

**ARIZONA FOOD BANK NETWORK**  
**(A NON-PROFIT CORPORATION)**  
**REPORT ON AUDITED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**



***grosscoffey&scharlau***  
C.P.A.'s  
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**Arizona Food Bank Network**

**June 30, 2020 and 2019**

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## **Independent Auditor's Report**

To the Board of Directors of  
Arizona Food Bank Network  
Phoenix, Arizona

We have audited the accompanying financial statements of the Arizona Food Bank Network (a non-profit organization), which comprise the comparative statements of financial position as of June 30, 2020 and 2019, and the related comparative statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **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**

Our responsibility is to express an opinion on these 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 audits 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, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Arizona Food Bank Network as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grass Coffey & Scharlau, CPAs, P.C.*

Grass Coffey & Scharlau, CPAs  
Phoenix, Arizona  
April 14, 2021

## Arizona Food Bank Network

### COMPARATIVE STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,381,411	\$ 1,103,903
Grants, promises to give and trade receivables	308,675	166,578
Short term investments	1,022,388	1,163,402
Prepaid expenses	20,759	9,949
	<u>3,733,233</u>	<u>2,443,832</u>
Property and equipment		
Furniture, fixtures and equipment	307,757	232,042
Less: Accumulated depreciation	(193,453)	(183,148)
	<u>114,304</u>	<u>48,894</u>
Net Property and Equipment		
Other Assets:		
Restricted cash and cash equivalents	161,097	676
Restricted long term investments	-	183,025
Security deposits	4,341	4,341
	<u>165,438</u>	<u>188,042</u>
Total Other Assets		
	<u>165,438</u>	<u>188,042</u>
<b>TOTAL ASSETS</b>	<b>\$ 4,012,975</b>	<b>\$ 2,680,768</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 177,578	\$ 89,128
Credit card payable	1,092	7,143
Accrued payroll	17,939	28,094
Deferred revenue	3,000	-
PPP loan	143,900	-
	<u>343,509</u>	<u>124,365</u>
Total Current Liabilities		
	<u>343,509</u>	<u>124,365</u>
Total Liabilities		
	<u>343,509</u>	<u>124,365</u>
Net Assets:		
Without donor restrictions	3,046,995	2,213,059
With donor restrictions	622,471	343,344
	<u>3,669,466</u>	<u>2,556,403</u>
Total Net Assets		
	<u>3,669,466</u>	<u>2,556,403</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,012,975</b>	<b>\$ 2,680,768</b>

See accompanying notes to financial statements

**Arizona Food Bank Network**

**COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Years Ended June 30, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
<b>Revenue and Support</b>						
Contributions	\$ 2,622,758	\$ 894,375	\$ 3,517,133	\$ 655,615	\$ 362,814	\$ 1,018,429
Governmental grants	604,932	-	604,932	987,592	-	987,592
Fee for service	316,631	-	316,631	398,296	-	398,296
Membership	61,467	-	61,467	62,931	-	62,931
Investment income	46,966	-	46,966	58,276	-	58,276
Miscellaneous revenue	1,000	-	1,000	38,331	-	38,331
Net assets released from restriction	615,248	(615,248)	-	726,698	(726,698)	-
<b>Total Revenue and Support</b>	<b>4,269,002</b>	<b>279,127</b>	<b>4,548,129</b>	<b>2,927,739</b>	<b>(363,884)</b>	<b>2,563,855</b>
<b>Expenses</b>						
Program Expenses:						
Total Program Expenses	3,124,144	-	3,124,144	2,842,181	-	2,842,181
	<u>3,124,144</u>	<u>-</u>	<u>3,124,144</u>	<u>2,842,181</u>	<u>-</u>	<u>2,842,181</u>
Support Services:						
General and administrative	171,662	-	171,662	170,009	-	170,009
Fundraising	139,260	-	139,260	152,997	-	152,997
Total Support Services	310,922	-	310,922	323,006	-	323,006
	<u>3,435,066</u>	<u>-</u>	<u>3,435,066</u>	<u>3,165,187</u>	<u>-</u>	<u>3,165,187</u>
<b>Change in Net Assets</b>	<b>833,936</b>	<b>279,127</b>	<b>1,113,063</b>	<b>(237,448)</b>	<b>(363,884)</b>	<b>(601,332)</b>
<b>Net Assets, Beginning of Year</b>	<b>2,213,059</b>	<b>343,344</b>	<b>2,556,403</b>	<b>2,450,507</b>	<b>707,228</b>	<b>3,157,735</b>
	<u>\$ 3,046,995</u>	<u>\$ 622,471</u>	<u>\$ 3,669,466</u>	<u>\$ 2,213,059</u>	<u>\$ 343,344</u>	<u>\$ 2,556,403</u>

**Arizona Food Bank Network**

**STATEMENT OF FUNCTIONAL EXPENSE**  
For the Year Ended June 30, 2020

	Programs				Support Services		
	Advocacy	Innovation	Member Services	Total Programs	Management & General	Fundraising	Total
Salaries and wages	\$ 117,028	\$ 105,730	\$ 285,391	\$ 508,149	\$ 75,532	\$ 63,145	\$ 646,826
Taxes and employee related expenses	12,689	23,542	48,152	84,383	39,885	18,108	142,376
Food, freight and related costs	-	-	529,417	529,417	-	-	529,417
Professional fees and outside services	40,401	8,078	447,868	496,347	22,023	6,338	524,708
Capacity building expenses	-	14,853	1,162,541	1,177,394	-	-	1,177,394
Materials and supplies	7,157	3,475	12,043	22,675	6,013	32,045	60,733
Equipment, rental and repair	360	372	178,282	179,014	615	248	179,877
Operating services	4,603	7,538	65,506	77,647	4,732	14,842	97,221
Occupancy	6,735	7,721	18,877	33,333	8,088	4,401	45,822
Travel	5,778	4,327	5,680	15,785	1,083	133	17,001
Depreciation	-	-	-	-	13,691	-	13,691
<b>Total expenses</b>	<b>\$ 194,751</b>	<b>\$ 175,636</b>	<b>\$ 2,753,757</b>	<b>\$ 3,124,144</b>	<b>\$ 171,662</b>	<b>\$ 139,260</b>	<b>\$ 3,435,066</b>

**Arizona Food Bank Network**

**STATEMENT OF FUNCTIONAL EXPENSE**  
**For the Year Ended June 30, 2019**

	Programs				Support Services		
	Advocacy	Children's Programs	Member Services	Total Programs	Management & General	Fundraising	Total
Salaries and wages	\$ 107,834	\$ 78,809	\$ 276,737	\$ 463,380	\$ 87,661	\$ 72,436	\$ 623,477
Taxes and employee related expenses	13,104	19,831	41,725	74,660	43,478	16,090	134,228
Food, freight and related costs	-	-	584,082	584,082	-	-	584,082
Professional fees and outside services	45,994	5,879	440,886	492,759	7,149	2,832	502,740
Agency capacity building expenses	-	-	896,258	896,258	-	-	896,258
Materials and supplies	8,038	2,854	27,991	38,883	5,776	49,897	94,556
Equipment, rental and repair	284	388	188,423	189,095	506	166	189,767
Operating services	3,528	7,551	37,917	48,996	4,561	7,926	61,483
Occupancy	6,206	8,491	17,640	32,337	8,431	3,650	44,418
Travel	7,857	6,849	7,025	21,731	74	-	21,805
Depreciation	-	-	-	-	12,373	-	12,373
<b>Total expenses</b>	<b>\$ 192,845</b>	<b>\$ 130,652</b>	<b>\$ 2,518,684</b>	<b>\$ 2,842,181</b>	<b>\$ 170,009</b>	<b>\$ 152,997</b>	<b>\$ 3,165,187</b>



## Arizona Food Bank Network

### STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

Reconciliation of changes in net assets to net cash provided by  
(used in) operating activities

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 1,113,063	\$ (601,332)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,690	12,373
Noncash donations (stock)	-	(2,832)
Unrealized gain on investments	(9,566)	(36,773)
Realized loss (gain) on investments	(13,222)	30,289
(Increase)/decrease in :		
Accounts receivable	(142,097)	(64,773)
Prepaid expenses	(10,810)	11,299
Increase/(decrease) in:		
Accounts payable	88,450	56,697
Credit cards payable	(6,051)	(2,050)
Accrued expenses	(10,155)	(6,896)
Total adjustments	<u>(89,761)</u>	<u>(2,666)</u>
<i>Net cash provided by (used in) operating activities</i>	1,023,302	(603,998)
<b>Cash Flows From Investing Activities</b>		
Purchases of fixed assets	(79,100)	-
Purchase of investments	(21,402)	(381,268)
Proceeds from sale of investments	<u>368,229</u>	<u>252,174</u>
<i>Net cash provided by (used) in investing activities</i>	<u>267,727</u>	<u>(129,094)</u>
<b>Cash Flows From Financing Activities</b>		
Deferred revenue	3,000	-
PPP loan	<u>143,900</u>	<u>-</u>
<i>Net cash provided by financing activities</i>	<u>146,900</u>	<u>-</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	1,437,929	(733,092)
Cash and cash Equivalents, beginning of year	<u>1,104,579</u>	<u>1,837,671</u>
Cash and cash Equivalents, end of year	<u>\$ 2,542,508</u>	<u>\$ 1,104,579</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -
Cash and cash equivalents:		
Cash and cash equivalents-current asset	\$ 2,381,411	\$ 1,103,903
Restricted cash-non current	161,097	676
Total cash	<u>\$ 2,542,508</u>	<u>\$ 1,104,579</u>

See accompanying notes to financial statements

## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS June 30, 2020 and 2019

#### 1. ORGANIZATION:

##### Nature of Operations

Arizona Food Bank Network (“AzFBN”) formerly known as The Association of Arizona Food Banks, Inc. 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 AzFBN are concentrated primarily within the State of Arizona. AzFBN receives support from their programs, contributions, grants and service fees.

AzFBN's programs include the following:

**Member Services:** AzFBN was instrumental in the development of the Arizona Statewide Gleaning Project in 1993. The program was created to rescue and redistribute food to hungry Arizonans that would otherwise go to waste. AzFBN assists the food bank network by coordinating their efforts to solicit, transport and distribute massive quantities of food through various initiatives such as transportation services, bulk food purchasing and assistance in developing a statewide sourcing strategy. AzFBN also supported food banks in Arizona by providing technical assistance and capacity building

**Advocacy:** Through public education/advocacy efforts, AzFBN works to protect public programs and fight for the 1 in 6 Arizona adults (1 in 4 children) that struggle with hunger. AzFBN advocates for policies at the state and federal level that support clients that member food banks serve. AzFBN educates the public about hunger in local communities to get them involved in solutions. AzFBN works with elected officials to encourage them to find solutions to hunger and push back on budget cuts to health and human services.

**Innovative Programs:** AzFBN works to ensure that especially vulnerable populations do not suffer from hunger and are given pathways to not regularly needing the emergency food banks network across the state. This work involves ensuring schools and districts make free and reduced price breakfast and lunch available to as many children as possible, examining the reasons that eligible seniors do not enroll for food assistance (SNAP, CACFP) and ensuring college students have access to healthy food and systems of support as they work to secure an education.

## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS June 30, 2020 and 2019

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (FASB ASU 2016-14) *Presentation of Financial Statements of Not-for-Profit Entities*. Under the standard, AzFBN is required to report information regarding their financial position and activities according to two classes of net assets: unrestricted net assets and restricted net assets. In addition, AzFBN is required to present information regarding its liquidity.

##### Basis of Accounting

The financial statements of AzFBN have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenues from services are reported in the period in which services are provided.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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 financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. As of June 30, 2020 and 2019 there were cash equivalents of \$208,646 and \$676 in brokerage accounts.

##### Property and Equipment

Property and equipment is recorded at cost and includes expenditures for new additions and repairs which substantially increase the useful lives of existing assets.

## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2020 and 2019

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Donated property and equipment is recorded at the fair value at the date of the gift to AFBN. It is the AzFBN's policy to capitalize only those fixed asset additions that exceed \$5,000 in cost (effective 11/14/18). Depreciation expense was \$13,690 and \$12,373 for the years ended June 30, 2020 and 2019. Depreciation is provided using the straight-line method with estimated useful lives as follows:

Trailers	5 Years
Furniture and equipment	5 Years

Expenditures for normal repairs, maintenance and replacement items are charged to operations as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposition with the resulting gain or loss reflected in earnings or in the cost of the replacement asset.

#### Fair Market Measurements:

AzFBN has adopted the provision of FAAB ASC 820, *Fair Value Measurements*, which establishes a framework for measuring fair value. The standard requires that certain assets and liabilities be carried at fair values in one of three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

#### Recent Accounting Pronouncements

In May, 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how

## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2020 and 2019

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

revenue is recognized. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date for non-public entities is for annual reporting periods beginning after December 15, 2019, with earlier application permitted. Management is currently evaluating the potential effect that the adoption of this standard will have on its financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, (Topic 842). ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the potential effect that the adoption of this standard will have on its financial reporting.

#### Grants from Government Agencies and Others

AzFBN 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 AzFBN to be exchange transactions rather than contributions, and accordingly, are recognized as the services are performed.

#### Net Assets

AzFBN's net assets, as well as its revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those resources available for current operations. All contributions are considered to be unrestricted unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2020 and 2019

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

However, if a restriction is fulfilled in the same time period in which the contribution is received, AzFBN reports the support as unrestricted. When a restriction expires, donor restricted net assets are reclassified to net assets without restrictions and are reported in the statement of operations as net assets released from restrictions.

#### Donated Materials and Services

Donated materials and services are recorded at their estimated fair value upon receipt. During the years ended June 30, 2020 and 2019, AzFBN recorded \$31,411 and \$19,422 in donated advertising space and \$338 and \$500 in donated professional services. For the year ended June 30, 2020, AzFBN also recognized \$29,295 in donated freight services. Donated services and time are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by AzFBN. AzFBN pays for most services requiring specific expertise. However, if such services are donated and the value is ascertainable, the fair market value is reflected in the financial statements as revenue and expense.

#### Advertising

AzFBN uses advertising and marketing to promote its programs and services. Marketing and outreach costs are charged to operations as incurred. Marketing and outreach expense for the years ended June 30, 2020 and 2019 was \$84,697 and \$77,333.

#### Functional Expenses

AzFBN allocates expenses on a functional basis among three categories: program, management and general, and fundraising. Most expenses are allocated directly to a function but some expenses are allocated among the various programs and supporting services benefited. If direct allocation is not feasible, expenses are allocated in proportion to estimated employee time spent on various programs and support services.

#### Income Taxes

AzFBN is exempt from Federal and Arizona income taxes under Internal Revenue Code Section 501(c)(3) and Arizona Revenue and Taxation Code Section 17.22(a). In addition, AzFBN qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and is classified as an organization other than a private foundation under Section 509(a)(2).

## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2020 and 2019

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

As of June 30, 2020 and 2019, AzFBN had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, nor did AFBN have any penalties or interest related to income taxes.

With few exceptions, AzFBN is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2016.

#### Subsequent Events

Subsequent events have been evaluated through April 14, 2021 which was the date AzFBN's financials were available to be issued.

#### 3. GRANTS, PROMISES TO GIVE AND TRADE RECEIVABLES:

Receivables as of June 30 was comprised of:

	<u>2020</u>	<u>2019</u>
Governmental grant receivables	\$ 157,140	\$ 93,141
Accounts receivable for service fees	<u>151,535</u>	<u>73,437</u>
Total receivables	<u>\$ 308,675</u>	<u>\$ 166,578</u>

Receivables are recorded at fair market value and are unsecured. Based on management's review of receivables, no allowance for uncollectible accounts is considered necessary. Accounts that are over ninety days past due are considered delinquent and are reviewed by management. At the time management determines a receivable uncollectible, the receivable is charged to bad debt expense. There were grant or trade accounts receivable over 90 days past due of \$5,072 and \$209 as of June 30, 2020 and 2019.

As of June 30, 2020 and 2019 there were no outstanding promises to give.

#### 4. CONCENTRATIONS OF CREDIT RISK:

AzFBN occasionally maintains deposits in excess of federally insured limits. Financial Accounting Standards identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high-quality financial institutions. At June 30, 2020 and 2019, AzFBN had \$20,550 and \$290,545 in cash deposits in excess of FDIC insurance limits, not including funds in brokerage accounts.

**ARIZONA FOOD BANK NETWORK**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2020 and 2019**

**5. PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Refrigerated trailers and storage containers	\$ 276,749	\$ 197,648
Furniture and equipment	31,009	34,394
Less: accumulated depreciation	<u>(193,454)</u>	<u>(183,148)</u>
Property and equipment (net)	<u>\$ 114,304</u>	<u>\$ 48,894</u>

**6. OPERATING LEASES:**

AzFBN signed a lease for office space during the year ended June 30, 2017. The commencement date would begin upon substantial completion of tenant improvements and the lease term was for five years. In November of 2017, AzFBN moved into the new office space so the lease will expire on October 1, 2022. The monthly lease payments increase annually over the five years from \$3,845 to \$4,341 and include one month of free rent each year. Total lease rent paid under this lease during the years ended June 30, 2020 and 2019 was \$45,822 and \$43,166.

Effective July 5, 2019, AzFBN entered into a copier lease at \$178 per month for 60 months. The amount reported as an expense for this Lease for the year end June 30, 2020 was \$1,870.

Future minimum lease payments for the office space and copier as follows:

Years Ending June 30:

2021	\$ 45,895
2022	47,260
2023	17,366
2024	0
2025	0
Thereafter	<u>0</u>
Total minimum future lease payments	<u>\$ 110,521</u>



## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2020 and 2019

#### 7. BOARD DESIGNATED NET ASSETS:

Included in unrestricted net assets as of June 30, 2020 and 2019 are funds that have been designated by the executive committee of the board of directors to be used for the following purposes:

Agency capacity grants	\$ 100,000
Operating reserves (6 months)	<u>1,058,000</u>
Total designated net assets	<u>\$1,158,000</u>

#### 8. NET ASSETS WITH DONOR RESTRICTIONS:

Donor restricted net assets were comprised of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Disaster	\$ 21,497	\$ 21,497
Hildebrand fund	3,874	3,874
Member services	349,993	104,704
Advocacy	21,695	13,269
Innovation	64,315	0
Endowment fund	<u>161,097</u>	<u>200,000</u>
Total restricted net assets	<u>\$ 622,471</u>	<u>\$ 343,344</u>

#### 9. EMPLOYEE BENEFIT PLANS:

AzFBN has a simplified employee pension plan (SEP) for all employees who meet specified service requirements. Under the provisions of the plan, AzFBN contributes 3% of each participating employee's salary to an individual retirement account held in the employee's name. AzFBN made contributions to the plan in the amount of \$18,936 and \$17,307 for the years ended June 30, 2020 and 2019.

#### 10. RELATED PARTY TRANSACTIONS:

AzFBN is related to several other food banks in Arizona by common board members. This relationship allows AzFBN to coordinate services with the other food banks to provide transportation, storage and other services that may not be available without this relationship.

## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2020 and 2019

#### 11. CONCENTRATIONS:

AzFBN received approximately 14% and 38% of its total revenue from grants awarded by the Arizona Department of Economic Security (DES) during the years ended June 30, 2020 and 2019. The amount receivable from DES as of June 30, 2020 and 2019 was \$157,140 and \$93,141.

#### 12. ENDOWMENT FUNDS AND INVESTMENTS:

During the year ended June 30, 2018 AzFBN received a permanently restricted endowment donation of \$200,000. The donation was received in stock which was sold and transferred to a separate brokerage account in June, 2018. The earnings on the endowment are also restricted for a period of three years.

Investment goal is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle (3-5 years). The mix of investments are over the allowable ranges (of total assets):

1.	Money market funds	5 – 45%
2.	Equities	20 – 60%
3.	Fixed income	35 – 75%

At June 30 the balances of the endowment fund and investment gains and losses were as follows:

<u>Balances:</u>	<u>2020</u>	<u>2019</u>
Restricted cash	\$ 161,097	\$ 676
Equities	<u>0</u>	<u>183,025</u>
	<u>\$ 161,097</u>	<u>\$ 183,701</u>
<u>Net Gain (Loss):</u>		
Interest and dividends	\$ 1,861	\$ 2,010
Unrealized gains (loss)	(10,843)	10,843
Realized gains (loss)	(10,591)	(30,290)
Investment fees	<u>(917)</u>	<u>(976)</u>
	<u>\$ (20,490)</u>	<u>\$ (18,413)</u>

Investments in equity securities, bond funds and mutual funds with readily determinable fair values are carried at fair value. Fair values for investments are determined by reference to quoted market prices or other relevant information generated by market transactions also known as Level 1 inputs. All of the fair values for AzFBN's investments were determined by using Level 1 inputs.

**ARIZONA FOOD BANK NETWORK**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2020 and 2019**

**12. ENDOWMENT FUNDS AND INVESTMENTS (continued):**

At June 30, the balance and activity in short-term investments were:

<u>Balances:</u>	<u>2020</u>	<u>2019</u>
Bond investments	\$ 483,609	\$ 452,102
Equities	538,779	711,300
	<u>\$1,022,388</u>	<u>\$1,163,402</u>
 <u>Net Gain (Loss)</u>		
Interest, dividends and capital gains	\$ 47,227	\$ 45,948
Realized gain	25,926	
Unrealized (loss)	(5,521)	30,741
	<u>\$ 67,632</u>	<u>\$ 76,689</u>

The investments are subject to credit risk due to market price fluctuations and only the cash deposits are covered by FDIC insurance.

**13. LIQUIDITY AND AVAILABILITY:**

The Board of Directors of AzFBN regularly monitors the availability of resources required to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. Financial assets available for general expenditure within one year of June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
<u>Financial assets at year-end:</u>		
Cash and cash equivalents	\$ 2,381,411	\$ 1,103,903
Grants receivable and other receivables	308,675	166,578
Investments	<u>1,183,485</u>	<u>1,347,103</u>
Total financial assets:	\$ 3,873,571	\$ 2,617,584
 <u>Less amounts not available to be used within one year:</u>		
Donor imposed restricted funds (Financial assets not available to be used within one year)	(622,471)	(343,344)
Board designated funds (Note 7)	<u>(1,158,000)</u>	<u>(1,158,000)</u>
 Financial assets available to meet general expenditures within one year	<u>\$ 2,093,100</u>	<u>\$ 1,116,240</u>

## ARIZONA FOOD BANK NETWORK

### NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2020 and 2019

#### 14. COMMITMENTS AND CONTINGENCIES:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries. In March, 2020, the World Health Organization characterized COVID-19 as a pandemic and multiple jurisdictions in the U.S. have declared a state of emergency. There have been direct and indirect impacts to AzFBN's operations as a result of the pandemic. Additional potential negative effects may include disruption or restrictions on employees ability to work or client's ability to make donations. The future effects of these issues are unknown. In April, 2020, AzFNB received a Paycheck Protection Program loan in the amount of \$143,900, AzFNB has elected to account for the loan under *FASB ASC 470, Debt*, and has recorded the loan as a current liability. In February, 2021 the loan was forgiven.