

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**



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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 statement of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
October 21, 2022

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,098,540	\$ 5,971,492
Contracts Receivable	742,714	420,833
Prepays and Deposits	57,787	19,883
Inventories	1,704,269	1,469,177
Total Current Assets	8,603,310	7,881,385
<b>INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES</b>	2,023,523	2,232,048
<b>PROPERTY AND EQUIPMENT</b>	14,827,502	7,829,900
Less: Accumulated Depreciation	(3,203,513)	(2,537,798)
Net Property and Equipment	11,623,989	5,292,102
Total Assets	\$ 22,250,822	\$ 15,405,535
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 219,674	\$ 88,107
Accrued Expenses	300,195	167,236
Deferred Revenues	752,162	355,500
Accrued Interest Payable	6,970	363
Current Portion of Note Payable	65,891	-
Total Current Liabilities	1,344,892	611,206
<b>LONG-TERM LIABILITIES</b>		
Note Payable, Net	1,882,715	-
Total Liabilities	3,227,607	611,206
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	15,158,181	11,358,409
Designated for Special Projects	724,018	94,336
Designated for Endowment	1,690,768	1,839,020
Total Net Assets Without Donor Restrictions	17,572,967	13,291,765
With Donor Restrictions	1,450,248	1,502,564
Total Net Assets	19,023,215	14,794,329
Total Liabilities and Net Assets	\$ 22,250,822	\$ 15,405,535

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
<b>REVENUES AND SUPPORT</b>			
Donated Food	\$ 35,882,547	\$ -	\$ 35,882,547
Donated Services	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
<b>EXPENSES</b>			
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
<b>CHANGES IN NET ASSETS BEFORE GAINS AND LOSSES</b>			
	4,541,529	49,603	4,591,132
<b>UNREALIZED LOSS ON INVESTMENTS</b>			
	(260,327)	(101,919)	(362,246)
<b>CHANGE IN NET ASSETS</b>			
	4,281,202	(52,316)	4,228,886
Net Assets - Beginning of Year	13,291,765	1,502,564	14,794,329
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 17,572,967</b>	<b>\$ 1,450,248</b>	<b>\$ 19,023,215</b>

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Donated Food	\$ 36,776,947	\$ -	\$ 36,776,947
Donated Supplies	96,618	-	96,618
Donated Rent	1,114,896	-	1,114,896
Contributions	4,592,370	-	4,592,370
Contracts and Grants	3,401,962	3,702,907	7,104,869
Shared Maintenance	110,521	-	110,521
Investment Income	331,347	54,848	386,195
Other Revenues	56,899	-	56,899
Total Revenues and Support Before Special Events and Net Assets Released from Restrictions	46,481,560	3,757,755	50,239,315
Special Events:			
Revenues from Special Events	13,850	-	13,850
Less: Cost of Direct Donor Benefits	(62)	-	(62)
Gross Profit on Special Events	13,788	-	13,788
Net Assets Released from Restrictions	3,796,503	(3,796,503)	-
Total Revenues and Support	50,291,851	(38,748)	50,253,103
<b>EXPENSES</b>			
Program Services	45,031,268	-	45,031,268
Supporting Services:			
Management and General	947,716	-	947,716
Fund Raising	1,132,434	-	1,132,434
Total Expenses	47,111,418	-	47,111,418
<b>CHANGES IN NET ASSETS BEFORE GAINS AND LOSSES</b>			
	3,180,433	(38,748)	3,141,685
<b>UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	(96,444)	39,127	(57,317)
<b>LOSS ON INTEREST RATE SWAP</b>	45,745	-	45,745
<b>CHANGE IN NET ASSETS</b>	3,129,734	379	3,130,113
Net Assets - Beginning of Year	10,162,031	1,502,185	11,664,216
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 13,291,765</u>	<u>\$ 1,502,564</u>	<u>\$ 14,794,329</u>

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 Consolidated Statement of Activities:				
Special Event Expenses	-	-	(21,220)	(21,220)
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 STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Fund Raising	Total
Value of Donated Food and Supplies Distributed	\$ 38,013,946	\$ -	\$ -	\$ 38,013,946
Cost of Purchased Food and Supplies	1,464,712	-	-	1,464,712
Unusable Salvage	181,004	-	-	181,004
Salaries and Wages	1,514,784	528,553	431,034	2,474,371
Payroll Taxes and Benefits	396,792	166,423	131,585	694,800
Retirement Contribution	20,675	12,136	6,174	38,985
Direct Mail	-	-	69,984	69,984
Depreciation and Amortization	624,709	15,388	18,569	658,666
Professional Fees and Outside Services	43,803	108,838	109,991	262,632
Advertising	-	-	275,638	275,638
Vehicle Expense	462,994	-	-	462,994
Utilities	119,135	6,815	8,225	134,175
Interest on Long-Term Debt	69,178	3,824	5,553	78,555
Warehouse Supplies	149,811	-	-	149,811
Repairs and Maintenance - Warehouse Equipment	29,396	-	-	29,396
Occupancy - Donated	1,103,640	8,856	-	1,112,496
Rent	31,000	-	1,756	32,756
Telecommunications	37,090	9,933	4,108	51,131
Dues, Subscriptions, and Fees	485	16,445	27,938	44,868
Membership Dues	-	5,447	5,633	11,080
Insurance	23,906	12,920	2,330	39,156
Postage, Shipping, and Courier	318	349	9,712	10,379
Printing and Publications	4,871	391	7,614	12,876
Repairs and Maintenance - Occupancy	77,289	3,190	3,412	83,891
Office Supplies	4,011	7,050	1,881	12,942
Conferences, Meetings, and Education	9,747	8,426	2,141	20,314
Computer Expenses	10	13,784	1,464	15,258
Volunteer Supplies	8,180	-	-	8,180
Staff Development	3,252	1,128	613	4,993
Minor Equipment Expense	5,279	618	1,698	7,595
Travel	3,875	3,249	238	7,362
Recognition	1,354	12,643	3,375	17,372
Warehouse Equipment Leases	180,508	-	-	180,508
Uniforms	6,875	1,248	663	8,786
Agency Grants	418,256	-	-	418,256
Other	20,383	62	1,105	21,550
Special Event Expenses	-	-	62	62
Total	<u>45,031,268</u>	<u>947,716</u>	<u>1,132,496</u>	<u>47,111,480</u>
Less Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(62)</u>	<u>(62)</u>
Total Expenses Included in the Expense Section of the Consolidated Statement of Activities	<u>\$ 45,031,268</u>	<u>\$ 947,716</u>	<u>\$ 1,132,434</u>	<u>\$ 47,111,418</u>

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 4,228,886	\$ 3,130,113
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization of Debt Costs	1,020	-
Depreciation and Amortization	805,155	658,666
Gain on Sale of Property and Equipment	-	(9,214)
Realized and Unrealized (Gains) Losses on Investments	246,364	(289,816)
Gain on Interest Rate Swap	-	(45,745)
Donated Fixed Assets	-	(40,434)
(Increase) Decrease in Assets:		
Contracts Receivable	(321,881)	11,229
Inventories	(235,092)	1,493,999
Prepays and Deposits	(37,904)	(13,537)
Increase (Decrease) in Liabilities:		
Accounts Payable	131,567	(39,722)
Accrued Expenses	139,566	31,029
Deferred Revenue	396,662	(591,664)
Net Cash Provided by Operating Activities	5,354,343	4,294,904
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(869,340)	(1,294,502)
Proceeds from Sale of Investments	831,501	1,266,431
Proceeds on Sale of Property and Equipment	-	38,958
Purchases of Property and Equipment	(7,137,042)	(1,338,561)
Net Cash Used by Investing Activities	(7,174,881)	(1,327,674)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Interest Rate Swap	-	(87,000)
Debt Issuance Costs	(20,400)	-
Issuance of Note Payable	2,000,000	-
Principal Payments on Notes Payable	(32,014)	(1,938,374)
Net Cash Provided (Used) by Financing Activities	1,947,586	(2,025,374)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	127,048	941,856
Cash and Cash Equivalents - Beginning of Year	5,971,492	5,029,636
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,098,540	\$ 5,971,492
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 42,689	\$ 78,192
Noncash Additions of Property and Equipment	\$ -	\$ 40,434

See accompanying Notes to Consolidated Financial Statements.

**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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, 2022 AND 2021**

**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 \$1.79 and \$1.74 as of June 30, 2022 and 2021, 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, 2022 and 2021 were \$725,632 and \$355,500, respectively.

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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, 2022 and 2021, 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.

**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 \$320,242 and \$345,622 for the years ended June 30, 2022 and 2021.

**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.

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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 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**

Effective November 2020, 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 \$242,810 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, 2022 and 2021, the provision for health insurance claims incurred but not reported was \$141,888 and \$-0-, respectively.

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

**Change in Accounting Principle**

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases transparency around contributed nonfinancial assets (also known as gifts-in-kind) received by nonprofit organizations, including transparency on how those assets are used and how they are valued.

The Organization's consolidated financial statements reflect a retrospective adoption of ASU 2020-07 beginning in fiscal year 2021. The adoption of this standard did not impact the Organization's reported revenue.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated subsequent events thru October 21, 2022, the date the consolidated financial statements were available to be issued.

**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>2022</u>	<u>2021</u>
Total Financial Assets	\$ 8,864,777	\$ 8,624,373
Less:		
Investments with Liquidity Horizons Greater than One Year	(229,795)	(285,094)
Donor-Imposed Restrictions:		
Restricted Funds	<u>(1,450,248)</u>	<u>(1,502,564)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 7,184,734</u>	<u>\$ 6,836,715</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.



**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 4 CONTRACTS RECEIVABLE**

Contracts receivable were \$742,714 and \$420,833 as of June 30, 2022 and 2021, respectively. As of June 30, 2022, 61% was from two granting agencies. As of June 30, 2021, 73% 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>2022</u>	<u>2021</u>
Donated	\$ 417,741	\$ 264,755
Purchased	4,637	160,675
TEFAP	<u>1,281,891</u>	<u>1,043,747</u>
Total Inventories	<u>\$ 1,704,269</u>	<u>\$ 1,469,177</u>

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

Investments as of June 30 consist of:

	<u>2022</u>	<u>2021</u>
Mutual Funds	\$ 139,340	\$ 389,322
Bonds	671,897	884,697
Equity Securities	182,137	579,852
Exchange Traded Funds	146,918	182,153
Cash	<u>883,231</u>	<u>196,024</u>
Total Investments	<u>\$ 2,023,523</u>	<u>\$ 2,232,048</u>

**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>	<u>Useful Lives</u>
Land	\$ 3,116,922	\$ 850,000	N/A
Buildings and Improvements	8,048,496	3,822,478	30 Years
Vehicles	2,595,412	2,525,920	5 Years
Machinery, Equipment, and Furniture	764,374	611,422	5 Years
Website	20,080	20,080	5 Years
Construction in Progress - Buildings and Improvements	<u>282,218</u>	<u>-</u>	N/A
Total Property and Equipment	<u>14,827,502</u>	<u>7,829,900</u>	
Less: Accumulated Depreciation	<u>3,203,513</u>	<u>2,537,798</u>	
Net Property and Equipment	<u>\$ 11,623,989</u>	<u>\$ 5,292,102</u>	

**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 65,891
2024	68,566
2025	71,801
2026	74,957
2027	77,460
Thereafter	<u>1,609,311</u>
Total	1,967,986
Less: Current Maturities	(65,891)
Less: Unamortized Loan Costs	<u>(19,380)</u>
Note Payable, Net	<u><u>\$ 1,882,715</u></u>

The note payable is subject to various nonfinancial covenants.

**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
Costco - Kids Life	\$ 25,175	\$ 22,340
Albertsons "Hunger Is" Grant - Kids Life	48,153	38,493
SRPMIC - ESFP Support	46,884	-
AZ Coyotes - Kids Life	10,000	-
Inspire Foundation - Kids Life	7,741	-
Impact for Good - Kids Life	2,650	-
Seasons for Sharing - Kids Life	5,000	-
Maricopa County	51,081	-
Native American Community Outreach Support	20,000	235,238
APS - Pallet Wrapper	10,000	-
Fry's - Food Boxes	5,000	-
Arizona Food Bank Network - Agency Support	84,990	5,000
Feeding America - Donor Anonymous Grant	-	75,433
Waste Not - Truck Purchase	79,398	35,000
Waste Not - Communications Manager	23,333	-
Waste Not - Farm Feed Initiative	5,000	-
Total	424,405	411,504
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	-
Care 1st Health Care	-	1,882
Silicon Valley Bank - Box Truck Purchase	-	75,000
Total	250,000	251,882
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	475,006	538,341
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:	300,837	300,837
Total	775,843	839,178
Total Net Assets With Donor Restrictions	\$ 1,450,248	\$ 1,502,564

Net assets with donor restrictions of \$1,273,878 and \$3,796,503 were released when the activity or time restrictions were met as of June 30, 2022 and 2021, respectively.

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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:

	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>
	2021		
	Without Donor Restriction	With Donor Restriction	Total
Board-Designated	\$ 1,839,020	\$ -	\$ 1,839,020
Donor-Restricted	-	839,178	839,178
Total	<u>\$ 1,839,020</u>	<u>\$ 839,178</u>	<u>\$ 2,678,198</u>

**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 10 ENDOWMENTS (CONTINUED)**

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

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets -			
Beginning of Year	\$ 1,839,020	\$ 839,178	\$ 2,678,198
Contributions	-	-	-
Investment Income	112,075	38,584	150,659
Unrealized Losses	(260,327)	(101,919)	(362,246)
Withdrawals	-	-	-
Endowment Net Assets - End of Year	<u>\$ 1,690,768</u>	<u>\$ 775,843</u>	<u>\$ 2,466,611</u>
	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets -			
Beginning of Year (As Restated)	\$ 1,619,858	\$ 745,203	\$ 2,365,061
Contributions	-	-	-
Investment Income	315,606	54,848	370,454
Unrealized Gains (Losses)	(96,444)	39,127	(57,317)
Withdrawals	-	-	-
Endowment Net Assets - End of Year	<u>\$ 1,839,020</u>	<u>\$ 839,178</u>	<u>\$ 2,678,198</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 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 contributions to the plan during the years ended June 30, 2022 and 2021 of \$47,707 and \$38,985, respectively.

**UNITED FOOD BANK AND WASTE NOT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 12 LEASES**

The Organization leases various facilities and equipment under operating leases expiring after 2022. Minimum future rental payments under the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 2,400
2024	2,400
2025	2,400
2026	2,400
2027	2,400
Thereafter	7,200
Total Future Maturities	<u>\$ 19,200</u>

Total rent expense (cash and in-kind) was \$27,658 and \$1,421,623 for the years ended June 30, 2022 and 2021.

The Organization began leasing office space to an unrelated party in December 2021. The lease is set to expire on December 31, 2022, with an option for the lessee to renew on a month-to-month basis through June 30, 2023. Rental revenue recognized by the Organization was \$170,126 during the year ended June 30, 2022.

**NOTE 13 FAIR VALUE MEASUREMENT**

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

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	1,140,292	-	-	1,140,292
Cash	-	-	-	883,231
Total Assets	<u>\$ 1,140,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,023,523</u>
2021				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments				
Mutual Funds	\$ 389,322	\$ -	\$ -	\$ 389,322
Bonds	884,697	-	-	884,697
Equity Securities	579,852	-	-	579,852
Exchange Traded Funds	182,153	-	-	182,153
Total Investments at Fair Value	2,036,024	-	-	2,036,024
Cash	-	-	-	196,024
Total Assets	<u>\$ 2,036,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,232,048</u>

**UNITED FOOD BANK AND WASTE NOT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

Unrealized losses recognized at June 30, 2021 are as follows:

	Consolidated Statement of Activities Location	Loss
Interest Rate Swap Contract	Loss on Interest Rate Swap	\$ 45,745

**NOTE 14 CONTRIBUTED NONFINANCIAL ASSETS**

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

	2022	2021
Donated Food	\$ 35,882,547	\$ 36,776,947
Donated Services	37,727	96,618
Donated Discount	2,000,000	-
Donated Rent	25,656	1,114,896
Total Contributed Nonfinancial Assets	<u>\$ 37,945,930</u>	<u>\$ 37,988,461</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 \$1.79 and \$1.74 per pound for the years ended June 30, 2022 and 2021, 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, 2022**

	United Food Bank	Waste Not	Eliminations	Consolidated
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 4,953,588	\$ 1,144,952	\$ -	\$ 6,098,540
Contracts Receivable	772,765	50,000	(80,051)	742,714
Prepays and Deposits	52,535	5,252	-	57,787
Inventories	1,704,269	-	-	1,704,269
Total Current Assets	<u>7,483,157</u>	<u>1,200,204</u>	<u>(80,051)</u>	<u>8,603,310</u>
<b>INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES</b>	2,023,523	-	-	2,023,523
<b>PROPERTY AND EQUIPMENT</b>				
Property and Equipment	14,309,931	517,571	-	14,827,502
Less: Accumulated Depreciation	(2,969,910)	(233,603)	-	(3,203,513)
Net Property and Equipment	<u>11,340,021</u>	<u>283,968</u>	<u>-</u>	<u>11,623,989</u>
<b>Total Assets</b>	<u>\$ 20,846,701</u>	<u>\$ 1,484,172</u>	<u>\$ (80,051)</u>	<u>\$ 22,250,822</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 217,057	\$ 82,668	\$ (80,051)	\$ 219,674
Accrued Expenses	289,460	10,735	-	300,195
Deferred Revenues	749,662	2,500	-	752,162
Accrued Interest Payable	6,970	-	-	6,970
Current Portion of Note Payable	65,891	-	-	65,891
Total Current Liabilities	<u>1,329,040</u>	<u>95,903</u>	<u>(80,051)</u>	<u>1,344,892</u>
<b>LONG-TERM LIABILITIES</b>				
Note Payable, Net	1,882,715	-	-	1,882,715
<b>Total Liabilities</b>	3,211,755	95,903	(80,051)	3,227,607
<b>NET ASSETS</b>				
Without Donor Restrictions:				
Undesignated	13,927,643	1,230,538	-	15,158,181
Designated for Special Projects	724,018	-	-	724,018
Designated for Endowment	1,690,768	-	-	1,690,768
Total Net Assets Without Donor Restrictions	<u>16,342,429</u>	<u>1,230,538</u>	<u>-</u>	<u>17,572,967</u>
With Donor Restrictions	1,292,517	157,731	-	1,450,248
Total Net Assets	<u>17,634,946</u>	<u>1,388,269</u>	<u>-</u>	<u>19,023,215</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 20,846,701</u>	<u>\$ 1,484,172</u>	<u>\$ (80,051)</u>	<u>\$ 22,250,822</u>



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

	United Food Bank	Waste Not	Eliminations	Consolidated
<b>REVENUES AND SUPPORT</b>				
Donated Food, Supplies, and Other Items	\$ 31,658,471	\$ 4,224,076	\$ -	\$ 35,882,547
Donated Services	26,477	11,250	-	37,727
Discount on Building Acquisition	2,000,000	-	-	2,000,000
Donated Rent	14,400	11,256	-	25,656
Contributions	3,999,200	339,883	-	4,339,083
Contracts and Grants	4,508,856	535,549	-	5,044,405
Shared Maintenance	85,528	-	-	85,528
Investment Income	160,207	645	-	160,852
Rental Income	170,126	-	-	170,126
Other Revenues	111,217	29,119	(82,716)	57,620
Total Revenues and Support Before Special Events	42,734,482	5,151,778	(82,716)	47,803,544
Special Events:				
Revenues from Special Events	12,354	38,678	-	51,032
Less: Cost of Direct Donor Benefits	(17,024)	(4,196)	-	(21,220)
Gross Profit on Special Events	(4,670)	34,482	-	29,812
Total Revenues and Support	42,729,812	5,186,260	(82,716)	47,833,356
<b>EXPENSES</b>				
Program Services	36,016,616	4,820,885	(16,903)	40,820,598
Supporting Services:				
Management and General	1,207,757	133,866	(59,982)	1,281,641
Fund Raising	1,026,872	118,944	(5,831)	1,139,985
Total Expenses	38,251,245	5,073,695	(82,716)	43,242,224
<b>CHANGES IN NET ASSETS BEFORE GAINS AND LOSSES</b>	4,478,567	112,565	-	4,591,132
<b>UNREALIZED LOSS ON INVESTMENTS</b>	(362,246)	-	-	(362,246)
<b>CHANGE IN NET ASSETS</b>	4,116,321	112,565	-	4,228,886
Net Assets - Beginning of Year	13,518,625	1,275,704	-	14,794,329
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 17,634,946</u>	<u>\$ 1,388,269</u>	<u>\$ -</u>	<u>\$ 19,023,215</u>



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