

**ST. MARY'S FOOD BANK ALLIANCE**

**FINANCIAL STATEMENTS  
AND OMB CIRCULAR A-133  
SUPPLEMENTARY REPORTS**

Year Ended June 30, 2009

**ST. MARY'S FOOD BANK ALLIANCE**

**FINANCIAL STATEMENTS  
AND OMB CIRCULAR A-133  
SUPPLEMENTARY REPORTS**

Year Ended June 30, 2009

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 16
OMB CIRCULAR A-133 SUPPLEMENTARY REPORTS	
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18
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	19 - 20
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	21 – 22
Schedule of Findings and Questioned Costs	23 – 24



## Mayer Hoffman McCann P.C.

An Independent CPA Firm

3101 North Central Avenue, Suite 300  
Phoenix, Arizona 85012  
602-264-6835 ph  
602-265-7631 fx  
www.mhm-pc.com

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

#### ST. MARY'S FOOD BANK ALLIANCE

We have audited the accompanying statement of financial position of **St. Mary's Food Bank Alliance** at June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of **St. Mary's Food Bank Alliance's** management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from **St. Mary's Food Bank Alliance's** 2008 financial statements, and in our report dated November 20, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of **St. Mary's Food Bank Alliance** at June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009 on our consideration of **St. Mary's Food Bank Alliance's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **St. Mary's Food Bank Alliance** taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Phoenix, Arizona  
December 3, 2009

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive, flowing script.

# ST. MARY'S FOOD BANK ALLIANCE

## STATEMENT OF FINANCIAL POSITION

June 30, 2009  
(with comparative totals at June 30, 2008)

	<u>2009</u>	<u>2008</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,568,019	\$ 413,437
Inventories	12,534,324	10,880,978
Program and other receivables, net	134,919	810,915
Other current assets	<u>74,415</u>	<u>60,355</u>
TOTAL CURRENT ASSETS	15,311,677	12,165,685
INVESTMENTS	4,685,076	5,921,306
CASH RESTRICTED FOR PURCHASE OF EQUIPMENT	8,760	8,760
ASSETS RESTRICTED TO INVESTMENT IN LONG-TERM PURPOSES		
Cash	452,067	64,852
Pledges receivable, net	2,917,938	574,226
Construction in progress	308,044	-
PROPERTY AND EQUIPMENT, net	<u>9,587,125</u>	<u>9,208,480</u>
TOTAL ASSETS	<u>\$ 33,270,687</u>	<u>\$ 27,943,309</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ -
Accounts payable	637,198	438,262
Accrued payroll expenses	148,468	130,550
Other accrued liabilities	320,416	236,771
Unearned revenue	87,806	-
Current maturities of gift annuities payable	44,590	50,731
Current maturities of capital lease obligations	<u>233,755</u>	<u>337,889</u>
TOTAL CURRENT LIABILITIES	1,472,233	1,194,203
GIFT ANNUITIES PAYABLE, less current maturities	300,480	325,086
CAPITAL LEASE OBLIGATIONS, less current maturities	<u>1,357,106</u>	<u>1,524,393</u>
TOTAL LIABILITIES	<u>3,129,819</u>	<u>3,043,682</u>
NET ASSETS		
Unrestricted	22,028,060	18,561,753
Board designated	<u>4,298,344</u>	<u>5,373,979</u>
Total unrestricted	26,326,404	23,935,732
Temporarily restricted	3,778,368	927,799
Permanently restricted	<u>36,096</u>	<u>36,096</u>
TOTAL NET ASSETS	<u>30,140,868</u>	<u>24,899,627</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,270,687</u>	<u>\$ 27,943,309</u>

See Notes to Financial Statements

# ST. MARY'S FOOD BANK ALLIANCE

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily	Permanently	Total	
		Restricted	Restricted	2009	2008
<b>PUBLIC SUPPORT</b>					
Donated surplus food	\$ 109,851,276	\$ -	\$ -	\$ 109,851,276	\$ 72,462,417
Community contributions	12,380,068	4,200,348	-	16,580,416	11,425,218
Food Value Club	2,462,600	-	-	2,462,600	1,792,885
Governmental reimbursable grants	2,071,018	-	-	2,071,018	2,350,971
Source program	355,937	-	-	355,937	243,743
Shared maintenance fees	286,498	-	-	286,498	362,689
Kid's Café	29,852	-	-	29,852	7,934
Community Kitchen	1,051	-	-	1,051	-
Thrift store	-	-	-	-	140,158
Miscellaneous revenue	2,616	-	-	2,616	-
	<u>127,440,916</u>	<u>4,200,348</u>	<u>-</u>	<u>131,641,264</u>	<u>88,786,015</u>
Net assets released from restrictions	<u>1,349,779</u>	<u>(1,349,779)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT</b>	<u>128,790,695</u>	<u>2,850,569</u>	<u>-</u>	<u>131,641,264</u>	<u>88,786,015</u>
<b>EXPENSES</b>					
Program services:					
Distributions	63,284,144	-	-	63,284,144	52,671,111
Emergency Box programs	23,732,956	-	-	23,732,956	12,621,348
Food Value Club	17,023,197	-	-	17,023,197	12,791,606
Kid's Café	2,244,815	-	-	2,244,815	2,819,664
Commodity supplemental food program	14,231,578	-	-	14,231,578	1,923,963
Source distribution	336,885	-	-	336,885	255,042
Community Kitchen	335,965	-	-	335,965	272,381
	<u>121,189,540</u>	<u>-</u>	<u>-</u>	<u>121,189,540</u>	<u>83,355,115</u>
Supporting services:					
Fundraising and communications	2,401,070	-	-	2,401,070	2,038,533
Management and general	2,060,233	-	-	2,060,233	1,586,727
	<u>4,461,303</u>	<u>-</u>	<u>-</u>	<u>4,461,303</u>	<u>3,625,260</u>
<b>TOTAL EXPENSES</b>	<u>125,650,843</u>	<u>-</u>	<u>-</u>	<u>125,650,843</u>	<u>86,980,375</u>
<b>CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES</b>	<u>3,139,852</u>	<u>2,850,569</u>	<u>-</u>	<u>5,990,421</u>	<u>1,805,640</u>
<b>NONOPERATING ACTIVITIES</b>					
Investment interest and dividends	137,318	-	-	137,318	145,497
Net realized and unrealized losses on investments	(799,825)	-	-	(799,825)	(341,054)
Gain (loss) on sale of property and equipment	(552,435)	-	-	(552,435)	1,258,931
Other income	465,762	-	-	465,762	850,732
	<u>(749,180)</u>	<u>-</u>	<u>-</u>	<u>(749,180)</u>	<u>1,914,106</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,390,672</u>	<u>2,850,569</u>	<u>-</u>	<u>5,241,241</u>	<u>3,719,746</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>23,935,732</u>	<u>927,799</u>	<u>36,096</u>	<u>24,899,627</u>	<u>21,179,881</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 26,326,404</u>	<u>\$ 3,778,368</u>	<u>\$ 36,096</u>	<u>\$ 30,140,868</u>	<u>\$ 24,899,627</u>

See Notes to Financial Statements

**ST. MARY'S FOOD BANK ALLIANCE**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

											Support Services		Total	
	Distributions	Emergency Box Programs	Food Value Club	Kid's Café	Commodity Supplemental Food			Total Program Services	Fundraising and Communications	Management and General	Total Supporting Services	2009	2008	
					Program	Source Distribution	Community Kitchen							
Salaries and related expenses	\$ 2,487,924	\$ 861,839	\$ 827,171	\$ 295,086	\$ 851,988	\$ 32,096	\$ 202,250	\$ 5,558,354	\$ 1,185,497	\$ 1,028,359	\$ 2,213,856	\$ 7,772,210	\$ 7,011,046	
Food purchases	141,512	349,057	1,603,575	378,094	479,112	278,537	2,686	3,232,573	4,851	-	4,851	3,237,424	2,853,494	
Occupancy costs	362,865	136,032	100,575	12,066	86,361	5,066	485	703,450	-	1,291	1,291	704,741	925,118	
Donated food surplus	58,727,932	21,814,930	13,954,193	1,448,288	12,338,103	-	31,389	108,314,835	-	-	-	108,314,835	71,525,626	
Education and training	3,784	1,419	1,329	49,293	10,195	53	68,546	134,619	17,031	22,470	39,501	174,120	83,886	
Fuel	220,196	82,589	60,471	7,465	52,238	3,076	121	426,156	171	55	226	426,382	459,947	
Insurance	119,439	44,798	32,801	3,953	28,335	1,668	241	231,235	-	46,174	46,174	277,409	304,240	
Supplies	26,051	8,737	9,616	3,435	8,478	325	11,260	67,902	4,786	12,562	17,348	85,250	132,465	
Other expenses	208,673	61,959	145,795	5,466	56,486	2,307	737	481,423	153,298	281,508	434,806	916,229	634,516	
Packaging products	112,192	42,080	30,811	3,721	92,706	1,567	62	283,139	-	-	-	283,139	307,903	
Postage/mail	1,548	581	1,476	173	403	22	255	4,458	392,472	17,619	410,091	414,549	420,262	
Printing	8,480	3,161	15,030	530	2,049	118	1,469	30,837	426,187	4,659	430,846	461,683	377,653	
Professional fees	18,703	9,078	5,243	1,046	4,596	255	298	39,219	136,927	275,282	412,209	451,428	308,498	
Rental/lease	74,711	28,023	20,517	2,473	17,724	1,044	311	144,803	-	408	408	145,211	86,118	
Shipping and freight	3,344	1,255	918	111	793	47	2	6,470	15,867	9	15,876	22,346	12,335	
Telephone and computers	30,931	11,602	9,561	3,538	10,468	432	12,803	79,335	15,627	327,916	343,543	422,878	324,562	
Travel	34,564	12,781	11,523	6,867	24,156	476	2,664	93,031	43,009	34,233	77,242	170,273	120,663	
Vehicle costs	219,520	82,336	60,285	7,265	53,094	3,066	121	425,687	-	1,672	1,672	427,359	444,732	
Total functional expenses before depreciation	62,802,369	23,552,257	16,890,890	2,228,870	14,117,285	330,155	335,700	120,257,526	2,395,723	2,054,217	4,449,940	124,707,466	86,333,064	
Depreciation and amortization	481,775	180,699	132,307	15,945	114,293	6,730	265	932,014	5,347	6,016	11,363	943,377	647,311	
<b>TOTAL EXPENSES</b>	<b>\$ 63,284,144</b>	<b>\$ 23,732,956</b>	<b>\$ 17,023,197</b>	<b>\$ 2,244,815</b>	<b>\$ 14,231,578</b>	<b>\$ 336,885</b>	<b>\$ 335,965</b>	<b>\$ 121,189,540</b>	<b>\$ 2,401,070</b>	<b>\$ 2,060,233</b>	<b>\$ 4,461,303</b>	<b>\$ 125,650,843</b>	<b>\$ 86,980,375</b>	

# ST. MARY'S FOOD BANK ALLIANCE

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2009  
(with comparative amounts for the year ended June 30, 2008)

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,241,241	\$ 3,719,746
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for doubtful accounts	73,370	(29,661)
Depreciation and amortization	943,377	647,311
Change in discount on pledges receivable	551,231	35,186
Change in allowance for pledges receivable	75,000	-
Capital campaign revenues	(3,625,000)	(515,256)
Loss (gain) on sale of property and equipment	552,435	(1,258,931)
Amortization of discount on charitable gift annuities	14,876	119,500
Net realized and unrealized losses on investments	799,825	341,054
Donated property and equipment	-	(585,009)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Inventories	(1,653,346)	(1,176,729)
Program and other receivables	602,626	(193,089)
Other current assets	(14,060)	15,849
Increase (decrease) in:		
Accounts payable	198,936	139,935
Accrued payroll expenses	17,918	27,785
Other accrued liabilities	83,645	(81,342)
Unearned revenue	87,806	-
Gift annuities payable	(45,623)	(55,161)
Net cash provided by operating activities	3,904,257	1,151,188
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,960,268)	(502,294)
Purchases of assets restricted to investment in long-term purposes	(695,259)	(179,536)
Proceeds from sale of property and equipment	85,811	1,664,252
Purchase of investments	(636,840)	(2,783,692)
Proceeds from sales of investments	1,073,245	731,117
Proceeds from sale of assets restricted to investment in long-term purposes	-	117,284
Net cash used in investing activities	(2,133,311)	(952,869)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections on contributions restricted to investment in long-term purposes	655,057	179,536
Proceeds from line of credit	-	300,000
Payments on capital lease obligations	(271,421)	(66,445)
Payments on line of credit	-	(300,000)
Payments on long-term debt	-	(165,146)
Net cash provided by (used in) financing activities	383,636	(52,055)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,154,582	146,264
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	413,437	267,173
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,568,019</b>	<b>\$ 413,437</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 111,217	\$ 78,109
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Equipment acquired under capital lease obligations	\$ -	\$ 1,658,016

See Notes to Financial Statements

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

### (1) Organization operations and summary of significant accounting policies

**Nature of operations** – *St. Mary's Food Bank Alliance* (the "Food Bank"), the world's first food bank, was established in 1967 in Phoenix, Arizona. The Food Bank is a community-based, not-for-profit corporation whose primary mission is to alleviate hunger through advocacy, education, and gathering and distributing food to those in need.

The Food Bank is supported by various sources including community donations, the United Way, and government funding. The Food Bank is committed to volunteerism, the building of community partnerships, and improving the quality of life for the entire community. The Food Bank's programs provide food to individuals and organizations. The Food Bank serves as a food clearing house for over 500 partner agencies. The Food Bank also works as an advocate for solutions to end hunger.

The significant accounting policies followed by the Food Bank are as follows:

**Basis of presentation** – The accompanying financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. The Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Prior year summarized information** – The 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Food Bank's audited financial statements for the year ended June 30, 2008, from which the summarized information was derived.

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

**Cash and cash equivalents** – Cash consists of demand deposits, savings and money market funds. The Food Bank considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

**Inventories** – Donated inventories are stated at the estimated value per pound as determined by Feeding America (formerly known as America's Second Harvest), the Nation's Food Bank Network, ("Feeding America") a national association of food banks, which provides assistance and valuation of food and grocery products. Purchased inventories are stated at the lower of cost, as determined using the first-in, first-out (FIFO) basis, or market value.

**Investments** – The Food Bank accounts for its investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, the Food Bank is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair value is based on quoted market prices. Certificates of deposit are held to maturity and are carried at cost.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

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

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying financial statements.

**Promises to give** – Unconditional promises to give 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 receivable is expected to be collected, the creditworthiness of the other parties, 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 collectibility. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Contributions** – The Food Bank accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Revenue recognition** – Shared maintenance fee revenue is recognized as services are provided. Food Value Club revenue consists of amounts charged to customers for food boxes. The Food Value Club allows the general public to purchase boxes of food for a 30 – 50% savings from retail value. Food Value Club revenue is recognized as goods are provided. Thrift store revenue is recognized as goods are provided. Kid's Café is a program providing meals to disadvantaged children in an environment that is safe and accessible. Kid's Café revenue is recognized as goods are provided.

**Program and other receivables** – Program and other receivables consist primarily of program-related receivables. Program and other receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to program and other receivables.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

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

**Property and equipment and related depreciation and amortization** – Purchased property and equipment is recorded at cost. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved and any gain or loss is included in operations. The Food Bank capitalizes assets with a basis of \$1,000 or more and an estimated useful life of one year or more. Depreciation and amortization of property and equipment is computed on a straight-line basis over the following general range of estimated useful lives:

	<u>Estimated Useful Lives</u>
Building and improvements	20 - 40 years
Furniture, fixtures and equipment	1 - 10 years
Vehicles	5 - 10 years
Equipment held under capital leases	6 - 8 years

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

**Impairment of long-lived assets** – The Food Bank accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 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. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for 2009 and 2008.

**Donated materials and services** – Donated materials and services are recorded in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made* at their estimated fair value if they enhance the Food Bank's nonfinancial assets or require specialized skills that the Food Bank would normally purchase if not provided by donation. No amounts have been reflected in the accompanying financial statements for certain donated volunteer services because they did not qualify under the guidelines of SFAS No. 116; however, a substantial number of volunteers have donated over 373,000 hours in processing donated food as well in the Food Bank's other program services, fundraising campaigns and administrative support.

**Other income** – During 2009, the Food Bank received \$150,000 from an insurance settlement related to a construction defect. During 2008, Feeding America was the beneficiary of a class action lawsuit. The settlement of the lawsuit directed Feeding America to distribute the settlement proceeds received to states involved in the lawsuit, of which Arizona was named in the settlement. For the year ended June 30, 2008 Feeding America gave the Food Bank approximately \$623,000, as a member food bank serving in Arizona. These amounts are included in other income in the accompanying statements of activities.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

### (1) Organization operations and summary of significant accounting policies (continued)

**Functional expense allocations** – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited based on pounds distributed per program, square footage and payroll. Management and general include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction to the Food Bank.

**Income tax status** – The Food Bank qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated taxable income (UBTI) would be taxable.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 was originally effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109. In December 2008, the FASB issued FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* ("FSP FIN 48-3") which extended the period of adoption of FIN 48 to fiscal years beginning after December 15, 2008. The Food Bank has elected to defer the application of FIN 48 in accordance with FSP FIN 48-3. The Food Bank evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

**Advertising costs** – Advertising costs are charged to operations when incurred. Advertising charged to operations was \$69,630 for 2009 and \$70,103 for 2008.

**Subsequent events** – The Food Bank has evaluated subsequent events through December 3, 2009, which is the date the financial statements were available to be issued. Except as disclosed in Note 17, management is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.

### (2) Inventories

Inventories consist of the following:

	<u>2009</u>	<u>2008</u>
Donated food inventory	\$ 9,581,874	\$ 8,019,845
Commodities supplemental food program inventory	2,269,942	2,259,558
Purchased food inventory	624,154	554,276
Other inventory	58,354	47,299
	<u>\$ 12,534,324</u>	<u>\$ 10,880,978</u>

The Food Bank received donated food from various private and public sources. In order to provide a measurable basis evaluating the primary mission of the Food Bank, management values food for purposes of including donated and distributed food as components of the accompanying financial statements. For the years ended June 30, 2009 and 2008, donated food of approximately 69,526,124 and 48,632,495 pounds, valued at a composite price of \$1.58 and \$1.49 per pound, is reflected in the accompanying statements of activities at \$109,851,276 and \$72,462,417, respectively. The composite price is the estimated weighted average wholesale amount per pound, as determined by Feeding America.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

**(2) Inventories (continued)**

Donated food surplus expense included in the accompanying statement of functional expense, net of discarded spoiled food, is included in the following program services:

	<b>2009</b>	<b>2008</b>
Distributions	\$ 58,727,932	\$ 47,617,646
Emergency Box programs	21,814,930	10,993,752
Food Value Club	13,954,193	10,588,842
Kid's Café	1,448,288	2,066,111
Commodity supplemental food program	12,338,103	243,716
Community Kitchen	31,389	14,690
Source distribution	-	869
	<b>\$ 108,314,835</b>	<b>\$ 71,525,626</b>

**(3) Program and other receivables**

Program and other receivables consist of the following:

	<b>2009</b>	<b>2008</b>
Program	\$ 198,723	\$ 801,349
Other receivables	26,196	26,196
Total other receivables	224,919	827,545
Less allowance for doubtful accounts	(90,000)	(16,630)
Net program and other receivables	<b>\$ 134,919</b>	<b>\$ 810,915</b>

**(4) Investments**

Investments at fair value consist of:

	<b>2009</b>	<b>2008</b>
Money market funds	\$ 3,492,710	\$ 1,388,998
Corporate equities	604,267	1,878,360
Mutual funds	230,752	1,205,876
Certificates of deposit	204,000	-
Bonds	114,177	1,022,157
U.S. government obligations	39,170	425,915
Total investments	<b>\$ 4,685,076</b>	<b>\$ 5,921,306</b>

Investment income consists of:

	<b>2009</b>	<b>2008</b>
Dividend and interest income	\$ 137,318	\$ 145,497
Realized (losses) gains on investments	(614,489)	15,423
Unrealized losses on investments	(185,336)	(356,477)
Total investment income (loss)	<b>\$ (662,507)</b>	<b>\$ (195,557)</b>

Expenses relating to investment income, including custodial fees and investment advisory fees, totaled \$22,893 and \$25,956 for the years ended June 30, 2009 and 2008, respectively, and are included in other expenses in the accompanying statement of functional expenses.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

### (5) Split-interest agreements

The Food Bank is party to split-interest agreements classified as charitable gift annuities. Assets of the Food Bank that are derived from charitable gift annuities totaled \$347,352 and \$466,431 at June 30, 2009 and 2008, respectively and are included within investments in the accompanying statement of financial position.

The Food Bank reports contribution support from split-interest agreements and the change in valuation of split-interest agreements in contributions in the accompanying statement of financial position.

Charitable gift annuities are arrangements between a donor and the Food Bank in which the donor contributes assets to the Food Bank in exchange for a promise from the Food Bank to pay the donor a fixed amount for a specified period of time. Assets received have been recognized at fair value, and an annuity payment liability has been recognized at the present value of the future cash flow expected to be paid. Unrestricted contribution revenue is recognized as the difference between these two amounts as the donor has placed no restriction on the Food Bank's use of its portion of the assets. To calculate the present value of the charitable gift annuity, the life expectancy tables (published annually by the Internal Revenue Service Treasury Department) and the Applicable Federal Rate ("AFR") of 4.91% were used. Charitable gift annuities are estimated to mature through 2039.

### (6) Assets restricted to investment in long-term purposes

During 2007, the Food Bank began a capital campaign to raise funds for improvements to and expansion of their facilities. The capital campaign has a total goal of \$10 million, \$3 million of which will be used for expansion of the Kid's Café program, \$3.6 million for agency food distribution and \$3.4 million for the Community Kitchen.

Pledges receivable restricted to investment in long term purposes consist of unconditional promises to give as follows:

	<u>2009</u>	<u>2008</u>
Unconditional promises to give due in less than one year	\$ 1,114,309	\$ 343,865
Unconditional promises to give due in two to five years	2,108,913	309,414
Unconditional promises to give due in excess of five years	400,000	-
Total unconditional promises to give	3,623,222	653,279
Less discount to present value	(630,284)	(79,053)
Less allowance for doubtful pledges	(75,000)	-
Net unconditional promises to give	<u>\$ 2,917,938</u>	<u>\$ 574,226</u>

The estimated cash flows for pledges receivable are discounted over a nine-year collection period using a management determined discount rate of 7%.

Pledges receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual balances. 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 unconditional pledges receivable.

At June 30, 2009, amounts included as construction in progress relate to the capital campaign for improvements to and expansion of the Food Bank's facilities. The Food Bank anticipates that this will be completed by February 2010.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

### (7) Property and equipment

Property and equipment consists of:	<u>2009</u>	<u>2008</u>
Land	\$ 1,556,574	\$ 1,556,574
Building and improvements	9,061,204	7,249,551
Furniture, fixtures and equipment	2,494,335	1,082,869
Vehicles	558,040	1,217,480
Equipment held under capital leases	1,875,740	1,928,727
Construction in progress	92,506	736,313
Total cost or donated value	15,638,399	13,771,514
Accumulated depreciation and amortization	(6,051,274)	(4,563,034)
Net property and equipment	<u>\$ 9,587,125</u>	<u>\$ 9,208,480</u>

Depreciation and amortization expense charged to operations was \$943,377 and \$647,311 for the years ended June 30, 2009 and 2008, respectively.

The Food Bank leases warehouse and hauling equipment under capital leases expiring through 2015. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. Accumulated depreciation and amortization includes accumulated amortization on hauling equipment held under capital leases of \$271,250 and \$105,041 at June 30, 2009 and 2008, respectively.

In December 31, 2007, the Food Bank sold real property with a basis of approximately \$195,000 for \$1,650,000. This resulted in a gain of approximately \$1,445,000.

### (8) Line of credit

The Food Bank has a line of credit with an available borrowing limit of \$1,000,000. The line of credit is collateralized by a deed of trust on property, inventory and operating facilities. Interest is payable monthly at the one-month LIBOR (London Interbank Offered Rate) plus 275 basis points (3.06% at June 30, 2009). The line of credit matured in October 2009 and was renewed through October 2010. As of June 30, 2009 and 2008, there was no outstanding balance on this line of credit.

### (9) Capital lease obligations

Capital lease obligations consist of equipment leases, collateralized by equipment, payable in monthly installments totaling approximately \$27,000 including interest at 6% to 8%, with varying maturity dates through August 2015.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

### (9) Capital lease obligations (continued)

The obligations under capital leases reflect the present value of future rental payments, discounted at the interest rate implicit in the leases. The future minimum lease payments required under the capital leases at June 30, 2009 are as follows:

<u>Years Ending June 30,</u>	
2010	\$ 326,313
2011	326,313
2012	326,313
2013	326,313
2014	269,356
Subsequent to 2014	<u>174,956</u>
Total minimum lease payments	1,749,564
Less amount representing interest	<u>(158,703)</u>
Total annual maturities	<u>\$ 1,590,861</u>

### (10) Related party transactions

The Food Bank utilizes an insurance agency whose president is a member of the Board of Directors of the Food Bank. Insurance premiums brokered by this agency totaled approximately \$283,800 and \$318,400 for the years ended June 30, 2009 and 2008, respectively.

### (11) Leases

The Food Bank leases office equipment and a building in Flagstaff, Arizona under operating lease agreements that expire through October 2013. Minimum future payments under these non-cancelable operating leases as of June 30, 2009 are as follows:

<u>Years Ending June 30,</u>	
2010	\$ 227,415
2011	227,415
2012	227,415
2013	166,515
2014	<u>31,356</u>
Total minimum future rental payments	<u>\$ 880,116</u>

In the normal course of business, operating leases are generally renewed or replaced by other leases. Total rental expense for operating leases with terms in excess of one month was \$157,185 for 2009 and \$8,679 for 2008.

### (12) Employee benefit plan

The Food Bank sponsors a 401(k) retirement plan, which covers all employees who meet specified age and service requirements. An employee may contribute funds to the plan up to IRS limits and the Food Bank matches 100% of the employee's contribution up to 3% of their compensation. The Food Bank's matching contributions to the plan were \$92,287 for 2009 and \$71,735 for 2008.

### (13) Board designated unrestricted net assets

The board of directors has designated portions of the unrestricted net assets as an operating reserve.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

**(14) Temporarily restricted net assets**

Temporarily restricted net assets consist of	<b>2009</b>	<b>2008</b>
Capital campaign receivables	\$ 2,917,938	\$ 574,226
Cash restricted to investment in long-term purposes	452,067	64,852
Construction in progress	308,044	-
Cash restricted for purchase of property and equipment	8,760	8,760
Eisenhower charitable trust	18,667	18,667
Tenant improvements	-	191,000
Purpose restrictions:		
Community Kitchen	30,136	27,539
Affordable living houses	42,755	42,755
Total temporarily restricted net assets	\$ 3,778,368	\$ 927,799

**(15) Permanently restricted net assets**

Permanently restricted net assets consist of:	<b>2009</b>	<b>2008</b>
John L. Allen charitable remainder unitrust	\$ 30,096	\$ 30,096
Robert S. and Esther E. Haldema endowment fund	6,000	6,000
Total permanently restricted net assets	\$ 36,096	\$ 36,096

Permanently restricted net assets consist of funds for which the donors stipulated the principal is to be maintained in perpetuity. The earnings and net appreciation on these funds are unrestricted.

**(16) Fair value measurements**

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157) establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. The Food Bank adopted SFAS No. 157 as of July 1, 2008 for assets and liabilities subject to fair value measurement on a recurring basis. There was no material impact on the Food Bank's financial statements for the adoption of this standard. SFAS No. 157 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS No. 157 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.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

### (16) Fair value measurements (continued)

The following table summarizes the valuation of the Food Bank's assets and liabilities subject to measurements at fair value on a recurring basis by the above SFAS No. 157 categories as of June 30, 2009:

	<u>Level 1</u>
Money market funds	\$ 3,492,710
Corporate equities	604,267
Mutual funds	230,752
Bonds	114,177
U.S. government obligations	39,170
Total	<u>\$ 4,481,076</u>

The Food Bank currently has no other financial instruments subject to recurring fair value measurement.

### (17) Subsequent events

In September 2009, The Food Bank purchased a facility for approximately \$1.9 million. The facility will be used for emergency food distribution, Food Value Club retail operations, fleet parking and for the Commodity Supplemental Food Distribution program. The purchase was funded through capital campaign collections and operating cash.

In October 2009, the Food Bank transferred \$4.3 million of Board designated funds into a newly formed 501(c)(3) entity, St. Mary's Food Bank Foundation. These funds are comprised of unrestricted planned giving bequests received by the Food Bank over the previous five year period. The establishment of the St. Mary's Food Bank Foundation is to facilitate the New Market Tax Credit financing and to provide a platform from which to enable the growth of the Food Bank's long-term reserves. While the Food Bank has an economic interest in the Foundation, the Food Bank does not have control. Accordingly, the Foundation financials for fiscal year 2010 will not be combined with the Food Bank.

In November 2009, The Food Bank, through St. Mary's Investment Fund, LLC, entered into a loan agreement with Wells Fargo through Wells Fargo Community Development Enterprises Subsidiary 1, LLC for approximately \$3.8 million under the New Market Tax Credit Program. Interest is payable monthly at 1%. The loan contains certain compliance provisions that limit the use of the constructed or acquired property using the loan proceeds during a compliance period that expires in November 2016. Upon expiration of the compliance period, management may elect, at its sole discretion, to execute a call option agreement that accelerates the maturity date of the loan to November 2016. If management elects to accelerate the maturity date, the outstanding principal will be forgiven.

In November 2009, the Food Bank also entered into a second loan agreement with Wells Fargo for approximately \$3.9 million. Interest is payable monthly at a variable rate (LIBOR plus 450 basis points). The loan will be amortized over a 30-year period with an optional balloon payment at 36 months.

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009  
(with comparative totals for the year ended June 30, 2008)

(17) **Subsequent events (continued)**

The annual maturities under this loan agreement are as follows:

**Years Ending June 30,**

2010	\$ 34,863
2011	62,054
2012	65,067
2013	<u>3,749,797</u>
	<u>\$ 3,911,781</u>

The amounts borrowed under both of the loan agreements, except for legal fees and closing costs, will be used to fund improvements to and expansion of the Food Bank facilities. The loans are collateralized by cash and investments and capital campaign pledges.

**OMB CIRCULAR A-133  
SUPPLEMENTARY REPORTS**

**ST. MARY'S FOOD BANK ALLIANCE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2009

<b>Federal Grantor/Pass Through Agency / Program</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Federal Emergency Management Agency			
Emergency Food and Shelter National Board Program	97.024	-	\$ 173,830
Emergency Food and Shelter National Board Program	97.024-ARRA	-	<u>56,996</u>
<b>Total U.S. Department of Homeland Security</b>			<u>230,826</u>
<b>U.S. Department of Agriculture</b>			
Pass through programs from:			
Arizona Department of Health and Human Services			
Commodity Supplemental Food Program	10.565	261117, H1361116	524,799
Arizona Department of Economic Security			
Emergency Food Assistance Program	10.568	DEO-70060-001 DEO-70053-001 DEO-70047-001	305,341
Temporary Assistance for Needy Families	93.558	DEO-70044-001 DEO-70053-001 DEO-70054-001 DEO-70055-001	265,016
Social Services Block Grant	93.667	DEO-70047-001 DEO-70053-001	18,695
<b>Total U.S. Department of Agriculture</b>			<u>1,113,851</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants pass through from:			
City of Phoenix - Roof/Racking	14.218	122539	\$ 359,330
City of Phoenix - Kid's Café	14.218	124318	40,000
City of Phoenix - Home Bound Delivery	14.218	124286	35,100
City of Glendale - Home Bound Delivery	14.218	C-6640	22,406
City of Glendale - Emergency Food	14.218	C-6608	24,229
City of Avondale - Emergency Food	14.218	12461C	3,000
City of Goodyear - Emergency Food	14.218	12461C	7,000
City of Peoria - Emergency Food	14.218	53007	<u>7,500</u>
<b>Total U.S. Department of Housing and Urban         Development</b>			<u>498,565</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,843,242</u>

# ST. MARY'S FOOD BANK ALLIANCE

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

(1) **Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **St. Mary's Food Bank Alliance** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. **St. Mary's Food Bank Alliance** did not provide federal awards to sub-recipients during the year ended June 30, 2009.

(2) **Catalog of Federal Domestic Assistance (CFDA) numbers**

The program titles and CFDA numbers were obtained from the *2009 Catalog of Federal Domestic Assistance*.



## Mayer Hoffman McCann P.C.

An Independent CPA Firm

3101 North Central Avenue, Suite 300  
Phoenix, Arizona 85012  
602-264-6835 ph  
602-265-7631 fx  
www.mhm-pc.com

### 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

We have audited the financial statements of **St. Mary's Food Bank Alliance** as of and for the year ended June 30, 2009, and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered **St. Mary's Food Bank Alliance's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **St. Mary's Food Bank Alliance's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **St. Mary's Food Bank Alliance's** internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether **St. Mary's Food Bank Alliance's** financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative and regulatory bodies, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Phoenix, Arizona  
December 3, 2009

A handwritten signature in black ink that reads "Morgan Hoffman McCann P.C." The signature is written in a cursive, flowing style.



## Mayer Hoffman McCann P.C.

An Independent CPA Firm

3101 North Central Avenue, Suite 300  
Phoenix, Arizona 85012  
602-264-6835 ph  
602-265-7631 fx  
www.mhm-pc.com

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of

#### ST. MARY'S FOOD BANK ALLIANCE

##### Compliance

We have audited the compliance of **St. Mary's Food Bank Alliance** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. **St. Mary's Food Bank Alliance's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **St. Mary's Food Bank Alliance's** management. Our responsibility is to express an opinion on **St. Mary's Food Bank Alliance's** compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **St. Mary's Food Bank Alliance's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **St. Mary's Food Bank Alliance's** compliance with those requirements.

In our opinion, **St. Mary's Food Bank Alliance** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

##### Internal Control Over Compliance

The management of **St. Mary's Food Bank Alliance** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **St. Mary's Food Bank Alliance's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do

not express an opinion on the effectiveness of **St. Mary's Food Bank Alliance's** internal control over compliance.

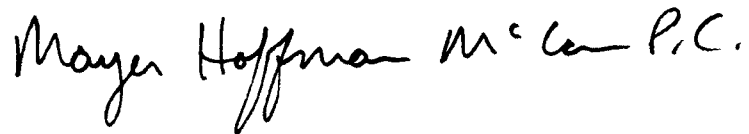
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative and regulatory bodies and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Phoenix, Arizona  
December 3, 2009

Handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive style.

# ST. MARY'S FOOD BANK ALLIANCE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

### I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

#### A. Type of Report Issued on the Financial Statements:

The Independent Auditors' Report on the basic financial statements of **St. Mary's Food Bank Alliance** at and for the year ended June 30, 2009 was an unqualified opinion.

#### B. Significant Deficiencies in Internal Control Disclosed by the Audit of the Financial Statements:

The audit of the basic financial statements of **St. Mary's Food Bank Alliance** at and for the year ended June 30, 2009 disclosed no matters involving the internal control over financial reporting and its operations considered to be significant deficiencies.

#### C. Noncompliance Material to the Financial Statements:

The audit disclosed no instances of noncompliance material to the basic financial statements of **St. Mary's Food Bank Alliance** at and for the year ended June 30, 2009.

#### D. Significant Deficiencies in Internal Control over Major Programs:

The audit of compliance of **St. Mary's Food Bank Alliance** for the year ended June 30, 2009 disclosed no significant deficiencies.

#### E. Type of Report Issued on Compliance for Major Programs:

The Independent Auditors' Report on compliance with requirements applicable to each major Federal program for the year ended June 30, 2009 was an unqualified opinion.

#### F. Findings Relating to Major Programs:

As indicated in Section III, the audit disclosed no findings relating to major programs for the year ended June 30, 2009.

#### G. Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
10.568	Emergency Food Assistance Program	<u>\$ 305,341</u>
97.024	Emergency Food and Shelter National Board Program	\$ 173,830
97.024 - ARRA	Emergency Food and Shelter National Board Program	<u>\$ 56,996</u>
	Subtotal 97.024	<u>\$ 230,826</u>
10.565	Commodity Supplemental Food Program	<u>\$ 524,799</u>

#### H. Threshold for Distinguishing Between Type A and Type B Programs:

The threshold for distinguishing between Type A and Type B programs was \$300,000 for the year ended June 30, 2009.

#### I. Qualifications of Auditee as a Low-Risk Auditee:

**St. Mary's Food Bank Alliance** qualified as a low-risk auditee under applicable provisions of OMB Circular A-133 for the year ended June 30, 2009.

**ST. MARY'S FOOD BANK ALLIANCE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2009

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

IV. STATUS OF PRIOR AUDIT FINDINGS

None