

**The Food Depot**  
**FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

# The Food Depot

## BOARD OF DIRECTORS

June 30, 2022

### 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
Janet Clow	Director
V. Brian D'Andrea	Director
Bridget Dixson	Director
Carol Johnson	Director
Jeremy Miller	Director
Jill Rhymes, M.D.	Director
David Risser	Director
Kristi Salazar	Director
Bill Sveum	Director
Bret Smoker, M.D.	Director

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Food Depot

### ***Opinion***

We have audited the accompanying financial statements of The Food Depot, a nonprofit organization, which comprise the statements of financial position as of June 30 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Food Depot as of June 30 2022 and 2021, 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.

### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Food Depot and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Depot's ability to continue as a going concern for a reasonable period-of-time.

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

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

November 16, 2022

Pulakos CPAs, PC

# The Food Depot

## STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

### Assets

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 2,595,579	\$ 682,634
Certificates-of-deposit	1,119,583	6,074,424
Investments	1,995,509	-
Contributions and grants receivable, net	577,770	143,434
Accounts and other receivables, net	32,099	198,893
Prepaid expenses	89,168	53,107
Inventories, food and other	1,915,357	1,386,088
	<hr/>	<hr/>
Total current assets	8,325,065	8,538,580
Non-current assets		
Interest in assets held by the Santa Fe Community Foundation	698,657	817,839
Property, equipment and furniture, net	5,497,095	4,914,776
	<hr/>	<hr/>
Total non-current assets	6,195,752	5,732,615
	<hr/>	<hr/>
Total assets	<u>\$ 14,520,817</u>	<u>\$ 14,271,195</u>

### Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 392,824	\$ 303,206
	<hr/>	<hr/>
Total current liabilities	392,824	303,206
Net assets		
Without donor restrictions	13,395,421	13,100,590
With donor restrictions	732,572	867,399
	<hr/>	<hr/>
Total net assets	14,127,993	13,967,989
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 14,520,817</u>	<u>\$ 14,271,195</u>

# The Food Depot

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and support			
Donated food - non-federal	\$ 9,666,715	\$ -	\$ 9,666,715
Contributions and grants	5,763,179	926,814	6,689,993
In-kind food - federal	3,379,999	-	3,379,999
Food acquisition and handling fees	264,580	-	264,580
Government awards and contracts	2,027,428	-	2,027,428
Special events, net	236,837	-	236,837
Investment loss, net	(3,953)	(76,418)	(80,371)
Other income	5,549	-	5,549
Net assets released from restrictions	985,223	(985,223)	-
	22,325,557	(134,827)	22,190,730
Expenses			
Program services	20,577,254	-	20,577,254
Supporting services			
Management and general	837,313	-	837,313
Fundraising	616,159	-	616,159
	1,453,472	-	1,453,472
Total supporting services	1,453,472	-	1,453,472
Total expenses	22,030,726	-	22,030,726
Change in net assets	294,831	(134,827)	160,004
Net assets, beginning of year	13,100,590	867,399	13,967,989
Net assets, end of year	\$ 13,395,421	\$ 732,572	\$ 14,127,993

# The Food Depot

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and support			
Donated food - non-federal	\$ 8,367,951	\$ -	\$ 8,367,951
Contributions and grants	7,084,499	1,597,294	8,681,793
In-kind food - federal	4,960,768	-	4,960,768
Food acquisition and handling fees	422,298	-	422,298
Government awards and contracts	2,540,350	-	2,540,350
Special events, net	425,913	-	425,913
Investment income, net	11,020	139,185	150,205
Other income	16	-	16
Net assets released from restrictions	1,833,779	(1,833,779)	-
Total revenues and support	25,646,594	(97,300)	25,549,294
Expenses			
Program services	21,462,730	-	21,462,730
Supporting services			
Management and general	652,782	-	652,782
Fundraising	350,157	-	350,157
Total supporting services	1,002,939	-	1,002,939
Total expenses	22,465,669	-	22,465,669
Change in net assets	3,180,925	(97,300)	3,083,625
Net assets, beginning of year	9,919,665	964,699	10,884,364
Net assets, end of year	\$ 13,100,590	\$ 867,399	\$ 13,967,989



# The Food Depot

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,600,888	\$ 463,407	\$ 225,684	\$ 2,289,979
Employee benefits	276,414	76,140	37,490	390,044
Payroll taxes	121,799	34,800	17,400	173,999
Total salaries and related expenses	1,999,101	574,347	280,574	2,854,022
Food distributions	16,742,359	-	-	16,742,359
Vehicles - fuel, repairs and maintenance	541,797	-	-	541,797
Dissolution of Kids Kitchen	390,639	-	-	390,639
Depreciation	347,780	748	1,343	349,871
Repairs and maintenance	194,451	-	-	194,451
Direct mail services	95,446	26,309	56,654	178,409
Fundraising	-	-	172,096	172,096
Professional services	41,606	97,465	14,248	153,319
Materials and supplies	60,543	40,085	14,029	114,657
Utilities and telephone	81,010	10,141	4,032	95,183
Postage and printing	13,574	9,338	70,857	93,769
Bank and credit card fees	-	63,772	-	63,772
Land lease	31,798	2,795	349	34,942
Insurance	29,370	2,582	323	32,275
Business meals	703	6,665	129	7,497
Travel	4,928	810	565	6,303
Dues and subscriptions	2,149	1,579	960	4,688
Miscellaneous	-	677	-	677
Total expenses	<u>\$ 20,577,254</u>	<u>\$ 837,313</u>	<u>\$ 616,159</u>	<u>\$ 22,030,726</u>

# The Food Depot

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 1,438,586	\$ 321,434	\$ 103,642	\$ 1,863,662
Employee benefits	194,898	41,871	13,177	249,946
Payroll taxes	115,587	24,832	7,814	148,233
Total salaries and related expenses	1,749,071	388,137	124,633	2,261,841
Food distributions	18,185,166	-	-	18,185,166
Vehicles - fuel, repairs and maintenance	523,522	-	-	523,522
Depreciation	304,035	748	206	304,989
Direct mail services	178,921	22,806	207	201,934
Utilities and telephone	155,930	15,708	2,619	174,257
Fundraising	-	-	150,155	150,155
Professional services	25,066	97,079	15,190	137,335
Repairs and maintenance	109,506	-	-	109,506
Bank and credit card fees	232	94,525	-	94,757
Postage and printing	21,554	9,265	52,260	83,079
Materials and supplies	62,216	13,115	4,127	79,458
Business meals	45,757	2,593	-	48,350
Miscellaneous	45,541	1,069	-	46,610
Land lease	27,953	2,485	311	30,749
Insurance	19,685	1,730	216	21,631
Travel	7,842	1,125	26	8,993
Dues and subscriptions	733	2,397	207	3,337
Total expenses	\$ 21,462,730	\$ 652,782	\$ 350,157	\$ 22,465,669

# The Food Depot

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
Operating activities		
Change in net assets	\$ 160,004	\$ 3,083,625
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	349,871	304,989
Loss on sale of property and equipment	-	158
Loss on dissolution of Kids Kitchen, LLC	390,639	-
Donated fixed assets	(218,807)	-
Accrued interest on certificates-of-deposit	1,487	4,061
Net non-cash adjustment for donated inventories	300,246	(546,191)
Net loss (gain) on investments	80,371	(150,205)
Net changes to operating assets and liabilities		
Accounts, contributions and grants receivable, net	(658,181)	(81,475)
Prepaid expenses	(36,061)	(22,775)
Inventories, food and other	(829,515)	896,434
Accounts payable and accrued expenses	89,618	61,409
Refundable advances - Paycheck Protection Program	-	(312,314)
Net cash (used) provided by operating activities	(370,328)	3,237,716
Investing activities		
Proceeds from sales of certificates-of-deposit	10,530,096	100,000
Purchases of certificates-of-deposit	(5,533,440)	(5,668,393)
Purchases of investments	(2,000,000)	(3,895,762)
Proceeds from the sale of investments	-	6,243,813
Purchases of property and equipment	(713,383)	(394,253)
Net cash provided (used) by investing activities	2,283,273	(3,614,595)
Change in cash and equivalents	1,912,945	(376,879)
Cash and equivalents, beginning of year	682,634	1,059,513
Cash and equivalents, end of year	\$ 2,595,579	\$ 682,634

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### 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 81 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* – The Food 4 Kids program encompasses all of The Food Depot's child programs, including several approaches to reach more children, across all age groups, more frequently with a greater variety of healthy food choices and offering the provision of food to the entire family. The Food Depot supports school-based pantries and began a pilot program to offer school area mobile food pantries to provide needed food to families. Partnering with three Boys & Girls Clubs and fifteen schools, The Food Depot provided after school meals throughout the school year. During the summer months, The Food Depot sponsored free lunch for children at three public sites and four Boys & Girls clubs.

*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, 2022 and 2021

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

*Resource Navigation Program* – In 2019, The Food Depot launched the Resource Navigation Program based on the understanding that people experiencing poverty and food insecurity have multiple, sometimes complex resource needs. Resource Navigators work one on one with individuals and families to connect them to a wide range of services and supports.

*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.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and Cash Equivalents

The Food Depot considers all without donor restrictions 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.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

#### 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 accounts 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, 2022 and 2021, respectively. The Food Depot charges off uncollectible accounts receivable when it is determined the receivable will not be collected.

#### Inventories

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, 2022 and 2021, donated inventories, including food received from the USDA, were valued at \$1.92 and \$1.79 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 with readily determinable fair values are measured at fair value in the statements 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 statements of activities as increases or decreases in without donor restrictions net assets unless the income or loss is restricted by donor or law.

#### 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 without donor restrictions 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 with donor restrictions net assets to without donor restrictions 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.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

#### 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.

#### Contributions and Promises to Give

Contributions and unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

#### Grants

Support from grants and contracts is recognized when earned or when expenditures have been incurred in accordance with provisions of the grants and contracts. Monies received but not earned during the fiscal year are recorded as deferred revenue. Service revenue is recognized when the service is performed.

#### 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 \$122,846 and \$75,6532 in 2022 and 2021, respectively.

#### Advertising

The Food Depot expenses advertising costs as they are incurred. Advertising expenses, including in-kind and special events expenses, were \$4,047 and \$12,985 in 2022 and 2021, respectively.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### 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.

#### 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.

#### 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, 2022 and 2021

### 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, 2022 through November 16, 2022, 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 2,595,579	\$ 682,634
Certificates-of-deposit	1,119,583	6,074,424
Interest in assets held by the Santa Fe Community Foundation	698,657	817,839
Investments	1,995,509	-
Contributions and grants receivable, net	577,770	143,434
Accounts and other receivables, net	<u>32,099</u>	<u>198,893</u>
Total financial assets	7,019,197	7,917,224
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(732,572)	(867,399)
Board designated endowment funds	<u>(10,250)</u>	<u>(10,250)</u>
	<u>(742,822)</u>	<u>(877,649)</u>
Financial assets available to meet cash needs for general expenditure within one year from June 30, 2022 and 2021	<u>\$ 6,276,375</u>	<u>\$ 7,039,575</u>

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.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 4 – PROPERTY, EQUIPMENT AND FURNITURE

Property, equipment and furniture consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Food distribution and education center	\$ 5,734,963	\$ 5,628,974
Vehicles	753,866	528,896
Warehouse equipment	742,229	405,724
Office equipment	<u>354,614</u>	<u>99,157</u>
Total property equipment and furniture	7,585,672	6,662,751
Less accumulated depreciation	<u>(2,088,577)</u>	<u>(1,747,975)</u>
Net property, equipment and furniture	<u>\$ 5,497,095</u>	<u>\$ 4,914,776</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$349,871 and \$304,989, respectively.

### NOTE 5 – 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 4.5% as of June 30, 2022 and 2021, respectively. The line matures in May 2023 and had an outstanding balance of zero at June 30, 2022 and 2021, respectively.

### NOTE 6 – KIDS KITCHEN

The Food Depot provides the use of delivery equipment and delivery personnel, as well as provides certain administrative services, to Kids Kitchen, a 501(c)(3) organization that provides meals to youth through various programs, provides meals on a paid basis to other youth-oriented programs and provides job training. During 2022, Kids Kitchen was dissolved as an entity and The Food Depot assumed all operating activities of Kids Kitchen. All operating assets and liabilities of Kids Kitchen were assumed by The Food Depot and all outstanding receivables and payables between Kids Kitchen and The Food Depot were forgiven by The Food Depot in 2022. The net effect of this issue resulted in The Food Depot recognizing a loss of approximately \$391,000 in 2022.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2022 and 2021**

### NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Endowments		
Subject to endowment spending policy and appropriation	\$ 688,407	\$ 807,589
Subject to expenditure for specified purpose:		
Food for Kids	8,499	25,474
Infant supply program	-	23,703
Agency Relations Council	9,383	9,383
Solar	1,250	1,250
Disaster Relief	25,033	-
	44,165	59,810
Total net assets with donor restrictions	\$ 732,572	\$ 867,399

Net assets released from restrictions consists of restricted assets used during the years ended June 30, 2022 and 2021, as follows:

	<b>2022</b>	<b>2021</b>
Disaster Relief	\$ 325,952	\$ 1,212,436
Food 4 Kids	271,862	320,158
Endowment	146,245	30,428
Mobile Food Pantry	110,757	89,123
Infant Supply Initiative Program	75,248	80,270
Food 4 Pets	25,795	49,798
Food Mobile	23,434	-
Kids Kitchen	3,377	-
Refrigerators for Agencies	2,553	-
Los Alamos – Turkey Boxes	-	26,468
Various NM Grants	-	13,500
Santa Fe Valet	-	7,107
Ice Machine	-	3,972
Hungry to Learn	-	269
LA Cares (Los Alamos)	-	250
Total net assets released from restrictions	\$ 985,223	\$ 1,833,779

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### 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 net assets with donor restrictions, (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 is 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 original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor are classified as accumulated investment gains subject to spending policy and appropriation 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, 2022 and 2021 is \$10,250, respectively, and is included in net assets without donor restriction.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2022 and 2021**

### NOTE 8 – ENDOWMENT – CONTINUED

As of June 30, 2022 and 2021, The Food Depot had the following endowment net asset composition by type of fund:

	<b>June 30, 2022</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 losses subject to spending policy and appropriation	-	77,765	77,765
Board designated endowment	10,250	-	10,250
	\$ 10,250	\$ 688,407	\$ 698,657
	<b>June 30, 2021</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	-	196,947	196,947
Board designated endowment	10,250	-	10,250
	\$ 10,250	\$ 807,589	\$ 817,839

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2022 and 2021**

### NOTE 8 – ENDOWMENT – CONTINUED

The changes in endowment net assets and the endowment’s net asset composition are as follows for the years ended June 30, 2022 and 2021:

	<b>Without Donor Restrictions Net Assets</b>	<b>With Donor Restrictions Net Assets</b>	<b>Total</b>
June 30, 2020	\$ 10,250	\$ 690,173	\$ 700,423
Net appreciation	-	147,844	147,844
Distributions and fees	-	(30,428)	(30,428)
June 30, 2021	10,250	807,589	817,839
Net depreciation	-	(76,418)	(76,418)
Distributions and fees	-	(42,764)	(42,764)
June 30, 2022	\$ 10,250	\$ 688,407	\$ 698,657

### 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 \$34,943, 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.

#### Operating Leases

The Food Depot leases office equipment, vehicles and a storage facility under long-term operating agreements. The leases expire in various years through fiscal year 2027. Monthly lease payments range from \$19 to \$2,700.

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 9 – LEASES – CONTINUED

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

2023	\$	129,967
2024		105,061
2025		40,553
2026		7,915
2027		<u>5,204</u>
	\$	<u>288,700</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, 2022 and 2021:

#### Assets at Fair Value as of June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates-of-deposit	\$ -	\$ 1,119,583	\$ -	\$ 1,119,583
Mutual funds	-	1,995,509	-	1,995,509
Interest in assets held by the SFCF	<u>-</u>	<u>-</u>	<u>698,657</u>	<u>698,657</u>
	<u>\$ -</u>	<u>\$ 3,115,092</u>	<u>\$ 698,657</u>	<u>\$ 3,813,749</u>

#### Assets at Fair Value as of June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates-of-deposit	\$ -	\$ 6,074,424	\$ -	\$ 6,074,424
Interest in assets held by the SFCF	<u>-</u>	<u>-</u>	<u>817,839</u>	<u>817,839</u>
	<u>\$ -</u>	<u>\$ 6,074,424</u>	<u>\$ 817,839</u>	<u>\$ 6,892,263</u>

# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 10 – FAIR VALUE MEASUREMENTS – CONTINUED

#### Fair Value Measurement – Continued

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balances	\$ 817,839	\$ 700,423
Investment (loss) gains	(76,418)	147,844
Distributions and fees	<u>(42,764)</u>	<u>(30,428)</u>
Ending balances	<u>\$ 698,657</u>	<u>\$ 817,839</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.

*Mutual funds:* Fair value determined using the closing price of the traded security at the statement of financial position date.

*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.

### 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 \$44,859 and \$37,133, for the years ended June 30, 2022 and 2021, respectively.



# The Food Depot

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 12 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 17, 2020, The Food Depot entered into a Loan Agreement and Promissory Note (SBA Loan) pursuant to the Paycheck Protection Program (PPP) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. The Food Depot received total loan proceeds of \$312,314. The loan was scheduled to mature on April 1, 2022, carried a 1.00% interest rate, and was subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act.

On January 26, 2021, The Food Depot received formal notice of forgiveness by the lender. The Food Depot has elected to account for this transaction as a conditional contribution, pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, *Financial Statements for Not-For-Profit Organizations – Revenue Recognition*. Accordingly, The Food Depot asserts that loan forgiveness pursuant to the CARES Act and the PPP constitute the condition placed on the funds to be met and therefore, a contribution should be recorded at that time. In 2021, \$312,314 was recognized as a conditional contribution and is included in government awards and contracts in the accompanying statement of activities.

### NOTE 13 – COVID-19 PANDEMIC

At a national and international level, government restrictions on travel and the behavioral changes by the public due to COVID-19 outbreaks across the globe are negatively impacting various industries and the world markets. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and ultimate financial impact of these actions.

### NOTE 14 – FUTURE ACCOUNTING PRONOUNCEMENTS

Effective for its annual financial statements for its fiscal year 2023, 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, 2022

	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture			
Food Distribution Cluster			
Pass-through from New Mexico Human Services Department – The Emergency Food Assistance Program (TEFAP)	10.569	21-630-9000-0051	\$ 3,347,768
Pass-through from New Mexico Human Services Department – The Emergency Food Assistance Program	10.568	21-630-9000-0051	<u>296,811</u>
Total Food Distribution Cluster			3,644,579
Child Nutrition Cluster			
Pass-through from New Mexico Children, Youth and Families Department – Child and Adult Care Food Program	10.558		<u>413,611</u>
Total expenditures of federal awards			<u><u>\$ 4,058,190</u></u>

# The Food Depot

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

### 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, 2022. 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 \$1.92 per pound. At June 30, 2022, The Food Depot has \$759,671 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, 2022, 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 November 16, 2022.

**Report on 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.

## Report on 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

Pulakos CPAs, PC

November 16, 2022

**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**

***Opinion on 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Food Depot and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Food Depot's compliance with the compliance requirements referred to above.

***Responsibility of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Food Depot's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Food Depot's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Food Depot's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on The Food Depot's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Food Depot's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be significant deficiencies.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on The Food Depot's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Food Depot's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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

November 16, 2022

Pulakos CPAs, PC

**The Food Depot**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2022**

**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?

  X   Yes \_\_\_\_\_ 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)*?

  X   Yes \_\_\_\_\_ No

Identification of major programs:

**CFDA Numbers(s)**

**Name of Federal Program or Cluster**

10.569/10.568/10.558

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, 2022

### SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

NONE

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

#### 2022-001: Required Training

**Criteria and Condition:** Local Emergency Feeding Organizations (LEFO) are required to undergo Civil Rights training on an annual basis. These trainings are to be provided by the Regional Emergency Feeding Organization, The Food Depot.

**Context:** Audit procedures identified nine of nineteen LEFOs selected for testing where annual Civil Rights Training was not performed during fiscal year 2022.

**Cause:** Due to staffing turnover at The Food Depot, the Agency Partnerships Coordinator position was vacant for approximately eight months in fiscal year 2022. This position performs the annual trainings. The Food Depot historically has performed the annual Civil Rights trainings in March of every year, when the position was vacant. As a result, many of the trainings did not occur.

**Effect:** Activities for complying with eligibility requirements of some LEFOs did not occur in fiscal year 2022.

**Questioned Costs:** This finding does not result in questioned costs.

**Recommendation:** Procedures should be evaluated to ensure that all applicable eligibility compliance requirements are performed in accordance with the contractual requirements.

**Planned Corrective Action:** Because of staff turnover and a focus on The Food Depot's emergency response to wildfires, TEFAP agencies fell behind in Civil Rights trainings. Brooke Minnich, Agency Partnerships Coordinator, is getting agencies up-to-date on trainings by reaching out directly to those whose trainings have expired and supporting them in completing training in a timely manner. She plans to complete this by the end of the year. In addition, all TEFAP agencies will be required to attend a TEFAP and Civil Rights training with Laura Perea, state TEFAP Manager, in January.

**Anticipated Completion Date:** January 15, 2023

**Responsible Contact Person:** Brooke Minnich

# The Food Depot

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

#### 2022-002: Timely Reporting

**Criteria and Condition:** The Food Depot is required to provide monthly reporting of TEFAP assistance numbers, including households and meals served. These reports are required to be submitted by the 10<sup>th</sup> of the following month.

**Context:** Audit procedures identified one report submitted 44 days after the report due date.

**Cause:** Due to staffing turnover at The Food Depot, the Agency Partnerships Coordinator position was vacant for approximately eight months in fiscal year 2022. This position typically performs the monthly reporting.

**Effect:** A report was filed after the required due date.

**Questioned Costs:** This finding does not result in questioned costs.

**Recommendation:** Procedures should be evaluated to ensure that all applicable reporting compliance requirements are performed in accordance with the contractual requirements.

**Planned Corrective Action:** The Food Depot has hired a full-time Agency Partnerships Coordinator, Brooke Minnich, who is including timely reporting in monthly duties. Two other staff, Billie Secular and Jill Dixon, are cross-trained and able to complete timely reporting in Brooke's absence.

**Anticipated Completion Date:** Completed upon Brooke's hire date of July 11, 2022

**Responsible Contact Person:** Brooke Minnich

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

NONE