

**The Food Depot**  
**FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**The Food Depot**  
**BOARD OF DIRECTORS**

**June 30, 2019**

**Officers**

David Barton	President
Len Rand	Vice President
Thomas Jensen	Treasurer
Caitlin Smith	Secretary
Noah Berke	At-large Member

**Board Directors**

Brigid Brahe	Director
Scott Bunton	Director
Paul D'Arcy	Director
Bridget Dixson	Director
Carol Johnson	Director
Matt Nerzig	Director
Jill Rhymes	Director
David Risser	Director
Kristi Salazar	Director
Bill Sveum	Director

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Food Depot

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

We have audited the accompanying financial statements of The Food Depot (a non-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Food Depot's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Food Depot's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of The Food Depot as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Supplemental and Other Matters**

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of The Food Depot's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Food Depot's internal control over financial reporting and compliance.

PULAKOS CPAs, PC

December 5, 2019

Pulakos CPAs, PC

# The Food Depot

## STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

### Assets

	2019	2018
Current assets		
Cash and cash equivalents	\$ 259,352	\$ 665,219
Certificates-of-deposit	604,963	500,543
Contributions and grants receivable	161,306	73,619
Accounts and other receivables	44,776	12,528
Prepaid expenses	18,136	20,805
Inventories, food and other	1,042,604	814,555
Total current assets	2,131,137	2,087,269
Non-current assets		
Interest in assets held by the Santa Fe Community Foundation	709,366	718,561
Investments	431,022	-
Deposits	-	1,000
Property, equipment and furniture, net	4,739,067	4,872,979
Total non-current assets	5,879,455	5,592,540
Total assets	\$ 8,010,592	\$ 7,679,809

### Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 190,501	\$ 182,498
Current portion of note payable	-	21,428
Total current liabilities	190,501	203,926
Non-current liabilities		
Note payable	-	112,501
Total non-current liabilities	-	112,501
Net assets		
Without donor restrictions	6,989,669	6,585,928
With donor restrictions	830,422	777,454
Total net assets	7,820,091	7,363,382
Total liabilities and net assets	\$ 8,010,592	\$ 7,679,809

# The Food Depot

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and support			
Donated food - non-federal	\$ 9,656,781	\$ -	\$ 9,656,781
Contributions and grants	2,035,547	581,890	2,617,437
In-kind food - federal	2,320,262	-	2,320,262
Food acquisition and handling fees	309,387	-	309,387
Government awards and contracts	593,388	-	593,388
Special events	233,675	-	233,675
Net investment income	10,390	30,203	40,593
Loss on sale of fixed assets	(1,372)	-	(1,372)
Net assets released from restrictions	559,125	(559,125)	-
	15,717,183	52,968	15,770,151
Expenses			
Program services	14,403,961	-	14,403,961
Supporting services			
Management and general	310,530	-	310,530
Fundraising	598,951	-	598,951
	909,481	-	909,481
	15,313,442	-	15,313,442
Change in net assets	403,741	52,968	456,709
Net assets, beginning of year	6,585,928	777,454	7,363,382
Net assets, end of year	\$ 6,989,669	\$ 830,422	\$ 7,820,091

# The Food Depot

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and support			
Donated food - non-federal	\$ 9,269,298	\$ -	\$ 9,269,298
Contributions and grants	1,942,207	466,114	2,408,321
In-kind food - federal	1,461,298	-	1,461,298
Food acquisition and handling fees	260,832	-	260,832
Government award and contracts	494,903	-	494,903
Special events	364,052	-	364,052
Net investment income	2,234	49,668	51,902
Gain on sale of fixed assets	12,916	-	12,916
Net assets released from restrictions	448,844	(448,844)	-
Total revenues and support	14,256,584	66,938	14,323,522
Expenses			
Program services	13,148,999	-	13,148,999
Supporting services			
Management and general	267,024	-	267,024
Fundraising	536,828	-	536,828
Total supporting services	803,852	-	803,852
Total expenses	13,952,851	-	13,952,851
Change in net assets	303,733	66,938	370,671
Net assets, beginning of year	6,282,195	710,516	6,992,711
Net assets, end of year	\$ 6,585,928	\$ 777,454	\$ 7,363,382

# The Food Depot

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 772,623	\$ 145,033	\$ 216,569	\$ 1,134,225
Employee benefits	142,495	26,463	42,017	210,975
Payroll taxes	60,079	11,158	16,661	87,898
Total salaries and related expenses	975,197	182,654	275,247	1,433,098
Food distributions	12,683,895	-	-	12,683,895
Depreciation	230,361	628	431	231,420
Vehicles - fuel, repairs and maintenance	186,892	-	-	186,892
Direct mail services	42,065	22,065	89,318	153,448
Fundraising	-	-	124,933	124,933
Repairs and maintenance	101,227	-	-	101,227
Professional services	15,683	61,560	8,263	85,506
Utilities and telephone	59,832	4,849	2,741	67,422
Postage and printing	9,623	7,299	41,187	58,109
Materials and supplies	36,117	6,905	10,092	53,114
Special events	-	-	42,997	42,997
Land lease	28,885	1,864	311	31,060
Insurance	18,863	1,217	203	20,283
Bank and investment fees	-	19,441	-	19,441
Miscellaneous	8,780	638	127	9,545
Travel	5,965	1,140	1,665	8,770
Dues and subscriptions	576	270	1,436	2,282
Total expenses	<u>\$ 14,403,961</u>	<u>\$ 310,530</u>	<u>\$ 598,951</u>	<u>\$ 15,313,442</u>

## The Food Depot

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 725,179	\$ 124,247	\$ 190,788	\$ 1,040,214
Employee benefits	125,379	21,481	32,985	179,845
Payroll taxes	69,759	11,952	18,353	100,064
Total salaries and related expenses	920,317	157,680	242,126	1,320,123
Food distributions	11,567,138	-	-	11,567,138
Depreciation	206,525	518	922	207,965
Vehicles - fuel, repairs and maintenance	141,992	-	-	141,992
Direct mail services	40,453	1,106	76,160	117,719
Fundraising	-	-	121,090	121,090
Repairs and maintenance	53,886	-	-	53,886
Professional services	2,351	55,164	6,941	64,456
Utilities and telephone	70,610	5,669	3,327	79,606
Postage and printing	9,309	6,422	39,256	54,987
Materials and supplies	22,224	9,597	-	31,821
Special events	40,712	6,979	43,334	91,025
Land lease	28,885	1,864	311	31,060
Insurance	17,870	1,153	192	19,215
Bank and investment fees	-	17,425	-	17,425
Miscellaneous	7,893	1,677	709	10,279
Travel	5,733	983	1,473	8,189
Dues and subscriptions	13,101	787	987	14,875
Total expenses	<u>\$ 13,148,999</u>	<u>\$ 267,024</u>	<u>\$ 536,828</u>	<u>\$ 13,952,851</u>

# The Food Depot

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
Operating activities		
Change in net assets	\$ 456,709	\$ 370,671
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	231,420	207,965
Loss (gain) on sale of property and equipment	1,372	(12,916)
Donated fixed assets	(1,500)	-
Accrued interest on certificates-of-deposits	1,311	1,193
Net non-cash adjustment for donated inventories	56,438	(46,349)
Net gain on investments	(30,203)	(49,205)
Net changes to operating assets and liabilities		
Accounts, contributions and grants receivable	(119,935)	(4,964)
Inventories, food and other	(284,487)	(63,861)
Deposits and prepaid expenses	3,669	5,195
Accounts payable and accrued liabilities	8,003	(40,563)
	322,797	367,166
Net cash provided by operating activities		
Investing activities		
Proceeds from sales of certificates-of-deposits	200,000	752,581
Purchases of certificates-of-deposits	(300,000)	(500,000)
Purchases of investments	(700,009)	-
Proceeds from the sale of investments	302,654	25,009
Proceeds from sale of property and equipment	571	13,900
Purchases of property and equipment	(97,951)	(1,126,574)
	(594,735)	(835,084)
Net cash used by investing activities		
Financing activities		
Borrowings on note payable	-	150,000
Repayments on note payable	(133,929)	(16,071)
	(133,929)	133,929
Net cash (used) provided by financing activities		
Change in cash and equivalents	(405,867)	(333,989)
Cash and equivalents, beginning of year	665,219	999,208
Cash and equivalents, end of year	\$ 259,352	\$ 665,219
Supplemental disclosures - cash paid for interest	\$ 3,714	\$ 3,798

See Notes to Financial Statements and Independent Auditors' Report

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Food Depot is a New Mexico non-profit corporation established in 1993. The Food Depot distributes food in Northern New Mexico through a network of partner agencies, including emergency food pantries, youth programs, senior centers, hot meal programs, homeless shelters, group homes, shelters for battered families, low-income day care centers and rehabilitation programs. Food donated to The Food Depot comes from a variety of sources including national and local manufacturers, supermarkets, large food distributors, growers, food brokers, food drives, and the State of New Mexico Human Services Department (NMHSD). Food is also purchased by The Food Depot. The food received from the NMHSD is pass-through food from the U.S. Department of Agriculture (USDA) for The Emergency Food Assistance Program (TEFAP). The Food Depot's main sources of revenue and support are donated food, food from the NMHSD, contributions, contracts, grants and food acquisition and handling fees, which are fees paid by participating agencies for the handling of food by The Food Depot.

The Food Depot operates a range of programs designed to meet critical demographic, geographic, and nutritional needs in a nine-county service area in Northern New Mexico. The programs of The Food Depot are:

*Food Rescue and Distribution* – This core program consists of rescuing surplus food that would otherwise go to waste and distributing that food to approximately 145 partner agencies that feed people in need.

*Healthy Eating* – This program develops resources to encourage healthy food choices and preparation techniques among its partner agencies and clients.

*Food 4 Kids* – Studies confirm what every teacher already knows – hungry kids are compromised in their ability to learn. That is why The Food Depot operates Food 4 Kids, a program that distributes much-needed food to students in elementary schools who might otherwise go hungry. Participating students take home this food, ensuring a supply of food for evenings and weekends.

*Diaper Depot/Infant Supply Initiative* – The Food Depot operates an Infant Supply Initiative to provide the vital supplies needed by our community's children. Families with infants often seek items other than the customary food supplies at the food bank – they need formula, hygiene products, baby food, and diapers. The Diaper Depot operates in tandem with the Infant Supply Initiative; the Diaper Depot is the education and outreach portion of the Initiative, which provides the material goods that are necessary to the program's operation. The Diaper Depot exists to raise awareness about diaper need.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES – CONTINUED

*Disaster Relief* – The Food Depot provides foods and other needed items to disaster victims and relief workers.

*Delivery Program* – By providing free deliveries to partner agencies in counties such as Colfax, Los Alamos, Mora, Rio Arriba, San Miguel, Taos, and Union, The Food Depot eliminates the need for these agencies to travel to Santa Fe for their food supply. With the cost of fuel and labor, the delivery program makes an even greater impact on resources for partner agencies in the food bank’s hunger-relief network.

*Mobile Food Pantry Program* – To reach hungry people in small and remote areas, The Food Depot launched its Mobile Food Pantry program in 2009. The Mobile Food Pantry operates like a bookmobile – food is distributed by The Food Depot directly from its truck with no need for long-term storage. This service reaches communities that do not have the resources to set up their own food pantries.

*Food 4 Pets* – Low-income Northern New Mexicans are faced with difficult decisions every day – the choice between food and rent, food and medical care. For many, there is another very real challenge – food for their pets – because pets are part of the family too. The Food Depot looks at the full picture of the economic circumstances affecting struggling families in Northern New Mexico. The Food 4 Pets program supports families and their pets in the most rural areas of The Food Depot’s nine county service area. Communities currently served include Bernal, Ojo Caliente, Vallecitos, El Rito, Santa Cruz, Truchas, and Pecos.

*Lunch Box Express* – In an effort to more fully address child hunger, The Food Depot launched the Lunch Box Express. Many families struggle to feed their children during the summer months, those months when children do not have access to school lunches and breakfasts. The food bank delivers lunches directly to children in low-income areas of Santa Fe.

*Commodity Supplemental Food Program* – With the Commodity Supplemental Food Program, The Food Depot distributes food boxes to seniors through several partner agencies in four Northern New Mexico counties, including Colfax, Los Alamos, Union, and Harding. The program offers a monthly food box to qualifying seniors. Food boxes include items such as cereal, juice, cheese, canned fruits and vegetables, beans, peanut butter, and canned meats.

*Square Meals Program* – In October of 2016, The Food Depot launched Square Meals, an afterschool meal program for at-risk youth. The Food Depot partners with the New Mexico Children Youth and Families Department for the At-Risk Afterschool Meal Program, a federally-funded (USDA) program for meal reimbursement.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

The Food Depot considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents. The Food Depot maintains a portion of its cash, cash equivalent balances, and certificates-of-deposit in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these balances may exceed insured limits. The Food Depot has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk related to uninsured cash balances.

#### Receivables

Receivables are stated at the amount of the unpaid balances less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by identifying past-due account and by using historical experience applied to an aging of accounts receivable. No allowance for doubtful accounts was determined necessary by management as of June 30, 2019 and 2018. The Food Depot charges off uncollectible accounts receivable when it is determined the receivable will not be collected.

#### Inventory

Inventories consist of donated food, purchased food, food received from the USDA, and retail items. Inventories are valued at the lower of cost or market, with cost for purchased food determined using the fair value on the date of donation. For the years ended June 30, 2019 and 2018, donated inventories, including food received from the USDA, were valued at \$1.62 and \$1.68 per pound, respectively, which is the fair value provided by Feeding America. Feeding America is a large hunger relief non-profit organization who is working to end hunger through a nationwide network of member food banks. Feeding America engages an outside independent Certified Public Accounting firm to conduct an agreed-upon procedures engagement in order to determine the estimated fair value per pound referenced above. This value is the approximate average wholesale value of one pound of donated product at the national level.

#### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Assets held by a community foundation are measured at the fair value of the underlying assets as reported by the foundation holding the funds. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Property and Equipment

Property and equipment are stated at cost. Property and equipment that are received by donation are recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, The Food Depot reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Depot reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated property and equipment in excess of \$1,000 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the costs of depreciable assets to operations over their estimated useful lives, which range from five to forty years.

#### Net Assets

The Food Depot classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Food Depot and the changes therein are classified and reported as follows:

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

Net assets with donor restrictions: 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 Food Depot or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated 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 statements of activities.

#### Advertising

The Food Depot expenses advertising costs as they are incurred. Advertising expenses, including in-kind and special events expenses, were \$41,905 and \$46,244 in 2019 and 2018, respectively.

#### Donated Services, Land Use, Storage, Equipment, and Materials

The Food Depot recognizes contributed services if the services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would need to be purchased if not provided by donation. Recognized contributed services, land use, storage, equipment, and materials are recorded at the fair value on the date of donation. In addition to donated food, The Food Depot recognized donated services, land use, storage, equipment, and materials totaling \$90,605 and \$79,067 in 2019 and 2018, respectively.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Functional Allocation of Expenses

Expenses are charged directly to program and supporting services based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent, square footage, etc.

#### New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Food Depot has adjusted the presentation of these statements accordingly. The pronouncement has been applied retrospectively to all periods presented.

#### Income Tax Status

The Food Depot is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Food Depot has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that the activities of The Food Depot are within their tax-exempt purpose, and that there are no uncertain tax positions that require disclosure or recognition in the financial statements.

#### Fair Value Measurements

Accounting Standards Codification Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that The Food Depot has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Financial Instruments

The carrying amounts of cash, receivables, payables, debt, and other obligations approximate fair value due to the short-term nature of these instruments.

#### Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

#### Subsequent Events

The Food Depot has evaluated all events occurring subsequent to June 30, 2019 through December 5, 2019, which is the date that the financial statements were issued and believes that all events occurring during this period that require either recognition or disclosure in the accompanying financial statements have been properly disclosed and recognized as applicable.

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 259,352	\$ 665,219
Certificate-of-deposits	604,963	500,543
Interest held with Santa Fe Community Foundation	709,366	718,561
Investments	431,022	-
Contributions and grants receivable	161,306	73,619
Accounts and other receivables	<u>44,776</u>	<u>12,528</u>
Total financial assets	2,210,785	1,970,470
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(830,422)	(777,454)
Board designated endowment funds	<u>(10,250)</u>	<u>(10,250)</u>
	<u>(840,672)</u>	<u>(787,704)</u>
Financial assets available to meet cash needs for general expenditure within one year from June 30, 2019 and 2018	<u>\$ 1,370,113</u>	<u>\$ 1,182,766</u>

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - CONTINUED

The Food Depot manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. The Food Depot's goal is generally to maintain a level of financial assets sufficient to cover 120 days of average operating expenses. These amounts are designated by the Board each year based on the approved operating budget. As part of its liquidity plan, The Food Depot is continuously evaluating the amount of cash on hand and expected to be collected within 30 days, against current financial obligations.

### NOTE 4 – PROPERTY, EQUIPMENT AND FURNITURE

Property, equipment and furniture consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Food distribution and education center	\$ 5,355,445	\$ 5,350,836
Vehicles	284,460	284,170
Warehouse equipment	248,481	180,428
Office equipment	<u>108,612</u>	<u>107,818</u>
Total property equipment and furniture	5,996,998	5,923,252
Less accumulated depreciation	<u>(1,257,931)</u>	<u>(1,050,273)</u>
Net property, equipment and furniture	<u>\$ 4,739,067</u>	<u>\$ 4,872,979</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$231,420 and \$207,965, respectively.

### NOTE 5 – NOTE PAYABLE

	<u>2019</u>	<u>2018</u>
Note payable to a lender, dated August 30, 2017, fixed interest rate of 3.5%, quarterly payments of \$5,357 of fixed principal plus accrued interest, originally maturing in September 2024.	<u>\$ -</u>	<u>\$ 133,929</u>
	-	133,929
Less: current portion	<u>-</u>	<u>(21,428)</u>
Long-term portion	<u>\$ -</u>	<u>\$ 112,501</u>

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 6 – LINE-OF-CREDIT

The Food Depot has a bank line-of-credit with a limit of \$100,000; borrowings are subject to a borrowing base formula. Interest accrues based on an interest rate of 6.00% as of June 30, 2019 and 2018, respectively. The line matures in April 2020 and had an outstanding balance of zero at June 30, 2019 and 2018, respectively.

### NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowments		
Subject to endowment spending policy and appropriation	\$ 699,116	\$ 708,311
Subject to expenditure for specified purpose:		
FLAG	65,990	-
Infant supply program	41,440	-
Agency Relations Council	15,182	15,943
Emergency radio tower	-	13,052
Los Alamos – turkey boxes	8,194	-
Solar	500	500
Food 4 Pets	-	29,648
Kids Kitchen (The Food Depot)	-	10,000
	<u>131,306</u>	<u>69,143</u>
Total net assets with donor restrictions	<u>\$ 830,422</u>	<u>\$ 777,454</u>

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Net assets released from restrictions consists of restricted assets used during the years ended June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Food 4 Kids	\$ 127,035	\$ 143,515
Lunch Box Express	84,129	52,025
FLAG	74,310	-
Food 4 Pets	69,078	34,853
Mobile Food Pantry	47,813	36,250
Endowment	39,174	25,009
Infant Supply Initiative Program	38,135	31,861
Penske leases	25,000	-
Square Meals	21,087	-
Emergency radio tower	13,752	-
Kids Kitchen	10,000	-
Turkey boxes	7,377	-
Feeding America	1,197	-
Agency relations	564	4,503
La Cares (Los Alamos)	250	250
National CACFP	224	-
Building construction	-	100,000
Disaster relief	-	18,115
Staff professional development	-	1,500
Radios for trucks	-	448
Diaper Depot marketing	-	355
Volunteer shirts	-	200
	<u>          </u>	<u>          </u>
Total net assets released from restrictions	<u>\$ 559,125</u>	<u>\$ 448,884</u>

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 8 – ENDOWMENT

The assets of the endowment consist of funds held at the Santa Fe Community Foundation (SFCF) and consist of both donor-restricted contributions and board-designated assets. These assets are to be used for the benefit of The Food Depot and SFCF was not granted variance power to redirect the use of the assets to another beneficiary. Net assets associated with the endowment are classified and reported based on the existence or absence of donor-imposed restrictions. Income earned on the endowment assets is available for use in The Food Depot's programs and operations.

The Food Depot has an endowment spending policy in which The Food Depot has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, The Food Depot classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by management of The Food Depot in a manner consistent with the standards of prudence prescribed by the UPMIFA.

The primary objective of the endowment fund is to produce a rate of return which will permit maximum support for operations of The Food Depot to the extent it is consistent with prudent management of investments, preservation of principal, and potential for long-term growth of the assets. The spending policy of The Food Depot's endowment provided that up to 5% of the endowment income, subject to a twelve-quarter rolling average and federal and state laws, can be withdrawn from the endowment for operations.

The board has designated amounts for the endowment. This amount as of June 30, 2019 and 2018 is \$10,250 and is included in net assets without donor restriction.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2019 and 2018**

### NOTE 8 – ENDOWMENT – CONTINUED

As of June 30, 2019 and 2018, The Food Depot had the following endowment net asset composition by type of fund:

	<b>June 30, 2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 610,642	\$ 610,642
Accumulated investment gains subject to spending policy and appropriation	-	88,474	88,474
Board designated endowment	10,250	-	10,250
	\$ 10,250	\$ 699,116	\$ 709,366
	<b>June 30, 2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 610,642	\$ 610,642
Accumulated investment gains subject to spending policy and appropriation	-	97,669	97,669
Board designated endowment	10,250	-	10,250
	\$ 10,250	\$ 708,311	\$ 718,561

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2019 and 2018**

### NOTE 8 – ENDOWMENTS – CONTINUED

The changes in endowment net assets and the endowment’s net asset composition are as follows for the years ended June 30, 2019 and 2018:

	<b>Without Donor Restricted Net Assets</b>	<b>With Donor Restricted Net Assets</b>	<b>Total</b>
June 30, 2017	\$ 10,250	\$ 684,115	\$ 694,365
Net appreciation	-	49,205	49,205
Distribution	-	(25,009)	(25,009)
June 30, 2018	10,250	708,311	718,561
Net appreciation	-	29,979	29,979
Distribution	-	(39,174)	(39,174)
June 30, 2019	\$ 10,250	\$ 699,116	\$ 709,366

### NOTE 9 – LEASES

#### Land Lease

Effective August 1, 2016, The Food Depot entered into a lease for a parcel of land with the City of Santa Fe. The lease term consists of an initial twenty-year term with two optional ten-year terms. The annual rent, determined by appraisal, is \$31,060, to be adjusted every five years, and is considered paid by providing services to the City of Santa Fe. Services include collecting food and related products and distributing collections to feed those experiencing hunger. The Food Depot is required to submit an Annual Service Value Statement to the City of Santa Fe to document monetary value of services provided during prior lease year in relation to annual rent obligation. The Food Depot expects to annually provide services in an amount in excess of the annual rent due, and therefore, does not expect to pay any cash consideration for this lease of land.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 9 – LEASES - CONTINUED

#### Operating Leases

The Food Depot leases office equipment and vehicles under long-term operating agreements. The leases expire in various years through fiscal year 2025. Monthly lease payments range from \$174 to \$1,871.

Future minimum lease payments related to the operating leases are as follows:

2020	\$	66,735
2021		67,735
2022		64,995
2023		64,647
2024		62,510
Thereafter		<u>27,497</u>
	\$	<u>354,119</u>

### NOTE 10 – FAIR VALUE MEASUREMENTS

#### Fair Value Measurement

The following table sets forth by level, within the fair value hierarchy, The Food Depot's assets at fair value as of June 30, 2019 and 2018:

#### Assets at Fair Value as of June 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates-of-deposit	\$ -	\$ 604,963	\$ -	\$ 604,963
Investments - Mutual funds	431,022	-	-	431,022
Interest in assets held by the SFCF	-	-	709,366	709,366
	<u>\$ 431,022</u>	<u>\$ 604,963</u>	<u>\$ 709,366</u>	<u>\$ 1,745,351</u>

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 10 – FAIR VALUE MEASUREMENTS

#### Assets at Fair Value as of June 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates-of-deposit	\$ -	\$ 500,543	\$ -	\$ 500,543
Interest in assets held by the SFCF	-	-	718,561	718,561
	<u>\$ -</u>	<u>\$ 500,543</u>	<u>\$ 718,561</u>	<u>\$ 1,219,104</u>

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring measurements. At least, annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts unobservable inputs used in the fair value measurements based on current market conditions and third-party information. If applicable, The Food Depot recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

#### Level 3 – Investments

The following tables present The Food Depot’s activities for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balances	\$ 718,561	\$ 694,365
Investment gains	29,979	49,205
Distributions	<u>(39,174)</u>	<u>(25,009)</u>
Ending balances	<u>\$ 709,366</u>	<u>\$ 718,561</u>

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

*Certificates-of-deposit:* Fair value determined using amortized face value of the financial instrument.

*Investments – Mutual Funds:* Fair value determined using quoted market prices.

*Interest in assets held by the SFCF:* Fair value determined using net realizable value as determined in good faith by the investment fund manager at the end of the year.

# **The Food Depot**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

### **NOTE 11 – RETIREMENT PLAN**

The Food Depot maintains a Simple IRA for eligible employees. The Food Depot matches employee contributions to the retirement account up of 3% of eligible compensation. Retirement plan expense for amounts contributed by The Food Depot was \$26,757 and \$22,163, for the years ended June 30, 2019 and 2018, respectively.

### **NOTE 12 – KIDS KITCHEN, LLC**

In July of 2018, The Food Depot and United Way of Santa Fe started Kids Kitchen, LLC (Kids Kitchen) in which The Food Depot is a 50% LLC member. Kids Kitchen provides meals to youth through various programs, provides meals on a paid basis to other youth-oriented programs and provides job training. The Food Depot provides the use of delivery equipment and delivery personnel to Kids Kitchen and contracts its meal preparation services to Kids Kitchen. Accordingly, The Food Depot recognized \$4,900 of revenue and \$63,836 of cost from transactions with Kids Kitchen during 2019. As of June 30, 2019, accounts receivable from Kids Kitchen was \$4,900 for services rendered and \$13,132 for cost reimbursement and accounts payable to Kids Kitchen was \$53,073. As of June 30, 2019, Kids Kitchen's application for non-profit status was pending.

### **NOTE 13 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS – NOT-FOR-PROFIT REPORTING FRAMEWORK**

A new standard has been issued by FASB that will require significant changes in the method and timing of recognition of certain contract revenues and related incremental expenses (such as sales commissions) once it becomes effective for nonpublic entities. This standard will be adopted by The Food Depot beginning in 2020 and will entail certain retrospective adjustments at that time. The effects of this change on The Food Depot's financial statements have not yet been determined.

Effective for its annual financial statements for 2021, The Food Depot is subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which The Food Depot is lessee. Upon adoption, among other effects, The Food Depot will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on The Food Depot's future financial statements of these changes and related retrospective adjustments have not yet been determined.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

# The Food Depot

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Number</b>	<b>Total Federal Expenditures</b>
U.S. Department of Agriculture			
Food Distribution Cluster			
Pass-through from New Mexico Human Services Department – The Emergency Food Assistant Program (Food Commodities)	10.569	17-630-9000-0014	\$ 2,077,650
Pass-through from New Mexico Human Services Department – The Emergency Food Assistance Program (Administrative Costs)	10.568	17-630-9000-0014	95,878
Pass-through from New Mexico Human Services Department – Trade Mitigation Program Eligible Recipient Agency (Operational Funds)	10.178	17-630-9000-0014	28,736
Pass-through from New Mexico Human Services Department – The Emergency Food Assistance Program (Food Commodities)	10.569	17-630-9000-0014	46,985
Total Food Distribution Cluster			2,249,249
Child Nutrition Cluster			
Pass-through from New Mexico Children, Youth and Families Department – Summer Food Service Program for Children	10.559		25,611
Pass-through from New Mexico Children, Youth and Families Department – Child and Adult Care Food Program	10.558		9,908
Total Child Nutrition Center Cluster			35,519
Total expenditures of federal awards			\$ 2,284,768

# The Food Depot

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Food Depot under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the *Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

### NOTE 3 – FOOD

Nonmonetary assistance is reported in the Schedule at the estimated fair value of \$1.62 per pound. At June 30, 2019, The Food Depot has \$425,105 of inventory on-hand from the State of New Mexico Human Services Department.

### NOTE 4 – INDIRECT COST RATE

The Food Depot has elected not to use the 10% de minimus indirect cost rate for its federal programs.

**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***

Board of Directors  
The Food Depot

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 of America, the financial statements of The Food Depot, a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated December 5, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Food Depot's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Food Depot's internal control. Accordingly, we do not express an opinion on the effectiveness of The Food Depot'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 Food Depot's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Food Depot's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

## **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 Food Depot'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 Food Depot's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PULAKOS CPAs, PC

December 5, 2019

Pulakos CPAs, PC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
The Food Depot

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

We have audited The Food Depot's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Food Depot's major federal programs for the year ended June 30, 2019. The Food Depot's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, The Food Depot complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

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

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

PULAKOS CPAs, PC

December 5, 2019

Pulakos CPAs, PC

# The Food Depot

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

### SECTION 1 – SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes  X  No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes  X  No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes  X  No

Type of auditors' report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with 2 *CFR section*  
*200.516(a)*?

\_\_\_\_\_ Yes  X  No

Identification of major programs:

CFDA Numbers(s)

Name of Federal Program or Cluster

10.569/10.568/10.178

U.S. Department of Agriculture -  
Food Distribution Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

X  Yes \_\_\_\_\_ No

**The Food Depot**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2019**

**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

NONE

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

NONE

# The Food Depot

## FOOD INVENTORY ON-HAND, PURCHASED, RECEIVED AND DISTRIBUTED

Years Ended June 30, 2019 and 2018

	<u>2019</u>		<u>2018</u>		<u>Change</u>
		Value		Value	
Inventory balances (\$'s)		per pound		per pound	
Purchased	\$ 43,731	\$ 0.58	\$ 147,847	\$ 0.67	\$ (104,116)
TEFAP	425,105	1.62	154,360	1.68	270,745
Donated	560,639	1.62	504,202	1.68	56,437
<b>Total</b>	<b>\$ 1,029,475</b>		<b>\$ 806,409</b>		<b>\$ 223,066</b>
		% of total		% of total	
Pounds on hand (lbs)					
Purchased	75,547	11%	170,980	30%	(95,433)
TEFAP	262,533	37%	91,881	16%	170,652
Donated	368,634	52%	300,120	53%	68,514
<b>Total</b>	<b>706,714</b>		<b>562,981</b>		<b>143,733</b>
		% of total		% of total	
Pounds received/purchased (\$'s)					
Purchased	\$ 492,862	4%	\$ 615,028	5%	\$ (122,166)
TEFAP	2,320,460	19%	1,461,298	12%	859,162
Donated	9,656,782	77%	9,269,299	74%	387,483
<b>Total</b>	<b>\$ 12,470,104</b>		<b>\$ 11,345,625</b>		<b>\$ 1,124,479</b>
		% of total		% of total	
Pounds received/purchased (lbs)					
Purchased	453,149	6%	726,261	9%	(273,112)
TEFAP	1,432,383	18%	869,820	11%	562,563
Donated	5,960,977	76%	5,517,440	70%	443,537
<b>Total</b>	<b>7,846,509</b>		<b>7,113,521</b>		<b>732,988</b>
		% of total		% of total	
Net pounds distributed (\$'s)					
Purchased	\$ 596,978	5%	\$ 547,914	4%	\$ 49,064
TEFAP	2,049,517	17%	1,458,868	12%	590,649
Donated	9,600,343	78%	9,225,380	75%	374,963
<b>Total</b>	<b>\$ 12,246,838</b>		<b>\$ 11,232,162</b>		<b>\$ 1,014,676</b>
		% of total		% of total	
Net pounds distributed (lbs)					
Purchased	548,582	7%	675,985	9%	(127,403)
TEFAP	1,279,097	17%	865,760	11%	413,337
Donated	5,915,024	76%	5,483,380	71%	431,644
<b>Total</b>	<b>7,742,703</b>		<b>7,025,125</b>		<b>717,578</b>

See Independent Auditors' Report.