

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATED FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORT
YEARS ENDED JUNE 30, 2023 AND 2022**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Food Bank and Waste Not
Mesa, Arizona

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Food Bank and Waste Not, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Food Bank and Waste Not, as of June 30, 2023 and 2022, and the changes in their net assets and their 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of United Food Bank and Waste Not and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Food Bank and Waste Not's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 United Food Bank and Waste Not'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Food Bank and Waste Not'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.

Other Matters

Other Information – Consolidating Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 19, 2023, on our consideration of United Food Bank and Waste Not’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 result of that testing, and not to provide an opinion on the effectiveness of the United Food Bank and Waste Not’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 United Food Bank and Waste Not’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
October 19, 2023

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 9,978,008	\$ 6,098,540
Grants Receivable	437,877	742,714
Prepays and Deposits	48,931	57,787
Inventories	1,923,786	1,704,269
Total Current Assets	12,388,602	8,603,310
INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES	2,192,881	2,023,523
PROPERTY AND EQUIPMENT	15,019,988	14,827,502
Less: Accumulated Depreciation	(4,084,204)	(3,203,513)
Net Property and Equipment	10,935,784	11,623,989
 Total Assets	 \$ 25,517,267	 \$ 22,250,822
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 482,778	\$ 219,674
Accrued Expenses	175,674	316,725
Deferred Revenues	1,568,331	735,632
Accrued Interest Payable	6,737	6,970
Current Portion of Note Payable	68,566	65,891
Total Current Liabilities	2,302,086	1,344,892
LONG-TERM LIABILITIES		
Note Payable, Net	1,816,157	1,882,715
Total Liabilities	4,118,243	3,227,607
NET ASSETS		
Without Donor Restrictions:		
Undesignated	17,268,385	15,158,181
Designated for Special Projects	724,018	724,018
Designated for Endowment	1,813,902	1,690,768
Total Net Assets Without Donor Restrictions	19,806,305	17,572,967
With Donor Restrictions	1,592,719	1,450,248
Total Net Assets	21,399,024	19,023,215
 Total Liabilities and Net Assets	 \$ 25,517,267	 \$ 22,250,822

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Donated Food	\$ 41,147,701	\$ -	\$ 41,147,701
Donated Services	23,375	-	23,375
Donated Rent	25,656	-	25,656
Contributions	4,159,880	-	4,159,880
Contracts and Grants	4,294,839	1,361,784	5,656,623
Shared Maintenance	101,082	-	101,082
Investment Income	63,982	(5,437)	58,545
Rental Income	351,414	-	351,414
Other Revenues	165,645	-	165,645
Total Revenues and Support Before Special Events and Net Assets Released from Restrictions	50,333,574	1,356,347	51,689,921
Special Events:			
Revenues from Special Events	21,473	-	21,473
Less: Cost of Direct Donor Benefits	(1,396)	-	(1,396)
Gross Profit on Special Events	20,077	-	20,077
Net Assets Released from Restrictions	1,262,914	(1,262,914)	-
Total Revenues and Support	51,616,565	93,433	51,709,998
EXPENSES			
Program Services	46,870,122	-	46,870,122
Supporting Services:			
Management and General	1,205,548	-	1,205,548
Fund Raising	1,424,845	-	1,424,845
Total Expenses	49,500,515	-	49,500,515
CHANGES IN NET ASSETS BEFORE GAINS AND LOSSES	2,116,050	93,433	2,209,483
UNREALIZED GAIN ON INVESTMENTS	117,288	49,038	166,326
CHANGE IN NET ASSETS	2,233,338	142,471	2,375,809
Net Assets - Beginning of Year	17,572,967	1,450,248	19,023,215
NET ASSETS - END OF YEAR	<u>\$ 19,806,305</u>	<u>\$ 1,592,719</u>	<u>\$ 21,399,024</u>

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Donated Food	\$ 35,882,547	\$ -	\$ 35,882,547
Donated Supplies	37,727	-	37,727
Donated Discount on Building Acquisition	2,000,000	-	2,000,000
Donated Rent	25,656	-	25,656
Contributions	4,339,083	-	4,339,083
Contracts and Grants	3,759,508	1,284,897	5,044,405
Shared Maintenance	85,528	-	85,528
Investment Income	122,268	38,584	160,852
Rental Income	170,126	-	170,126
Other Revenues	57,620	-	57,620
Total Revenues and Support Before Special Events and Net Assets Released from Restrictions	46,480,063	1,323,481	47,803,544
Special Events:			
Revenues from Special Events	51,032	-	51,032
Less: Cost of Direct Donor Benefits	(21,220)	-	(21,220)
Gross Profit on Special Events	29,812	-	29,812
Net Assets Released from Restrictions	1,273,878	(1,273,878)	-
Total Revenues and Support	47,783,753	49,603	47,833,356
EXPENSES			
Program Services	40,820,598	-	40,820,598
Supporting Services:			
Management and General	1,281,641	-	1,281,641
Fund Raising	1,139,985	-	1,139,985
Total Expenses	43,242,224	-	43,242,224
CHANGES IN NET ASSETS BEFORE GAINS AND LOSSES	4,541,529	49,603	4,591,132
UNREALIZED LOSS ON INVESTMENTS	(260,327)	(101,919)	(362,246)
CHANGE IN NET ASSETS	4,281,202	(52,316)	4,228,886
Net Assets - Beginning of Year	13,291,765	1,502,564	14,794,329
NET ASSETS - END OF YEAR	<u>\$ 17,572,967</u>	<u>\$ 1,450,248</u>	<u>\$ 19,023,215</u>

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Fund Raising	Total
Value of Donated Food and Supplies Distributed	\$ 40,984,574	\$ -	\$ -	\$ 40,984,574
Cost of Purchased Food and Supplies	1,233,859	-	-	1,233,859
Unusable Salvage	121,074	-	-	121,074
Salaries and Wages	1,789,031	551,359	563,292	2,903,682
Payroll Taxes and Benefits	397,383	193,880	68,969	660,232
Retirement Contribution	31,790	9,859	11,063	52,712
Direct Mail	-	-	56,735	56,735
Depreciation and Amortization	766,306	147,039	21,855	935,200
Professional Fees and Outside Services	84,329	121,261	249,976	455,566
Advertising	13,862	-	361,694	375,556
Vehicle Expense	484,353	-	-	484,353
Utilities	127,344	7,189	2,185	136,718
Interest on Long-Term Debt	73,298	4,609	5,343	83,250
Warehouse Supplies	144,773	-	-	144,773
Repairs and Maintenance-Warehouse Equipment	50,546	-	-	50,546
Occupancy - Donated	14,400	-	-	14,400
Rent	-	8,856	-	8,856
Telecommunications	40,845	7,108	2,256	50,209
Dues, Subscriptions, and Fees	7,702	33,354	35,335	76,391
Membership Dues	45,002	33,927	2,527	81,456
Insurance	50,850	7,344	1,041	59,235
Postage, Shipping, and Courier	-	75	8,920	8,995
Printing and Publications	12,679	393	9,670	22,742
Repairs and Maintenance - Occupancy	72,285	2,436	1,756	76,477
Office Supplies	3,164	4,130	1,453	8,747
Conferences and Meetings	24,940	25,275	10,048	60,263
Computer Expenses	78	7,081	1,684	8,843
Volunteer Supplies	9,165	-	-	9,165
Minor Equipment Expense	11,010	27,216	511	38,737
Travel	6,153	4,558	3,119	13,830
Recognition	2,953	4,522	143	7,618
Warehouse Equipment Leases	874	-	-	874
Uniforms	12,799	106	-	12,905
Agency Grants	228,947	-	-	228,947
Agency Conference and Support	14,791	-	-	14,791
Other	8,963	3,971	5,270	18,204
Special Event Expenses	-	-	1,396	1,396
Total	46,870,122	1,205,548	1,426,241	49,501,911
Less: Expenses Netted Against Revenues on the Consolidated Statement of Activities:				
Special Event Expenses	-	-	(1,396)	(1,396)
Total Expenses Included in the Expense Section of the Consolidated Statement of Activities	\$ 46,870,122	\$ 1,205,548	\$ 1,424,845	\$ 49,500,515

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Fund Raising	Total
Value of Donated Food and Supplies Distributed	\$ 35,085,608	\$ -	\$ -	\$ 35,085,608
Cost of Purchased Food and Supplies	1,258,218	-	-	1,258,218
Unusable Salvage	130,716	-	-	130,716
Salaries and Wages	1,651,318	564,369	378,033	2,593,720
Payroll Taxes and Benefits	504,414	297,749	107,786	909,949
Retirement Contribution	27,606	15,196	4,905	47,707
Direct Mail	-	-	65,158	65,158
Depreciation and Amortization	704,505	80,698	19,952	805,155
Professional Fees and Outside Services	27,971	178,482	213,826	420,279
Advertising	-	-	255,084	255,084
Vehicle Expense	452,407	-	-	452,407
Utilities	113,293	6,513	7,187	126,993
Interest on Long-Term Debt	38,501	9,446	2,732	50,679
Warehouse Supplies	116,335	-	-	116,335
Repairs and Maintenance-Warehouse Equipment	29,835	-	-	29,835
Occupancy - Donated	14,400	8,856	2,400	25,656
Rent	700	-	1,302	2,002
Telecommunications	36,562	9,021	2,958	48,541
Dues, Subscriptions, and Fees	4,379	14,936	22,458	41,773
Membership Dues	24,756	26,870	5,832	57,458
Insurance	36,029	6,344	2,631	45,004
Postage, Shipping, and Courier	11	121	9,033	9,165
Printing and Publications	6,221	1,705	12,667	20,593
Repairs and Maintenance - Occupancy	73,856	3,375	3,506	80,737
Office Supplies	1,901	4,311	1,409	7,621
Conferences and Meetings	3,670	9,573	3,143	16,386
Computer Expenses	3,616	6,820	1,628	12,064
Staff Development	2,837	1,140	2,101	6,078
Minor Equipment Expense	1,839	28,086	1,200	31,125
Travel	2,967	4,147	376	7,490
Recognition	20	1,390	3,610	5,020
Warehouse Equipment Leases	64,755	-	-	64,755
Uniforms	9,442	1,158	-	10,600
Bad Debt Expense	-	-	1,859	1,859
Agency Grants	378,815	-	-	378,815
Other	13,095	1,335	7,209	21,639
Special Event Expenses	-	-	21,220	21,220
Total	<u>40,820,598</u>	<u>1,281,641</u>	<u>1,161,205</u>	<u>43,263,444</u>
Less Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(21,220)</u>	<u>(21,220)</u>
Total Expenses Included in the Expense Section of the Consolidated Statement of Activities	<u>\$ 40,820,598</u>	<u>\$ 1,281,641</u>	<u>\$ 1,139,985</u>	<u>\$ 43,242,224</u>

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,375,809	\$ 4,228,886
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization of Debt Costs	2,040	1,020
Depreciation and Amortization	935,200	805,155
Gain on Disposal of Property and Equipment	(22,000)	-
Realized and Unrealized (Gains) Losses on Investments	(111,753)	246,364
(Increase) Decrease in Assets:		
Grants Receivable	304,837	(321,881)
Inventories	(219,517)	(235,092)
Prepays and Deposits	8,856	(37,904)
Increase (Decrease) in Liabilities:		
Accounts Payable	263,104	131,567
Accrued Expenses	(141,284)	139,566
Deferred Revenue	832,699	396,662
Net Cash Provided by Operating Activities	4,227,991	5,354,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,079,032)	(869,340)
Proceeds from Sale of Investments	1,125,441	831,501
Purchases of Property and Equipment	(224,995)	(7,137,042)
Transfers from Investments to Checking account	895,986	-
Net Cash Used by Investing Activities	(282,600)	(7,174,881)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt Issuance Costs	-	(20,400)
Issuance of Note Payable	-	2,000,000
Principal Payments on Notes Payable	(65,923)	(32,014)
Net Cash Provided (Used) by Financing Activities	(65,923)	1,947,586
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,879,468	127,048
Cash and Cash Equivalents - Beginning of Year	6,098,540	5,971,492
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 9,978,008	\$ 6,098,540
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 83,483	\$ 42,689

See accompanying Notes to Consolidated Financial Statements.

UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION

The United Food Bank, located in Mesa, Arizona, is a nonprofit organization that was incorporated in February 1985 to serve as a distribution center in the Phoenix, Arizona metropolitan area for donated food and supplies. The mission is to stabilize the lives of hungry, low income people within in Eastern Maricopa, Gila and Pinal, and Southern Navajo and Apache Counties of Arizona by actively acquiring, storing and distributing large quantities of wholesome and nutritious foods to our network of community and strategic partners, combined with advocacy and education initiatives that enhance lives.

On July 1, 2019, Waste Not became a subsidiary organization of United Food Bank (collectively, the Organization), creating a food rescue division of the Food Bank. Waste Not rescues and distributes excess prepared and perishable food from restaurants, resorts, caterers, grocers, and event venues. They are creating sustainable food systems that help people and the planet flourish. They do so by eliminating food waste and hunger through innovative community partnerships.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. At times, amounts may exceed Federal Deposit Insurance Corporation insured limits.

**UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on the assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to contributions and grants receivable. Management considers the grants receivable to be fully collectible, and therefore, an allowance for doubtful accounts is not deemed necessary.

Inventories

Donated inventories are stated at the estimated value per pound of \$1.92 and \$1.79 as of June 30, 2023 and 2022, as determined by Feeding America, a national association of food banks, which provides assistance and valuation of food commodities. Purchased inventories are stated at the lower of first-in, first-out (FIFO) basis cost or net realizable value.

Investments

The Organization carries its investments at fair value, based on the quoted market prices.

The Organization's investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the values of investments will occur in the near term and that such changes could be material to the amounts reported in the consolidated statements of financial position.

Property and Equipment

Property and equipment is stated at cost or estimated fair value if contributed. Depreciation is recorded and computed using the straight-line method over the estimated useful life of each asset. The Organization capitalizes assets with a basis of \$2,500 or more and an estimated useful life of one year or more.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discount is recorded as additional contributions revenue.

Conditional promises to give are not recognized as contribution revenue and receivables until the conditions have been substantially met. Conditional promises outstanding at June 30, 2023 and 2022 were \$1,568,331 and \$735,632, respectively.

**UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the years ended June 30, 2023 and 2022, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded, although many individuals volunteer their time and perform a variety of tasks that assist the Organization throughout the year.

Functional Expenses

Expenses are charged to program services and supporting services classifications on the basis of estimates made by the Organization's management based on direct expenditures incurred. Expenditures not directly chargeable to a specific functional classification are allocated based on the best estimates of management based on square footage and payroll allocations.

Leases

The Organization determines if an arrangement is a lease at inception. Leases are reported on the statement of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Organization has a billboard lease which expires in the year ended June 30, 2030. The lease has monthly rental payments of \$200. The Organization determined the billboard lease was immaterial and chose to not record as a ROU asset and liability.

Advertising Costs

The Organization uses advertising to promote its programs to the various groups it serves. Advertising costs are charged to operations as incurred. Advertising expense charged to operations were \$432,291 and \$320,242 for the years ended June 30, 2023 and 2022.

UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, no provision for federal income taxes has been recorded. In addition, the Organization qualifies for charitable deductions under Section 170 of the Code and has been classified as an organization that is not a private foundation.

The Organization follows a policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The policy has had no impact on the Organization's consolidated financial statements.

Management's Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. The Organization applies the above policies for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the consolidated financial statements on a nonrecurring basis.

Benefits

The Organization has a partially self-insured health benefit program covering medical and prescription claims. The plan includes a stop-loss provision that insures claims exceeding \$267,729 up to a maximum of \$25,000 per person or \$1,000,000 in total.

Liabilities for health insurance claims incurred but not reported are estimated based on historical claims. At June 30, 2023 and 2022, the provision for health insurance claims incurred but not reported was \$39,189 and \$141,888, respectively.

Change in Accounting Principle

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the ASU effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. The adoption of this standard did not have an impact on the Organization's financial statements or change in net assets.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated subsequent events thru October 19, 2023, the date the consolidated financial statements were available to be issued.

UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30:

	<u>2023</u>	<u>2022</u>
Total Financial Assets	\$ 12,608,766	\$ 8,864,777
Less:		
Investments with Liquidity Horizons Greater than One Year	-	(229,795)
Donor-Imposed Restrictions:		
Restricted Funds	<u>(1,592,719)</u>	<u>(1,450,248)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 11,016,047</u>	<u>\$ 7,184,734</u>

The Organization operates under various grants, federal funding, contributions, and contracts for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability, 2) maintaining adequate liquid assets to fund near-term operating needs, and 3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization forecasts its future cash flows and monitors its liquidity reserves monthly.

NOTE 4 GRANTS RECEIVABLE

Grants receivable were \$437,877 and \$742,714 as of June 30, 2023 and 2022, respectively. As of June 30, 2023, 75% was from two granting agencies. As of June 30, 2022, 61% was from two granting agencies. The receivables are all due within the next 12 months.

NOTE 5 INVENTORIES

Inventories consist of food items and supplies categorized as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Donated	\$ 338,888	\$ 417,741
Purchased	173,150	4,637
TEFAP	<u>1,411,748</u>	<u>1,281,891</u>
Total Inventories	<u>\$ 1,923,786</u>	<u>\$ 1,704,269</u>

**UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES

Investments as of June 30 consist of:

	<u>2023</u>	<u>2022</u>
Interest in Arizona Community Foundation Investment Pools	\$ 2,179,365	\$ -
Mutual Funds	-	139,340
Bonds	-	671,897
Equity Securities	13,516	182,137
Exchange Traded Funds	-	146,918
Cash	-	883,231
Total Investments	<u>\$ 2,192,881</u>	<u>\$ 2,023,523</u>

The Organization holds assets in an agreement with the Arizona Community Foundation. The funds are stated at fair value, which was determined based on quoted market prices of the underlying holdings.

As both the resource provider (the transferor of assets to the Arizona Community Foundation) and as the self-named beneficiary, United Food Bank and Waste Not recognizes the funds held by the Arizona Community Foundation as long-term investments and classifies the funds in long-term assets. The Arizona Community Foundation holds these assets in a board-advised fund with the income and principal available for distribution to the Organization subject to the Organization's board of directors' approval and subject to the Organization advising that the distribution be made in accordance with the provisions of the agreement.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>	<u>Useful Lives</u>
Land	\$ 3,116,922	\$ 3,116,922	N/A
Buildings and Improvements	8,061,796	8,048,496	30 Years
Vehicles	2,670,058	2,595,412	5 Years
Machinery, Equipment, and Furniture	801,864	764,374	5 Years
Website	20,080	20,080	5 Years
Construction in Progress - Buildings and Improvements	<u>349,268</u>	<u>282,218</u>	N/A
Total Property and Equipment	15,019,988	14,827,502	
Less: Accumulated Depreciation	<u>4,084,204</u>	<u>3,203,513</u>	
Net Property and Equipment	<u>\$ 10,935,784</u>	<u>\$ 11,623,989</u>	

UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 NOTE PAYABLE

The Organization is obligated under the terms of a note payable issued for a property and building at 308-310 S Extension Rd. which is secured by the property and building. The note requires monthly payments, including interest at a fixed rate of 4.25% through 2026 and an adjustable rate thereafter of Wall Street Journal Prime rate +1.5% with a floor of 4.25% and a cap of 6.25%. All unpaid principal and interest is due on December 27, 2031. The annual maturities of the long-term debt at June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 68,566
2025	71,801
2026	74,957
2027	77,460
2028	80,000
Thereafter	<u>1,529,279</u>
Total	1,902,063
Less: Current Maturities	(68,566)
Less: Unamortized Loan Costs	<u>(17,340)</u>
Note Payable, Net	<u><u>\$ 1,816,157</u></u>

The note payable is subject to various nonfinancial covenants.

**UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2023	2022
Subject to Expenditure for Specified Purpose:		
Costco - Kids Life	\$ 40,909	\$ 25,175
Albertsons "Hunger Is" Grant - Kids Life	56,090	48,153
SRPMIC - ESFP Support	-	46,884
SRPMIC- Produce Boxes	18,662	-
AZ Coyotes - Kids Life	-	10,000
Inspire Foundation - Kids Life	-	7,741
Impact for Good - Kids Life	-	2,650
Seasons for Sharing - Kids Life	4,072	5,000
Maricopa County	-	51,081
Native American Community Outreach Support	-	20,000
APS - Pallet Wrapper	-	10,000
Fry's - Food Boxes	5,000	5,000
Arizona Food Bank Network - Agency Support	-	84,990
Superbowl Legacy Grant	18,750	-
Sprouts Health Communities Foundation- Kids Life	5,000	-
Google- Technology	94,043	-
Cigna - Holdeman School Pantry	223	-
Feeding America- Senior Hunger	90,712	-
Feeding America- Employee Engagement Survey	4,350	-
Santander- Fuel & Other Transportation costs	17,875	-
Dunkin' Joy in Childhood Foundation- Kids Life	5,000	-
The Kemper and Ethel Marley Foundation- Fuel, Produce, Rural Agency Capacity Building	54,042	-
Arizona Diamondbacks Foundation- Kids Life	5,000	-
Arizona Cardinals- Kids Life	5,000	-
State Farm- Holiday Distribution Food	25,000	-
Arizona Diamondbacks Foundation- Day Cab Semi	125,000	-
SRP- Fuel and Program salary	3,333	-
Waste Not - Truck Purchase	-	79,398
Waste Not - Communications Manager	-	23,333
Waste Not - Farm Feed Initiative	-	5,000
Total	578,060	424,405
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due:		
Valley of the Sun United Way	175,000	175,000
Toyota - Summer of a Million Meals	-	5,000
Resolution Copper	-	30,000
SRPMIC	-	40,000
Waymo - Summer of a Million Meals	12,700	-
Tempe Empty Bowls	7,515	-
Total	195,215	250,000
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	518,607	475,006
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:	300,837	300,837
Total	819,444	775,843
Total Net Assets With Donor Restrictions	\$ 1,592,719	\$ 1,450,248

**UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions of \$1,262,914 and \$1,273,878 were released when the activity or time restrictions were met as of June 30, 2023 and 2022, respectively.

NOTE 10 ENDOWMENTS

The Organization has donor-restricted endowment funds established for the purpose of providing future income to further the mission of the United Food Bank. In addition, the board of directors has designated a portion of the endowment for long-term purposes. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original restricted gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulated earnings on the endowment funds remain treated as donor-restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The remaining portion of the endowment fund that is not classified as donor-restricted net assets is classified as net assets without donor restrictions – board-designated for long-term purposes.

Endowment net asset composition by type of fund as of June 30 is as follows:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Board-Designated	\$ 1,813,902	\$ -	\$ 1,813,902
Donor-Restricted	-	819,444	819,444
Total	<u>\$ 1,813,902</u>	<u>\$ 819,444</u>	<u>\$ 2,633,346</u>
	2022		
	Without Donor Restriction	With Donor Restriction	Total
Board-Designated	\$ 1,690,768	\$ -	\$ 1,690,768
Donor-Restricted	-	775,843	775,843
Total	<u>\$ 1,690,768</u>	<u>\$ 775,843</u>	<u>\$ 2,466,611</u>

UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 ENDOWMENTS (CONTINUED)

The change in the endowment net assets for the years ended June 30 was as follows:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - Beginning of Year	\$ 1,690,768	\$ 775,843	\$ 2,466,611
Contributions	21,544	-	21,544
Investment Income	(12,670)	(5,437)	(18,107)
Unrealized Gains	114,260	49,038	163,298
Endowment Net Assets - End of Year	<u>\$ 1,813,902</u>	<u>\$ 819,444</u>	<u>\$ 2,633,346</u>
	2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - Beginning of Year (As Restated)	\$ 1,839,020	\$ 839,178	\$ 2,678,198
Investment Income	112,075	38,584	150,659
Unrealized Gains (Losses)	(260,327)	(101,919)	(362,246)
Endowment Net Assets - End of Year	<u>\$ 1,690,768</u>	<u>\$ 775,843</u>	<u>\$ 2,466,611</u>

NOTE 11 RETIREMENT PLAN

The Organization sponsors a 401(k) plan that covers all employees who meet specified age and service requirements. Each participant may contribute eligible compensation to the plan on a pretax basis up to the maximum allowed by the IRC. The plan also provides for discretionary contributions by the Organization. The Organization made contributions to the plan during the years ended June 30, 2023 and 2022 of \$61,246 and \$47,707, respectively.

NOTE 12 LEASES

The Organization leases a billboard expiring in fiscal year 2030. Minimum future rental payments under this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 2,400
2025	2,400
2026	2,400
2027	2,400
2028	2,400
Thereafter	4,800
Total Future Maturities	<u>\$ 16,800</u>

**UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 12 LEASES (CONTINUED)

Total rent expense (cash and in-kind) was \$25,656 and \$27,658 for the years ended June 30, 2023 and 2022.

The Organization began leasing office space to an unrelated party in December 2021. The lease initial lease term expired on December 31, 2022, and continued on a month-to-month basis through August 2023. Rental revenue recognized by the Organization was \$351,414 and \$170,126 during the years ended June 30, 2023 and 2022, respectively.

NOTE 13 FAIR VALUE MEASUREMENT

The Organization's financial instruments carried at fair value, by level, are as follows as of June 30:

	2023			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments				
Interest in Arizona Community Foundation Investment Pool	\$ -	\$ -	\$ 2,179,365	\$ 2,179,365
Equity Securities	13,516	-	-	13,516
Total Assets	<u>\$ 13,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,192,881</u>
	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments				
Mutual Funds	\$ 139,340	\$ -	\$ -	\$ 139,340
Bonds	671,897	-	-	671,897
Equity Securities	182,137	-	-	182,137
Exchange Traded Funds	146,918	-	-	146,918
Total Investments at Fair Value	<u>1,140,292</u>	<u>-</u>	<u>-</u>	<u>1,140,292</u>
Cash	-	-	-	883,231
Total Assets	<u>\$ 1,140,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,023,523</u>

Level 3 Assets and Liabilities

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the year ended June 30, 2023:

Purchases	Arizona Community Foundation Investment Pool <u>\$ 2,042,970</u>
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The following table describes the valuation techniques used to calculate fair value for assets in Level 3.

**UNITED FOOD BANK AND WASTE NOT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 13 FAIR VALUE MEASUREMENT (CONTINUED)

	Fair Value at June 30, 2023	Valuation	Unobservable Inputs
Arizona Community Foundation Investment Pool	\$ 2,179,365	Percentage Ownership of Investment Pool	The Percentage Ownership of Investment Pool as Applied to Investment Statements

NOTE 14 CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

	2023	2022
Donated Food	\$ 41,147,701	\$ 35,882,547
Donated Services	23,375	37,727
Donated Discount	-	2,000,000
Donated Rent	25,656	25,656
Total Contributed Nonfinancial Assets	<u>\$ 41,196,732</u>	<u>\$ 37,945,930</u>

Donated food received by the Organization is provided to partner agencies for distribution in their community to those in need. The Organization estimates the value of donated food using either the fair market value provided by the granting agency, or the estimated average price per pound as determined by Feeding America, which was \$1.92 and \$1.79 per pound for the years ended June 30, 2023 and 2022, respectively. Donated food was restricted to be utilized in the Organization's food distribution programs. The Organization does not sell donated food and only distributes the food for program use.

Donated services recognized comprise professional consulting services provided to the Organization. Donated services were valued and reported at the estimated fair value based on current rates for similar consulting services. Donated services were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services.

Donated discount recognized is the value of the discount offered to the Organization in acquiring a new building that the Organization plans to use in future operations. Donated discount was valued and reported as the difference between the fair value of the building acquired and the consideration exchanged. There were no donor-imposed restrictions associated with the donated discount.

The Organization entered into various lease agreements for office and warehouse spaces in which payments stated in the agreements are less than the amount that would be charged for similar space rented under similar terms. Donated rent was valued and reported as the difference between the fair value of the spaces rented and the consideration exchanged. The donated leased properties were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated rent.

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

	United Food Bank	Waste Not	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 9,005,115	\$ 972,893	\$ -	\$ 9,978,008
Grants Receivable	471,579	50,000	(83,702)	437,877
Prepays and Deposits	43,347	5,584	-	48,931
Inventories	1,923,786	-	-	1,923,786
Total Current Assets	<u>11,443,827</u>	<u>1,028,477</u>	<u>(83,702)</u>	<u>12,388,602</u>
INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES	2,192,881	-	-	2,192,881
PROPERTY AND EQUIPMENT	14,437,502	582,486	-	15,019,988
Less: Accumulated Depreciation	(3,801,865)	(282,339)	-	(4,084,204)
Net Property and Equipment	<u>10,635,637</u>	<u>300,147</u>	<u>-</u>	<u>10,935,784</u>
 Total Assets	 <u>\$ 24,272,345</u>	 <u>\$ 1,328,624</u>	 <u>\$ (83,702)</u>	 <u>\$ 25,517,267</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 476,428	\$ 90,052	\$ (83,702)	\$ 482,778
Accrued Expenses	160,962	14,712	-	175,674
Deferred Revenues	1,568,331	-	-	1,568,331
Accrued Interest Payable	6,737	-	-	6,737
Current Portion of Note Payable	68,566	-	-	68,566
Total Current Liabilities	<u>2,281,024</u>	<u>104,764</u>	<u>(83,702)</u>	<u>2,302,086</u>
LONG-TERM LIABILITIES				
Note Payable, Net	<u>1,816,157</u>	<u>-</u>	<u>-</u>	<u>1,816,157</u>
Total Liabilities	4,097,181	104,764	(83,702)	4,118,243
NET ASSETS				
Without Donor Restrictions:				
Undesignated	16,202,256	1,066,129	-	17,268,385
Designated for Special Projects	724,018	-	-	724,018
Designated for Endowment	1,813,902	-	-	1,813,902
Total Net Assets Without Donor Restrictions	<u>18,740,176</u>	<u>1,066,129</u>	<u>-</u>	<u>19,806,305</u>
With Donor Restrictions	<u>1,434,988</u>	<u>157,731</u>	<u>-</u>	<u>1,592,719</u>
Total Net Assets	<u>20,175,164</u>	<u>1,223,860</u>	<u>-</u>	<u>21,399,024</u>
 Total Liabilities and Net Assets	 <u>\$ 24,272,345</u>	 <u>\$ 1,328,624</u>	 <u>\$ (83,702)</u>	 <u>\$ 25,517,267</u>

**UNITED FOOD BANK AND WASTE NOT
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	United Food Bank	Waste Not	Eliminations	Consolidated
REVENUES AND SUPPORT				
Donated Food	\$ 36,399,483	\$ 4,748,218	\$ -	\$ 41,147,701
Donated Services	23,375	-	-	23,375
Donated Rent	14,400	11,256	-	25,656
Contributions	3,757,824	402,056	-	4,159,880
Contracts and Grants	5,334,301	322,322	-	5,656,623
Shared Maintenance	101,082	-	-	101,082
Investment Income	56,651	1,894	-	58,545
Rental Income	351,414	-	-	351,414
Other Revenues	225,773	24,719	(84,847)	165,645
Total Revenues and Support Before Special Events and Net Assets Released from Restrictions	<u>46,264,303</u>	<u>5,510,465</u>	<u>(84,847)</u>	<u>51,689,921</u>
Special Events:				
Revenues from Special Events	4,000	17,473	-	21,473
Less: Cost of Direct Donor Benefits	<u>(777)</u>	<u>(619)</u>	<u>-</u>	<u>(1,396)</u>
Gross Profit on Special Events	<u>3,223</u>	<u>16,854</u>	<u>-</u>	<u>20,077</u>
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>46,267,526</u>	<u>5,527,319</u>	<u>(84,847)</u>	<u>51,709,998</u>
EXPENSES				
Program Services	41,503,829	5,383,700	(17,407)	46,870,122
Supporting Services:				
Management and General	1,114,318	146,422	(55,192)	1,205,548
Fund Raising	<u>1,275,487</u>	<u>161,606</u>	<u>(12,248)</u>	<u>1,424,845</u>
Total Expenses	<u>43,893,634</u>	<u>5,691,728</u>	<u>(84,847)</u>	<u>49,500,515</u>
CHANGES IN NET ASSETS BEFORE GAINS AND LOSSES	2,373,892	(164,409)	-	2,209,483
UNREALIZED GAIN ON INVESTMENTS	<u>166,326</u>	<u>-</u>	<u>-</u>	<u>166,326</u>
CHANGE IN NET ASSETS	2,540,218	(164,409)	-	2,375,809
Net Assets - Beginning of Year	<u>17,634,946</u>	<u>1,388,269</u>	<u>-</u>	<u>19,023,215</u>
NET ASSETS - END OF YEAR	<u>\$ 20,175,164</u>	<u>\$ 1,223,860</u>	<u>\$ -</u>	<u>\$ 21,399,024</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
United Food Bank and Waste Not
Mesa, Arizona

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 consolidated financial statements of United Food Bank and Waste Not (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered United Food Bank and Waste Not'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Food Bank and Waste Not's internal control. Accordingly, we do not express an opinion on the effectiveness of United Food Bank and Waste Not'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 consolidated 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Food Bank and Waste Not's consolidated 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 consolidated 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*.

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 entity'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.



CliftonLarsonAllen LLP

Phoenix, Arizona
October 19, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
United Food Bank and Waste Not
Mesa, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited United Food Bank and Waste Not'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 United Food Bank and Waste Not's major federal programs for the year ended June 30, 2023. United Food Bank and Waste Not's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, United Food Bank and Waste Not complied, in all material respects, with the 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, 2023.

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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of United Food Bank and Waste Not and to meet our other 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 United Food Bank and Waste Not'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 United Food Bank and Waste Not's federal programs.

Auditors' 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 United Food Bank and Waste Not'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 GAAS, *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 judgment made by a reasonable user of the report on compliance about United Food Bank and Waste Not's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 examining, on a test basis, evidence regarding United Food Bank and Waste Not'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 United Food Bank and Waste Not'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 United Food Bank and Waste Not'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 over compliance that we identified during the audit.

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.

Board of Directors
United Food Bank and Waste Not

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
October 19, 2023

**UNITED FOOD BANK AND WASTE NOT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Agency/Pass-Through Entity/ Federal Assistance Program	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Expenditures
DEPARTMENT OF AGRICULTURE, FOOD, AND NUTRITION SERVICE			
Emergency Food Assistance Program & State Nutritional Assistance Program - Food Distribution Cluster			
Passed through the Arizona Department of Economic Security			
Administrative Funding - Emergency Food Assistance Program	10.568	CtR052634	\$ 1,085,856
Commodities - Emergency Food Assistance Program	10.569	CtR052634	6,853,181
Passed through St. Mary's Food Bank Alliance			
Administrative Funding - Emergency Food Assistance Program	10.568	None	304,780
Commodities - Emergency Food Assistance Program	10.568	None	310,565
Administrative Funding - Commodity Supplemental Food Program	10.565	None	100,202
Commodities - Commodity Supplemental Food Program	10.565	None	1,585,501
Total Department of Agriculture, Food, and Nutrition Service			10,240,085
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families (TANF) Cluster	93.558	CtR052634	105,900
Total Department of Health and Human Services			105,900
DEPARTMENT OF HOMELAND SECURITY			
Emergency Food and Shelter National Board Program (Direct)			
Passed through Gila County	97.024	LRO0248-00-015	9,108
Passed through Apache County	97.024	LRO0242-00-044	15,257
Passed through Navajo County	97.024	LRO0700-00-059	13,220
Passed through Maricopa County	97.024	LRO0256-00-011	150,000
Passed through Pinal County	97.024	LRO0276-00-034	10,000
Total Department of Homeland Security			197,585
DEPARTMENT OF THE TREASURY			
Emergency Food and Shelter National Board Program (Direct)			
Passed through Apache County - COVID-19	21.019	LRO0276-00-044	35,000
Passed through Navajo County - COVID-19	21.019	LRO0276-00-059	32,397
Passed through Maricopa County - COVID-19	21.019	LRO0256-00-011	400,000
Passed through Gila County - COVID-19	21.019	LRO0248-00-015	28,150
Passed through Pinal County - COVID-19	21.019	LRO0276-00-034	30,000
Total Department of the Treasury			525,547
			\$ 11,069,117

**UNITED FOOD BANK AND WASTE NOT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of United Food Bank under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of 2 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 United Food Bank and Waste Not, it is not intended to and does not present the financial position, changes in net assets, or cash flows of United Food Bank and Waste Not.

NOTE 2 FEDERAL ASSISTANCE LISTING NUMBERS

The program titles and federal assistance listing numbers were obtained from the *2023 Assistance Listing*.

NOTE 3 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. United Food Bank has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 SUBRECIPIENTS

There were no subrecipient payments during the year.

**UNITED FOOD BANK AND WASTE NOT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

Assistance Listing Number(s)

10.568/10.569/10.565

Name of Federal Program or Cluster

Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Section II – Financial Statement Findings

None

**UNITED FOOD BANK AND WASTE NOT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs

None

**UNITED FOOD BANK AND WASTE NOT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**



2022-001

**U.S. Department of Agriculture, Food and Nutrition
Emergency Food Assistance Program
Assistance Listing Number: 10.568/10.569
Passed Through: The Arizona Department of Economic Security
Pass Through Number: CtR052634
Award Period: July 1, 2021 – June 30, 2022**

Type of Finding – Significant Deficiency in Internal Control Over Compliance

Condition/Context – Internal control procedures over eligibility requirements for 1 of 40 eligibility sheets tested indicated there was no certifying signature by the eligible recipient agency volunteer, there was no evidence of secondary review by the distribution agency program officials.

Corrective Action Plan Implemented – United Food Bank has entirely onboarded all TEFAP agencies to be active on Link2Feed; however, a handful of agencies still use sign-in sheets due to technology limitations. At the 2022 Agency Conference, a presentation was done that conveyed the importance of checking all signatures on United Food Bank documents. The 2022 Partner Agency Handbook explains that a signature is required for the reports and sign-in sheets to be authorized and accepted by United Food Bank. Re-training United Food Bank staff has also occurred to ensure that all reports have the correct signatures and that the United Food Bank staff's initials are on all documents to ensure that the reports were reviewed.

**UNITED FOOD BANK AND WASTE NOT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2023**



2022-002

**U.S. Department of Agriculture, Food, and Nutrition Service
Emergency Food Assistance Program
CFDA Number: 10.568/10.569
Passed Through: The Arizona Department of Economic Security
Pass Through Number: CtR052634
Award Period: July 1, 2021 – June 30, 2022**

Condition/Context – Internal control procedures over procurement requirements did not ensure compliance with federal awards. For 1 of 8 vendors tested, there was no documented evidence that the vendor was reviewed and approved in accordance with the Organization’s procurement policy.

Corrective Action Plan Implemented – United Food Bank follows the set procurement policy. Quotes are obtained for all vendors who meet a certain dollar threshold. For the instance that occurred, quotes were obtained and reviewed. A meeting was held to discuss the quotes received, and it was decided to use the service of all of the vendors that quotes were obtained from, not just a single vendor. The failure occurred due to not documenting the selection of using multiple vendors for the same service on the Organization’s Vendor Selection Form. The Vendor Selection Form will be completed for all procurement services, even if multiple vendors are selected for the same type of goods or services.



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