ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS

Year Ended June 30, 2019

ST. MARY'S FOOD BANK ALLIANCE AND SMFB FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Year Ended June 30, 2019

CONTENTS

MHM

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

ST. MARY'S FOOD BANK ALLIANCE AND SMFB FOUNDATION

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ***St. Mary's Food Bank Alliance and SMFB Foundation*** (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***St. Mary's Food Bank Alliance and SMFB Foundation*** as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited ***St. Mary's Food Bank Alliance and SMFB Foundation's*** 2018 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated December 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.

Other Matters

Additional Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities and change in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities and are not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position or results of operations of the individual entities. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the consolidated financial statementsand certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 6, 2019 on our consideration of ***St. Mary's Food Bank Alliance's and SMFB Foundation's*** internal control over financial reporting and on our tests of their 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 ***St. Mary's Food Bank Alliance's and SMFB Foundation's*** internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1 to the financial statements, ***St. Mary's Food Bank Alliance and SMFB Foundation*** adopted Financial Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* in fiscal 2019. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

December 6, 2019

ST . MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019
(with comparative totals at June 30, 2018)

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 5,226,777	$ 6,420,272
Inventory	10,476,435	7,599,013
Program and other receivables,		
net of allowance for doubtful accounts of $20,000	1,845,231	1,359,504
Pledges receivable	100,000	
Bequests receivable	1,252,695	821,987
Prepaid expenses	112,335	94,628
TOTAL CURRENT ASSETS	19,013,473	16,295,404
PLEDGES RECEIVABLE, less current portion	100,000	
INVESTMENTS	21,912,897	16,179,395
PROPERTY AND EQUIPMENT, net	18,671,840	19,063,163
TOTAL ASSETS	$ 59,698,210	$ 51,537,962

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 840,662	$ 1,654,828
Accrued payroll expenses	720,950	616,361
Current maturities of gift annuities payable	23,082	29,681
Current maturities of capital lease obligations	310,671	303,392
TOTAL CURRENT LIABILITIES	1,895,365	2,604,262
GIFT ANNUITIE S PAYABLE, less current maturities	212,727	237,854
CAPITAL LEASE OBLIGATIONS, less current maturities	902,659	1,213,327
TOTAL LIABILITIES	3,010,751	4,055,443
NET ASSETS		
Net assets without donor restrictions		
Undesignated	35,093,338	31,862,417
Board-designated	20,634,382	15,021,627
Total net assets without donor restrictions	55,727,720	46,884,044
Net assets with donor restrictions	959,739	598,475
TOTAL NET ASSETS	56,687,459	47,482,519
TOTAL LIABILITIES AND NET ASSETS	$ 59,698,210	$ 51,537,962

See Notes to Consolidated Financial Statements

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
SUPPORT AND REVENUES				
Donated surplus food and commodities	$ 137,800,153	$	$ 137,800,153	$ 139,330,126
Community contributions	24,385,054	765,838	25,150,892	23,257,177
Government grants	3,869,039		3,869,039	2,624,872
Kids Cafe	3,605,163		3,605,163	3,677,696
Shared maintenance fees	(17,362)		(17,362)	103,014
Source program	454,807		454,807	422,535
CK Catering	31,469		31,469	37,231
Investment return	1,211,915		1,211,915	1,160,924
Miscellaneous and other revenue	265,578		265,578	251,409
Net assets released from restrictions	404,574	(404,574)		
TOTAL SUPPORT AND REVENUES	172,010,390	361,264	172,371,654	170,864,984
EXPENSES				
Program Services				
Community food	104,826,032		104,826,032	106,685,393
Child nutrition	5,177,637		5,177,637	4,311,986
Commodtiy supplemental food program	7,230,986		7,230,986	4,636,122
Grocery rescue and other distributions	37,244,176		37,244,176	38,299,844
Community kitchen	921,461		921,461	803,161
Total Program Services	155,400,292		155,400,292	154,736,506
Supporting Services				
Fundraising and communications	4,875,221		4,875,221	4,479,437
General administration	2,891,201		2,891,201	2,832,730
Total Supporting Services	7,766,422		7,766,422	7,312,167
TOTAL EXPENSES	163,166,714		163,166,714	162,048,673
CHANGE IN NET ASSETS	8,843,676	361,264	9,204,940	8,816,311
NET ASSETS, BEGINNING OF YEAR	46,884,044	598,475	47,482,519	38,666,208
NET ASSETS, END OF YEAR	$ 55,727,720	$ 959,739	$ 56,687,459	$ 47,482,519

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATEDSTATEMENTOFFUNCT NALEXPENSES

Year Ended June 30,2019

	Community Food	Child Nutrition	CSFP	Grocery Rescue and Other Distributions	Community Kitchen	Total Program Services	Fundraising and Communications	General Administration	Total enses
Compensation	$ 4,906,368	$ 1,351,338	$ 315,338	$ 1,616,579	$ 726654	$ 8,916,277	$ 1,706,123	$ 1,680,620	$ 12,303,020
Food purchases	1,572,939	3,029,542	2,827	60,397	25,549	4,691,254	452,317		5,143,571
Occupancy costs	650,881	124,248	41,845	214,456	3,301	1,034,731	3,886	3,255	1,041,872
Depreciation	1,205,241	92,884	77,462	397,110	61,613	1,834,310		26,000	1,860,310
Donated food surplus	94,045,286	193,081	6,541,618	34,149,943		134,929,928			134,929,928
Education and training	7,135	976	459	2,351	13,789	24,710	8,208	9,236	42,154
Fuel	510,969	89,323	32,841	168,357	380	801,870	990	48	802,908
Insurance	142,667	8,416	9,169	47,007		207,259	6,500	53,118	266,877
Supplies	1,990	11,012	128	656	19,801	33,587	207	22,494	56,288
Other expenses	180,990	15,716	20,445	59,644	39,468	316,263	2,158,940	56,361	2,531,564
Packaging products	381,118	135,970	109,929	125,573	713	753,303	36,919		790,222
Postage/mail	556	48	36	183		823	35,690	14,290	50,803
Printing	5,158	9,735	332	1,700	8,830	25,755	16,719	2,233	44,707
Professional fees	1,138	6,897	73	375	9,043	17,526	193,683	316,732	527,941
Renta/lease	598,845	35,324	38,488	197,311	3,144	873,112	1,780	24,798	899,690
Administration	83,300	9,213	5,542	27,429	3,671	129,155	223,305	232,885	585,345
Technology	62,009	3,658	3,985	20,431	184	90,267	20	433,999	524,286
Travel	34,327	7,774	2,504	11,310	5,321	61,236	29,921	14,841	105,998
Vehicle costs	435,115	52,482	27,965	143,364		658,926	13		658,939
Foundation expenses								291	291
TOTAL FUNCTIONAL EXPENSES	$ 104,826,032	$ 5,177,637	$ 7,230,986	$ 37,244,176	$ 921,461	$ 155,400,292	$ 4,875,221	$ 2,891,201	$ 163,166,714

See Notes to Consolidated Financial Statements

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Communi ty Food	Child Nutrition	CSFP	Grocery Rescue and Other Distributions	Community Kitchen	Total Pros:ram Services	Fundraising and Communications	General Administration	Total enses
Compensation	$ 4,573,621	$ 1,075,911	$ 198,647	$ 1,622,446	$ 631,552	$ 8,102,177	$ 1,613,340	$,1625,410	$ 11,340,927
Food purchases	929,756	2,689,748	391	17,155	19,446	3,656,496	181,684		3,838,180
Occupancy costs	586,471	46,245	25,479	208,045	3,963	870,203	25	1,863	872,091
Depreciation	1,029,240	102,775	44,703	365,112	61,627	1,603.457		36,762	1,640,219
Donated food surplus	97,391,239	55,349	4,217,865	35,315,506		136,979,959			136,979,959
Educationand training	11,393	1,003	495	4,041	9,148	26,080	8,112	12,138	46,330
Fuel	472,085	61,796	20,504	167,468	437	722,290	2,405	31	724,726
Insuranc	146,073	7,214	6,344	51,818		211,449	6,500	44,126	262,075
e	256	16,964	11	91	14,350	31,672	80	13,176	44,928
Supplies	27,348	10,842	11,270	9,700	34,563	93,723	2,166,101	84,583	2,344,407
Other expenses	328,410	123,967	58,192	116,500	711	627,780	29,787		657,567
Packaging products	42	2	7	15	(1)	65	79,187	6,985	86,237
Postage /mail	2,278	9,239	623	808	687	13,635	8,295	590	22,520
Printing	4,091	7,882	178	1,451	21,140	34,742	121,285	233,732	389,759
Professional fees	611,077	31,543	26,541	216,773	1,279	887,213		48,665	935,878
RentaVlease	99,897	9,801	4,366	35,437	3,585	153,086	237,515	153,256	543,857
Administration	47,925	2,367	2,082	17,001	185	69,560	169	552,129	621,858
Technology	29,186	9,633	1,268	10,353	489	50,929	24,930	19,284	95,143
Travel	395005	49,705	17,156	140.124		601,990	22		602,012
Vehiclecosts									
TOTA L FUNCTIONAL EXPENSES	$ 106,685293	$ 4,311,986	$ 4,636,122	$ 38,299,1!<14	$ 803,161	$ 154,736,506	$ 4,479,437	$ 2.832.730	$ 162,048,673

See Notes to Consolidated Financial Statements

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATEDSTATEMENTOFCASHFLOWS

Yea r Ended June 30, 2019

(wi th comparative totals for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 9,204,940	$ 8,816,311
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,860,310	1,640,219
Loss on sale/disposal of property and equipment	106,992	1,829
Bad debt expense		2,258
Contributions restricted to investment in property and equipment	(400,000)	
Realized and unrealized gains on investments	(798,531)	(705,891)
(Increase) decrease in assets:		
Inventory	(2,877,422)	(2,525,122)
Program and other receivables	(485,727)	(616,626)
Pledges receivable	(200,000)	2,000
Bequests receivable	(430,708)	460,427
Prepaid expenses	(17,707)	(10,445)
Increase (decrease) in liabilities:		
Accounts payable	23,198	32,203
Accrued payroll expenses	104,589	31,192
Gift annuities payable	(31,726)	1,114
Net cash provided by operating activities	6,058,208	7,129,469
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,413,343)	(3,958,319)
Proceeds from sale of equipment		(1,200)
Purchase of investments	(5,645,845)	(413,631)
Proceeds from sale of investments	710,874	188,436
Net cash used in investing activities	(7,348,314)	(4,184,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted to investment in property and equipment	400,000	
Payments on capital lease obligations	(303,389)	(370,868)
Net cash provided by (used in) financing activities	96,611	(370,868)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,193,495)	2,573,887
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,420,272	3,846,385
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,226,777	$ 6,420,272
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 97,390	$ 128,762
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Purchase of property and equipment payable in accounts payable at fiscal year end	$	$ 837,364

See Notes to Consolidated Financial Statements

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

(1) Nature of operations and summary of significant accounting policies

Nature of Operations - St. Mary's Food Bank Alliance ("St. Mary's"), the world's first food bank, was established in 1967. St. Mary's is a community-based Arizona not-for-profit corporation whose primary mission is to alleviate hunger through gathering and distributing food to those in need, education, and advocacy. St. Mary's is supported by various sources including community donations and government funding. Its main programs include:

- **Community Food** - Community Food consists of the Emergency Food and Source Distribution programs. Emergency Food is distributed at no cost to families in need. Emergency Food Boxes and supplemental donated items are designed to provide temporary food assistance during times of crisis while a more permanent solution is found. Source distribution is a volume-buying service offered by St. Mary's to its partner agency organizations. By purchasing in truckload quantities, St. Mary's is able to procure popular food items, which are not normally available as donations, at wholesale prices and pass the savings on to its agencies.

- **Child Nutrition** - Child Nutrition consists of the Kid's Cafe, Backpacks and School Pantry programs. Kid's Cafe continues to be the largest component of St. Mary's Child Nutrition efforts. The Kid's Cafe meal-service program, which is funded by the Arizona Department of Education through the U.S. Department of Agriculture, provides Arizona children with what is often their last meal of the day. The addition of the weekend Backpack and School Pantry programs has expanded the services offered to school aged children. St. Mary's collaborates with more than 160 schools, community centers, churches and other neighborhood groups to provide more than 6,000 free, healthy meals daily in after-school and summer programs. In addition to the nutritious meals, these programs include recreational components and access to after-school tutoring.

- **Community Kitchen** - The Community Kitchen consists of both the Community Kitchen and CK Catering programs. Community Kitchen is a life skills and food service training program for those with barriers to employment. Students gain the skills to get jobs offering livable wages and opportunities for advancement through hands-on food service training as well as classroom studies.

- **Commodity Supplemental Food Program ("CSFP")** - CSFP consists of a program solely funded by federal funds which works to improve the health of elderly people at least 60 years of age by supplementing their diets with nutritious commodity foods.

- **Grocery Rescue and Other Distributions** - The vast majority of Grocery Rescue and Other Distributions consists of food rescued from retail grocery partners directly by St. Mary's and its partner agencies, totaling approximately $31,681,000 and $28,309,000 for the years ended June 30, 2019 and 2018, respectively.

SMFB Foundation (the "Foundation") is a 501(c)(3) entity established to enable the growth of St. Mary's long-term reserves and is controlled by St. Mary's.

The significant accounting policies followed by St. Mary's and the Foundation, collectively referred to in these consolidated financial statements as the "Organization", are summarized below:

(1) Nature of operations and summary of significant accounting policies (continued)

Basis of presentation - The accompanying consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASS") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities - Presentation of Financial Statements.* The Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities* in fiscal 2019, which requires the Organization to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions
Net assets subject to stipulations imposed by donors and granters. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. At June 30, 2019 and 2018 the Organization had no perpetual net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and change in net assets.

Prior-year summarized information - The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Principles of consolidation - The consolidated financial statements include the accounts of St. Mary's and the Foundation. All significant inter-organization transactions and accounts have been eliminated in consolidation.

Management's use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - For purposes of reporting cash flows, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC"). Periodically, the Organization maintains cash in its financial institutions in excess of the amounts insured by the FDIC.

(1) Nature of operations and summary of significant accounting policies (continued}

Inventory - Donated inventories are stated at the estimated value per pound as determined by Feeding America, a national association of food banks which provides assistance and valuation of food and grocery products. Purchased inventories are stated at the lower of cost, as determined using the first-in, first-out ("FIFO") basis, or net realizable value.

Program and other receivables - Program and other receivables include amounts due from various governmental agencies for program services provided and amounts due from agency partners and are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual receivables. 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 program and other receivables.

Bequests - Bequests are recognized as contribution revenue in the period the Organization receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met. At June 30, 2019 and 2018, bequests receivable are all due within one year. Management provides for probable uncollectible bequests receivable through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual bequests receivable, if necessary. 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 bequests receivable. At June 30, 2019 and 2018, bequests receivable are deemed by management to be fully collectible; accordingly, an allowance for uncollectible bequests is not considered necessary.

Promises to give - Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the pledge is expected to be collected, the creditworthiness of the donors, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectaitons about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts, if any, is included in contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2019, management considers promises to give to be collectible in full and, accordingl,y an allowance for uncollectible promises to give is not considered necessary. At June 30, 2019, St. Mary's recorded a long term pledge receivable of $100,000. The present value discount for this pledge is not material.

Property and equipment - Purchased property and equipment are valued at cost and donated property and equipment are recorded at fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Generally, property and equipment additions in excess of $5,000 are capitalized. Depreciation and amortization of property and equipment are computed on a straight-line basis over estimated useful lives which range from of 3 to 31 years for buildings and improvements, 3 to 20 years for furniture, fixtures and equipmen,t5 to 8 years for equipment held under capital leases and 3 to 10 years for vehicles. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

(1) Nature of operations and summary of significant accounting policies {continued)

Impairment of long-lived assets - The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment.* FASB ASC 360 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 undiscounted net cash flows 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 amount of the assets exceeds the fair value of the assets. No impairment charges were recorded for years ended June 30, 2019 or 2018.

Investments - The Organization accounts for its investments in accordance with FASB ASC 958-320, *Not for-Profit Entities - Investments - Debt and Equity Securities.* Under FASB ASC 958-320 , investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of financial position. The Organization's investments in corporate and government bonds are valued using third party pricing models maximizing the use of observable inputs for similar securities, including basing value on yields currently available on comparable securities with similar credit ratings. Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) is included in net assets without restrictions unless the associated income or loss is restricted. Declines in the fair value of investments below their cost that are deemed to be other than temporary are reflected as realized losses. There were no declines in fair value of investments below their cost that were deemed to be other than temporary as of and for the years ended June 30, 2019 and 2018.

Risks and uncertainties - The Organization invests in various types of investments which are exposed to a variety of risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

Fair value measurements - FASB ASC 820, *Fair Value Measurement,* establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following 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.

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

(1) Nature of operations and summary of significant accounting policies (continued)

Revenue recognition - Revenue from the Kid's Cafe, community kitchen and the catering program is recognized when services are rendered.

Government grants - The Organization recognizes amounts received from government grants as earned when services are rendered under unit of service contracts or as allowable costs are incurred under cost reimbursement contracts. A receivable is recorded to the extent the amount earned exceeds cash advances. Conversely, a liability is recorded when cash advances exceed amounts earned.

Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants or contracts. Additionally, if the Organization terminates their activities, all unearned amounts are to be returned to the funding sources.

Contributions - The Organization accounts for contributions in accordance with FASS ASC 958-605, *Not for-Profit Entities - Revenue Recognition.* In accordance with FASS ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and change in net assets as net assets released from restrictions. Restricted contributions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to net assets without donor restrictions.

Donated materials and services - Donated materials are recorded at their estimated fair value as of the date of donation. Donated materials include donated rent and discounted leases on transportation equipment.

Donated services are recorded in accordance with FASS ASC 958-605 at their estimated fair value if they (a)create or enhance the Organization's nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization utilizes the services of numerous volunteers to perform a variety of tasks that assist the Organization with specific programs, campaign solicitations, and various committee assignments. During the year ended June 30, 2019, the Organization received the benefit of approximately 226,000 hours from approximately 81,000 volunteers. During the year ended June 30, 2018, the Organization received the benefit of approximately 213,000 hours from approximately 75,000 volunteers. This support has not been recorded as a component of contribution revenue as it does not meet the recognition criteria under FASS ASC 958-605.

Advertising - Advertising costs are expensed as incurred. Advertising expenses totaled $8,858 and $45,191 respectively, for the years ended June 30, 2019 and 2018.

(1) **Nature of operations and summary of significant accounting policies (continued)**

Functional expenses - The costs of providing the Organization's various programs and other activities have been reported on a functional basis in the accompanying consolidated statement of activities and change in net assets. The consolidated statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. The Organization charges substantially all of the expenses directly to the appropriate function. Program services expenses are allocated among the specific programs on the basis of pounds of food distributed during the fiscal year. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income tax status - St. Mary's and the Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, there is no provision for income taxes for these organizations. In addition, they qualify for the charitable contribution deduction under Section 170 of the Code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income would be taxable.

St. Mary's and the Foundation evaluate their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. At June 30, 2019 and 2018, management believes St. Mary's and the Foundation did not have any uncertain tax positions.

St. Mary's and the Foundation's federal Returns of Organizations Exempt from Income Tax (Form 990) for 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2019 returns had not yet been filed.

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 revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606),* which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017.

(1) **Nature of operations and summary of significant accounting policies (continued)**

All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. This standard will be adopted by the Organization for the fiscal year ending June 30, 2020. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 is intended to clarify current accounting guidance about whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The update is intended to be applied on a modified prospective basis, but retrospective application is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

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 consolidated 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 year beginning after December 15, 2020. Early adoption is permitted. The Organization has estimated that if they were to adopt ASU 2016-02 for the year ended June 30, 2019, a non-current right of use asset of approximately $573,000 and a corresponding current and non-current lease liability of approximately $143,000 and $430,000 respectively, would be recorded in the accompanying consolidated statement of financial position as of June 30, 2019. The estimate was calculated using the minimum future lease payments (See Note 10) and a discount rate of 2.12% representing an estimated risk free rate.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities.* ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization has adopted ASU 2016-14 for the year ended June 30, 2019. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied, which for the Organization is the fiscal year ended June 30, 2018. All amounts previously reported as temporarily restricted or permanently restricted net assets have been reclassified to net assets with donor restrictions upon adoption of this standard. In accordance with the amendments of this ASU, the Organization elected to present expenses by function and nature as a separate statement of functional expenses. Disclosure around liquidity and availability of resources as of June 30, 2019 is included in Note 13. The Organization has elected not to present comparative information for the liquidity and availability of resources disclosure in the year of adoption as permitted by the ASU. Current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. The Organization will present the operating cash flows using the indirect method. Investment fees have been reclassified to be presented net against investment return in the consolidated statement of activities and change in net assets. As a result, investment fees expense totaling $64,348 was reclassified in the fiscal 2018 consolidated statement of activities and change in net assets.

(1) Nature of operations and summary of significant accounting policies (continued)

A summary of the beginning net asset reclassifications as of June 30, 2018 driven by the adoption of ASU 2016-14 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Without donor restrictions**	**With donor restrictions**	**Total**
As previously reported:			
Unrestricted	$ 31,862,417	$	$ 31,862,417
Board designated	15,021,627		15,021,627
Temporarily restricted		598,475	598,475
Net assets, as reclassified	$ 46,884,044	$ 598,475	$ 47,482,519

Subsequent events - The Organization has evaluated events through December 6, 2019, which is the date the consolidated financial statements were available to be issued.

(2) Concentrations of credit risk

Financial instruments that subject the Organization to potential concentrations of credit risk consist principally of cash and investments. The Organization maintains its cash in bank accounts, which at times may exceed federally insured limits.

The Organization also maintains cash in accounts with investment firms. The accounts contain cash and securities. Balances are insured up to $500,000 (with a limit of $250,000 for cash) by the Securities Investor Protection Corporation ("SIPC"). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Of the program and other receivables at June 30, 2019 and 2018, 69% and 49%, respectively, are due from departments within the State of Arizona, and 32% was a grant due from a single individual at June 30, 2018. Concentrations of credit risk with respect to these receivables are limited due to the nature of the receivables and the collection history with the funding sources. The Organization requires no collateral on its program and other receivables.

Of the bequests receivable at June 30, 2019, 63% are due from three donors, and at June 30, 2018 47%, were due from two donors.

Of donated surplus food and commodities revenues during the years ended June 30, 2019 and 2018, 21% and 24%, respectively, was donated from 2 organizations.

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

(3) **Inventory**

Inventory consists of the following at June 30:

	2019	2018
Donated food inventory	$ 7,952,720	$ 4,741,842
Government food	2,054,203	2,390,467
Purchased food inventory	450,795	452,302
Other inventory	18,717	14,402
Total cost and donated value	$ 1O, Z6, J	$ Z. .Ql

The Organization receives donated food from various private and public sources. In order to provide a measurable basis for evaluating the primary mission of the Organization, management values food for purposes of including donated and distributed food as components of the accompanying consolidated financial statements. For the years ended June 30, 2019 and 2018, donated food of approximately 90,806,000 pounds and 88,640,000 pounds, respectively, valued at a composite price of $1.52 and $1.57 per pound, respectively, is reflected in the accompanying consolidated statements of activities and change in net assets as donated surplus food and commodities. The composite price is the estimated weighted average wholesale amount per pound, as determined by Feeding America.

Shipping and handling costs for donated food are expensed as they are incurred, and are included in the accompanying consolidated statement of activities and change in net assets within program services expense.

(4) Investments and fair value of financial instruments

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2019:

	(Level 1)	(Level 2)	(Level 3)
Investments:			
Cash and money market funds	$ 40,201	$	$
Mutual funds:			
Large cap equity	2,300,698		
Small cap equity	629,797		
Other equity	576,879		
Fixed income	3,193,256		
Other	997,184		
Fixed income:			
Corporate bonds		1,630,384	
Government bonds		2,301,818	
Other		281,790	
Exchange traded funds	9,960,890		
Total investments	$ 17,698,905	$ 4,213,992	$ _

(4) Investments and fair value of financial instruments (continued)

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2018:

	{Level 1}	{Level 2}	jLevel 3}
Investments:			
Cash and money marketfunds	$ 76,284	$	$
Mutual funds:			
Large cap equity	2,429,389		
Small cap equity	726,995		
Other equity	614,683		
Fixed income	2,202,278		
Other	885,793		
Fixed income:			
Corporate bonds		702,219	
Government bonds		906,798	
Other		286,720	
Exchange traded funds	7,348,236		
Total investments	$ 14,283,658	$ 1,895,737	$

Investment return is summarized as follows for the years ended June 30:

	2019	2018
Interest and dividends	$ 497,778	$ 519,381
Unrealized investment gains	335,691	639,607
Realized investment gains	462,840	66,284
Investment fees	(84,394)	(64,348)
Total investment return	$ 1211915	$ j 16092

(5) Split interest agreements

The Organization currently administers charitable gift annuities that provide an annual income payment to the beneficiaries until the income obligation is completed in accordance with the donor's trust agreement. The assets contributed under the charitable gift annuities are carried at fair value. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a risk-free discount rate determined at the time the annuities are established, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. As of June 30, 2019 and 2018, the present value of the annuity payment liability is $235,809 and $267,535 respectively. To calculate the present value of the charitable gift annuity, management used the applicable federal rate of approximately 5% as of June 30, 2019 and 6% as of June 30, 2018. Charitable gift annuities are estimated to mature through 2033. Assets of the Organization that are reserved for charitable gift annuities totaled $424,956 and $529,082 at June 30, 2019 and 2018, respectively, and are included within investments in the accompanying consolidated statements of financial position.

(6) **Property and equipment**

Property and equipment consist of the following at June 30:

	2019	2018
Land	$ 2,202,865	$ 2,202,865
Buildings and improvements	22,257,346	17,836,486
Furniture, fixtures, and equipment	4,447,399	4,194,926
Vehicles	2,202,997	1,694,185
Equipment held under capital leases	2,673,641	2,673,641
	33,784,248	28,602,103
Accumulated depreciation and amortization	(15,174,869)	(14,064,813)
	18,609,379	14,537,290
Construction in progress	62,461	4,525,873
Property and equipment, net	$ 18,671,840	$ 19,063,163

Depreciation expense charged to operations was $1,860,310 and $1,640,219 respectively, for the years ended June 30, 2019 and 2018.

Construction in progress at June 30, 2018 related to renovations and improvements to the Organization's primary warehouse and office and was completed and placed in service in October 2018.

(7) **Line of credit**

The Organization maintained a line of credit with a bank that bore interest at the greater of the lender's prime rate or 4%. The line of credit had an original maturity date of February 1, 2018. Effective September 25, 2017, the Organization amended the line of credit agreement with a bank increasing the available balance from $1,000,000 to $4,200,000 and modifying the interest rate to equal the one month London Interbank Offered Rate ("LIBOR") published by ICE Benchmark Administration Limited plus 1.25% (3.69% at June 30, 2019). The line of credit was secured by the Organization's inventory, accounts and equipment and matured on April 1, 2019. The Organization did not renew the line of credit. There was no outstanding balance or activity on this line of credit as of and for the years ended June 30, 2019 and 2018.

(8) **Capital lease obligations**

The Organization has entered into capital leases for vehicles and other equipment. These leases expire at various periods through March 2024. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum future lease payments or the fair value of the assets. Amortization expense under these capital leases is included in depreciation expense. Interest rates on these capital leases vary from 4.73% to 5.25%.

The following is a summary of assets held under capital leases at June 30:

	2019	2018
Vehicle and other equipment	$ 2,673,641	$ 2,673,641
Accumulated depreciation and amortization	(1,562,014)	(1,251,710)
Assets held under capital leases, net	$ 1,111,627	$ 1,421,931

(8) Capital lease obligations (continued)

Future minimum lease payments under these capital leases are as follows:

Years Ending June 30,	
2020	$ 397,635
2021	397,635
2022	336,487
2023	190,323
2024	141,115
Total minimum lease payments	$ 1,463,195
Less amounts representing interest	{249,865)
Present value of minimum lease payments	1,213,330
Current maturities	{310,671)
Noncurrent maturities	$ 902,659

Interest expense related to the capital leases above totaled approximately $98,000 and $129,000 respectively, for the years ended June 30, 2019 and 2018.

(9) **Net assets**

Net assets without donor restrictions include board-designated assets that have been set aside by the Board of Directors of St. Mary's. Board-designated funds are intended to fund future capital projects and early-stage strategic initiatives which are Board-approved but not considered in the annual operating budget, as well as provide potential funding for food purchases in the event of scarcity and for a future recession, should such situations present themselves. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. The board designated net assets are held in investment accounts by the Foundation and total $20,634,382 and $15,021,627 respectively, as of June 30, 2019 and 2018.

Net assets with donor restrictions are available for the following restricted purposes as of June 30:

	2019	**2018**
Time restrictions	$ 218,667	$ 18,667
Purpose restrictions	741,072	579,808
Total net assets with donor restrictions	$ 959,739	$ 598,475

Net assets with donor restrictions released from restriction during the year ended June 30, 2019 are as follows:

Satisfaction of purpose restriction:	
Community kitchen	$ 8,657
Kids cafe truck and equipment	203,260
School pantry	192,657
Total net assets with donor restrictions released from restrictions	$ 404,574

(10) Operating leases

The Organization leases office equipment and office space under operating lease agreements that expire through July 2024. Future minimum payments under these non-cancelable operating leases as of June 30, 2019 are as follows:

Years Ending June 30,		
2020	$	146,048
2021		144,411
2022		131,476
2023		135,636
2024		48,474
Total minimum lease payments	$	606,045

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases.

Total rental expense under these leases as well as short term vehicle leases was approximately $898,000 and $1,031,000 respectively, for the years ended June 30, 2019 and 2018.

Additionally, the Organization entered into an agreement in September 1998 to receive donated office and warehouse facilities from an unrelated party in Surprise, Arizona. The lease automatically renews annually and can be terminated by either party. The space has an estimated fair value of $.50 per square foot. For the years ended June 30, 2019 and 2018, the Organization recognized an in-kind contribution of $173,526 related to this donated space which is included in community contributions in the accompanying consolidated statement of activities and change in net assets.

(11) Retirement plan

The Organization participates in a qualified 401(k) defined contribution retirement plan (the "Plan") for eligible employees. Subsequent to the employee completing 3 months of employment with the Organization and the employee being 21 years of age, an employee is eligible to participate in the plan. Contributions are based on a percentage of salary. The Organization has a discretionary match policy and the Organization elects on an annual basis what percentage to match of the employee contributions made to the plan. Contributions to the Plan under this arrangement were $313,343 and $208,958 respectively, for the years ended June 30, 2019 and 2018.

Effective January 1, 2018, employees are eligible to participate in the Plan after 30 days of employment and are automatically enrolled at a 5% elective deferral rate. Additionally, employees receive an employer match of the first 3% of their eligible pay contributed to the Plan and 50% of the next 2% of their eligible pay contributed to the Plan.

(12) Contingencies

Periodically, the Organization is involved in litigation and claims arising in the normal course of operations. In the opinion of management and based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

(13) Liquidity and availability of resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the return on investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-based activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts that are not currently available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include investments necessary to fund gift annuities, net assets with donor restrictions and board designated funds. Board-designated funds are intended to fund future capital projects and early-stage strategic initiatives which are Board-approved but not considered in the annual operating budget, as well as provide potential funding for food purchases in the event of scarcity and for a future recession, should such situations present themselves. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

Cash and cash equivalents	$	5,226,777
Program and other receivables, net		1,845,231
Pledges receivable		200,000
Bequests receivable		1,252,695
Investments		21,912,897
Total financial assets		30,437,600
Less: Board designated net assets		(20,634,382)
Less: Investments designated to fund gift annuities		(424,956)
Less: Net assets with donor restriction		(959,739)
Financial assets available to meet cash needs for general expenditures within one year	$	8,418,523

While the Organization's investments are classified as long-term in the accompanying consolidated statement of financial position based on management's intent, the investments could be readily liquidated without significant penalty to fund operating cash flow needs, except as noted above.

ADDITIONAL INFORMATION

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

ADDITIQNAL **INFQRMATION**

CONSOLIDATING STATEMENT OF **FINANCIAL** POSITION

June 30, 2019

ASSETS

	St.Ma!)'.'S	Foundation	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 2,785,418	$ 2,441,359	$	$ 5,226777
Inventory	10,476,435			10,476,435
Program and other receivables,				
net of allowance for doubtful accounts of $20,000	1,845,231			1,845,231
Pledges receivable	100,000			100,000
Bequests receivable	1,252,695			1,252,695
Prepaid expenses	112,335			112,335
TOTAL CURRENT ASSETS	16,572,114	2,441,359		19,013,473
PLEDGES RECEIVABLE, less current portion	100,000			100,000
INVESTMENTS	3,719,874	18,193,023		21,912,897
PROPERTY AND EQUIPMENT, net	18,671,840			18,671,840
TOTAL ASSETS	$ 39,063,828	$ 2,0634,382	$	$ 59,698,210

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable	$ 840,662	$	$	$ 840,662
Accrued payroll expenses	720,950			720,950
Current maturities of gift annuities pay able	23,082			23,082
Current maturities of capital leas eobligations	310 671			310,671
TOTAL CURRENT LIABILITIES	1,895,365			1,895,365
GIFT ANNUITIES PAYABLE, less current maturities	212,727			212,727
CAPITAL LEASE OBLIGATIONS, less current maturities	902,659			902 659
TOTAL LIABILITIES	3,010,751			3,010,751
NET ASSETS	36,053,077	20,634,382		56,687,459
TOTAL LIABILITIES AND NET ASSETS	$ 39,063,828	$ 20,634,382	$	$ 59,698,210

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

ADDITIONAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2019

	St. Ma!}'.'S	Found ation	Elim ination s	Total
SUPPORT AND REVENUES				
Donated surplus food and commodities	$ 137,800,153	$	$	$ 137,800,153
Community contributions	25,150,892			25,150,892
Government grants	3,869,039			3,869,039
Kids Cafe	3,605,163			3,605,163
Shared maintenance fees	(17,362)			(17,362)
Source program	454,807			454,807
CK Catering	31,469			31,469
Investment return	1,193,642	1,055,544	(1,037,271)	1,211,915
Miscellaneous and other revenue	265,578			265,578
TOTAL SUPPORT AND REVENUES	172,353,381	1 055,544	(1,037,271)	172,371,654
EXPENSES				
Program Services				
Community food	104,826,032			104,826,032
Child nutrition	5,177,637			5,177,637
Commodity supplemental food program	7,230,986			7,230,986
Grocery rescue and other distributions	37,244,176			37,244,176
Community kitchen	921,461			921 461
Total Program Services	155,400,292			155,400,292
Supporting Services				
Fundraising and communications	4,875,221			4,875,221
General administration	2,890,910	1,037,562	(1,037,271)	2,891,201
Total Supporting Services	7,766,131	1,037,562	(1,037,271)	7,766,422
TOTAL EXPENSES	163,166,423	1,037,562	(1,037,271)	163,166,714
CHANGE IN NET ASSETS	9,186,958	17,982		9,204,940
TRANSFER OF NET ASSETS	(9,203,966)	9,203,966		
NET ASSETS, BEGINNING OF YEAR	36,070,085	11,412,434		47,482,519
NET ASSETS, END OF YEAR	$ 36,053,077	$ 20,634,382	$	$ 56,687,459

See Independent Auditors' Report