

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**

**FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2014**

**AND**

**FOR THE YEAR THEN ENDED**

ASSOCIATION OF ARIZONA FOOD BANKS, INC.  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
JUNE 30, 2014

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# Joel D. Huber, CPA, P.C.

Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Association of Arizona Food Banks, Inc.  
Phoenix, Arizona

### **Report on the Financial Statements**

I have audited the accompanying statement of financial position of Association of Arizona Food Banks, Inc. (an Arizona nonprofit corporation) as of June 30, 2014, and the related statements of activities, and cash flows for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Association of Arizona Food Banks, Inc.'s basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. Accordingly, I 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 financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

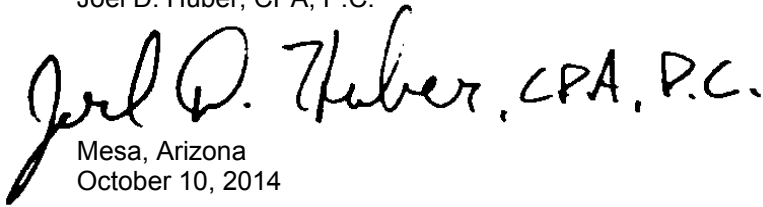
### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Association of Arizona Food Banks, Inc., as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

In accordance with *United States Government Auditing Standards*, I have also issued a report dated June 30, 2014, on my consideration of Association of Arizona Food Banks, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *United States Government Auditing Standards* and should be considered in assessing the results of my audit.

Joel D. Huber, CPA, P.C.



Mesa, Arizona  
October 10, 2014

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***Joel D. Huber, CPA, P.C.***  
Certified Public Accountant

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2014**  
**(with comparative totals as of June 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 1,970,502	\$ 1,677,791
Grants and accounts receivable	177,737	99,711
Contributions receivable	25,000	27,953
Prepaid expenses and other assets	8,770	3,969
Total current assets	2,182,009	1,809,424
Property and equipment, net	5,831	9,762
 TOTAL ASSETS	 \$ 2,187,840	 \$ 1,819,186
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 29,035	\$ 27,949
Accrued payroll and other accrued expenses	15,317	17,937
Total current liabilities	44,352	45,886
Noncurrent liabilities	-	-
Total liabilities	44,352	45,886
 <b>Net Assets</b>		
Unrestricted, undesignated	1,914,353	1,589,419
Unrestricted, designated	172,764	122,192
Total unrestricted net assets	2,087,117	1,711,611
Temporarily restricted	56,371	61,689
Total net assets	2,143,488	1,773,300
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,187,840	 \$ 1,819,186

See accompanying notes to the financial statements.

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Year Ended June 30, 2014**  
**(with comparative totals for the year ended June 30, 2013)**

	Unrestricted	Temporarily Restricted	Totals	
			2014	2013
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 409,464	\$ 863,843	\$ 1,273,307	\$ 969,323
Governmental and other agency grants	365,092	-	365,092	365,092
Fee for service	492,668	-	492,668	241,140
Membership	55,601	-	55,601	54,230
Events	-	-	-	20,591
Interest	2,576	-	2,576	2,529
Other	-	-	-	1,200
Net assets released from restriction	869,161	(869,161)	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>2,194,562</b>	<b>(5,318)</b>	<b>2,189,244</b>	<b>1,654,105</b>
<b>EXPENSES</b>				
Program services:	1,520,445	-	1,520,445	1,355,132
Supporting services				
Management and general	125,268	-	125,268	113,387
Fundraising	173,343	-	173,343	154,964
Total supporting services	298,611		298,611	268,351
<b>TOTAL EXPENSES</b>	<b>1,819,056</b>	<b>-</b>	<b>1,819,056</b>	<b>1,623,483</b>
<b>CHANGE IN NET ASSETS</b>	<b>375,506</b>	<b>(5,318)</b>	<b>370,188</b>	<b>30,622</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,711,611</b>	<b>61,689</b>	<b>1,773,300</b>	<b>1,742,678</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,087,117</b>	<b>\$ 56,371</b>	<b>\$ 2,143,488</b>	<b>\$ 1,773,300</b>

See accompanying notes to the financial statements.

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2014  
(with comparative totals for the year ended June 30, 2013)

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Totals</u>	
	<u>Food Bank Coordination</u>	<u>Gleaning</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014</u>	<u>2013</u>
	Salaries and wages	\$ 129,543	\$ 92,114	\$ 221,657	\$ 60,358	\$ 86,861	\$ 368,876
Taxes and employee related expenses	25,354	18,491	43,845	12,798	18,792	75,435	63,741
Food, freight and related costs	-	760,856	760,856	-	-	760,856	568,643
Professional fees and outside services	9,192	343,318	352,510	33,541	4,699	390,750	345,393
Travel	6,570	244	6,814	8	88	6,910	8,057
Occupancy	8,028	8,507	16,535	3,536	5,024	25,095	25,095
Equipment, rental and repair	248	71,628	71,876	465	75	72,416	98,646
Materials and supplies	17,867	2,225	20,092	4,317	53,815	78,224	73,300
Operating services	12,409	10,289	22,698	10,245	3,989	36,932	41,077
Depreciation	3,562	-	3,562	-	-	3,562	46,816
<b>Total expenses</b>	<b>\$ 212,773</b>	<b>\$ 1,307,672</b>	<b>\$ 1,520,445</b>	<b>\$ 125,268</b>	<b>\$ 173,343</b>	<b>\$ 1,819,056</b>	<b>\$ 1,623,483</b>

See accompanying notes to the financial statements.

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2014**  
(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 370,188	\$ 30,622
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,562	46,816
Loss on fixed asset disposal	369	-
Changes in operating assets and liabilities:		
Grants and accounts receivable	(78,026)	41,612
Contributions receivable	2,953	-
Prepaid expenses and other assets	(4,801)	343
Accounts payable	1,086	(15,631)
Accrued payroll and other accrued expenses	(2,620)	(28,463)
	<u>292,711</u>	<u>75,299</u>
Net cash provided (used) by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment received on short-term notes receivable	-	17,318
Purchases of fixed assets	-	(6,535)
	<u>-</u>	<u>10,783</u>
Net cash provided (used) by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	292,711	86,082
<b>CASH, BEGINNING OF YEAR</b>	<u>1,677,791</u>	<u>1,591,709</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,970,502</u>	<u>\$ 1,677,791</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

No additional supplemental cash flow information.

See accompanying notes to the financial statements.



**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative totals as of June 30, 2013)**

**NOTE 1 - ORGANIZATION**

**Nature of operations** - *Association of Arizona Food Banks, Inc. (AAFB)* was established and incorporated in 1984 in the State of Arizona as a non-profit organization to promote and coordinate the activities of member food banks located in the State of Arizona, including the coordination of the purchase of food from local, state and federal programs and agencies. The services and programs provided by AAFB are concentrated primarily within the State of Arizona.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Organization's financial statements are presented in accordance with U.S. generally accepted accounting principles, as codified in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). Therefore, the financial statements are prepared in accordance with FASB ASC 958, under which AAFB is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net asset, temporarily restricted net assets, and permanently restricted net assets. AAFB had no permanently restricted net assets at June 30, 2014 or 2013.

**Prior Year Summarized Information**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class or by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with AAFB's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**Donated materials and services**

Donated facilities, materials and services are recorded at their estimated values if they enhance AAFB's nonfinancial assets or require specialized skills that AAFB would normally purchase, if not provided by donation.

Volunteers donate a significant amount of time to AAFB's program services and its fund raising activities. No amounts have been reflected in the financial statements for these services, since they did not meet the recognition requirements under generally accepted accounting principles.

**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of cash on hand and checking, savings, and money market accounts with banks. For purposes of the statement of cash flows, AAFB considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**Property and Equipment and related depreciation**

Purchased property and equipment is valued at cost and donated property and equipment is recorded at the fair value at the date of the gift to the Organization. Maintenance and repairs are charged to operations when incurred. Improvements and

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative totals as of June 30, 2013)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

renewals in excess of \$1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over estimated useful lives of five to ten years.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Grants from Government Agencies**

AAFB receives grants from government agencies to coordinate the work of food banks throughout the state as they address the issue of hunger, and coordinates the efforts to glean food and other resources to deliver to food banks to use to serve hungry Arizonans. These grants from government agencies are generally considered by AAFB to be exchange transactions rather than contributions, and accordingly, are recognized as the services are performed.

**Contributions**

AAFB recognizes contributions and support in accordance with *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Fundraising Costs**

All fundraising costs are expensed in the period incurred.

**Impairment of long-lived assets**

The Organization accounts for long-lived assets in accordance with the provisions of *Accounting for the Impairment of Long-Lived Assets*. This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows to be expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative totals as of June 30, 2013)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

value less costs to sell. Management believes that no long-lived assets have any impairment of value.

**Functional allocation of expenses**

The costs of providing programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of time devoted to each activity.

**Grants, accounts and notes receivable**

Grants receivable consists primarily of amounts due from members and from various federal, state and local government agencies under grant agreements. AAFB depends on grants to provide the source of funds necessary to operate. Each year, AAFB competes with other agencies for funding; its continued accomplishment of the programs and objectives does not guarantee continued support from the same funding sources.

**Income Taxes**

The Corporation has received from the Internal Revenue Service an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. However, income from certain activities not directly related to AAFB's tax-exempt purpose may be subject to taxation as unrelated business income. During the years ended June 30, 2014 and 2013, AAFB had no unrelated business income; accordingly, the accompanying financial statements contain no provision for income taxes.

AAFB applies provisions of FASB ASC 740 *Income Taxes*, which provides guidance on uncertainty in income taxes. Under that guidance, uncertain tax positions are accounted for based on whether it is "more-likely-than-not" that the position will be upheld by the taxing authority upon examination. AAFB routinely evaluates potential uncertain tax positions. AAFB has identified its status as an exempt organization as a tax position; however, AAFB has determined that such tax position does not result in an uncertainty that requires recognition. Interest and penalties, if any, are accrued as a component of management and general expenses when assessed. As of June 30, 2014 and 2013, AAFB had not accrued interest or penalties related to uncertain tax positions.

AAFB files annual informational returns in the U.S. federal jurisdiction and in the state of Arizona. U.S. informational returns for years ending prior to September 30, 2009 and state returns for years ending prior to September 30, 2008 are generally closed to assessment.

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(with summarized comparative totals as of June 30, 2013)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions receivable**

Unconditional promises to give (pledges) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 3 – GRANTS, ACCOUNTS AND NOTES RECEIVABLE**

Grants, accounts and notes receivable at June 30, 2014 and 2013 consist of:

	<b>2014</b>	<b>2013</b>
Governmental Agencies	\$ 134,559	\$ 67,370
Members and outside entities	43,178	32,341
Other	-	-
Total grants, accounts and notes receivable	<u>\$ 177,737</u>	<u>\$ 99,711</u>

Grants, accounts and notes 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 their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables.

Grants, accounts and notes receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

The member receivable of \$43,178 is due from various member food banks and outside entities. The receivables are noninterest bearing and were originally due in full on or before July 1, 2014, and could have been paid, in part or whole, prior to the due date without penalty.

At June 30, 2014 and 2013, approximately 75% and 68% of the grants and accounts receivable are due from the Arizona Department of Economic Security.

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(with summarized comparative totals as of June 30, 2013)

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, 2014 and 2013, consist of a time restricted pledge receivable from an outside entity. It is due in full during the year ended June 30, 2014, accordingly, a discount on those pledges is not considered necessary. Contributions receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

Cost or donated value:	2014	2013
Refrigerated trailers and storage containers	\$ 407,172	\$ 407,172
Furniture and equipment	15,371	18,618
Building improvements	8,365	8,365
Accumulated depreciation	(425,077)	(424,393)
Property and equipment, net	\$ 5,831	\$ 9,762

Depreciation expense was \$3,562 and \$46,816 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 6 – OPERATING LEASES**

The Organization leases office space under an operating lease agreement expiring on July 1, 2017. The rental expense related to these leases is recorded on a straight-line basis over the lease term. Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year at June 30, 2014 are as follows:

**Years Ending June 30,**

2015	\$ 28,818
2016	28,818
2017	28,818
Total minimum future lease payments	\$ 57,636

Total rental expense was \$25,095 for each of the previous years, 2014 and 2013. In the normal course of business, operating leases are generally renewed or replaced by other leases.

**ASSOCIATION OF ARIZONA FOOD BANKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(with summarized comparative totals as of June 30, 2013)

**NOTE 7 – DESIGNATED NET ASSETS**

Designated net assets at June 30, 2014 and 2013, consist of unrestricted net assets that have been designated by the executive committee of the board of directors to be used for the following purposes:

	<u>2014</u>	<u>2013</u>
Other	\$ 172,764	\$ 122,192
Total	<u>\$ 172,764</u>	<u>\$ 122,192</u>

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Purpose restrictions:		
Disaster	\$ 21,497	\$ 21,497
Hildebrand Fund	3,874	6,239
Hunger Free Communities	6,000	6,000
Time restrictions:		
Contribution receivable	25,000	27,953
	<u>\$ 56,371</u>	<u>\$ 61,689</u>

**NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events thru October 10, 2014, the date the financial statements were prepared. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 10 – EMPLOYEE BENEFIT PLANS**

AAFB has a simplified employee pension plan (SEP) for all employees who meet specified service requirements. Under the provisions of the plan, contributions of 3% of each participating employee's salary are made to individual retirement account held in the employee's name. AAFB made contributions to the plan in the amounts of \$7,785 and \$9,571 for the years ended June 30, 2014 and 2013, respectively.

SPECIAL AUDIT REPORT

# Joel D. Huber, CPA, P.C.

Certified Public Accountant

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

To the Board of Directors  
Association of Arizona Food Banks, Inc.  
Phoenix, Arizona

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *United States Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Association of Arizona Food Banks, Inc. which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated October 10, 2014

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Association of Arizona Food Banks, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Association of Arizona Food Banks, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Company'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

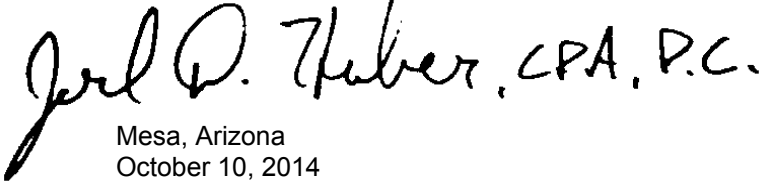
As part of obtaining reasonable assurance about whether Association of Arizona Food Banks, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could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



**Purpose of this Report**

This report is solely to describe the scope of my 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Joel D. Huber, CPA, P.C.

A handwritten signature in black ink that reads "Joel D. Huber, CPA, P.C." in a cursive style.

Mesa, Arizona  
October 10, 2014

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*Joel D. Huber, CPA, P.C.*  
Certified Public Accountant