
Proceeds from sale of donated stock	16,590	19,137
Purchases of property	(212,177)	(316,894)
Net Cash Used in Investing Activities	<u>(219,842)</u>	<u>(1,059,496)</u>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for renovation/acquisition of property recognized as revenue	-0-	50,000
<b>Net Increase (Decrease) in Cash and Cash Equivalents (including board designated)</b>	<b>367,270</b>	<b>(4,784)</b>
<b>Cash and Cash Equivalents at Beginning of Year (including board designated)</b>	<b><u>2,801,508</u></b>	<b><u>2,806,292</u></b>
<b>Cash and Cash Equivalents at End of Year (including board designated)</b>	<b><u>\$ 3,168,778</u></b>	<b><u>\$ 2,801,508</u></b>

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

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**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 alleviate food insecurity in Anne Arundel County by partnering across their community to obtain and distribute nourishing food to their neighbors in need. The Food Bank supplies food and other necessities, free of charge, to food pantries, schools, soup kitchens, shelters and other on-site feeding programs 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 the 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 that have a maturity of three months or less when purchased to be cash equivalents except investments held by investment custodians.

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.

Grants receivable are carried at original invoice amount less an estimate made for uncollectible receivables. A provision is made for uncollectible grants based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and review of outstanding grants receivable. Grants receivable are written off by management when, in its determination, all appropriate collection efforts have been taken. The Food Bank has not established an allowance for uncollectable grants as of June 30, 2024 and 2023, since in the opinion of management, all outstanding grants are considered collectible.

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

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 their net present value at the time the revenue is recorded. A provision is made for uncollectible contributions based on anticipated collections losses. Estimated losses are generally determined from historical collection experience and a review of outstanding contributions receivable. Contributions are written off by management when, in its determination, all appropriate collection efforts have been taken. The Food Bank has not established an allowance for uncollectible contributions as of June 30, 2024 and 2023, since in the opinion of management, all outstanding contributions and pledges are considered collectible.

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, 2024 and 2023, inventory received and distributed was valued at \$1.57 and \$1.53 per pound, respectively. Commencing on July 1, 2024 and 2023, the receipt of inventory of food donated is valued at \$1.74 and \$1.57 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, 2024 and 2023, inventory received and distributed was valued at \$9.49 and \$9.80 per pound, respectively. Commencing on July 1, 2024 and 2023, the receipt of inventory of non-food donated is valued at \$8.68 and \$9.49 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
Website	3 years

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

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. The governing board has designated from net assets without donor restrictions, net assets for an operating reserve for future needs.

*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.

Revenue Recognition: The Food Bank generates revenue primarily from grants, contributions and net investment return. 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. Contributions are recognized in the year the contributions are pledged and/or received. Grants earned and contributions not yet received are recorded as grants or contribution receivable. Grant proceeds received in advance and not yet earned are recorded as deferred revenue. Net investment return is 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 temporary 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.

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

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, 2024 and 2023 totaled \$16,099 and \$14,623, respectively.

Income Taxes: The Food Bank is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3). Income that is not related to its 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, 2024 and 2023. 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.

Subsequent Events: In preparing these financial statements, the Food Bank has evaluated events and transactions for potential recognition or disclosure through October 18, 2024, the date the financial statements were available to be issued. During the period from July 1, 2024 through October 18, 2024 the Food Bank did not have any material recognizable subsequent events.

**Note 2: Liquidity and Availability of Funds**

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:

	2024	2023
Cash and cash equivalents	\$ 38,885	\$ 2,801,508
Investments	2,054,882	1,934,104
Grants receivable	420,957	2,422
Contributions receivable	41,000	21,724
Less: Net assets with donor restrictions	(77)	(1,864)
Financial Assets Available for General Expenditure	\$ 2,555,647	\$ 4,757,894

As part of the Food Bank's liquidity management plan, the Food Bank invests cash in excess of daily requirements in short-term investments. The Board of Directors (the Board) of the Food Bank has designated cash balances to be held as an operating reserve (see Note 8). Even though there is no intent of the board to remove this designation, the Board could make these amounts available, as necessary. The amounts designated and not included within the liquidity calculation as of June 30, 2024 and 2023 were \$3,129,893 and \$0-, respectively.

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3: Investments**

A summary of the investment portfolio, at fair value, as of June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Government and agency bonds	\$ 1,939,063	\$ 1,847,386
Exchange-traded funds	90,659	75,044
Mutual funds, equity	17,320	8,391
Money market funds	6,540	2,233
Cash equivalents	1,300	1,050
	<u>                    </u>	<u>                    </u>
Total Investments	<u>\$ 2,054,882</u>	<u>\$ 1,934,104</u>

Net investment return, which includes interest earned on cash equivalents, consisted of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 137,164	\$ 51,937
Realized gains on investments	-0-	3,468
Unrealized gains on investments	96,523	48,846
Investment fees	(1,488)	(1,111)
	<u>                    </u>	<u>                    </u>
Net Investment Return	<u>\$ 232,199</u>	<u>\$ 103,140</u>

**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.



**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 4: Fair Value Measurement (Continued)**

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 and Cash Equivalents: Valued at original cost, which approximates 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.

The table below represents the balances of assets as of June 30, 2024 measured at fair value on a recurring basis by level within the hierarchy:

	2024			
	Total	Level 1	Level 2	Level 3
Government and agency bonds	\$ 1,939,063	\$ -0-	\$ 1,939,063	\$ -0-
Exchange-traded funds	90,659	90,659	-0-	-0-
Mutual funds, equity	17,320	17,320	-0-	-0-
Money market funds	6,540	6,540	-0-	-0-
Cash equivalents	1,300	1,300	-0-	-0-
Total Investments	<u>\$ 2,054,882</u>	<u>\$ 115,819</u>	<u>\$ 1,939,063</u>	<u>\$ -0-</u>

The table below represents the balances of assets as of June 30, 2023 measured at fair value on a recurring basis by level within the hierarchy:

	2023			
	Total	Level 1	Level 2	Level 3
Government and agency bonds	\$ 1,847,386	\$ -0-	\$ 1,847,386	\$ -0-
Exchange-traded funds	75,044	75,044	-0-	-0-
Mutual funds, equity	8,391	8,391	-0-	-0-
Money market funds	2,233	2,233	-0-	-0-
Cash equivalents	1,050	1,050	-0-	-0-
Total Investments	<u>\$ 1,934,104</u>	<u>\$ 86,718</u>	<u>\$ 1,847,386</u>	<u>\$ -0-</u>

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 5: Contributions Receivable**

The Food Bank is the recipient of unconditional promises to give at June 30, 2024 and 2023, which are expected to be received as follows:

	2024	2023
Receivable in less than one year	\$ 41,000	\$ 21,724
Receivable in one to five years	40,000	60,000
Total unconditional promises to give	81,000	81,724
Less: Discount to net present value (4.02%)	2,289	4,519
Net unconditional promises to give	<u>\$ 78,711</u>	<u>\$ 77,205</u>

**Note 6: Inventories**

Inventories of donated and purchased items as of June 30, 2024 and 2023 consisted of the following:

	2024	2023
Food	\$ 254,611	\$ 166,405
Household and personal products	40,902	88
Paper products	38,895	42,544
Chemicals	6,349	29
Food held under The Emergency Food Assistance Program (TEFAP)	5,242	3,592
Pet supplies	274	-0-
Total Inventories	<u>\$ 346,273</u>	<u>\$ 212,658</u>

**Note 7: Property**

Property consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Leasehold improvements	\$ 425,026	\$ 381,956
Equipment and fixtures	376,928	366,634
Vehicles	552,015	393,202
Website	13,750	13,750
Total cost	1,367,719	1,155,542
Less: Accumulated depreciation	568,697	397,944
	<u>\$ 799,022</u>	<u>\$ 757,598</u>

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 8: 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.

Board designated net assets without donor restrictions - consists of a fund designated by the Board of Directors for the purpose of establishing and maintaining an operating reserve. The operating reserve can be used for unanticipated future operating and capital costs. The use of the reserve fund must be approved by the Board. The funds are held in separate bank accounts that are classified as cash and cash equivalents board designated on the statements of financial position.

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, 2024:

	2023	Current Year Activity		2024
		Released From		
		<u>Contributions</u>		
			<u>Restrictions</u>	
Subject to expenditure for specified purpose:				
Baby pantries and childrens food	\$ -0-	\$ 30,923	\$ (30,846)	\$ 77
Organizational capacity building (Deerbrook)	1,864	-0-	(1,864)	-0-
Food distribution	-0-	111,140	(111,140)	-0-
Mobile food pantry	-0-	32,318	(32,318)	-0-
Other program services	-0-	3,367	(3,367)	-0-
	1,864	177,748	(179,535)	77
Subject to the passage of time:				
Contributions receivable	75,481	2,230	-0-	77,711
	<u>\$ 77,345</u>	<u>\$ 179,978</u>	<u>\$ (179,535)</u>	<u>\$ 77,788</u>

Net assets with donor restrictions were available for the following purposes as of June 30, 2023:

	2022	Prior Year Activity		2023
		Released From		
		<u>Contributions</u>		
			<u>Restrictions</u>	
Subject to expenditure for specified purpose:				
Organizational capacity building (Deerbrook)	\$ 94,345	\$ -0-	\$ (92,481)	\$ 1,864
Food distribution	-0-	127,300	(127,300)	-0-
Vehicle	-0-	50,000	(50,000)	-0-
Baby pantries and childrens food	-0-	41,723	(41,723)	-0-
	94,345	219,023	(311,504)	1,864
Subject to the passage of time:				
Contributions receivable	-0-	95,481	(20,000)	75,481
	<u>\$ 94,345</u>	<u>\$ 314,504</u>	<u>\$ (331,504)</u>	<u>\$ 77,345</u>

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 9: Gifts-In-Kind**

Contributed nonfinancial assets recognized within the statements of activities for the years ended June 30, 2024 and 2023 included the following:

	<u>2024</u>	<u>2023</u>
Food and supplies	\$ 2,558,383	\$ 3,114,062
Rent	150,000	150,000
Special events	34,152	33,770
Information technology	30,010	22,288
Consultants	8,625	12,943
Advertising	7,750	1,544
Campaign expenses	7,000	-0-
Professional fees	5,229	160
Furniture and fixtures	1,783	16,954
Gift cards	494	-0-
Website	-0-	12,500
	<u>\$ 2,803,426</u>	<u>\$ 3,364,221</u>
Total		

Donated commodities, which include food and supplies, 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 commodities also include furniture and fixtures and website costs which are recorded at their estimated fair value on the date of receipt. Donated furniture and fixtures are either capitalized or expensed based on the Food Bank's property capitalization policy and are used in all of the Food Bank's services.

Donated rent, which is included in occupancy on the statements of functional expenses, is recorded at its estimated fair value based on comparable per square foot rental prices in the Food Bank's surrounding area and is allocated by function based on estimates such as time and effort.

Donated special events includes venue, food and beverage, entertainment and other direct costs to donors to attend the Food Bank's annual fundraising events. 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.

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 9: Gifts-In-Kind (Continued)**

Donated services for the year ended June 30, 2024 are allocated as follows in their respective functional classification:

	2024			
	Program Services	Management and General	Fundraising	Total
Information technology	\$ 16,857	\$ 6,668	\$ 6,485	\$ 30,010
Consultants	-0-	7,175	1,450	8,625
Advertising	-0-	-0-	7,750	7,750
Campaign expenses	-0-	-0-	7,000	7,000
Professional fees	-0-	5,229	-0-	5,229
<b>Total</b>	<b>\$ 16,857</b>	<b>\$ 19,072</b>	<b>\$ 22,685</b>	<b>\$ 58,614</b>

Donated services for the year ended June 30, 2023 are allocated as follows in their respective functional classification:

	2023			
	Program Services	Management and General	Fundraising	Total
Information technology	\$ 12,991	\$ 4,919	\$ 4,378	\$ 22,288
Consultants	-0-	12,343	600	12,943
Advertising	-0-	1,544	-0-	1,544
Professional fees	-0-	160	-0-	160
<b>Total</b>	<b>\$ 12,991</b>	<b>\$ 18,966</b>	<b>\$ 4,978</b>	<b>\$ 36,935</b>

**Note 10: Conditional Grants**

The Food Bank has received conditional grants from grantor agencies aggregating \$215,000, which can only be earned by incurring certain qualifying expenditures under the grant programs. As of June 30, 2024, the Food Bank has earned \$27,500 of these grants which has been recognized as revenue.

**Note 11: Leases**

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 9).

On March 23, 2023, the Food Bank (lessor) entered into a lease agreement with Leading by Feeding (lessee) to lease a vehicle in order to support delivery services to the Food Bank's member agencies by Leading by Feeding in coordination with the Food Bank.

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 11: Leases (Continued)**

The lessor is the registered owner of the vehicle whereas the lessee has no right, title, or interest to the vehicle except for the use of the vehicle as defined in the lease agreement. The lessee is required to maintain insurance subject to the terms of the lease and is liable for all risk and loss of the vehicle as well as any repair or maintenance costs associated with the vehicle. The lease agreement terminated in March 2024, with the option to extend on a month-to-month basis, which the Food Bank exercised. The lease may be terminated by either party for any reason with thirty days written notice. Upon termination, the lessee is responsible for any repairs or maintenance as a result of excess wear and tear. The lessee is not required to make monthly payments or any fees on miles used, as long as the lessee remains in compliance with the food delivery agreement.

**Note 12: 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). Total pension expense for the years ended June 30, 2024 and 2023 was \$9,923 and \$8,892, respectively.

**Note 13: Certain Significant Risks and Uncertainties**

Uninsured Balances: The Food Bank maintains its cash balances at various financial institutions. 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, 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.

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**

**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2024**

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (Allowable)
<b>U.S. Department of Agriculture - Food Distribution Cluster</b>				
Passed through The Maryland Food Bank, Inc. Emergency Food Assistance Program (Administrative Costs)	10.568	Not Available	\$ -0-	\$ 20,000
Passed through The Maryland Food Bank, Inc. Emergency Food Assistance Program (Food Commodities)	10.569	Not Available	815,379	815,379
<b>Total U.S. Department of Agriculture - Food Distribution Cluster</b>			<u>815,379</u>	<u>835,379</u>
<b>U.S. Department of the Treasury</b>				
Passed through Arundel Community Development Services, Inc. COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Available	-0-	1,426,348
Passed through Anne Arundel County, Maryland COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Available	-0-	27,500
Total U.S. Department of the Treasury			<u>-0-</u>	<u>1,453,848</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 815,379</u>	<u>\$ 2,289,227</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.



**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2024**

**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, 2024. 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 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, 2024, 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 October 18, 2024.

**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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding #2024-01 that we consider to be a material weakness.

**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  
October 18, 2024

**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, 2024. 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, 2024.

***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 audits 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)**

**Report on Internal Control over Compliance**

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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  
October 18, 2024

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

**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. No significant deficiencies and one material weakness relating 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. No significant deficiencies or material weaknesses relating to internal control over major federal award programs 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 on 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 program tested as a major program was: COVID-19 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, 2024**

**Findings - Financial Statement Audit**

**Finding #2024-01 - Internal Control over Inventory**

Statement of Condition: During our testing of internal control policies and procedures over inventory, in reference to prior year Finding #2023-01, we noted that the policies and procedures related to inventory were not functioning properly to mitigate risks related to potential misstatements or fraud.

The primary issues related to the attempted implementation of a new electronic inventory system and the implementation of cycle counts throughout the year. Based on our discussions with management and the Warehouse and Inventory Manager, the Food Bank attempted to implement a new electronic inventory system during the prior fiscal year, which was used concurrently with the Point of Sale system until end of the prior fiscal year. At the beginning of the current fiscal year, the Food Bank used only the electronic inventory system to capture inventory system. Also, during the prior year, the Food Bank implemented a policy to perform systematic cycle counts on inventory at randomly generated times throughout the year. This process began prior to the implementation of the new electronic software. The cycle counts were performed without error.

In September 2023, the Food Bank determined that incorrect inventory management reports were being generated from the new inventory system due to external software errors. The monthly cycle counts confirmed these software errors; however, incorrect reports were provided to the Bookkeeper who in turn posted incorrect transactions related to inbound and outbound inventory within the accounting general package. When the errors were later identified, no adjustments were made in the general ledger by the Bookkeeper to reflect any shortages or shrinkage determined during the cycle counts. In addition, the Warehouse and Inventory Manager and Bookkeeper did not properly reconcile the cycle count totals to the general ledger throughout the year, which would have additionally identified the incorrect general ledger postings.

Criteria: In accordance with generally accepted accounting principles, the Food Bank is required to implement a proper inventory reporting system to ensure that inventory and cost of goods sold are accurately valued for financial reporting not only monthly but at year-end. A critical part of any inventory system and cycle count implementation is the establishment of appropriate internal control policies and procedures, including the monitoring of their implementation and follow-through.

Cause: Management implemented a faulty electronic inventory system and while they identified that errors existed in the reporting, those incorrect reports were used for a period of time to reconcile the books and records within the accounting software package. Several months transpired while the Food Bank attempted to work out the software glitches with the external software developed and during this time adjustments were not properly reflected in the books and records. Once the Food Bank exhausted all efforts to rectify the software glitches, the Food Bank abandoned the use of the electronic inventory system and implemented an Excel workbook to capture inventory information. The Food Bank corrected all general ledger issues by June 30, 2024 fiscal year-end close and reconciliation and the physical inventory observation performed by the outside auditor showed no discrepancies. In addition, the Food Bank continued performing monthly random cycle counts to ensure the prior processes were accurately reflecting the correct inventory balances at month-end.



**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2024**

**Finding #2024-01 - Internal Control over Inventory (Continued)**

Effect: As a result of the errors above, the totals for inventory and cost of goods sold in the general ledger were incorrect on a month-to-month end basis through a portion of the June 30, 2024 year-end; however, as noted above, corrections were made to ensure accurate reporting at June 30, 2024.

Recommendation: We recommend that management identify a new fully operational and accurately reporting electronic inventory system and adopt strict internal control policies and procedures over the new inventory control system. Upon implementation, we recommend that both the old manual process and the new electronic inventory system be run concurrently and parallel for an extended period of time to ensure the accuracy of the data generated from the electronic inventory system. Once management has ensured that financial reporting is accurate for an extended period of time, the old processes can be discontinued.

Views of Responsible Officials and Planned Corrective Actions: Management acknowledges that the electronic inventory system used at the beginning of the current fiscal year was faulty and agrees that identifying and implementing a new fully operational electronic inventory system is necessary. Management also acknowledges that while the organization did complete cycle counts in compliance with the organization's standard operating procedure for inventory, there is an opportunity for improvement including adopting and adhering to strict internal control policies and procedures over the organization's inventory control system.

Effective October 1, 2024, the Food Bank implemented Fishbowl, a new fully operational and accurately reporting electronic inventory system. For at least three months, the organization will run the old manual process and new electronic system concurrently to ensure the accuracy of the data generated from the inventory. Once management has ensured that financial reporting is accurate, the manual process will be discontinued.

The Food Bank will refine its existing inventory control policies and procedures over the new inventory control system and enforce the enhanced policies and procedures no later than December 1, 2024.

**Findings and Questioned Costs - Major Federal Award Programs Audit**

None.

**ANNE ARUNDEL COUNTY FOOD BANK, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2024**

**Summary Schedule of Prior Audit Findings (Prepared by Auditee)**

**Findings - Financial Statement Audit**

**Finding #2023-01 - Internal Control over Year-End Inventory**

Statement of Condition: During our testing of internal control policies and procedures over inventory, in reference to prior year Finding #2022-01, we noted that the policies and procedures related to inventory were not functioning properly to mitigate risks related to potential misstatements or fraud.

The primary issues related to the implementation of a new electronic inventory system and the implementation of cycle counts throughout the year. Based on our discussions with management and the Warehouse and Inventory Manager, the Food Bank attempted to implement a new electronic inventory system during the year. In order to implement the new inventory system, the Food Bank performed a full physical inventory count during the fiscal year in order to ensure the accuracy of the opening balance of inventory upon the implementation of the new inventory system, however, these adjustments were never made within the new inventory system nor the old inventory system. Additionally, no adjustments were made in the general ledger to reflect any shortages or shrinkage determined during the full physical inventory count. The Food Bank implemented the new inventory system during the year even though the opening balance of inventory was not adjusted accordingly, and the system did not always provide the ability to provide accurate adjustments and reporting by the Warehouse and Inventory Manager.

As noted in prior year Finding #2022-01's Views of Responsible Officials and Planned Corrective Actions, the Food Bank implemented a written Year-End Inventory Count and Monthly Inventory Management Procedures document which included new procedures to conduct monthly inventory counts on alternating commodities throughout the warehouse. The Food Bank conducted these random monthly inventory counts (cycle counts) beginning in December 2022; however, the new procedures were not fully implemented to carryover into the new or old inventory systems. Based on our testing and discussions with management and the Warehouse and Inventory Manager, both the new and old system were running parallel from December 2022 through year end, however, shortages and shrinkage determined during the cycle counts were only corrected in the new inventory system not the old inventory system. The reports received from the Bookkeeper in order to record the monthly distribution entries were provided from the old inventory system which did not reflect shortages or shrinkage determined during the cycle counts and were, therefore, not adjusted in the general ledger.

The Food Bank performed a proper and accurate physical inventory count at year end and after working with the software company of the new inventory system, the Food Bank was able to make appropriate adjustments in the new inventory system to ensure the accuracy of beginning inventory effective July 1, 2023 and the ability to provide accurate reports to the Warehouse and Inventory Manager and Bookkeeper to use for fiscal year 2024.

Current Status: This finding was attempted to be corrected during the year ended June 30, 2024, however, the implementation process resulted in Finding #2024-01 during the current year.

**Findings and Questioned Costs - Major Federal Award Programs Audit**

None.

