

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of United Food Bank and Waste Not (collectively, the Organization), which comprise the consolidated balance sheets as of June 30, 2020, 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, the 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, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 22, 2020

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 5,029,636
Contracts Receivable	432,062
Prepays and Deposits	6,346
Inventories	2,963,176
Total Current Assets	<u>8,431,220</u>

**INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES**

1,914,161

**PROPERTY AND EQUIPMENT**

Less: Accumulated Depreciation	7,109,979
Net Property and Equipment	<u>(2,508,462)</u>
	<u>4,601,517</u>

Total Assets

\$ 14,946,898

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 127,829
Accrued Expenses	129,023
Deferred Revenues	947,164
Accrued Interest Payable	7,547
Current Portion of Bonds Payable	87,847
Total Current Liabilities	<u>1,299,410</u>

**LONG-TERM LIABILITIES**

IDA Interest Rate Swap Liability	132,745
Bonds Payable, Net Current Portion	1,850,527
Total Current Liabilities	<u>1,983,272</u>

Total Liabilities

3,282,682

**NET ASSETS**

Without Donor Restrictions:

Undesignated	8,447,837
Designated for Special Projects	94,336
Designated for Endowment	1,619,858
Total Net Assets Without Donor Restrictions	<u>10,162,031</u>

With Donor Restrictions

1,502,185

Total Liabilities and Net Assets

\$ 14,946,898

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Donated Food, Supplies, and Other Items	\$ 35,524,825	\$ -	\$ 35,524,825
Contributions	4,607,404	-	4,607,404
Contracts and Grants	3,164,917	1,769,017	4,933,934
Shared Maintenance	94,790	-	94,790
Other Program	50	-	50
Investment Income	215,635	72,739	288,374
Other Revenues	35,786	-	35,786
Total Revenues and Support Before Special Events and Net Assets Released from Restrictions	43,643,407	1,841,756	45,485,163
Special Events:			
Revenues from Special Events	75,790	-	75,790
Less: Cost of Direct Donor Benefits	(20,631)	-	(20,631)
Gross Profit on Special Events	55,159	-	55,159
Net Assets Released from Restrictions	1,247,908	(1,247,908)	-
Total Revenues and Support	44,946,474	593,848	45,540,322
<b>EXPENSES</b>			
Program Services	37,362,622	-	37,362,622
Supporting Services:			
Management and General	850,119	-	850,119
Fund Raising	988,927	-	988,927
Total Expenses	39,201,668	-	39,201,668
<b>CHANGES IN NET ASSETS BEFORE GAINS AND LOSSES</b>			
	5,744,806	593,848	6,338,654
<b>UNREALIZED LOSS ON INVESTMENTS</b>			
	(42,280)	(13,820)	(56,100)
<b>LOSS ON INTEREST RATE SWAP</b>			
	(18,180)	-	(18,180)
<b>CHANGE IN NET ASSETS</b>			
	5,684,346	580,028	6,264,374
Net Assets - Beginning of Year	4,477,685	922,157	5,399,842
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,162,031</u>	<u>\$ 1,502,185</u>	<u>\$ 11,664,216</u>

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	Program Services	Management and General	Fund Raising	Total
Value of Donated Food and Supplies Distributed	\$ 33,237,986	\$ -	\$ -	\$ 33,237,986
Cost of Purchased Food and Supplies	290,439	-	-	290,439
Unusable Salvage	190,454	-	-	190,454
Salaries and Wages	1,251,846	436,645	395,235	2,083,726
Payroll Taxes and Benefits	360,890	132,662	107,663	601,215
Direct Mail	-	-	62,088	62,088
Depreciation and Amortization	311,340	11,346	13,732	336,418
Professional Fees and Outside Services	57,844	129,794	97,467	285,105
Advertising	-	-	240,157	240,157
Vehicle Expense	473,697	1,338	92	475,127
Utilities	97,638	5,354	6,242	109,234
Interest on Long-Term Debt	80,811	5,466	6,380	92,657
Warehouse Supplies	111,240	-	-	111,240
Repairs and Maintenance-Warehouse Equipment	26,138	-	-	26,138
Occupancy - Donated	450,333	14,256	-	464,589
Telecommunications	41,437	7,617	3,289	52,343
Dues, Subscriptions, and Fees	(103)	23,223	20,402	43,522
Membership Dues	27,274	25,497	7,174	59,945
Insurance	43,662	20,475	3,454	67,591
Postage, Shipping, and Courier	15	694	8,058	8,767
Printing and Publications	2,595	1,037	2,014	5,646
Repairs and Maintenance - Occupancy	62,059	2,912	1,695	66,666
Office Supplies	12,942	7,101	2,656	22,699
Conferences and Meetings	1,463	6,017	1,829	9,309
Computer Expenses	-	10,026	1,550	11,576
Staff Development	3,207	217	283	3,707
Minor Equipment Expense	6,644	2,035	-	8,679
Travel	8,638	228	1,170	10,036
Recognition	662	4,366	767	5,795
Warehouse Equipment Leases	78,296	-	-	78,296
Uniforms	12,360	-	243	12,603
Agency Grants	91,567	-	-	91,567
Other	29,248	1,813	5,287	36,348
Special Event Expenses	-	-	20,631	20,631
Total	<u>37,362,622</u>	<u>850,119</u>	<u>1,009,558</u>	<u>39,222,299</u>
Less: Expenses Netted Against Revenues on the Consolidated Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(20,631)</u>	<u>(20,631)</u>
Total Expenses Included in the Expense Section of the Consolidated Statement of Activities	<u>\$ 37,362,622</u>	<u>\$ 850,119</u>	<u>\$ 988,927</u>	<u>\$ 39,201,668</u>

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 6,264,374
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	336,418
Loss on Sale of Property and Equipment	3,209
Realized and Unrealized Gains on Investments	(192,138)
Loss on Interest Rate Swap	18,180
(Increase) Decrease in Assets:	
Contracts Receivable	(17,745)
Inventories	(1,603,678)
Prepays and Deposits	(421)
Increase (Decrease) in Liabilities:	
Accounts Payable	(264,622)
Accrued Expenses	10,316
Deferred Revenue	947,164
Net Cash Provided by Operating Activities	5,501,057

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Investments	(34,308)
Purchases of Property and Equipment	(900,568)
Net Cash Used by Investing Activities	(934,876)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal Payments on Bonds Payable	(83,898)
Net Cash Used by Financing Activities	(83,898)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

4,482,283

Cash and Cash Equivalents - Beginning of Year

547,353

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 5,029,636

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid During the Year for Interest	\$ 85,110
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*See accompanying Notes to Consolidated Financial Statements.*



**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 in-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, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contracts Receivable**

Contracts 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 contracts 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 \$1.62 as of June 30, 2020, 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 statement 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, 2020 were \$947,165.

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 year ended June 30, 2020, 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.

The Organization recognized \$35,524,825 of contributed in-kind food, supplies, and facility rental donations.

**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.

**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 was \$302,245 for the year ended June 30, 2020.

**Income Taxes**

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code 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 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 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.

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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 accounting principles generally accepted in the United States of America. 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.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

*Interest Rate Swap Agreements* – Valued at market quotes developed by an independent third party using market observable inputs, which primarily include the London Interbank Offered Rate (LIBOR) for swaps. The agreements are executed in the dealer market and priced based on market quotes from the independent third party that transacted the swap agreements. The agreements are classified within Level 2 of the valuation hierarchy.

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principles**

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's consolidated financial statements reflect adoption of ASU 2018-08 and ASU 2014-09 guidance beginning in fiscal year 2020. The adoption of these standards did not impact the Organization's reported revenue.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated subsequent events thru December 22, 2020, the date the consolidated financial statements were available to be issued.

**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020:

Total Financial Assets	\$ 7,375,859
Less:	
Investments with Liquidity Horizons Greater than One Year	(294,309)
Donor-Imposed Restrictions:	
Restricted Funds	<u>(1,502,185)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,579,365</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 CONTRACTS RECEIVABLE**

Contracts receivable was \$432,062 as of June 30, 2020. As of June 30, 2020, 96% was from one granting agency. The receivables are all due within the next twelve months.

**NOTE 5 INVENTORIES**

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

Donated	\$ 524,454
Purchased	137,124
TEFAP	<u>2,301,598</u>
Total Inventories	<u>\$ 2,963,176</u>

**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES**

Investments as of June 30, 2020 consist of:

Mutual Funds	\$ 420,946
Bonds	353,611
Equity Securities	658,944
Exchange Traded Funds	126,645
Cash	354,015
Total Investments	<u>\$ 1,914,161</u>

**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2020:

		<u>Useful Lives</u>
Land	\$ 850,000	N/A
Buildings and Improvements	3,916,456	30 Years
Vehicles	1,618,017	5 Years
Machinery, Equipment, and Furniture	642,038	5 Years
Website	20,080	5 Years
Construction in Progress - Buildings and Improvements	<u>63,388</u>	N/A
Total Property and Equipment	7,109,979	
Less: Accumulated Depreciation	<u>2,508,462</u>	
Net Property and Equipment	<u>\$ 4,601,517</u>	

**NOTE 8 BONDS PAYABLE**

The Organization is obligated under the terms of an Industrial Development Authority Bond issued for the property and building. The bonds require monthly payments, including interest fixed through a swap agreement at 4.89% with all unpaid principal and interest due on August 1, 2023. The annual maturities of the long-term debt at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 87,847
2022	92,311
2023	96,989
2024	1,661,227
Total	<u>1,938,374</u>
Less: Current Maturities	<u>(87,847)</u>
Bonds Payable, Net of Current Maturities	<u>\$ 1,850,527</u>

The bonds are subject to various financial and nonfinancial covenants.

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 BONDS PAYABLE (CONTINUED)**

**Interest Rate Swap Agreement**

The Organization entered into an interest rate swap agreement in July 2013 to protect against interest rate fluctuations on its variable rate debt with BBVA Bank. The Organization pays interest at 65% of the one-month LIBOR plus 2.00% with a floor of 2.5%. The notional amount of the contract at June 30, 2020 is \$1,631,332. The notional amount under the agreement decreases as principal payments are made on the debt. As of June 30, 2020, the fair value of the interest rate swap obligation was \$132,745.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2020:

Subject to Expenditure for Specified Purpose:

Feeding America - Carrier Unit	\$ 24,679
Costco - Purchase food at Costco for Kids Life	21,540
Albertsons "Hunger Is" Grant - Kids Life	28,681
Bank of America- Neighborhoods Building Grant	100,000
Murray Foundation- Kids Life	8,006
SRP- Waste Not Integration	2,900
Feeding America - Jeff Bezos Grant	186,160
Double Up Food Bucks	8,970
Waste Not-Rebranding	250,000
Waste Not - Truck Purchase	100,000
Total	<u>730,936</u>

Subject to Passage of Time:

Promises to Give that are Not Restricted by Donors,  
but Which are Unavailable for Expenditure Until Due:

Mesa United Way	2,708
Valley of the Sun United Way	23,338
Total	<u>26,046</u>

Endowments:

Subject to Endowment Spending Policy  
and Appropriation:

Earnings on Endowment Funds	444,366
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:	300,837
Total	<u>745,203</u>

Total Net Assets With Donor Restrictions	<u><u>\$ 1,502,185</u></u>
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Net assets with donor restrictions of \$1,247,908 were released when the activity or time restrictions were met as of June 30, 2020.



**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 accounting principles generally accepted in the United States of America, 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, 2020 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-Designated	\$ 1,619,858	\$ -	\$ 1,619,858
Donor-Restricted	-	745,203	745,203
Total	<u>\$ 1,619,858</u>	<u>\$ 745,203</u>	<u>\$ 2,365,061</u>

The change in the endowment net assets for the year ended June 30, 2020 was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - Beginning of Year	\$ 1,001,330	\$ 686,284	\$ 1,687,614
Contributions	451,000	-	451,000
Investment Income	209,808	72,739	282,547
Unrealized Losses	(42,280)	(13,820)	(56,100)
Withdrawals	-	-	-
Endowment Net Assets - End of Year	<u>\$ 1,619,858</u>	<u>\$ 745,203</u>	<u>\$ 2,365,061</u>

**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 up to 15% of their eligible compensation on a pretax basis to the plan up to the maximum allowed by the IRC. The plan also provides for discretionary contributions by the Organization. The Organization made no contributions to the plan during the year ended June 30, 2020.

**NOTE 12 LEASES**

The Organization leases various facilities and equipment under operating leases expiring after 2020. Minimum future rental payments under the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 84,526
2022	2,400
2023	2,400
2024	2,400
Thereafter	14,400
Total Future Maturities	<u>\$ 106,126</u>

The Organization also has agreements for the use of donated space. These agreements expire in December 2020 and 2021, respectively.

Total rent expense (cash and in-kind) was \$680,919, for the year ended June 30, 2020.

**NOTE 13 FAIR VALUE MEASUREMENT**

The Organization's financial instruments carried at fair value, by level, are as follows as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
Investments				
Mutual Funds	\$ 420,946	\$ -	\$ -	\$ 420,946
Bonds	353,611	-	-	353,611
Equity Securities	658,944	-	-	658,944
Exchange Traded Funds	126,645	-	-	126,645
Total Investments at Fair Value	<u>1,560,146</u>	<u>-</u>	<u>-</u>	<u>1,560,146</u>
Cash				354,015
Total Assets	<u>\$ 1,560,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,914,161</u>
<b>Liabilities:</b>				
Interest Rate Swap Obligation	\$ -	\$ (132,745)	\$ -	\$ (132,745)
Total Liabilities at Fair Value	<u>\$ -</u>	<u>\$ (132,745)</u>	<u>\$ -</u>	<u>\$ (132,745)</u>

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 13 FAIR VALUE MEASUREMENT (CONTINUED)**

Unrealized gains and losses are recognized as of June 30, 2020 are as follows:

	<u>Consolidated Statement of Activities Location</u>	<u>Loss</u>
Interest Rate Swap Contract	Loss on Interest Rate Swap	\$ (18,180)

**NOTE 14 RISKS AND UNCERTAINTIES**

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

	United Food Bank	Waste Not	Eliminations	Consolidated
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 4,035,434	\$ 994,202	\$ -	\$ 5,029,636
Contracts Receivable	471,492	4,838	(44,268)	432,062
Prepays and Deposits	3,981	2,365	-	6,346
Inventories	2,963,176	-	-	2,963,176
Total Current Assets	<u>7,474,083</u>	<u>1,001,405</u>	<u>(44,268)</u>	<u>8,431,220</u>
<b>INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES</b>	1,914,161	-	-	1,914,161
<b>PROPERTY AND EQUIPMENT</b>	6,754,907	355,072	-	7,109,979
Less: Accumulated Depreciation	(2,192,696)	(315,766)	-	(2,508,462)
Net Property and Equipment	<u>4,562,211</u>	<u>39,306</u>	<u>-</u>	<u>4,601,517</u>
 Total Assets	 <u>\$ 13,950,455</u>	 <u>\$ 1,040,711</u>	 <u>\$ (44,268)</u>	 <u>\$ 14,946,898</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 127,829	\$ 44,268	\$ (44,268)	\$ 127,829
Accrued Expenses	119,976	9,047	-	129,023
Deferred Revenues	947,164	-	-	947,164
Accrued Interest Payable	7,547	-	-	7,547
Current Portion of Bonds Payable	87,847	-	-	87,847
Total Current Liabilities	<u>1,290,363</u>	<u>53,315</u>	<u>(44,268)</u>	<u>1,299,410</u>
<b>LONG-TERM LIABILITIES</b>				
IDA Interest Rate Swap Liability	132,745	-	-	132,745
Bonds Payable, Net Current Portion	1,850,527	-	-	1,850,527
Total Current Liabilities	<u>1,983,272</u>	<u>-</u>	<u>-</u>	<u>1,983,272</u>
 Total Liabilities	 3,273,635	 53,315	 (44,268)	 3,282,682
<b>NET ASSETS</b>				
Without Donor Restrictions:				
Undesignated	7,815,279	632,558	-	8,447,837
Designated for Special Projects	94,336	-	-	94,336
Designated for Endowment	1,619,858	-	-	1,619,858
Total Net Assets Without Donor Restrictions	<u>9,529,473</u>	<u>632,558</u>	<u>-</u>	<u>10,162,031</u>
With Donor Restrictions	1,147,347	354,838	-	1,502,185
Total Net Assets	<u>10,676,820</u>	<u>987,396</u>	<u>-</u>	<u>11,664,216</u>
 Total Liabilities and Net Assets	 <u>\$ 13,950,455</u>	 <u>\$ 1,040,711</u>	 <u>\$ (44,268)</u>	 <u>\$ 14,946,898</u>

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATING STATEMENT OF ACTIVITIES  
JUNE 30, 2020**

	United Food Bank	Waste Not	Eliminations	Consolidated
<b>REVENUES AND SUPPORT</b>				
Donated Food, Supplies, and Other Items	\$ 32,521,378	\$ 3,003,447	\$ -	\$ 35,524,825
Contributions	3,801,579	805,825	-	4,607,404
Contracts and Grants	4,521,082	412,852	-	4,933,934
Shared Maintenance	94,790	-	-	94,790
Other Program	50	-	-	50
Investment Income	288,050	324	-	288,374
Other Revenues	93,914	5,791	(63,919)	35,786
Total Revenues and Support Before Special Events and Net Assets Released from Restrictions	41,320,843	4,228,239	(63,919)	45,485,163
Special Events:				
Revenues from Special Events	57,417	18,373	-	75,790
Less: Cost of Direct Donor Benefits	(20,109)	(522)	-	(20,631)
Gross Profit on Special Events	37,308	17,851	-	55,159
Total Revenues and Support	41,358,151	4,246,090	(63,919)	45,540,322
<b>EXPENSES</b>				
Program Services	34,079,256	3,317,102	(33,736)	37,362,622
Supporting Services:				
Management and General	717,830	153,385	(21,096)	850,119
Fund Raising	825,671	172,343	(9,087)	988,927
Total Expenses	35,622,757	3,642,830	(63,919)	39,201,668
<b>CHANGES IN NET ASSETS BEFORE GAINS AND LOSSES</b>	5,735,394	603,260	-	6,338,654
<b>UNREALIZED LOSS ON INVESTMENTS</b>	(56,100)	-	-	(56,100)
<b>LOSS ON INTEREST RATE SWAP</b>	(18,180)	-	-	(18,180)
<b>CHANGE IN NET ASSETS</b>	5,661,114	603,260	-	6,264,374
Net Assets - Beginning of Year	5,015,708	384,134	-	5,399,842
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,676,822</u>	<u>\$ 987,394</u>	<u>\$ -</u>	<u>\$ 11,664,216</u>

