



Independent Auditor's Report,
Financial Statements,
and
Single Audit Information

June 30, 2024 and 2023

The Food Depot

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Independent Auditor's Report

Board of Directors
The Food Depot

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Food Depot (TFD, a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 TFD as of June 30, 2024 and 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TFD 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 opinion.

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 TFD's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TFD'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 TFD's ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 27, 2024, on our consideration of TFD'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 TFD's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico
November 27, 2024

Financial Statements

The Food Depot
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,679,805	\$ 1,899,563
Investments	5,638,810	2,281,923
Accounts receivable	28,641	19,662
Contributions and grants receivable	516,880	1,254,026
Inventories	1,842,560	1,669,499
Prepaid expenses	65,448	61,391
Total current assets	<u>9,772,144</u>	<u>7,186,064</u>
Noncurrent assets		
Investment in long-term certificates of deposit	2,704,864	1,473,524
Interest in assets held by Santa Fe Community Foundation	737,255	697,135
Right-of-use lease assets, net	860,886	362,215
Property and equipment, net	5,377,469	5,751,108
Total noncurrent assets	<u>9,680,474</u>	<u>8,283,982</u>
Total assets	<u>\$ 19,452,618</u>	<u>\$ 15,470,046</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 274,740	\$ 186,226
Accrued payroll liabilities	129,407	154,619
Operating lease liabilities, current portion	287,531	151,189
Total current liabilities	691,678	492,034
Noncurrent liabilities		
Operating lease liabilities, net of current portion	585,927	225,174
Total liabilities	<u>1,277,605</u>	<u>717,208</u>
Net assets		
Without donor restrictions		
Board designated for operating reserve	3,888,192	-
Undesignated	13,506,980	14,049,027
Total net assets without donor restrictions	17,395,172	14,049,027
With donor restrictions	779,841	703,811
Total net assets	<u>18,175,013</u>	<u>14,752,838</u>
Total liabilities and net assets	<u>\$ 19,452,618</u>	<u>\$ 15,470,046</u>

The accompanying notes are an integral part of these financial statements.

The Food Depot
Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Donated food commodities - nonfederal	\$ 4,723,023	\$ -	\$ 4,723,023
Donated food commodities - federal	6,032,487	-	6,032,487
Contributions, grants and contracts	7,809,018	755,261	8,564,279
Food acquisition and handling fees	184,914	-	184,914
Government grants and contracts	2,341,930	-	2,341,930
In-kind contributions	388,739	-	388,739
Special events	210,251	-	210,251
Investment income	339,459	77,269	416,728
Loss on disposal of property and equipment	(12,274)	-	(12,274)
Other income	12,341	-	12,341
Net assets released from restrictions	756,500	(756,500)	-
Total support and revenue	<u>22,786,388</u>	<u>76,030</u>	<u>22,862,418</u>
Expenses			
Program services	<u>17,615,281</u>	<u>-</u>	<u>17,615,281</u>
Supporting services			
Management and general	954,520	-	954,520
Fundraising	870,442	-	870,442
Total supporting services	<u>1,824,962</u>	<u>-</u>	<u>1,824,962</u>
Total expenses	<u>19,440,243</u>	<u>-</u>	<u>19,440,243</u>
Change in net assets	3,346,145	76,030	3,422,175
Net assets, beginning of year	<u>14,049,027</u>	<u>703,811</u>	<u>14,752,838</u>
Net assets, end of year	<u><u>\$ 17,395,172</u></u>	<u><u>\$ 779,841</u></u>	<u><u>\$ 18,175,013</u></u>

The accompanying notes are an integral part of these financial statements.

The Food Depot
Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Donated food commodities - nonfederal	\$ 8,406,955	\$ -	\$ 8,406,955
Donated food commodities - federal	2,889,071	-	2,889,071
Contributions, grants and contracts	6,078,357	1,228,167	7,306,524
Food acquisition and handling fees	269,483	-	269,483
Government grants and contracts	3,330,437	-	3,330,437
In-kind contributions	309,616	-	309,616
Kids Kitchen program fees	481,291	-	481,291
Special events	125,663	-	125,663
Investment income	153,944	41,246	195,190
Loss on acquisition of Kids Kitchen	(61,843)	-	(61,843)
Other income	10,546	-	10,546
Net assets released from restrictions	<u>1,308,424</u>	<u>(1,308,424)</u>	<u>-</u>
Total support and revenue	<u>23,301,944</u>	<u>(39,011)</u>	<u>23,262,933</u>
Expenses			
Program services	<u>20,759,519</u>	<u>-</u>	<u>20,759,519</u>
Supporting services			
Management and general	966,982	-	966,982
Fundraising	<u>893,643</u>	<u>-</u>	<u>893,643</u>
Total supporting services	<u>1,860,625</u>	<u>-</u>	<u>1,860,625</u>
Total expenses	<u>22,620,144</u>	<u>-</u>	<u>22,620,144</u>
Change in net assets	681,800	(39,011)	642,789
Net assets, beginning of year	<u>13,367,227</u>	<u>742,822</u>	<u>14,110,049</u>
Net assets, end of year	<u><u>\$ 14,049,027</u></u>	<u><u>\$ 703,811</u></u>	<u><u>\$ 14,752,838</u></u>

The accompanying notes are an integral part of these financial statements.

The Food Depot
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Cost of food distributed	\$ 12,633,129	\$ -	\$ -	\$ 12,633,129
Salaries and wages	1,757,206	475,061	291,963	2,524,230
Vehicles	1,035,770	-	-	1,035,770
Food acquisition costs	639,151	-	-	639,151
Employee benefits	369,963	100,020	61,470	531,453
Depreciation	480,830	35,734	8,933	525,497
Professional services	39,750	168,215	47,497	255,462
Promotional	-	-	233,189	233,189
Warehouse	220,600	-	-	220,600
Payroll taxes	141,153	38,161	23,453	202,767
Occupancy	107,596	7,996	1,999	117,591
Printing and postage	6,066	11,688	84,249	102,003
Special events	-	-	101,801	101,801
Software and communications	57,117	15,442	9,490	82,049
Credit card processing fees	-	61,823	-	61,823
Miscellaneous	49,306	5,799	1,031	56,136
Insurance	46,794	3,478	869	51,141
Board and staff	12,353	26,103	1,425	39,881
Office	18,497	5,000	3,073	26,570
Total expenses	<u>\$ 17,615,281</u>	<u>\$ 954,520</u>	<u>\$ 870,442</u>	<u>\$ 19,440,243</u>

The accompanying notes are an integral part of these financial statements.

The Food Depot
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
Cost of food distributed	\$ 14,975,852	\$ -	\$ -	\$ 14,975,852
Salaries and wages	1,994,978	505,769	309,081	2,809,828
Vehicles	825,015	-	-	825,015
Food acquisition costs	1,410,627	-	-	1,410,627
Employee benefits	391,163	99,168	60,603	550,934
Depreciation	384,650	38,051	9,513	432,214
Professional services	29,606	124,546	32,215	186,367
Promotional	-	-	264,396	264,396
Warehouse	248,833	-	-	248,833
Payroll taxes	155,606	39,450	24,108	219,164
Occupancy	106,573	7,920	1,980	116,473
Printing and postage	10,858	21,749	96,950	129,557
Special events	-	-	76,001	76,001
Software and communications	58,343	14,791	9,039	82,173
Credit card processing fees	-	62,805	-	62,805
Miscellaneous	61,384	5,799	1,031	68,214
Insurance	43,378	3,224	806	47,408
Board and staff	17,755	37,540	4,150	59,445
Office	24,335	6,170	3,770	34,275
Kids Kitchen	20,563	-	-	20,563
Total expenses	<u>\$ 20,759,519</u>	<u>\$ 966,982</u>	<u>\$ 893,643</u>	<u>\$ 22,620,144</u>

The accompanying notes are an integral part of these financial statements.

The Food Depot
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash received from contributions and grants	\$ 11,643,355	\$ 9,960,705
Cash received from food acquisition, handling fees and Kids Kitchen	175,935	763,211
Other cash received	222,592	136,209
Interest and dividends received	301,402	118,585
Cash paid to employees and suppliers	(7,696,204)	(10,223,812)
Cash paid for operating leases	<u>(189,685)</u>	<u>(140,616)</u>
Net cash provided by operating activities	<u>4,457,395</u>	<u>614,282</u>
Cash flows from investing activities		
Proceeds from the maturity of certificates of deposit	3,669,530	2,425,124
Purchases of certificates of deposit	(4,884,541)	(2,762,736)
Proceeds from the sale of investments	-	1,712,683
Purchases of investments	(3,335,159)	(1,980,067)
Distributions received from endowment funds	37,149	42,768
Proceeds from the sale of property and equipment	9,786	97,115
Purchases of property and equipment	<u>(173,918)</u>	<u>(845,185)</u>
Net cash used by investing activities	<u>(4,677,153)</u>	<u>(1,310,298)</u>
Net change in cash and cash equivalents	(219,758)	(696,016)
Cash and cash equivalents, beginning of year	<u>1,899,563</u>	<u>2,595,579</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,679,805</u></u>	<u><u>\$ 1,899,563</u></u>
Noncash investing and financing activities		
Right-of-use assets acquired through operating leases	<u><u>\$ 668,506</u></u>	<u><u>\$ 87,170</u></u>

The accompanying notes are an integral part of these financial statements.

The Food Depot
Statements of Cash Flows – continued
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 3,422,175</u>	<u>\$ 642,789</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	525,497	432,214
Amortization of right-of-use lease assets	169,835	127,354
Loss on disposal of equipment	12,274	61,843
Unrealized gain on investments	(98,997)	(60,276)
Increase in accrued interest of certificates of deposit	(16,329)	(16,329)
Non-cash decrease (increase) in donated inventory	(342,101)	221,674
Changes in assets and liabilities:		
Accounts receivable	(8,979)	12,437
Contributions and grants receivable	737,146	(676,256)
Inventories	169,040	24,184
Prepaid expenses	(4,057)	27,777
Accounts payable	88,514	(22,100)
Accrued liabilities	(25,212)	(29,879)
Operating lease liabilities	<u>(171,411)</u>	<u>(131,150)</u>
Total adjustments	<u>1,035,220</u>	<u>(28,507)</u>
Net cash provided by operating activities	<u><u>\$ 4,457,395</u></u>	<u><u>\$ 614,282</u></u>

The accompanying notes are an integral part of these financial statements.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

1) Organization and Nature of Activities

The Food Depot (TFD) is a New Mexico non-profit corporation established in 1993. TFD distributes food in Northern New Mexico through a network of partner agencies, including emergency food pantries, shelters, youth programs, senior centers, and meal programs, among others. Food donated to TFD 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 TFD. The food received from the NMHSD represents food passed through from the U.S. Department of Agriculture (USDA) for The Emergency Food Assistance Program (TEFAP). TFD'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 TFD.

TFD is an affiliate of Feeding America (a national network of member Food Banks) and is a member of the New Mexico Association of Food Banks (the "Association"). The Association is a five-member collaborative organization whose primary function is to advocate on behalf of those experiencing hunger in every community throughout the State of New Mexico and to serve as an educational resource to local and state governments.

TFD 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 TFD include the following:

- ♦ *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 supports the operation and creation of school-based pantries in public schools across TFD's service area. This creates improved food access to more children and their families, across all age groups, more frequently, with a greater variety of healthy food choices.
- ♦ *Diaper Depot/Infant Supply Initiative* – TFD 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 needs.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

1) Organization and Nature of Activities – continued

- ◆ *Disaster Relief* – TFD provides food and other needed items to disaster victims and relief workers.
- ◆ *Resource Navigation Program* – In 2019, TFD 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.
- ◆ *Delivery Program* – By providing free deliveries to partner agencies in counties such as Colfax, Los Alamos, Mora, Rio Arriba, San Miguel, Taos, and Union, TFD 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* – To reach hungry people in small and remote areas, TFD launched its Mobile Food Pantry program in 2009. The Mobile Food Pantry operates like a bookmobile – food is distributed by TFD 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. TFD 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 TFD’s nine county service area. Communities currently served include Bernal, Ojo Caliente, Vallecitos, El Rito, Santa Cruz, Truchas and Pecos.
- ◆ *The Food Depot Pantry* –TFD Pantry began when TFD had taken over a large-scale drive-thru distribution previously run by Feeding Santa Fe during the start of the COVID-19 pandemic. This distribution became known as TFD Pantry at Siler. In the past year, TFD added two more pantries in Los Alamos and Mora Counties. Los Alamos County transitioned from being a Mobile Food Pantry and Mora County started as a pop-up distribution during the Hermit's Peak/Calf Canyon fire in 2022. TFD Pantry in Los Alamos County is the only one that currently distributes USDA commodities through TEFAP. The entire process for TFD Pantry is handled by TFD staff and volunteers from the community. TFD Pantries are drive-thru distributions that serve over 100 households and are available and advertised to the general public. Each household can expect to receive approximately 60 pounds of food at these distributions.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

1) **Organization and Nature of Activities – continued**

- ♦ *Casita De Comida* – As of December 2022, TFD officially launched Casita De Comida, which is our newest direct service program. This no-cost customer-choice food pantry is located centrally in Española amongst Española Pathways Shelter, Bridge to Health NM, and Goodwill. Together, we are a growing group of social services that work in proximity to improve and consolidate access to much needed goods and services, such as food, personal care items, shelter, clothing, household items, fitness, wellness, and more. Casita De Comida’s mission is simple: provide access to nutritious food and assist in connecting people to additional social services that improve both short and mid-term food security. A central guiding principle to Casita De Comida is to enhance “customer choice” so the program’s grocery shopping experience provides our customers the opportunity to select the items they would like. This serves to ensure people can get the foods that are meaningful to them, and ultimately reduce food waste. Casita De Comida offers customers a variety of fresh fruits and vegetables, protein, dairy, bread, and non-perishable pantry staples. Shoppers also have access to pick up USDA commodities through TEFAP, as well as personal care and hygiene products, diapers, and even children’s books that were generously donated from Global Give a Book. In fiscal year 2024, TFD hopes to increase the number of distributions to a minimum of one per week, as well as the variety of foods available to operate increasingly as a “free grocery store”.

2) **Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements are presented in accordance with the accounting and reporting standards required by FASB ASC 958, *Not for Profit Entities*. FASB ASC 958 requires TFD to report information regarding its financial position and activities according to two classes of net assets:

- ♦ *Net assets without donor restrictions* represent the portion of TFD’s net assets that are not restricted by donor-imposed stipulations and are available for operations at management’s discretion. All contributions made to TFD are received without donor restrictions unless specifically restricted by the donor.
- ♦ *Net assets with donor restrictions* represent resources restricted by donors as to purpose or by the passage of time and resources whose use by TFD is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of TFD. See Note 13 for more information on TFD’s net assets with donor restrictions.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

Use of 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

For purposes of the statements of cash flows, cash on deposit with financial institutions and highly-liquid investments with an initial maturity of three months or less are considered to be cash equivalents. TFD maintains its cash and cash equivalent balances in various financial institutions. These cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Bank balances exceeded the insured limits of the FDIC during the years ended June 30, 2024 and 2023. TFD has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk related to the uninsured cash balances.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses, as well as investment expenses, are reflected within investment income in the statements of activities. Investment income and gains (losses) restricted by donors are reported as increases (decreases) in net assets without donor restrictions unless donor-imposed restrictions have not been met in the reporting period in which the income and gains are recognized. At June 30, 2024 and 2023, all of TFD's investments are invested in fixed income mutual funds.

Investment income consists of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 329,489	\$ 143,756
Realized and unrealized gains	98,997	60,276
Fees and assessments	<u>(11,758)</u>	<u>(8,842)</u>
Total investment income	<u>\$ 416,728</u>	<u>\$ 195,190</u>

Accounts Receivable

Accounts receivable are stated at unpaid balances less an estimate made for credit losses based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for credit losses by identifying past-due accounts and by using historical experience applied to an aging of accounts receivable. TFD charges off uncollectible accounts receivable when it is determined the receivable will not be collected.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

Inventories

Inventories consist of donated food, purchased food, and food received from the USDA through the NMHSD. Purchased food inventories are valued at the lower of cost or market, with cost for purchased food determined using the first-in first-out method. Donated food is valued using the fair value on the date of donation. For the years ended June 30, 2024 and 2023, donated food, including food received from the USDA, was valued at \$1.97 and \$1.93 per pound, respectively, representing fair market value. The fair market value rate was provided by Feeding America pursuant to special agreed-upon procedures that determines the annual valuation of donated products. This value is the approximate wholesale value of one pound of donated product at the national level.

Shipping and Handling Costs

Amounts incurred by TFD for freight are included in food distribution costs in the statements of functional expenses.

Property and Equipment

Property and equipment that are purchased 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 support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, TFD reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. TFD reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Purchased or donated property and equipment that costs in excess of \$1,000 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from five to forty years.

Impairment of Long-Lived Assets

TFD reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

Vacation Leave

Qualified employees are entitled to accumulate vacation leave according to a graduated leave schedule depending on length of service and the employee's hire date. The maximum amount of vacation leave hours that employees may carry at any time is equal to twice the amount of vacation leave hours that the employee will earn during the employment year. Upon termination, employees will be paid for their unused vacation leave hours.

Revenue Recognition

Revenues from other member agencies for food acquisition and handling fees are recognized when the performance obligation of purchasing and delivering food is met. The performance obligation consists of acquiring, handling, and distributing food for member agencies. The fees are used to cover the costs of food transportation, storage, handling, and packing. Program fees generated from the Kids Kitchen are recognized when the performance obligation of providing meals to schools and after school/summer programs is completed.

Contribution revenue is recognized when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions upon which they depend have been met. Contributions received are recorded as net assets with or without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (i.e., when the time or purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as “net assets released from restrictions.”

Grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Donated Services and Materials

Significant contributions of services are recorded if the services create or enhance non-financial assets or require specialized skills. Recognized contributed services are recorded at the fair value of the services on the date of donation. Significant donations of materials are recorded at their fair value on the date of donation. See Note 12 for additional information on TFD's in-kind contributions.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

TFD also has a number of volunteers who donate their time. The value of their time, including fringe benefits, as well as additional community in-kind services, are estimated to be \$452,865 and \$727,043 for the years ended June 30, 2024 and 2023, respectively. In accordance with accounting principles generally accepted in the United States of America, the value of the volunteer and community service time is not recorded in the financial statements.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation method</u>
Salaries and wages	Staffing allocation
Employee benefits	Staffing allocation
Depreciation	Specific identification
Professional services	Specific identification
Payroll taxes	Staffing allocation
Occupancy	Square footage allocation
Printing and postage	Specific identification
Software and communications	Specific identification/staffing allocation
Miscellaneous	Specific identification
Insurance	Square footage allocation
Board and staff	Specific identification
Office	Staffing allocation

Fair Value Measurements

TFD follows accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value measurements define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

The standard describes three levels of inputs that may be used to measure fair value:

- ◆ *Level 1 Inputs* – unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- ◆ *Level 2 Inputs* – include:
 - Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- ◆ *Level 3 Inputs* – unobservable inputs which reflect the organization's own assumptions about the assumptions market participants would use in pricing the asset or liability.

TFD's investments and its interest in assets held by the Santa Fe Community Foundation are measured at fair value on a recurring basis and are, therefore, subject to fair value measurement disclosures. For the years ended June 30, 2024 and 2023, the application of valuation techniques has been consistent with previous years.

Income Taxes

TFD is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not considered a private foundation. Accordingly, no provision for income taxes has been included in TFD's financial statements.

TFD has adopted FASB Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. TFD has not recognized any changes to its financial statements for uncertain tax positions resulting from this adoption. TFD's tax returns for the year ended June 30, 2021, and thereafter are subject to audit by various taxing authorities.

Subsequent Events

Generally accepted accounting principles state that the financial statements should include the effects of all subsequent events that provide additional information about conditions in existence as of the balance sheet date. TFD management has evaluated subsequent events for possible adjustment or disclosure through November 27, 2024, the date the financial statements were available to be issued.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

3) Liquidity and Availability

The following reflects TFD's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date.

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 1,679,805	\$ 1,899,563
Investments	5,638,810	2,281,923
Accounts receivable	28,641	19,662
Contributions and grants receivable	516,880	1,254,026
Investments in long-term certificates of deposit	2,704,864	1,473,524
Interest in assets held by Santa Fe Community Foundation	<u>737,255</u>	<u>697,135</u>
Total financial assets, at year-end	11,306,255	7,625,833
Less amounts unavailable for general expenditures within one year, due to certificates of deposits maturing in more than one year.	(2,704,864)	(1,473,524)
Less amounts unavailable for general expenditures due to endowment spending policy	<u>(737,255)</u>	<u>(697,135)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,864,136</u>	<u>\$ 5,455,174</u>

TFD manages its liquidity needs through its approved Operating Reserve Fund policy. The minimum amount to be designated as operating reserve funds will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months, and to comply with mandates listed in any contracts entered into by TFD. The target minimum operating reserve fund is equal to three months of average operating costs. At June 30, 2024, the Board of Director's has designated net assets of \$3,888,192 as the operating reserve.

4) Interest in Assets Held by Santa Fe Community Foundation

The assets of TFD's endowment consist of funds held at the Santa Fe Community Foundation (SFCF). These assets are to be used for the benefit of TFD 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 TFD's programs and operations.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

4) Interest in Assets Held by Santa Fe Community Foundation – continued

The assets held by SFCF will be returned to TFD if the SFCF ceases to be a charitable organization. Annual distributions can be made pursuant to current SFCF policies. Current policy states that annual distributions will be based on 5% of the average restricted account balance. Upon written request by the Board of Directors of TFD and approval of the Board of Directors of the SFCF, additional distributions in excess of the SFCF's annual distribution policy may be requested under extraordinary circumstances, such as financial deficits, capital needs, or other emergencies. Distributions from the endowment fund were \$37,149 and \$42,768 for the years ended June 30, 2024 and 2023, respectively.

The composition of TFD's endowment fund net assets is as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Initial deposit to establish the endowment	\$ 10,250	\$ 10,250
Additional contributions to the endowment since inception, to be held in perpetuity	610,642	610,642
Undistributed investment earnings, subject to endowment spending policy	<u>116,363</u>	<u>76,243</u>
Interest in assets held by Santa Fe Community Foundation, end of year	<u>\$ 737,255</u>	<u>\$ 697,135</u>

Changes in endowment fund net assets are as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest in assets held by Santa Fe Community Foundation, beginning of year	\$ 697,135	\$ 698,657
Addition: Realized and unrealized gains	77,269	41,246
Withdrawal: Distributions	<u>(37,149)</u>	<u>(42,768)</u>
Interest in assets held by Santa Fe Community Foundation, end of year	<u>\$ 737,255</u>	<u>\$ 697,135</u>

SFCF has also established another fund for the benefit of TFD. This is a non-endowed Designated Fund. SFCF holds and administers all property contributed to the Designated Fund. The Designated Fund is the property of SFCF, and SFCF has the ultimate authority, control, and variance power of all property of the Designated Fund and the income derived from it. Distributions from the Designated Fund will be used for the general benefit of TFD. At June 30, 2024 and 2023, the fair market value of the Designated Fund was \$108,927 and \$104,207, respectively.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

5) Fair Value Measurements

TFD's investments are measured at fair value on a recurring basis as of June 30, 2024 and 2023, using the following valuation inputs:

<u>June 30, 2024</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment funds held by others:				
Santa Fe Community Foundation	\$ 737,255	\$ -	\$ 737,255	\$ -
Investments held by The Food Depot:				
Fixed income mutual funds	<u>5,638,810</u>	<u>5,638,810</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 6,376,065</u>	<u>\$ 5,638,810</u>	<u>\$ 737,255</u>	<u>\$ -</u>
<u>June 30, 2023</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment funds held by others:				
Santa Fe Community Foundation	\$ 697,135	\$ -	\$ 697,135	\$ -
Investments held by The Food Depot:				
Fixed income mutual funds	<u>2,281,923</u>	<u>2,281,923</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,979,058</u>	<u>\$ 2,281,923</u>	<u>\$ 697,135</u>	<u>\$ -</u>

6) Inventories

Inventories consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Donated food commodities - nonfederal	\$ 301,469	\$ 466,077
Donated food commodities - federal	1,180,767	674,058
Purchased inventory	344,799	512,604
Other	<u>15,525</u>	<u>16,760</u>
Total inventories	<u>\$ 1,842,560</u>	<u>\$ 1,669,499</u>

7) Right-of-Use Lease Assets, Net

Right-of-use lease assets, net, consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Vehicles	\$ 1,374,055	\$ 705,549
Building space	67,940	67,940
Office equipment	37,046	37,046
Less: Accumulated amortization	<u>(618,155)</u>	<u>(448,320)</u>
Total right-of-use lease assets, net	<u>\$ 860,886</u>	<u>\$ 362,215</u>

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

7) Right-of-Use Lease Assets, Net – continued

Amortization of the right-to-use lease assets totaled \$169,835 and \$127,354 for the years ended June 30, 2024 and 2023, respectively, which is reported as a portion of vehicles expense in the statements of functional expenses.

8) **Property and Equipment, Net**

Property and equipment, net, consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 5,860,784	\$ 5,855,386
Vehicles	821,525	767,523
Warehouse equipment	1,635,299	1,315,866
Office equipment	17,288	274,906
Less: Accumulated depreciation	<u>(2,957,427)</u>	<u>(2,462,573)</u>
Total property and equipment, net	<u>\$ 5,377,469</u>	<u>\$ 5,751,108</u>

Depreciation totaled \$525,497 and \$432,214 for the years ended June 30, 2024 and 2023, respectively, which is reported as depreciation expense in the statements of functional expenses.

9) **Operating Leases**

TFD has recognized the right-of-use assets and related lease liabilities based on the present value of the minimum lease payments for its leases. To establish the initial lease liabilities, the leases were reported with a total future commitment, discounted for present value. TFD has elected to use the risk-free rate (1-year Treasury bill rate) as its discount rate for each lease. Operating leases consist of the following at June 30, 2024:

- ◆ TFD entered into a vehicle lease for a truck commencing on June 25, 2018. Monthly lease payments are due through June 2025. Variable lease expenses are also incurred on this lease, which represent mileage and other performance or output charges. TFD measures the operating lease liability at June 30, 2024 and 2023 of \$26,699 and \$51,440, respectively, by calculating the present value of the future lease payments using a discount rate of 2.27%.
- ◆ TFD entered into a vehicle lease for two trucks commencing on June 4, 2018. Monthly lease payments are due through June 2025. Variable lease expenses are also incurred on this lease, which represent mileage and other performance or output charges. TFD measures the operating lease liability at June 30, 2024 and 2023 of \$52,257 and \$100,709, respectively, by calculating the present value of the future lease payments using a discount rate of 2.22%.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

9) Operating Leases – continued

- ◆ TFD entered into a vehicle lease for a truck commencing on July 17, 2019. Monthly lease payments are due through July 2025. Variable lease expenses are also incurred on this lease, which represent mileage and other performance or output charges. TFD measures the operating lease liability at June 30, 2024 and 2023 of \$23,248 and \$43,151, respectively, by calculating the present value of the future lease payments using a discount rate of 1.89%.
- ◆ TFD entered into a vehicle lease for a truck commencing on March 1, 2022. Monthly lease payments are due through February 2027. Variable lease expenses are also incurred on this lease, which represent mileage and other performance or output charges. TFD measures the operating lease liability at June 30, 2024 and 2023 of \$69,532 and \$93,247, respectively, by calculating the present value of the future lease payments using a discount rate of 1.89%.
- ◆ TFD entered into an office space lease commencing on October 1, 2022. Monthly lease payments are due through October 2026. TFD measures the operating lease liability at June 30, 2024 and 2023 of \$41,888 and \$57,860, respectively, by calculating the present value of the future lease payments using a discount rate of 3.87%.
- ◆ TFD entered into six equipment leases for copiers and a postage machine. Each lease is for a five-year term with monthly payments due on each lease terminating September 2026 through March 2028. TFD measures the operating lease liability of these leases at June 30, 2024 and 2023 of \$22,816 and \$29,956, respectively, by calculating the present value of the future lease payments using discount rates ranging from 0.07% to 4.93%.
- ◆ TFD entered into a vehicle lease for a truck commencing on February 9, 2024. Monthly lease payments are due through January 2031. Variable lease expenses are also incurred on this lease, which represent mileage and other performance or output charges. TFD measures the operating lease liability at June 30, 2024 of \$276,222 by calculating the present value of the future lease payments using a discount rate of 4.63%.
- ◆ TFD entered into a vehicle lease for a truck commencing on February 14, 2024. Monthly lease payments are due through January 2029. Variable lease expenses are also incurred on this lease, which represent mileage and other performance or output charges. TFD measures the operating lease liability at June 30, 2024 of \$172,465 by calculating the present value of the future lease payments using a discount rate of 4.72%.
- ◆ TFD entered into a vehicle lease for a truck commencing on May 2, 2024. Monthly lease payments are due through April 2029. Variable lease expenses are also incurred on this lease, which represent mileage and other performance or output charges. TFD measures the operating lease liability at June 30, 2024 of \$188,331 by calculating the present value of the future lease payments using a discount rate of 4.92%.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

9) Operating Leases – continued

The total minimum rental commitments as of June 30, 2024, under TFD’s operating leases, excluding variable lease expenses, are as follows:

<i>Year Ended June 30,</i>		
2025	\$	287,531
2026		188,759
2027		164,262
2028		136,056
2029		111,093
Thereafter		<u>78,087</u>
		965,788
Less: Present value of future cash flows		<u>(92,330)</u>
	\$	<u><u>873,458</u></u>

During the years ended June 30, 2024 and 2023, interest expense on the lease liabilities totaled \$18,274 and \$9,466, respectively, which is reported as a portion of miscellaneous expenses in the statements of functional expenses. Additionally, TFD incurred variable lease expenses of \$214,001 and \$208,346 for the years ended June 30, 2024 and 2023, respectively, which is reported as a portion of vehicles expense in the statements of functional expenses.

10) **Land Lease – City of Santa Fe**

Effective August 1, 2016, TFD 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 renewal terms. The annual rent, determined by appraisal, is \$34,943, to be adjusted every five years, and is considered paid by providing services within the City of Santa Fe. Services include collecting food and related products and distributing collections to feed those experiencing hunger. TFD is required to submit an Annual Service Value Statement to the City of Santa Fe to document the monetary value of services provided during the prior lease year in relation to annual rent obligation. TFD expects to annually provide services in an amount more than the annual rent due, and therefore, does not expect to pay any cash consideration for this lease of land. See Note 13 for additional information on in-kind contributions of TFD for the years ended June 30, 2024 and 2023.

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

11) Vehicle and Equipment Lease – Santa Fe County

Santa Fe County (the “County”) has received a food insecurity grant through the State of New Mexico. The County identified that TFD could provide services under this grant and entered into a vehicles and equipment lease and services agreement with TFD to provide these services. The initial term of the lease is for a four-year term. Under this agreement, the County will lease certain vehicles and equipment to TFD, which shall be considered paid by providing services within Santa Fe County. The annual lease payments due under this agreement, based on fair market value, is \$293,356. TFD expects to annually provide services in an amount more than the annual lease payments, and therefore, does not expect to pay any cash consideration under this lease. See Note 13 for additional information on in-kind contributions of TFD for the years ended June 30, 2024 and 2023.

12) In-Kind Contributions

TFD received the following in-kind contributions for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Land lease - City of Santa Fe	\$ 34,943	\$ 34,943
Equipment and vehicle lease - Santa Fe County	293,356	171,124
Other	<u>60,440</u>	<u>103,549</u>
Total in-kind contributions	<u>\$ 388,739</u>	<u>\$ 309,616</u>

All donated land, equipment, vehicles, services and materials were utilized by TFD’s programs and supporting services. Donated land use is valued at fair value as described in Note 10. Donated equipment and vehicles are valued at fair value as described in Note 11. Donated goods are valued at the wholesale prices that would be received for selling similar products.

13) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Endowment funds	\$ 737,255	\$ 697,135
Food 4 Kids	33,491	-
Pallet racking	9,095	-
Transportation of food (Questa)	-	5,736
Solar	<u>-</u>	<u>940</u>
Total net assets with donor restrictions	<u>\$ 779,841</u>	<u>\$ 703,811</u>

The Food Depot
Notes to the Financial Statements
June 30, 2024 and 2023

13) Net Assets With Donor Restrictions – continued

Net assets released from restrictions consist of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Food 4 Kids	\$ 404,532	\$ 235,697
Casita de Comida	119,017	45,000
Food 4 Pets	42,391	23,723
Pallet racking	40,905	-
Endowment fund distributions and fees	37,149	42,768
Infant supply program	33,362	123,069
Food Mobile	32,461	182,463
Mobile Food Pantry	26,621	110,545
Food relief	10,102	-
Transportation of food (Questa)	5,736	4,264
Disaster relief	3,233	114,502
Solar	940	310
Food for Mora County	51	25,000
Kids Kitchen	-	364,430
Native American communities	-	17,000
Agency Relations Council	-	9,383
DEI training	-	5,000
Transportation of food (rural communities)	-	5,000
News advertisements	-	270
Net assets released from restrictions	<u>\$ 756,500</u>	<u>\$ 1,308,424</u>

14) **Retirement Plan**

TFD maintains a Simple IRA for eligible employees. TFD matches employee contributions to the retirement account up of 3% of eligible compensation. Retirement plan expense for amounts contributed by TFD was \$61,914 and \$63,020, for the years ended June 30, 2024 and 2023, respectively.

Single Audit Information

The Food Depot
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor / Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor or Other Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
<i>Passed through the New Mexico State University</i>				
COVID-19 Farm to Food Bank - Local Food Purchase Assistance Cooperative Agreement (ARPA)	10.182	Q02390	\$ 23,973	\$ 23,973
<i>Passed through the New Mexico Early Childhood Education and Care Department (ECECD)</i>				
Child and Adult Care Food Program (CACFP)	10.558	206NM326N1099	-	119,693
<i>Passed through the New Mexico Human Services Department</i>				
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568	21-630-9000-0051	-	137,318
Emergency Food Assistance Program (Conversion)	10.568	21-630-9000-0051	-	151,713
Emergency Food Assistance Program (CCC)	10.568	21-630-9000-0051	-	50,433
Emergency Food Assistance Program (Research and Resiliency)	10.568	21-630-9000-0051	-	151,057
Emergency Food Assistance Program (Food Commodities)	10.569	21-630-9000-0051	5,507,392	5,507,392
Total Food Distribution Cluster			5,507,392	5,997,913
Total U.S. Department of Agriculture			5,531,365	6,141,579
U.S. Department of Health and Human Services				
<i>Passed through Presbyterian Healthcare Services</i>				
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	NU58DP007386	-	50,263
Total U.S. Department of Health and Human Services			-	50,263
Total expenditures of federal awards			\$ 5,531,365	\$ 6,191,842

The accompanying notes are an integral part of this schedule.

The Food Depot
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of The Food Depot (TFD) under programs of the federal government for the year ended June 30, 2024. Because the Schedule presents only a selected portion of the operations of TFD, it is not intended to and does not present the financial position, changes in net assets, or cash flows of TFD.

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 principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3) Indirect Cost Rate

TFD has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4) Non-Cash Assistance

Non-cash assistance recorded in the Schedule consists of food commodities donated by the USDA (The Emergency Food Assistance Program, or TEFAP, ALN 10.569) and passed through the New Mexico Human Services Department to TFD. The donated food commodities are valued at the estimated fair value of \$1.97 per pound (as valued by Feeding America). TFD’s accounting policy for donated inventories is more fully described in Note 2 to the financial statements and follows accounting principles generally accepted in the United States of America. Food commodities reported in the Schedule are further passed through from TFD to subrecipients (emergency food pantries, group homes, low-income day care centers, shelters, and soup kitchens).

Donated food commodities inventory at June 30, 2024 is reported in the financial statements (Note 6) at \$1,180,767 using an estimated fair value of \$1.97 per pound.

The Food Depot
Notes to the Schedule of Expenditures of Federal Awards – continued
For the Year Ended June 30, 2024

5) Reconciliation of the Schedule to the Financial Statements

The following is a reconciliation of the expenditures reported in the Schedule to the federal and state grants revenue and federal donated food commodities reported in the financial statements:

Donated food commodities - TEFAP	\$ 5,507,392
Other federal grant expenditures	<u>684,450</u>
Total expenditures of federal awards	6,191,842
Other nonfederal grant expenditures	1,657,480
Other adjustments for donated food commodities	18,386
Increase in donated food commodities inventory	<u>506,709</u>
Total federal and state grant revenues and federal donated food commodities reported in the financial statements	<u><u>\$ 8,374,417</u></u>



Independent Auditor's 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Food Depot (TFD, a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 27, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TFD'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TFD's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TFD's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico
November 27, 2024



Independent Auditor's Report on Compliance for the Major Program and On Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
The Food Depot

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited The Food Depot's (TFD) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on TFD's major federal program for the year ended June 30, 2024. TFD's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, TFD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of TFD 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 the major federal program. Our audit does not provide a legal determination of TFD's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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Auditor's 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 TFD'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 generally accepted auditing standards, *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 TFD's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 TFD'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 TFD'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 TFD's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

SJT Group LLC

Albuquerque, New Mexico
November 27, 2024

The Food Depot
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for the major program:	Unmodified
Internal control over the major program:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Identification of the major program:	
<u>Assistance Listing Number</u> 10.568/10.569	<u>Name of Federal Program or Cluster</u> Food Distribution Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

The Food Depot
Schedule of Findings and Questioned Costs – continued
For the Year Ended June 30, 2024

Section II — Financial Statement Findings

None.

Section III — Federal Award Findings and Questioned Costs

None.