

**ARIZONA FOOD BANK NETWORK**

**Financial Statements,  
Supplementary Information  
and  
Single Audit Reports**

**June 30, 2021 and 2020**

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## **Independent Auditors' Report**

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

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

We have audited the accompanying financial statements of the Arizona Food Bank Network (AzFBN, a nonprofit organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

AzFBN's financial statements as of and for the year ended June 30, 2020, were audited by other auditors, whose report dated April 14, 2021, expressed an unmodified opinion on those statements.

## *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022, on our consideration of AzFBN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AzFBN's internal control over financial reporting and compliance.

*Fester & Chapman, PLLC*

February 24, 2022

ARIZONA FOOD BANK NETWORK

Statements of Financial Position

June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 3,084,553	\$ 2,172,765
Investments	1,461,094	1,231,034
Grants and contracts receivable, net	1,249,839	308,675
Prepaid expenses	23,768	20,759
Security deposits	4,341	4,341
Property and equipment, net	100,200	114,304
Endowment fund	<u>225,532</u>	<u>161,097</u>
 Total assets	 <u>\$ 6,149,327</u>	 <u>\$ 4,012,975</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 265,540	\$ 178,670
Payroll related liabilities	30,603	17,939
Paycheck Protection Program loan		143,900
Deferred revenue	<u>3,000</u>	<u>3,000</u>
Total liabilities	299,143	343,509
Net assets:		
Without donor restrictions	4,336,600	3,046,995
With donor restrictions	<u>1,513,584</u>	<u>622,471</u>
Total net assets	<u>5,850,184</u>	<u>3,669,466</u>
 Total liabilities and net assets	 <u>\$ 6,149,327</u>	 <u>\$ 4,012,975</u>

The accompanying notes are an integral part of these statements.

ARIZONA FOOD BANK NETWORK

Statements of Activities

Years Ended June 30,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions	\$ 1,506,443	\$ 2,321,009	\$ 3,827,452	\$ 2,552,474	\$ 894,375	\$ 3,446,849
Governmental grants	5,400,010		5,400,010	604,932		604,932
Fee for service	991,358		991,358	316,631		316,631
Paycheck Protection Program	143,900		143,900			
Memberships	75,992		75,992	61,467		61,467
Investment income (loss)	233,997	64,435	298,432	69,570	(22,604)	46,966
In-kind contributions	41,661		41,661	70,284		70,284
Miscellaneous revenue	31,171		31,171	1,000		1,000
Net assets released from restrictions	<u>1,494,331</u>	<u>(1,494,331)</u>		<u>592,644</u>	<u>(592,644)</u>	
Total revenue and support	9,918,863	891,113	10,809,976	4,269,002	279,127	4,548,129
Expenses:						
Program expenses	8,160,253		8,160,253	3,124,144		3,124,144
Support services:						
General and administrative	288,392		288,392	171,662		171,662
Fundraising	<u>180,613</u>		<u>180,613</u>	<u>139,260</u>		<u>139,260</u>
Total support services	<u>469,005</u>		<u>469,005</u>	<u>310,922</u>		<u>310,922</u>
Total expenses	<u>8,629,258</u>		<u>8,629,258</u>	<u>3,435,066</u>		<u>3,435,066</u>
Change in net assets	1,289,605	891,113	2,180,718	833,936	279,127	1,113,063
Net assets, beginning of year	<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>
Net assets, end of year	<u>\$ 4,336,600</u>	<u>\$ 1,513,584</u>	<u>\$ 5,850,184</u>	<u>\$ 3,046,995</u>	<u>\$ 622,471</u>	<u>\$ 3,669,466</u>

The accompanying notes are an integral part of these statements.

ARIZONA FOOD BANK NETWORK

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services				Support Services			Total Expenses
	Advocacy	Innovation	Member Services	Total Program	General and Administrative	Fundraising	Total Support	
Salaries and wages	\$ 119,325	\$ 95,046	\$ 328,483	\$ 542,854	\$ 134,865	\$ 66,953	\$ 201,818	\$ 744,672
Taxes and employee related expenses	12,753	8,886	53,199	74,838	70,535	18,688	89,223	164,061
Food, freight, and related costs			1,759,327	1,759,327				1,759,327
Professional fees and outside services	30,610	48,860	436,003	515,473	23,407	10,271	33,678	549,151
Capacity building expenses		235,128	4,469,349	4,704,477				4,704,477
Materials and supplies	10,311	16,140	31,897	58,348	17,266	58,369	75,635	133,983
Equipment, rental, and repair	393	379	337,161	337,933	607	266	873	338,806
Operating services	4,703	27,078	99,338	131,119	4,661	20,385	25,046	156,165
Occupancy	7,151	6,090	21,311	34,552	6,993	5,681	12,674	47,226
Travel		1,086	246	1,332	5		5	1,337
Depreciation					30,053		30,053	30,053
Total expenses	<u>\$ 185,246</u>	<u>\$ 438,693</u>	<u>\$ 7,536,314</u>	<u>\$ 8,160,253</u>	<u>\$ 288,392</u>	<u>\$ 180,613</u>	<u>\$ 469,005</u>	<u>\$ 8,629,258</u>

The accompanying notes are an integral part of these statements.

ARIZONA FOOD BANK NETWORK

Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Program Services</u>				<u>Support Services</u>			<u>Total Expenses</u>
	<u>Advocacy</u>	<u>Innovation</u>	<u>Member Services</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Support</u>	
Salaries and wages	\$ 117,028	\$ 105,730	\$ 285,391	\$ 508,149	\$ 75,532	\$ 63,145	\$ 138,677	\$ 646,826
Taxes and employee related expenses	12,689	23,542	48,152	84,383	39,885	18,108	57,993	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	28,361	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	38,058	60,733
Equipment, rental, and repair	360	372	178,282	179,014	615	248	863	179,877
Operating services	4,603	7,538	65,506	77,647	4,732	14,842	19,574	97,221
Occupancy	6,735	7,721	18,877	33,333	8,088	4,401	12,489	45,822
Travel	5,778	4,327	5,680	15,785	1,084	133	1,217	17,002
Depreciation					13,690		13,690	13,690
Total expenses	<u>\$ 194,751</u>	<u>\$ 175,636</u>	<u>\$2,753,757</u>	<u>\$3,124,144</u>	<u>\$ 171,662</u>	<u>\$ 139,260</u>	<u>\$ 310,922</u>	<u>\$ 3,435,066</u>

The accompanying notes are an integral part of these statements.



ARIZONA FOOD BANK NETWORK

Statements of Cash Flows

Years Ended June 30, 2021

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,180,718	\$ 1,113,063
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness	(143,900)	
Depreciation	30,053	13,690
Unrealized gains on investments	(295,205)	(9,566)
Realized loss (gain) on investments	710	(13,222)
Change in:		
Grants and contracts receivable, net	(941,164)	(142,097)
Prepaid expenses	(3,009)	(10,810)
Accounts payable and accrued expenses	86,870	82,399
Payroll related liabilities	12,664	(10,155)
Deferred revenue		3,000
Net cash provided by operating activities	927,737	1,026,302
Cash flows from investing activities:		
Purchases of fixed assets	(15,949)	(79,100)
Purchases of investments		(21,402)
Proceeds from sales of investments		368,229
Net cash (used) provided by investing activities	(15,949)	267,727
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan		143,900
Net cash provided by financing activities		143,900
Net increase in cash	911,788	1,437,929
Cash, beginning of year	2,172,765	734,836
Cash, end of year	\$ 3,084,553	\$ 2,172,765
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the period for interest	\$ 0	\$ 0

The accompanying notes are an integral part of these statements.

# ARIZONA FOOD BANK NETWORK

## Notes to Financial Statements

June 30, 2021 and 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: 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:

Advocacy: Through public education/advocacy efforts, AzFBN works to protect public programs and fight for the 1 in 7 Arizona adults (1 in 5 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 bank 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.

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.

# ARIZONA FOOD BANK NETWORK

## Notes to Financial Statements

June 30, 2021 and 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. AzFBN is required to report information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. AzFBN's Board of Directors has set aside approximately 6 months of operating reserves as board designated net assets, which is included in net assets without donor restrictions.

*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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Expenses: In the statements of functional expenses, directly identifiable expenses are charged to programs and supporting services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation and occupancy expenses, which are allocated on a square footage basis; payroll and related expenses, and operating expenses are allocated on the basis of estimates of time and effort.

Use of Estimates: The preparation of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments: AzFBN follows the provisions of FASB ASC's topic of *Not-for-Profit Entities* regarding its investments. Management has estimated the fair value of its investments using available market information and other valuation methodologies as described in Note 6. Accordingly, the estimates presented are not necessarily indicative of the amounts that AzFBN could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2021 and 2020. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

# ARIZONA FOOD BANK NETWORK

## Notes to Financial Statements

June 30, 2021 and 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Grants and Contracts Receivable, Net: AzFBN recognizes grants and contracts as support when eligible costs are incurred or services are provided. Grants receivable are recorded when grant and contract expenses are incurred or contracted services have been provided, but reimbursement has not been received by AzFBN. Management has not recorded an allowance for doubtful grants and contracts receivable at June 30, 2021 and 2020, as amounts are considered to be fully collectible.

Contributions: Contributions are reported in accordance with FASB ASC's topic of *Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When net assets with donor restrictions expire, they are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-kind contributions: In-kind contributions are recognized in accordance with the FASB ASC topic of *Not-for-Profit Entities*, which requires recognition of certain services received at estimated fair value if those services create or enhance long-lived assets, require specialized skills, and would typically need to be purchased if not provided by donation.

Property and Equipment: Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are stated at cost, or estimated fair value if donated. Depreciation is computed using the straight-line method based on estimated economic lives of the assets as follows:

Refrigerated trailers and storage equipment	5 years
Furniture and equipment	5 years

Income Taxes: AzFBN is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Reclassifications: Certain reclassifications were made to the 2020 financial statements in order to conform to the 2021 presentation.

# ARIZONA FOOD BANK NETWORK

## Notes to Financial Statements

June 30, 2021 and 2020

### NOTE 2 - LIQUIDITY AND AVAILABILITY

AzFBN monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. AzFBN has the following financial assets that could readily be made available within one year of each fiscal year end to fund expenses without limitations:

	2021	2020
Financial assets:		
Cash	\$ 3,084,553	\$ 2,172,765
Investments	1,461,094	1,231,034
Grants and contracts receivable, net	1,249,839	308,675
Endowment fund (included in net assets with donor restrictions)		
	225,532	161,097
Total financial assets included in current assets	6,021,018	3,873,571
Less amounts unavailable for general expenditure within one year:		
Net assets with donor restrictions	(1,513,584)	(622,471)
Board-designated net assets	(1,962,391)	(1,158,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,545,043	\$ 2,093,100

In addition to financial assets available to meet general expenditures over the year, AzFBN operates with a balanced budget and anticipates covering its general expenditures by collecting contributions, grants, and other revenues; and by utilizing donor-restricted resources from current and prior year gifts. AzFBN's Board of Directors may choose to remove designations of net assets with a majority vote from its members at any time.

### NOTE 3 - CONCENTRATIONS

#### Credit Risk:

AzFBN maintains its cash and investments in various accounts at financial institutions. Accounts are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC) or covered by Securities Investment Protection Corporation (SIPC). AzFBN has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash or investments.

At June 30, 2021, 75% of grants and contracts receivable was due from Arizona Department of Economic Security (ADES) and another nonprofit organization. At June 30, 2020, 51% of grants and contracts receivable was due from ADES.

#### Revenue:

During the years ended June 30, 2021 and 2020, AzFBN received 28% and 14%, respectively, of its total revenue and support from Maricopa County, Arizona, and ADES, respectively.

# ARIZONA FOOD BANK NETWORK

## Notes to Financial Statements

June 30, 2021 and 2020

### NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Refrigerated trailers and storage containers	206,545	276,749
Furniture and equipment	31,008	31,008
	<u>237,553</u>	<u>307,757</u>
Less accumulated depreciation	<u>(137,353)</u>	<u>(193,453)</u>
	<u>\$ 100,200</u>	<u>\$ 114,304</u>

### NOTE 5 - PAYCHECK PROTECTION PROGRAM

On April 30, 2020, AzFBN was approved for a \$143,900 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrued interest at 1% and was to mature in two years, but payments were not required to begin for the earlier of 10 months after the end of AzFBN's loan forgiveness covered period (either 8 or 24 weeks after the loan was funded) or when AzFBN applied for loan forgiveness. On February 11, 2021, the SBA forgave 100% of the AzFBN's PPP loan and accrued interest.

### NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. AzFBN's investments and endowment fund were valued based on Level 1 inputs at June 30, 2021 and 2020.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. AzFBN did not have any investments it valued based on Level 2 inputs at June 30, 2021 and 2020.

Level 3 inputs are the most subjective, and are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. AzFBN did not have any financial instruments it valued based on Level 3 inputs at June 30, 2021 and 2020.

# ARIZONA FOOD BANK NETWORK

## Notes to Financial Statements

June 30, 2021 and 2020

### NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

*Equities/bond funds/short-term reserves/exchange-traded funds:* Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Fair value of assets measured on a recurring basis at June 30:

	2021	2020
Investments:		
Equities	\$ 765,442	\$ 538,779
Bond funds	486,934	483,609
Money market funds	208,718	208,646
Total investments	\$ 1,461,094	\$ 1,231,034
Endowment funds:		
Exchange-traded funds	\$ 225,532	
Money market funds		\$ 161,097
Total endowment funds	\$ 225,532	\$ 161,097

### NOTE 7 - ENDOWMENT FUND

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.

AzFBN has adopted investment and spending policies based on the requirements of the State Prudent Management of Institutional Funds Act (SPMIFA). As a result of AzFBN's interpretation of SPMIFA, and in accordance with donor restrictions, contributions to the endowment fund are classified as net assets with donor restrictions. Investment earnings available for distribution are recorded as net assets with donor restrictions until released from donor time restrictions and appropriated by the Board of Directors for expenditure.

# ARIZONA FOOD BANK NETWORK

## Notes to Financial Statements

June 30, 2021 and 2020

### NOTE 7 - ENDOWMENT FUND - Continued

In accordance with SPMIFA, AzFBN considers the following factors in making a determination to appropriate endowment funds for expenditures: the duration and preservation of the fund; general economic conditions; the possible effect of inflation and deflation of endowment investments; the expected total return from income and appreciation of endowment investments; other financial resources of AzFBN; and the investment policies of AzFBN.

AzFBN's 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%

A summary of endowment fund activity is as follows for the years ended June 30:

	2021	2020
	With Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 161,097	\$ 183,701
Investment income (loss)	64,435	(22,604)
Endowment net assets, end of year	\$ 225,532	\$ 161,097

### NOTE 8 - IN-KIND CONTRIBUTIONS

AzFBN's in-kind contributions were comprised of the following at June 30:

	2021	2020
Advertising	\$ 41,211	\$ 31,411
Freight services		29,295
Other	450	9,578
	\$ 41,661	\$ 70,284



# ARIZONA FOOD BANK NETWORK

## Notes to Financial Statements

June 30, 2021 and 2020

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

During the years ended June 30 2021 and 2020, net assets released from time and purpose restrictions were \$1,494,331 and \$592,644, respectively.

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

	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
Member services	\$ 980,560	\$ 349,993
Advocacy	98,340	21,695
Innovation	158,907	64,315
General and administrative	50,245	25,371
Endowment	225,532	161,097
Total restricted net assets	<u>\$ 1,513,584</u>	<u>\$ 622,471</u>

### NOTE 10 - SUBSEQUENT EVENTS

AzFBN has evaluated subsequent events through February 24, 2022, the date which the financial statements were available to be issued, and has concluded that no events have occurred since June 30, 2021, that would require an adjustment to or disclosure in the financial statements.

## SUPPLEMENTARY INFORMATION

ARIZONA FOOD BANK NETWORK

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Agency/ Federal Assistance Listings Number	Federal Program Name	Pass-Through Grantor	Pass-Through Grantor's Number	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of the Treasury</b>					
21.019	COVID-19: Coronavirus Relief Fund	Maricopa County	21050-C1	\$ 3,000,000	\$ 2,950,000
21.019	COVID-19: Coronavirus Relief Fund	City of Phoenix	4701007574	<u>800,000</u>	<u>704,050</u>
<i>Total 21.019</i>				<u>3,800,000</u>	<u>3,654,050</u>
<b>Corporation for National and Community Service</b>					
94.013	Volunteers in Service to America	N/A	N/A	<u>10,187</u>	<u>                    </u>
<b>Total Corporation for National and Community Service</b>				<u>10,187</u>	<u>                    </u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 3,810,187</u>	<u>\$ 3,654,050</u>

The accompanying notes are an integral part of this schedule.

# ARIZONA FOOD BANK NETWORK

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

### NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Arizona Food Bank Network and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

### NOTE 2 - FEDERAL ASSISTANCE LISTINGS NUMBERS

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2021 Federal Assistance Listings. When no Federal Assistance Listings number had been assigned to a program, the two digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word "unknown" were used.

### NOTE 3 - INDIRECT COST RATE

AzFBN did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

### NOTE 4 - SUBRECIPIENTS

AzFBN passed through \$3,654,050 from Federal Assistance Listing number 21.019 to subrecipients during the fiscal year ended June 30, 2021.

## SINGLE AUDIT REPORTS



**Independent Auditors' 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 of  
Arizona Food Bank Network  
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arizona Food Bank Network (AzFBN, a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AzFBN's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AzFBN's internal control. Accordingly, we do not express an opinion on the effectiveness of AzFBN's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AzFBN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AzFBN's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fester & Chapman, PLLC*

February 24, 2022



## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

We have audited Arizona Food Bank Network's (AzFBN, a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AzFBN's major federal programs for the year ended June 30, 2021. AzFBN's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of AzFBN's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AzFBN's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of AzFBN's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, AzFBN complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



## Report on Internal Control Over Compliance

Management of AzFBN is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AzFBN's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AzFBN's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Fester & Chapman, PLLC*

February 24, 2022

ARIZONA FOOD BANK NETWORK

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

**Section I - Summary of Auditors' Results**

**Financial Statements:**

Type of auditors' report issued:		<u>Unmodified</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	<u>  X  </u>	no
Significant deficiency(ies) identified?	_____	yes	<u>  X  </u>	none reported
Noncompliance material to the financial statements noted?	_____	yes	<u>  X  </u>	no

**Federal Awards:**

Internal control over major programs:				
Material weakness(es) identified?	_____	yes	<u>  X  </u>	no
Significant deficiency(ies) identified?	_____	yes	<u>  X  </u>	none reported

Type of auditors' report on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR §200.516(a)?	_____	yes	<u>  X  </u>	no
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Identification of major programs:

<u>Federal Assistance Listings Number</u>	<u>Name of Federal Programs or Cluster</u>
21.019	COVID-19: Coronavirus Relief Fund

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

\$750,000

Auditee qualified as low-risk auditee?	_____	yes	<u>  X  </u>	no
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**Other Matters:**

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR §200.511(b)?

_____	yes	<u>  X  </u>	no
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ARIZONA FOOD BANK NETWORK

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

**Section II - Financial Statement Findings**

None noted.

**Section III - Federal Award Findings and Questioned Costs**

None noted.