ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS

Year Ended June 30, 2022

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Year Ended June 30, 2022

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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 Audit of the Consolidated Financial Statements

Opinion

We have audited the 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, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited ***St. Mary's Food Bank Alliance and SMFB Foundation's*** 2021 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated November 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.

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 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 additional information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Supplemental 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 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 GAAS. 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 November 23, 2022 on our consideration of the Organization'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

November 23, 2022

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022
(with comparative totals at June 30, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,725,383	$ 6,921,324
Inventory	7,890,360	11,809,372
Program and other receivables, net of allowance for doubtful accounts of $20,000	1,097,162	1,606,894
Pledges receivable	-	20,000
Bequests receivable	120,000	150,000
Prepaid expenses	438,411	344,485
TOTAL CURRENT ASSETS	18,271,316	20,852,075
INVESTMENTS	79,776,523	78,680,807
BENEFICIAL INTEREST IN PERPETUAL TRUST	754,568	953,901
PROPERTY AND EQUIPMENT, net	29,334,378	19,292,169
TOTAL ASSETS	$ 128,136,785	$ 119,778,952
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Margin loan payable	$ 9,881,240	$ -
Accounts payable	985,102	1,002,486
Accrued expenses	1,364,511	1,200,436
Current maturities of gift annuities payable	23,606	23,606
Current maturities of capital lease obligations	151,854	275,684
TOTAL CURRENT LIABILITIES	12,406,313	2,502,212
GIFT ANNUITIES PAYABLE, less current maturities	207,487	255,646
CAPITAL LEASE OBLIGATIONS, less current maturities	117,135	268,988
SECURITY DEPOSIT	26,400	-
TOTAL LIABILITIES	12,757,335	3,026,846
NET ASSETS		
Net assets without donor restrictions		
Undesignated	47,900,348	40,826,207
Board-designated	66,334,007	74,474,084
Total net assets without donor restrictions	114,234,355	115,300,291
Net assets with donor restrictions	1,145,095	1,451,815
TOTAL NET ASSETS	115,379,450	116,752,106
TOTAL LIABILITIES AND NET ASSETS	$ 128,136,785	$ 119,778,952

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
SUPPORT AND REVENUES				
Contributions:				
Donated surplus food and commodities	$ 142,231,108	$ -	$ 142,231,108	$ 203,003,795
Community contributions of cash and other financial assets	42,533,340	90,130	42,623,470	53,093,461
Other in-kind contributions	683,334	-	683,334	515,722
Government grants	7,266,053	-	7,266,053	10,290,592
Child nutrition - Kids Cafe	3,138,878	-	3,138,878	3,095,002
Source program	645,740	-	645,740	523,056
Skills center - CK catering	19,257	-	19,257	6,320
Investment return	(10,153,675)	-	(10,153,675)	7,182,406
Change in beneficial interest in perpetual trust	-	(199,333)	(199,333)	953,901
Miscellaneous and other revenue	976,152	-	976,152	231,252
Net assets released from restrictions	197,517	(197,517)	-	-
TOTAL SUPPORT AND REVENUES	187,537,704	(306,720)	187,230,984	278,895,507
EXPENSES				
Program services				
Community food	129,658,046	-	129,658,046	156,029,741
Child nutrition	5,099,715	-	5,099,715	5,272,292
Commodity supplemental food program	7,484,947	-	7,484,947	7,725,982
Grocery rescue and other distributions	34,054,374	-	34,054,374	57,390,488
Skills center	1,010,289	-	1,010,289	808,015
Total program services	177,307,371	-	177,307,371	227,226,518
Supporting services				
Fundraising and communications	7,930,724	-	7,930,724	7,696,427
General administration	3,365,545	-	3,365,545	3,087,016
Total supporting services	11,296,269	-	11,296,269	10,783,443
TOTAL EXPENSES	188,603,640	-	188,603,640	238,009,961
CHANGE IN NET ASSETS	(1,065,936)	(306,720)	(1,372,656)	40,885,546
NET ASSETS, BEGINNING OF YEAR	115,300,291	1,451,815	116,752,106	75,866,560
NET ASSETS, END OF YEAR	$ 114,234,355	$ 1,145,095	$ 115,379,450	$ 116,752,106

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Community Food	Child Nutrition	CSFP	Grocery Rescue and Other Distributions	Skills Center	Total Program Services	Fundraising and Communications	General Administration	Total Expenses
Compensation	$ 7,635,708	$ 1,505,375	$ 441,990	$ 1,894,764	$ 826,397	$ 12,304,234	$ 1,912,442	$ 1,967,977	$ 16,184,653
Food purchases	2,798,454	2,893,854	-	11,582	16,742	5,720,632	-	-	5,720,632
Occupancy costs	1,415,218	94,288	81,919	351,180	10,421	1,953,026	38	272	1,953,336
Depreciation	1,536,411	106,317	88,935	381,253	975	2,113,891	-	39,007	2,152,898
Donated food surplus	110,253,099	62,553	6,525,250	29,928,672	-	146,769,574	-	-	146,769,574
Education and training	14,871	546	861	3,690	21,588	41,556	13,739	11,885	67,180
Fuel	894,218	67,218	51,761	221,896	388	1,235,481	1,587	339	1,237,407
Insurance	193,858	6,984	11,221	48,105	-	260,168	10,151	194,342	464,661
Supplies	3,587	6,203	208	890	11,964	22,852	101	4,324	27,277
Other expenses	1,102,292	50,336	63,806	273,530	78,691	1,568,655	34,785	39,337	1,642,777
Packaging products	862,934	141,200	48,926	209,741	2,236	1,265,037	1,910	-	1,266,947
Postage/mail	2,308	309	134	573	-	3,324	140,792	6,999	151,115
Printing	36,234	1,051	1,689	7,242	8,144	54,360	41,213	1,189	96,762
Professional fees	641,204	27,532	37,116	159,112	7,200	872,164	403,990	426,202	1,702,356
Rental/lease	1,295,056	46,928	74,964	321,362	12,439	1,750,749	5,438	47,289	1,803,476
Fees and subscriptions	109,158	19,676	6,187	26,524	5,463	167,008	589,197	216,250	972,455
Technology	94,179	6,212	5,452	23,370	5,102	134,315	90,260	378,935	603,510
Travel	109,809	8,027	6,356	27,249	1,939	153,380	19,640	31,198	204,218
Vehicle costs	659,448	55,106	38,172	163,639	600	916,965	275	-	917,240
Donor communications	-	-	-	-	-	-	2,587,576	-	2,587,576
Community outreach	-	-	-	-	-	-	2,077,590	-	2,077,590
TOTAL FUNCTIONAL EXPENSES	$ 129,658,046	$ 5,099,715	$ 7,484,947	$ 34,054,374	$ 1,010,289	$ 177,307,371	$ 7,930,724	$ 3,365,545	$ 188,603,640

See Notes to Consolidated Financial Statements

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Community Food	Child Nutrition	CSFP	Grocery Rescue and Other Distributions	Skills Center	Total Program Services	Fundraising and Communications	General Administration	Total Expenses
Compensation	$ 6,519,250	$ 1,417,186	$ 328,279	$ 2,353,944	$ 682,975	$ 11,301,634	$ 2,005,164	$ 1,980,175	$ 15,286,973
Food purchases	1,280,333	3,170,910	-	1,088	23,663	4,475,994	145,612	-	4,621,606
Occupancy costs	1,310,486	100,923	65,990	473,189	15,990	1,966,578	576	10,630	1,977,784
Depreciation	1,353,152	109,157	68,139	488,595	977	2,020,020	-	38,569	2,058,589
Donated food surplus	141,861,007	138,430	7,079,363	52,752,765	-	201,831,565	-	-	201,831,565
Education and training	7,870	5,181	396	2,842	11,808	28,097	8,848	2,164	39,109
Fuel	566,908	39,617	28,547	204,699	187	839,958	995	-	840,953
Insurance	157,091	6,629	7,910	56,722	-	228,352	6,500	102,766	337,618
Supplies	-	4,294	-	-	10,621	14,915	330	1,266	16,511
Other expenses	355,265	16,628	17,890	128,280	24,895	542,958	17,640	30,382	590,980
Packaging products	443,909	158,123	22,353	160,286	443	785,114	27,264	-	812,378
Postage/mail	652	28	33	236	-	949	187,088	5,225	193,262
Printing	6,360	296	320	2,296	6,934	16,206	20,575	1,070	37,851
Professional fees	313,754	13,641	15,799	113,290	6,240	462,724	393,463	291,980	1,148,167
Rental/lease	982,786	41,474	49,489	354,863	11,439	1,440,051	-	34,706	1,474,757
Fees and subscriptions	149,206	9,407	5,132	36,798	3,012	203,555	706,764	141,726	1,052,045
Technology	98,881	7,485	4,979	35,704	7,445	154,494	6,384	425,365	586,243
Travel	93,688	5,752	4,718	33,829	1,386	139,373	9,215	20,950	169,538
Vehicle costs	529,143	27,131	26,645	191,062	-	773,981	-	42	774,023
Donor communications	-	-	-	-	-	-	2,220,878	-	2,220,878
Community outreach	-	-	-	-	-	-	1,939,131	-	1,939,131
TOTAL FUNCTIONAL EXPENSES	$ 156,029,741	$ 5,272,292	$ 7,725,982	$ 57,390,488	$ 808,015	$ 227,226,518	$ 7,696,427	$ 3,087,016	$ 238,009,961

See Notes to Consolidated Financial Statements

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,372,656)	$ 40,885,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,152,898	2,058,589
Loss on sale/disposal of property and equipment	-	64,325
Contributions restricted to investment in property and equipment	(45,000)	(708,891)
Change in beneficial interest in perpetual trust	199,333	(953,901)
Realized and unrealized (gains) losses on investments	12,281,959	(6,391,695)
(Increase) decrease in assets:		
Inventory	3,919,012	(1,043,039)
Program and other receivables	509,732	653,888
Pledges receivable	20,000	120,000
Bequests receivable	30,000	473,155
Prepaid expenses	(93,926)	(101,332)
Increase (decrease) in liabilities:		
Accounts payable	(17,384)	234,707
Accrued expenses	164,075	200,777
Security deposit	26,400	-
Gift annuities payable	(48,159)	11,624
Net cash provided by operating activities	17,726,284	35,503,753
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(12,195,107)	(1,978,052)
Purchase of investments	(13,790,649)	(32,428,788)
Proceeds from sale of property and equipment	-	7,550
Proceeds from sale of investments	412,974	264,041
Net cash used in investing activities	(25,572,782)	(34,135,249)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from margin loan payable	9,963,905	-
Payments on margin loan payable	(82,665)	-
Collection of contributions restricted to investment in property and equipment	45,000	708,891
Payments on capital lease obligations	(275,683)	(326,380)
Net cash provided by financing activities	9,650,557	382,511
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,804,059	1,751,015
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,921,324	5,170,309
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,725,383	$ 6,921,324
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 149,460	$ 68,498

(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 the gathering and distributing of food while encouraging self-sufficiency, collaboration, advocacy and education. St. Mary's is supported by various sources including community donations and government funding. Its main programs are described below and the impact COVID-19 has had on these programs is further discussed in Note 14:

- **Community Food** - Community Food consists of the Emergency Food, Source Distribution and Mobile Pantries 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. Mobile Pantries deliver food and fresh produce directly to the community at pop up locations around the state. The home delivery program offers delivery services to anyone in Maricopa, Yavapai, and Pinal Counties who is unable to travel to the food bank.

- **Child Nutrition** - Child Nutrition consists of the Kids Cafe, Backpacks and School Pantry programs. Kids Cafe continues to be the largest component of St. Mary's Child Nutrition efforts. The Kids 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 253 schools, community centers, churches and other neighborhood groups to provide 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.

- **Commodity Supplemental Food Program ("CSFP")** - CSFP consists of a program partially funded by federal funds which works to improve the health of 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.

- **Skills Center** - The Skills Center consists of the Community Kitchen, CK Catering, and the Logistics, Inventory, Forklift, and Training ("LIFT") programs. Community Kitchen is a life skills and food service training program for those with barriers to employment. LIFT is a hands-on training program that teaches adults with barriers to employment to be successful in the warehouse and logistics industry. Students gain the skills to get jobs offering livable wages and opportunities for advancement through hands-on training as well as classroom studies.

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.

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

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:

Basis of presentation - The accompanying consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*. Under ASC 958-205, the Organization is required 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.

<u>Net assets without donor restrictions</u>
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.

<u>Net assets with donor restrictions</u>
Net assets subject to stipulations imposed by donors and grantors. 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.

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 consolidated 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, 2021, 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").

(1) <u>Nature of operations and summary of significant accounting policies (continued)</u>

Inventory - Donated inventories are stated at the estimated value per pound as determined by Feeding America (Note 2). Purchased inventories are stated at the lower of cost, as determined using the first-in, first-out ("FIFO") basis, or net realizable value.

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.

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, 2022 and 2021, 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, 2022 and 2021, 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, expectations 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, 2022, there were no pledges receivable outstanding. At June 30, 2021, management considered pledges receivable, which are all due within one year, to be collectible in full and, accordingly, an allowance for uncollectible pledges receivable is not considered necessary.

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

Property and equipment - Purchased property and equipment are valued at cost. 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 equipment, 5 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.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as revenues in the net assets with donor restrictions class. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

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 the years ended June 30, 2022 or 2021.

Investments - The Organization accounts for its investments in accordance with FASB ASC 958-321, *Not-for-Profit Entities - Investments - Equity Securities* and FASB ASC 958-320, *Not-for-Profit Entities - Investments - Debt Securities*. Under FASB ASC 958-320 and FASB ASC 958-321, the Organization reports investments in equity and debt securities at fair value in the consolidated statement of financial position. The fair value of marketable equity securities with readily determinable fair values are based on quoted market prices. The fair value of fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are observable. If quoted market prices are not available, fair value is determined using one, or a combination, of the following methods: (1) a matrix pricing for similar bonds, (2) quoted prices for recent trading activity of assets with similar characteristics to the bond or (3) using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms to companies with comparable credit risk and a credit value adjustment to consider the likelihood of counterparty nonperformance, after consideration for the impact of collateralization and netting agreements, if applicable.

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 June 30, 2022 and 2021.

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

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 amounts reported in the consolidated statement of financial position.

Fair value measurement - 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.

Revenue from contracts with customers - The Organization’s Source Program and CK Catering program are accounted for as exchange transactions in accordance with FASB ASC 606, *Revenue from Contracts with Customers*, as described below.

Source program revenues from sales of purchased food items to agencies are reported at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for the goods. Amounts received for sales are recorded as revenue at the point in time the goods are transferred to the customer. Payment is due at the time of the sale and this transaction may result in accounts receivable.

CK catering program revenues for catering events held are reported at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. Cancellation provisions vary by program and refunds may be available for services not provided. Revenue is recognized at the time the event is held. Unearned fees are reflected as contract liabilities in the accompanying consolidated statement of financial position. As of June 30, 2022 and 2021, there were no contract liabilities associated with CK catering program revenues.

Substantially all of the Organization’s contracts with customers include a single performance obligation to transfer the promised good or service. The Organization does not have any significant financing components as payment is generally received in a customary time frame from the customers. The contracts do not contain material amounts of variable consideration. At contract inception, the Organization evaluates the probability of collecting the transaction price based on the history of payment by the customer.

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

Government grants and Kids Cafe revenue - The Organization has contracts with city, state and federal agencies to provide a variety of program services to the public based on contract requirements, including eligibility, reimbursement, and other requirements. These contracts from governmental agencies were determined to be conditional contributions and are recorded as revenue as the conditions are met, which is generally when the related expenditures are incurred over the period the service is provided or under unit of service contracts as services are provided. As these are generally non-exchange contracts, amounts billed for unpaid services are included in program and other receivables in the accompanying consolidated statement of financial position. Advances are recorded as deferred revenue upon receipt.

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.

As of June 30, 2022 and 2021, the Organization had various governmental grants that are conditional in nature and the revenue can only be recognized once funds have been spent on qualified costs. As of June 30, 2022 and 2021, the remaining amount of conditional contributions under these governmental grants is not material to the consolidated financial statements.

Contributions - The Organization evaluates grants and contributions for evidence of the transfer of commensurate value from the Organization to the grantor or resource provider. The transfer of commensurate value from the Organization to the grantor or resource provider may include instances when a) the goods or services provided by the Organization directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Organization. When such factors exist, the Organization accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Organization accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Organization to the resource provider, the Organization evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Organization or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Organization and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Organization to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Organization recognizes amounts received from unconditional contributions at the time the Organization receives notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Organization.

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

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. In accordance with FASB 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 non-financial assets (in-kinds) - In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization implemented ASU 2020-07 during the year ended June 30, 2022 and presents contributed nonfinancial assets separately on the consolidated statement of activities and change in net assets.

Donated materials are recorded at their estimated fair value at the date of receipt. Donated services are recognized as contributions in accordance with FASB 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. See Note 2.

Beneficial interest in perpetual trust - The Organization is the sole beneficiary of a perpetual trust that is held and controlled by a third party in perpetuity. Under perpetual trust agreements, the Organization records the contribution with donor restriction at the fair value of the Organization's beneficial interest in the trust assets. Income earned on the trust assets is recorded as income from beneficial interest in perpetual trust without donor restriction in the accompanying consolidated statement of activities and change in net assets, unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as changes in beneficial interest in perpetual trust in the with donor restriction net asset class. The trust's assets include primarily mutual funds and government bonds.

Advertising - Advertising costs are expensed as incurred. Advertising expenses totaled $76,815 and $38,873 respectively, for the years ended June 30, 2022 and 2021.

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.

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

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, 2022 and 2021, 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 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2022 returns had not yet been filed.

Recent accounting pronouncements - 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. The ASU's original effective date was delayed twice pursuant to ASU 2015-14 and ASU 2020-05. The effective date for the Organization is now fiscal year ending June 30, 2023. The Organization has estimated that if they were to adopt ASU 2016-02 for the year ended June 30, 2022, a non-current right of use asset of approximately $674,000 and a corresponding current and non-current lease liability of approximately $254,000 and $420,000, respectively, would be recorded in the accompanying consolidated statement of financial position as of June 30, 2022. The estimate was calculated using the minimum future lease payments (See Note 12) and a discount rate of 3.01% representing an estimated risk free rate.

Subsequent events - The Organization has evaluated events through November 23, 2022, which is the date the consolidated financial statements were available to be issued.

(2) Donated non-financial assets (in-kinds)

The Organization receives donated food from various private and public sources consisting primarily of (i) direct donation drop off at one of the Organization's warehouses, (ii) food rescued from retail grocery partners directly by the Organization and its partner agencies as part of the Grocery Rescue program, and (iii) online marketplace distributions, which are picked up either by the Organization or a partner agency and delivered to a partner agency location for distribution. The Organization reports the fair value of donated food over which it has control (i.e., variance power) as contributions without donor restrictions, and immediately thereafter, as expense when distributed for program purposes and received by the recipients. Donated surplus food and commodities are typically utilized in the Organization's programs. For the years ended June 30, 2022 and 2021, the Organization did not monetize any donated surplus food and commodities.

The Organization has entered into written contracts with retail grocery and partner agencies to distribute food products directly. These contracts provide the Organization explicit variance power and authority over the distribution of the food. During the years ended June 30, 2022 and 2021, 19,341,793 pounds and 29,211,276 pounds, respectively, were donated under these contract arrangements. Donations made directly to local partners with whom the Organization does not have a written agreement are not included in the consolidated financial statements because the Organization does not have written agreements with such donors granting the Organization explicit variance power and authority over the distribution of such donated goods and services.

(2) Donated non-financial assets (in-kinds) (continued)

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, 2022 and 2021, donated food of approximately 92,962,000 pounds and 119,414,000 pounds, respectively, valued at a composite price of $1.53 and $1.70 per pound, respectively, is reflected in the accompanying consolidated statement 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. These values were determined based upon calendar year 2021 and 2020 studies performed by Feeding America. Each of the annual studies involves a review of 31 product categories and wholesale prices using a national wholesaler's pricing catalogs. Other independent sources may also be used as necessary for items not included in the catalogs (Level 2 inputs). The average value of one pound of donated product will vary from year-to-year based on the mix of product items donated. As part of the study, Feeding America analyzes and reviews the results to determine the accuracy and understand the key components of the valuation and the year-over-year changes.

In addition to donated surplus food and commodities, the Organization receives various other in-kind contributions in the form of donated services, supplies, rent and discounted rentals on transportation equipment. For the years ended June 30, other in-kind contributions consist of the following:

Contribution	Used For	2022	2021
Tractor rental	Food distribution and transportation	$ 320,400	$ 192,000
Truck parking	Food distribution and transportation	60,000	45,000
Building	Distribution center for various programs	277,642	261,677
Donated items	Other program support	25,292	9,982
Legal services	General administration	-	7,063
		$ 683,334	$ 515,722

Other in-kind contributions are valued using estimated prices of identical or similar services and products in the local retail markets (Level 2 inputs) based on information provided by third parties and independent outside agencies. The Organization's general practice is to utilize donated items at the program level for which the items were intended to support. During the years ended June 30, 2022 and 2021, the Organization did not monetize any other in-kind contributions and there were no donor restrictions on the other in-kind contributions.

The Organization entered into an agreement in September 1998 to receive donated distribution center space 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 $0.80 and $0.75 per square foot at June 30, 2022 and 2021, respectively, which is valued using average local market rate of rents of similar class and quality (Level 2 inputs).

(2) Donated non-financial assets (in-kinds) (continued)

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. This support has not been recorded as a component of in-kind contribution revenue as it does not meet the recognition criteria under FASB ASC 958-605. During the year ended June 30, 2022, the Organization received the benefit of approximately 140,000 hours from approximately 56,000 volunteers. During the year ended June 30, 2021, the Organization received the benefit of approximately 112,000 hours from approximately 45,000 volunteers.

(3) 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 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.

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, 2022 and 2021, 93% and 85%, respectively, are due from departments within the State of Arizona. 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, 2022 and 2021, 100% is due from two donors.

Of donated surplus food and commodities revenues during the years ended June 30, 2022 and 2021, 19% and 37%, respectively, was donated from one organization and two organizations, respectively.

(4) Inventory

Inventory consists of the following at June 30:

	2022	2021
Donated food inventory	$ 4,804,352	$ 8,843,636
Government food	1,810,836	2,310,023
Purchased food inventory	1,260,733	642,480
Other inventory	14,439	13,233
Total cost and donated value	$ 7,890,360	$ 11,809,372

(5) Investments

Investments consist of the following at June 30:

	2022	2021
Cash and money market funds	$ 2,413,740	$ 9,102,773
Mutual funds:		
Large cap equity	266,517	313,184
Small cap equity	-	757,409
Other equity	9,583	1,063,425
Fixed income	13,863,459	16,468,917
Fixed income:		
Corporate bonds	8,186,136	4,413,952
Government bonds	15,405,630	8,624,068
Other	852,592	468,148
Market linked certificates of deposit	648,950	771,375
Market linked notes and securities	464,680	1,074,935
Exchange traded funds	36,861,246	35,108,954
Hedge funds	803,990	513,667
Total	$ 79,776,523	$ 78,680,807

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

	2022	2021
Interest and dividends	$ 2,466,866	$ 1,027,515
Unrealized investment gains (losses)	(13,831,800)	5,502,090
Realized investment gains	1,549,841	889,605
Investment fees	(338,582)	(236,804)
Total investment return	$ (10,153,675)	$ 7,182,406

(6) 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, 2022 and 2021, the present value of the annuity payment liability is $231,093 and $279,252, respectively. To calculate the present value of the charitable gift annuity, management used the applicable federal rate of approximately 5% as of June 30, 2022 and 2021. Charitable gift annuities are estimated to mature through 2043. Assets of the Organization that are reserved for charitable gift annuities totaled $385,098 and $477,972 at June 30, 2022 and 2021, respectively, and are included within investments in the accompanying consolidated statements of financial position.

(7) Property and equipment

Property and equipment consist of the following at June 30:

	2022	2021
Land	$ 3,682,865	$ 2,202,865
Buildings and improvements	32,416,761	23,553,341
Furniture, fixtures, and equipment	6,373,979	5,267,389
Vehicles	3,405,853	3,443,970
Equipment held under capital leases	2,188,004	2,441,600
	48,067,462	36,909,165
Accumulated depreciation and amortization	(19,952,669)	(18,176,147)
	28,114,793	18,733,018
Construction in progress	1,219,585	559,151
Property and equipment, net	$ 29,334,378	$ 19,292,169

Depreciation expense charged to operations was $2,152,898 and $2,058,589, respectively, for the years ended June 30, 2022 and 2021.

In August 2021, the Organization entered into an agreement for the purchase of two specific parcels of land at an aggregate purchase price of $9,985,000, which was financed through borrowings under the Margin Loan Agreement (Note 10).

At June 30, 2022, construction in progress primarily represents remodels to the existing warehouses and remodels and equipment for the properties purchased during the year ended June 30, 2022. Construction in progress is being funded through the use of operating cash and the work is expected to be completed during fiscal year 2023.

In August 2022, the Organization entered into an agreement for the purchase of an additional parcel of land at an aggregate purchase price of $980,000. The purchase was funded through the use of the Margin Loan (Note 10).

(8) Fair value measurement

The following table sets forth, by level within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of June 30, 2022:

	(Level 1)	(Level 2)	(Level 3)	Total
Investments:				
Cash and money market funds	$ 2,413,740	$ -	$ -	$ 2,413,740
Mutual funds:				
Large cap equity	266,517	-	-	266,517
Other equity	9,583	-	-	9,583
Fixed income	13,863,459	-	-	13,863,459
Fixed income:				
Corporate bonds	7,423,400	762,736	-	8,186,136
Government bonds	10,511,987	4,893,643	-	15,405,630
Other	852,592	-	-	852,592
Market linked certificates of deposit	-	-	648,950	648,950
Market linked notes and securities	-	128,820	335,860	464,680
Exchange traded funds	36,861,246	-	-	36,861,246
Total investments	72,202,524	5,785,199	984,810	78,972,533
Beneficial interest in perpetual trust	-	-	754,568	754,568
Total	$ 72,202,524	$ 5,785,199	$ 1,739,378	$ 79,727,101

The following table sets forth, by level within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of June 30, 2021:

	(Level 1)	(Level 2)	(Level 3)	Total
Investments:				
Cash and money market funds	$ 9,102,773	$ -	$ -	$ 9,102,773
Mutual funds:				
Large cap equity	313,184	-	-	313,184
Small cap equity	757,409	-	-	757,409
Other equity	1,063,425	-	-	1,063,425
Fixed income	16,468,917	-	-	16,468,917
Fixed income:				
Corporate bonds	-	4,413,952	-	4,413,952
Government bonds	-	8,624,068	-	8,624,068
Other	-	468,148	-	468,148
Market linked certificates of deposit	-	771,375	-	771,375
Market linked notes and securities	-	444,615	630,320	1,074,935
Exchange traded funds	35,108,954	-	-	35,108,954
Total investments	62,814,662	14,722,158	630,320	78,167,140
Beneficial interest in perpetual trust	-	-	953,901	953,901
Total assets	$ 62,814,662	$ 14,722,158	$ 1,584,221	$ 79,121,041

(8) Fair value measurement (continued)

The Organization currently has no other financial instruments subject to fair value measurement on a recurring basis.

Beneficial interest in perpetual trust - The fair value of the beneficial interest agreement is recorded at the fair value of the investment which is held by a third-party trustee and then adjusted for the Organization's interest in the assets. The fair value of the beneficial interest is estimated to approximate the fair value of the underlying assets of the trust itself. While the underlying assets of the trust are primarily observable, the fair value of beneficial interest itself is not observable in markets and, accordingly, this trust is classified within Level 3 of the valuation hierarchy.

In accordance with FASB ASC 820, the Organization is required to disclose the nature and risks of investments reported at net asset value ("NAV"). Investments reported at NAV as a practical expedient are excluded from the fair value hierarchy.

Hedge fund – The Organization invests in the Millennium International HedgeFocus Fund Ltd ("Millennium International"). Millennium International is a feeder fund that indirectly invests predominantly in Millennium Partners, L.P ("MP"). To meet its objectives, the fund allocates capital across a diverse set of strategies and asset classes seeking the optimal mix of return and risk. Those strategies include relative value fundamental equity, quantitative strategies, equity arbitrage and fixed income strategies, among others. The primary objective of the fund is to achieve absolute returns with minimal risks rather than outperform a given benchmark or asset class. The investment in the fund totaled $803,990 and $513,667 as of June 30, 2022 and 2021, respectively. The investment can be redeemed quarterly by providing 90 days of advanced notice, and the redemption period does not begin until after an initial one year lock up period, as defined in the agreement.

There were no unfunded commitments to the fund at June 30, 2022. At June 30, 2021, the Organization had $217,500 in unfunded commitments to the fund.

(9) 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:

	2022	2021
Vehicle and other equipment	$ 2,188,004	$ 2,441,600
Accumulated depreciation and amortization	(1,954,623)	(2,086,086)
Assets held under capital leases, net	$ 233,381	$ 355,514

(9) Capital lease obligations (continued)

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

Years Ending June 30,		
2023	$	176,856
2024		131,014
Total minimum lease payments		307,870
Less amounts representing interest		(38,881)
Present value of minimum lease payments		268,989
Current maturities		(151,854)
Noncurrent maturities	$	117,135

Interest expense related to the capital leases above totaled approximately $47,000 and $69,000, respectively, for the years ended June 30, 2022 and 2021.

(10) Margin loan payable

Effective July 27, 2021, the Organization added a margin loan feature to their investment portfolio held with Wells Fargo. Interest is charged on a daily basis based on the total market value of the underlying assets, compounded daily, at a variable rate (2.45% at June 30, 2022) negotiated between the lender and the Organization. Credit is extended based on the amount and types of securities held in the investment accounts, which generally range as a maximum of 60-90% of the security account balances. The available borrowing base at June 30, 2022 was $11,624,209.

The margin loan is collateralized by certain investment assets held by the Organization with the same financial institution and is generally due on demand. During the year ended June 30, 2022, the Organization withdrew funds using the margin loan to fund the parcels of land acquired during fiscal year 2022 (Note 7). At June 30, 2022, the Organization had an outstanding balance of $9,881,240. Interest expense incurred on the margin loan totaled approximately $103,000 for the year ended June 30, 2022. Subsequent to June 30, 2022, the Organization repaid the outstanding balance on the margin loan in full.

(11) 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 $66,334,007 and $74,474,084 respectively, as of June 30, 2022 and 2021.

(11) Net assets (continued)

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

	2022	2021
Purpose restrictions	$ 390,527	$ 497,914
Restricted in perpetuity	754,568	953,901
Total net assets with donor restrictions	$ 1,145,095	$ 1,451,815

Net assets with donor restrictions released from restriction during the year ended June 30, 2022 are as follows:

Satisfaction of purpose restriction:	
Skills center	$ 54,629
Child nutrition	53,573
Equipment and building improvements	89,315
Total net assets with donor restrictions released from restrictions	$ 197,517

(12) Operating leases

The Organization leases office equipment and office space under operating lease agreements that expire through December 2026. Future minimum payments under these non-cancelable operating leases as of June 30, 2022 are as follows:

Years Ending June 30,	
2023	$ 261,748
2024	243,500
2025	153,987
2026	41,860
2027	13,789
Total minimum lease payments	$ 714,884

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 $1,802,000 and $1,472,000, respectively, for the years ended June 30, 2022 and 2021.

(13) Retirement plans

The Organization participates in a qualified 401(k) defined contribution retirement plan (the "Plan") for eligible employees. Employees who have attained the age of 21 are eligible to participate in the Plan after 30 days of employment. Participants are automatically enrolled at a 6% elective deferral rate. The Organization has a discretionary match policy whereby employees receive an employer match on the first 3% of their eligible pay contributed to the Plan and 50% of the next 3% of their eligible pay contributed to the Plan. Contributions to the Plan under this arrangement were $429,514 and $493,661, respectively, for the years ended June 30, 2022 and 2021.

Effective February 1, 2021 the Organization established a Non-Qualified 457(b) deferred compensation retirement plan (the "Non-Qualified 457(b) Plan") covering certain members of senior management. The Non-Qualified 457(b) Plan provides for employee contributions, and at the discretion of the Organization, employer credits may be authorized each year. Contributions by the Organization to the Non-Qualified 457(b) Plan totaled approximately $89,000 and $0 during the years ended June 30, 2022 and 2021, respectively. An employee is 100% vested in any elective contributions to the Non-Qualified 457(b) Plan, plus any investment earnings or losses. Distributions from the 457(b) Plan during the years ended June 30, 2022 and 2021, totaled approximately $3,000 and $0, respectively. As of June 30, 2022 and 2021, approximately $81,000 and $0 has been accrued and included in accrued expenses in the accompanying consolidated statements of financial position, representing the Organization's accumulated undistributed contributions to the Non-Qualified 457(b) Plan. At June 30, 2022 and 2021, while the Organization has set aside approximately $81,000 and $0, respectively, in a separate investment account (representing accumulated participant contributions, plus earnings thereon), these funds remain available to the general creditors of the Organization.

(14) Risks and 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.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. The pandemic has also impacted U.S. and global financial markets and the Organization’s investments have experienced significant volatility.

As of the date the consolidated financial statements were available to be issued, as a result of additional donations and government food donations, the Organization’s operations have not been negatively impacted by COVID-19. The Organization continues to closely monitor the situation. Depending on the severity and duration of the pandemic, the Organization could experience a material impact to consolidated operations, cash flows and financial condition. The extent of the impact cannot be reasonably estimated at this time.

(15) 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, 2022 and 2021, 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.

	2022	2021
Cash and cash equivalents	$ 8,725,383	$ 6,921,324
Program and other receivables, net	1,097,162	1,606,894
Pledges receivable	-	20,000
Bequests receivable	120,000	150,000
Investments	79,776,523	78,680,807
Total financial assets	89,719,068	87,379,025
Less: Board designated net assets	(66,334,007)	(74,474,084)
Less: Investments designated to fund 457(b) Plan	(80,855)	-
Less: Investments designated to fund gift annuities	(385,098)	(477,972)
Less: Net assets with donor restriction	(1,145,095)	(497,914)
Financial assets available to meet cash needs for general expenditures within one year	$ 21,774,013	$ 11,929,055

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

ADDITIONAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2022

A S S E T S

	St. Mary's	Foundation	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 7,698,656	$ 1,026,727	$ -	$ 8,725,383
Inventory	7,890,360	-	-	7,890,360
Program and other receivables,				
net of allowance for doubtful accounts of $20,000	1,097,162	-	-	1,097,162
Bequests receivable	120,000	-	-	120,000
Prepaid expenses	438,411	-	-	438,411
TOTAL CURRENT ASSETS	17,244,589	1,026,727	-	18,271,316
INVESTMENTS	14,469,243	65,307,280	-	79,776,523
BENEFICIAL INTEREST IN PERPETUAL TRUST	754,568	-	-	754,568
PROPERTY AND EQUIPMENT, net	29,334,378	-	-	29,334,378
TOTAL ASSETS	$ 61,802,778	$ 66,334,007	$ -	$ 128,136,785

L I A B I L I T I E S   A N D   N E T   A S S E T S

	St. Mary's	Foundation	Eliminations	Total
CURRENT LIABILITIES				
Margin loan payable	$ 9,881,240	$ -	$ -	9,881,240
Accounts payable	985,102	-	-	985,102
Accrued expenses	1,364,511	-	-	1,364,511
Current maturities of gift annuities payable	23,606	-	-	23,606
Current maturities of capital lease obligations	151,854	-	-	151,854
TOTAL CURRENT LIABILITIES	12,406,313	-	-	12,406,313
GIFT ANNUITIES PAYABLE, less current maturities	207,487	-	-	207,487
CAPITAL LEASE OBLIGATIONS, less current maturities	117,135	-	-	117,135
SECURITY DEPOSIT	26,400	-	-	26,400
TOTAL LIABILITIES	12,757,335	-	-	12,757,335
NET ASSETS	49,045,443	66,334,007	-	115,379,450
TOTAL LIABILITIES AND NET ASSETS	$ 61,802,778	$ 66,334,007	$ -	$ 128,136,785

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

ADDITIONAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2022

	St. Mary's	Foundation	Eliminations	Total
SUPPORT AND REVENUES				
Contributions:				
Donated surplus food and commodities	$ 142,231,108	$ -	$ -	$ 142,231,108
Community contributions of cash and other financial assets	42,623,470	1,000,000	(1,000,000)	42,623,470
Other in-kind contributions	683,334	-	-	683,334
Government grants	7,266,053	-	-	7,266,053
Child nutrition - Kids Cafe	3,138,878	-	-	3,138,878
Source program	645,740	-	-	645,740
Skills center - CK catering	19,257	-	-	19,257
Investment return	(1,017,097)	(9,136,578)	-	(10,153,675)
Change in beneficial interest in perpetual trust	(199,333)	-	-	(199,333)
Miscellaneous and other revenue	976,152	-	-	976,152
TOTAL SUPPORT AND REVENUES	196,367,562	(8,136,578)	(1,000,000)	187,230,984
EXPENSES				
Program services				
Community food	129,658,046	-	-	129,658,046
Child nutrition	5,099,715	-	-	5,099,715
Commodity supplemental food program	7,484,947	-	-	7,484,947
Grocery rescue and other distributions	34,054,374	-	-	34,054,374
Skills center	1,010,289	-	-	1,010,289
Grants	1,000,000	-	(1,000,000)	-
Total program services	178,307,371	-	(1,000,000)	177,307,371
Supporting services				
Fundraising and communications	7,930,724	-	-	7,930,724
General administration	3,362,046	3,499	-	3,365,545
Total supporting services	11,292,770	3,499	-	11,296,269
TOTAL EXPENSES	189,600,141	3,499	(1,000,000)	188,603,640
CHANGE IN NET ASSETS	6,767,421	(8,140,077)	-	(1,372,656)
NET ASSETS, BEGINNING OF YEAR	42,278,022	74,474,084	-	116,752,106
NET ASSETS, END OF YEAR	$ 49,045,443	$ 66,334,007	$ -	$ 115,379,450

UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Food Distribution Cluster				
Passed through Arizona Department of Economic Security				
Commodity Supplemental Food Program (Administrative Costs)	10.565	CTR052593	$ -	$ 892,448
COVID-19 Commodity Supplemental Food Program (Administrative Costs)	10.565	CTR052593	-	31,252
Commodity Supplemental Food Program (Food Commodities)	10.565	Commodity Food	3,488,590	6,736,531
Emergency Food Assistance Program (Administrative Costs)	10.568	CTR052635	-	1,655,851
COVID-19 Emergency Food Assistance Program (Administrative Costs)	10.568	CTR052635	-	2,394,436
Emergency Food Assistance Program (Food Commodities)	10.569	Commodity Food	19,440,456	29,393,452
Total Food Distribution Cluster (10.565, 10.568 and 10.569)			22,929,046	41,103,970
Passed through Arizona Department of Economic Security				
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537	ADES18-184025	-	345,258
Passed through Arizona Department of Education				
Child and Adult Care Food Program (Child Feeding)	10.558	KR02-1170-ALS	-	2,058,511
COVID-19 Child and Adult Care Food Program (Child Feeding)	10.558	KR02-1170-ALS	-	318,329
Total Child and Adult Care Food Program (Child Feeding) (10.558)			-	2,376,840
Passed through Arizona Department of Education				
Summer Food Service Program for Children (Summer Feeding)	10.559	ED09-0001	-	705,003
COVID-19 Summer Food Service Program for Children (Summer Feeding)	10.559	ED09-0001	-	54,864
Total Summer Food Service Program for Children (Summer Feeding) (10.559)			-	759,867
Total U.S. Department of Agriculture			22,929,046	44,585,935
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Arizona Department of Housing				
COVID-19 Community Development Block Grants	14.228	111-22	29,800	574,468
Total U.S. Department of Housing and Urban Development			29,800	574,468
U.S. DEPARTMENT OF TREASURY				
Passed through City of Avondale				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (SLFRF)	21.027	Unknown	-	5,000
Total U.S. Department of Treasury			-	5,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Arizona Department of Economic Security				
Temporary Assistance for Needy Families (TANF)	93.558	CTR052635	-	192,312
Total U.S. Department of Health and Human Services			-	192,312
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Federal Emergency Management Agency				
Emergency Food and Shelter National Board Program	97.024	Unknown	-	160,000
COVID-19 Emergency Food and Shelter National Board Program	97.024	Unknown	-	620,000
Total U.S. Department of Homeland Security			-	780,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 22,958,846	$ 46,137,715

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

(1) <u>Basis of presentation</u>

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of ***St. Mary’s Food Bank Alliance and SMFB Foundation*** under programs of the federal government for the year ended June 30, 2022. 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”). Because the Schedule presents only a selected portion of the operations of ***St. Mary’s Food Bank Alliance and SMFB Foundation***, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of ***St. Mary’s Food Bank Alliance and SMFB Foundation***.

(2) <u>Summary of significant accounting policies</u>

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ***St. Mary's Food Bank Alliance and SMFB Foundation*** has elected not to use the ten percent de minimus indirect cost rate as allowed under the Uniform Guidance.

(3) <u>Assistance listing numbers</u>

The program titles and assistance listing numbers were obtained from the 2022 Assistance Listings.

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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

ST. MARY'S FOOD BANK ALLIANCE AND SMFB FOUNDATION

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 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, 2022, 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, and have issued our report thereon dated November 23, 2022.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

November 23, 2022

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of

ST. MARY'S FOOD BANK ALLIANCE AND SMFB FOUNDATION

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ***St. Mary's Food Bank Alliance and SMFB Foundation's*** (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Mayer Hoffman McCann P.C.

November 23, 2022

ST. MARY'S FOOD BANK ALLIANCE AND SMFB FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I – Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the consolidated financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of Auditors' Report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.565, 10.568 and 10.569	Food Distribution Cluster
10.558	Child and Adult Care Food Program (Child Feeding)
97.024	Emergency Food and Shelter National Board Program

Dollar threshold used to distinguish between type A and type B programs:	$1,384,131
Auditee qualified as low-risk auditee?	Yes

ST. MARY'S FOOD BANK ALLIANCE
AND SMFB FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section II – Financial Statement Findings

None noted

Section III – Findings and Questioned Costs Relating to Federal Awards

None noted