

ASSOCIATION
OF ARIZONA
FOOD BANKS

**Annual Report of Activities for
Fiscal year 2015-2016**

Summary

Throughout FY 2015-2016, AAFB continued to serve those most in need throughout the state. To understand how effectively we contributed and fulfilled our mission, we reviewed several key areas of our organization.

- **Advocacy** – We heavily focused our time and effort on advocating for the policy priorities that matter most. This included various initiatives such as work to secure the safety net at the state and federal level and partnering with various organizations to address key concerns such as SNAP changes for Able-Bodied Adults Without Dependents (ABAWD).
- **Childhood Hunger** - AAFB conducted outreach to districts and schools statewide, directed to help students that struggle with food insecurity. We created partnerships with many organizations and schools to help Arizona take full advantage of programs that ensure children get proper nutrition through school breakfast, lunch, and summer programs.
- **Member Services** – AAFB and the Logistics Task Force supported our mission to deliver food by coordinating, organizing and transporting more than 28 million pounds of food. To ensure we maximize effectiveness, we assessed our transportation, purchasing, and technical assistance.
- In addition to our core programs, we also looked at other activities that benefit our members such as coordination, our annual conference, our hunger hotline and communication efforts.



AAFB and our members continue to excel as a collaborative unit, allowing at-risk Arizonans to benefit. We are excited about the progress we have made to support our food banks in feeding their clients and taking deliberate steps to eliminate hunger in Arizona.

None of this work would be possible without the generous support of individuals, corporations and foundations across Arizona. On behalf of those AAFB serves, thank you for your kindness.

Advocacy

Protecting programs and fighting for the hungry

A key role of AAFB is advocating for policies that support hungry Arizonans. Legislation in 2015-2016 that would not only support effective food bank operations, but also provide avenues for vulnerable populations to be less reliant on our services through secured access to federal nutrition programs.

Legislative Priorities in 2015-16

- **Protecting Categorical Eligibility:** We defeated legislation that would have eliminated categorical eligibility within SNAP (Supplemental Nutrition Assistance Program). Categorical eligibility exists to save administrative time and dollars when making eligibility determinations and streamlines the process for families to access critical benefits.
- **Stopping Photo EBT Cards:** We were able to stop a bill that would have required a photo on SNAP/ EBT cards. The use of photo EBT cards is suggested to reduce fraud in the system, but such a proposal would only have burdened families who are legitimately entitled to benefits without making the program any more secure.
- **Restoring TANF Time Limits:** During the 14-15 legislative session, Arizona instituted a 12-month lifetime limit on TANF cash assistance benefits. AAFB and our allies are continuing to work to restore the limit to 24 months so the 1,600 families who lost access can receive these benefits.
- **Eliminating SNAP Finger Imaging:** AAFB also fought finger imaging, a requirement of SNAP and TANF applications. Arizona is the only state in the nation that requires it. Last year, only 7 cases were referred for investigation out of more than 4.4 million recipients.
- **Child Nutrition Act Re-Authorization (CNR):** Our focus in CNR was to encourage streamlining paperwork and create a summer program for children without access to summer feeding sites.

In addition to our direct advocacy work, our partnerships and participation in several coalitions ensured we have the proper relationships to advocate for critical policies on behalf of our members and their clients. AAFB represents food banks and our network in public policy coalitions, including:

- Vitalyst Health Foundation's public policy committee is focused on improving Medicaid and health systems. This includes access to SNAP benefits through Health-e-Arizona Plus.
- The Arizona Faith Network is interested in bringing together faith leaders and their congregations to become more vocal advocates for the poor.
- The Alliance for Arizona Nonprofits is focused on improving the business climate for all nonprofits and promoting legislation to improve the lives of the populations we serve.

AAFB also partners with other social service organizations in the community to improve our messaging around the safety net. These partnerships include the Arizona Community Action Association, Protecting Arizona's Family Coalition and the Basic Needs Coalition of PAFCO, Maricopa Integrated Health Systems, Maricopa County Food Systems Coalition, AZ Rotary Chapters, the Foundation for Senior Living, Children's Action Alliance, the Arizona Justice Alliance and Valley of the Sun United Way.

Childhood Hunger

Working to feed more kids

In FY 2015-2016, AAFB's children and youth outreach team worked with community partners—such as the Arizona Department of Education, Valley of the Sun United Way, and No Kid Hungry-Share Our Strength—to promote greater access to school meals and summer feeding programs, and encourage greater participation in federal child nutrition programs.



Summer Feeding

The AAFB team collaborated with community partners to promote the 2016 Summer Food Service Program (SFSP), analyze statewide and countywide SFSP program data to understand participation trends and identify service gaps, and found potential new sites where expansion opportunities exist. AAFB also engaged the Morrison Institute at Arizona State University to conduct a study to support in identifying root causes for sponsor or site decline. This study will to support AAFB form strategies to increase SFSP participation for summer 2017.

Community Eligibility Provision (CEP)

AAFB worked with the Arizona Department of Education (ADE) to expand adoption of CEP in Arizona. CEP allows schools to provide free breakfast and lunch to all children without the burden of collecting individual applications. Our focus was to educate schools and school districts about CEP and encourage them to apply. AAFB targeted very low income schools to ensure we reached the schools with the highest need.

AAFB sent personalized letters to more than one hundred school officials to encourage implementation of CEP. We directly contacted officials from 88 schools and districts. As of September 2016, ADE reported that 38 organizations adopted CEP in the 2016-2017 school year; our staff contacted 25 of these directly.

School Breakfast Program and Alternative Breakfast Models

In addition to CEP outreach that has proven success in increasing breakfast participation, we continued to promote school breakfast expansion. We collaborated with organizations through the Arizona School Breakfast (ASB) Coalition, Food and Research Action Center, Share our Strength and more to promote school breakfast. Throughout the year we worked one-on-one with schools interested in increasing participation to find the model that worked right for them and their students.

Member Services

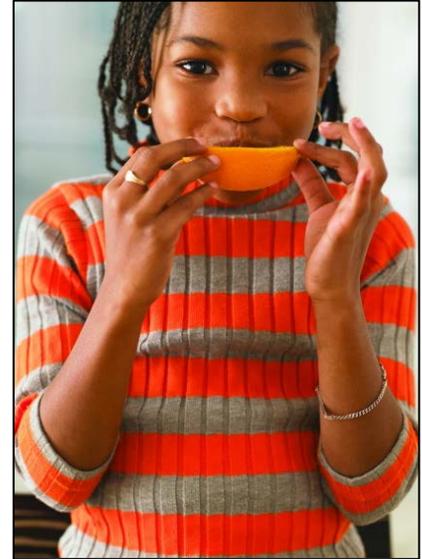
More food, healthier options

Transportation

In FY 2015-2016 the AAFB Logistics Task Force distributed 28,194,972 pounds of food. AAFB's two drivers transported 826 total loads (613 loads containing product and 213 empty loads) at an average cost of \$316.34 per load, with a total transportation cost of total transportation cost of \$328,677.

Food Purchases

In FY 2015-2016, AAFB supported purchasing food for our members through several programs resulting in a total benefit of \$244,599.38 and 1,657,808 pounds.



Purchases are conducted to ensure we have produce available to clients year round as well as supporting some protein purchase for holiday season. In addition, AAFB maintains a partnership with The Church of Jesus Christ of Latter-day Saints to provide food banks with applesauce, spaghetti sauce and pinto beans. AAFB purchases supplies for the sauces while the ingredients and staff are donated by LDS.

General Support

AAFB also supported our food bank network by providing technical assistance and capacity building. This included activities such as support in writing and reviewing policies/procedures, developing inventory tracking processes, and providing resources for various regulations and processes. This support was provided to both member food banks as well as agency partners as needed throughout the year.

Annual Conference

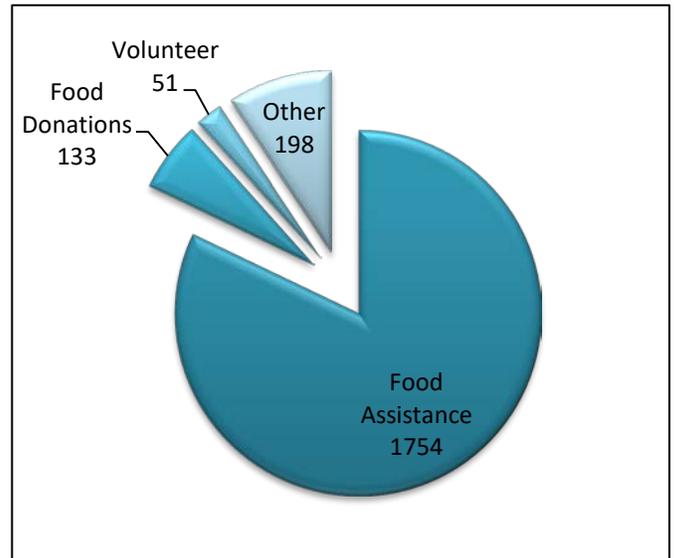
On May 20, 2016, more than 150 food bankers, advocates and faith leaders convened at St. Patrick Catholic Community in Scottsdale, Arizona for our annual food bank conference. Workshops were presented that gave attendees tools and knowledge in order to increase advocacy activity, further food bank operations best practices and increase overall collaboration. This year we were fortunate to have keynote speaker Dr. Hilary Seligman discuss the interconnectedness of health and food insecurity. Workshop topics of the conference included items such as The Produce Supply Chain, Fundraising 101, Community Gardens, and Advocacy 101.

Hunger Hotline

Directing people in need to Arizona Food Banks

In 2015-2016 AAFB received 2,136 phone calls to our Hunger Hotline. The calls vary from people who need food assistance to those who want to donate food or volunteer. When a client calls in need of food, we give them detailed information about food banks that serve their area, resources for SNAP and other government programs as well as general resources available through 211. On average, we recommended 2.63 agencies to each caller, and there were 2.32 individuals in each household.

As part of this hotline service, AAFB also maintains and annually updates our online directory. This allows clients with internet access to easily find which food banks serve their area, along with detailed hours of operation and contact information.



Thank You

The following pages detail information from our financial statements and audit. It's important to us at AAFB that we earn and keep your trust in our organization.

Your gifts, no matter the size, make a difference in the fight to end hunger in our state. Thank you for your steadfast support for people at-risk of hunger.

Association of Arizona Food Banks, Inc.

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)**

AS OF JUNE 30, 2016

AND

FOR THE YEAR THEN ENDED

Joel D. Huber, CPA, P.C.

Certified Public Accountant

3048 East Baseline Road, Suite 116
Mesa, Arizona 85204
PHONE: (480) 503-9200
FAX: (866) 680-5863

Member of the American
Institute of Certified Public
Accountants

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Association of Arizona Food Banks, Inc.
Phoenix, Arizona

Report on the Financial Statements

I have audited the accompanying statement of financial position of Association of Arizona Food Banks, Inc. (an Arizona nonprofit corporation) as of June 30, 2016, and the related statements of activities, and cash flows for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Association of Arizona Food Banks, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

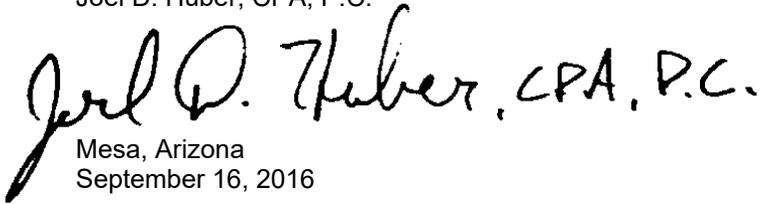
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Association of Arizona Food Banks, Inc., as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *United States Government Auditing Standards*, I have also issued a report dated June 30, 2016, on my consideration of Association of Arizona Food Banks, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *United States Government Auditing Standards* and should be considered in assessing the results of my audit.

Joel D. Huber, CPA, P.C.



Joel D. Huber, CPA, P.C.
Mesa, Arizona
September 16, 2016

Joel D. Huber, CPA, P.C.
Certified Public Accountant

ASSOCIATION OF ARIZONA FOOD BANKS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016
(with comparative totals as of June 30, 2015)

	2016	2015
ASSETS		
Current assets		
Cash and equivalents	\$ 2,505,845	\$ 2,186,780
Grants and accounts receivable	256,058	184,371
Contributions receivable	-	25,000
Prepaid expenses and other assets	48,755	23,933
Total current assets	2,810,658	2,420,084
Property and equipment, net	2,417	4,124
 TOTAL ASSETS	 \$ 2,813,075	 \$ 2,424,208
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 98,445	\$ 44,397
Accrued payroll and other accrued expenses	25,806	24,306
Total current liabilities	124,251	68,703
Noncurrent liabilities	-	-
Total liabilities	124,251	68,703
 Net Assets		
Unrestricted, undesignated	2,226,358	1,998,039
Unrestricted, designated	173,318	173,318
Total unrestricted net assets	2,399,676	2,171,357
Temporarily restricted	289,148	184,148
Total net assets	2,688,824	2,355,505
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,813,075	 \$ 2,424,208

See accompanying notes to the financial statements.

ASSOCIATION OF ARIZONA FOOD BANKS, INC.
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUES				
Contributions	\$ 1,131,234	\$ 105,000	\$ 1,236,234	\$ 952,993
Governmental and other agency grants	398,727	-	398,727	365,092
Fee for service	278,811	-	278,811	353,293
Membership	55,601	-	55,601	55,601
Interest	1,457	-	1,457	2,427
Other	16,220	-	16,220	42,302
Net assets released from restriction	-	-	-	-
TOTAL SUPPORT AND REVENUES	<u>1,882,050</u>	<u>105,000</u>	<u>1,987,050</u>	<u>1,771,708</u>
EXPENSES				
Program services:	<u>1,376,026</u>	-	<u>1,376,026</u>	<u>1,254,237</u>
Supporting services				
Management and general	150,204	-	150,204	132,098
Fundraising	<u>127,501</u>	-	<u>127,501</u>	<u>173,356</u>
Total supporting services	<u>277,705</u>	-	<u>277,705</u>	<u>305,454</u>
TOTAL EXPENSES	<u>1,653,731</u>	-	<u>1,653,731</u>	<u>1,559,691</u>
CHANGE IN NET ASSETS	228,319	105,000	333,319	212,017
NET ASSETS, BEGINNING OF YEAR	<u>2,171,357</u>	<u>184,148</u>	<u>2,355,505</u>	<u>2,143,488</u>
NET ASSETS, END OF YEAR	<u>\$ 2,399,676</u>	<u>\$ 289,148</u>	<u>\$ 2,688,824</u>	<u>\$ 2,355,505</u>

See accompanying notes to the financial statements.

ASSOCIATION OF ARIZONA FOOD BANKS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Totals</u>	
	<u>Food Bank Coordination</u>	<u>Children's Programs</u>	<u>Gleaning</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016</u>	<u>2015</u>
	Salaries and wages	\$ 136,016	\$ 56,882	\$ 84,796	\$ 277,694	\$ 62,740	\$ 59,716	\$ 400,150
Taxes and employee related expenses	37,052	14,047	19,422	70,521	11,648	11,322	93,491	91,132
Food, freight and related costs	3,200	-	508,005	511,205	-	-	511,205	534,676
Professional fees and outside services	17,796	23,227	281,233	322,256	33,754	3,214	359,224	325,133
Agency Capacity Building expenses	88,870	-	-	88,870	-	-	88,870	-
Materials and supplies	7,392	679	1,241	9,312	19,891	46,292	75,495	75,868
Equipment, rental and repair	281	133	48,137	48,551	197	98	48,846	48,963
Operating services	8,371	2,327	8,053	18,751	14,899	3,064	36,714	36,225
Occupancy	7,586	4,944	6,003	18,533	6,490	3,795	28,818	28,817
Travel	5,729	1,371	1,526	8,626	585	-	9,211	7,878
Depreciation	1,707	-	-	1,707	-	-	1,707	1,707
Total expenses	\$ 314,000	\$ 103,610	\$ 958,416	\$ 1,376,026	\$ 150,204	\$ 127,501	\$ 1,653,731	\$ 1,559,691

See accompanying notes to the financial statements.

ASSOCIATION OF ARIZONA FOOD BANKS, INC.
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 333,319	\$ 212,017
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,707	1,707
Loss on fixed asset disposal	-	-
Changes in operating assets and liabilities:		
Grants and accounts receivable	(71,687)	(6,634)
Contributions receivable	25,000	-
Prepaid expenses and other assets	(24,822)	(15,163)
Accounts payable	54,067	15,362
Accrued payroll and other accrued expenses	1,500	8,989
	<u>319,084</u>	<u>216,278</u>
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment received on short-term notes receivable	-	-
Purchases of fixed assets	(19)	-
	<u>(19)</u>	<u>-</u>
Net cash provided (used) by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	319,065	216,278
CASH, BEGINNING OF YEAR	<u>2,186,780</u>	<u>1,970,502</u>
CASH, END OF YEAR	<u>\$ 2,505,845</u>	<u>\$ 2,186,780</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

No additional supplemental cash flow information.

See accompanying notes to the financial statements.

ASSOCIATION OF ARIZONA FOOD BANKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(with summarized comparative totals as of June 30, 2015)

NOTE 7 – DESIGNATED NET ASSETS

Designated net assets at June 30, 2016 and 2015, consist of unrestricted net assets that have been designated by the executive committee of the board of directors to be used for the following purposes:

	<u>2016</u>	<u>2015</u>
Other	\$ 173,318	\$ 173,318
Total	<u>\$ 173,318</u>	<u>\$ 173,318</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Purpose restrictions:	<u>2016</u>	<u>2015</u>
Disaster	\$ 21,497	\$ 21,497
Hildebrand Fund	3,874	3,874
Food Research Action Committee	15,483	15,483
McMiles Foundation	30,000	30,000
Western Refining fuel cards	18,604	18,604
Share Our Strength	39,690	39,690
Hunger Free Communities	-	-
Time restrictions:		
Contribution receivable	160,000	55,000
	<u>\$ 289,148</u>	<u>\$ 184,148</u>

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events thru September 16, 2016, the date the financial statements were prepared. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 10 – EMPLOYEE BENEFIT PLANS

AAFB has a simplified employee pension plan (SEP) for all employees who meet specified service requirements. Under the provisions of the plan, contributions of 3% of each participating employee's salary are made to individual retirement account held in the employee's name. AAFB made contributions to the plan in the amounts of \$12,534 and \$11,310 for the years ended June 30, 2016 and 2015, respectively.

Joel D. Huber, CPA, P.C.

Certified Public Accountant

3048 East Baseline Road, Suite 116
Mesa, Arizona 85204
PHONE: (480) 503-9200
FAX: (866) 680-5863

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Association of Arizona Food Banks, Inc.
Phoenix, Arizona

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *United States Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Association of Arizona Food Banks, Inc. which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated September 16, 2016

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Association of Arizona Food Banks, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Association of Arizona Food Banks, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Company'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 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.

My consideration of internal control over financial reporting 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Association of Arizona Food Banks, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Joel D. Huber, CPA, P.C.

A handwritten signature in black ink that reads "Joel D. Huber, CPA, P.C." The signature is written in a cursive style with a large initial 'J'.

Mesa, Arizona
September 16, 2016

Joel D. Huber, CPA, P.C.
Certified Public Accountant