

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

**CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS**

Year Ended June 30, 2025

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Year Ended June 30, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ***St. Mary's Food Bank Alliance and Affiliates*** (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Summarized Comparative Information

We have previously audited ***St. Mary's Food Bank Alliance and Affiliates***' 2024 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated November 20, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities and change in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities and are not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position or results of operations of the individual entities. 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 consolidated financial statements.

The additional information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 December 8, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of their 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

December 8, 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2025
(with comparative totals at June 30, 2024)

	<u>ASSETS</u>	
	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,197,483	\$ 4,375,486
Inventory	8,121,627	9,630,458
Program and other receivables, net of allowance for doubtful accounts of \$20,000	2,140,073	1,214,757
Bequests receivable	128,806	138,000
Restricted cash	665,396	9,937,625
Prepaid expenses	<u>591,215</u>	<u>720,920</u>
TOTAL CURRENT ASSETS	15,844,600	26,017,246
RESTRICTED CASH	978,069	1,169,069
INVESTMENTS	105,469,375	93,540,420
NEW MARKETS TAX CREDIT LEVERAGED LOAN RECEIVABLE	24,723,000	24,723,000
BENEFICIAL INTEREST IN PERPETUAL TRUST	921,809	863,024
OPERATING LEASE RIGHT-OF-USE ASSETS, net	207,163	378,554
PROPERTY AND EQUIPMENT, net	<u>44,793,467</u>	<u>30,651,702</u>
TOTAL ASSETS	<u>\$ 192,937,483</u>	<u>\$ 177,343,015</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	3,127,872	2,018,866
Accrued expenses	2,259,225	1,635,480
Current maturities of gift annuities payable	22,251	20,193
Current maturities of operating lease liabilities	<u>104,313</u>	<u>173,069</u>
TOTAL CURRENT LIABILITIES	5,513,661	3,847,608
GIFT ANNUITIES PAYABLE, less current maturities	177,423	182,580
OPERATING LEASE LIABILITIES, less current maturities	104,740	209,052
NEW MARKETS TAX CREDIT NOTES PAYABLE, net of debt issuance costs	<u>33,647,094</u>	<u>33,623,845</u>
TOTAL LIABILITIES	<u>39,442,918</u>	<u>37,863,085</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	65,383,841	60,317,544
Board-designated	<u>86,307,699</u>	<u>77,218,798</u>
Total net assets without donor restrictions	151,691,540	137,536,342
Net assets with donor restrictions	<u>1,803,025</u>	<u>1,943,588</u>
TOTAL NET ASSETS	<u>153,494,565</u>	<u>139,479,930</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 192,937,483</u>	<u>\$ 177,343,015</u>

See Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025 Total</u>	<u>2024 Total</u>
SUPPORT AND REVENUES				
Contributions:				
Donated surplus food and commodities	\$ 197,897,233	\$ -	\$ 197,897,233	195,012,187
Community contributions of cash and other financial assets	46,994,134	351,274	47,345,408	44,472,661
Other in-kind contributions	1,000,550	-	1,000,550	1,053,341
Government grants	9,321,345	-	9,321,345	6,684,007
Child nutrition - Kids Cafe	2,509,060	-	2,509,060	2,799,895
Source program	1,235,733	-	1,235,733	1,539,617
Skills center - CK Catering	7,882	-	7,882	13,165
Investment return	10,626,689	-	10,626,689	9,641,385
Change in beneficial interest in perpetual trust	-	58,785	58,785	65,687
Miscellaneous and other revenue	322,032	-	322,032	476,630
Net assets released from restrictions	550,622	(550,622)	-	-
TOTAL SUPPORT AND REVENUES	270,465,280	(140,563)	270,324,717	261,758,575
EXPENSES				
Program services				
Community food assistance	221,538,285	-	221,538,285	214,535,272
Child nutrition	4,773,872	-	4,773,872	5,231,224
Senior nutrition	1,741,832	-	1,741,832	13,958,245
Skills center	14,481,055	-	14,481,055	1,474,440
Total program services	242,535,044	-	242,535,044	235,199,181
Supporting services				
Fundraising and communications	9,308,761	-	9,308,761	9,008,977
General administration	4,397,985	-	4,397,985	4,481,284
Total supporting services	13,706,746	-	13,706,746	13,490,261
TOTAL EXPENSES	256,241,790	-	256,241,790	248,689,442
LOSS ON SALE/DISPOSAL OF PROPERTY AND EQUIPMENT	(68,292)	-	(68,292)	(3,749,491)
CHANGE IN NET ASSETS	14,155,198	(140,563)	14,014,635	9,319,642
NET ASSETS, BEGINNING OF YEAR	137,536,342	1,943,588	139,479,930	130,160,288
NET ASSETS, END OF YEAR	\$ 151,691,540	\$ 1,803,025	\$ 153,494,565	\$ 139,479,930

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2025

	Community Food Assistance	Child Nutrition	Senior Nutrition	Skills Center	Total Program Services	Fundraising and Communications	General Administration	Total Expenses
Compensation	\$ 12,987,912	\$ 1,757,413	\$ 1,316,607	\$ 802,904	\$ 16,864,836	\$ 1,981,368	\$ 2,386,180	\$ 21,232,384
Food purchases	8,187,788	2,445,798	47,629	29,650	10,710,865	-	-	10,710,865
Occupancy costs	2,274,691	129,790	6,625	140,620	2,551,726	-	-	2,551,726
Depreciation	2,812,551	63,231	3,349	173,870	3,053,001	-	19,625	3,072,626
Donated food surplus	186,711,802	18,128	-	12,789,658	199,519,588	-	-	199,519,588
Education and training	28,479	3,503	52,653	1,761	86,396	12,322	18,628	117,346
Fuel	1,171,193	72,435	663	72,402	1,316,693	934	189	1,317,816
Insurance	436,645	7,039	-	26,993	470,677	13,321	289,294	773,292
Supplies	3,026	8,439	28,792	187	40,444	-	23,692	64,136
Other expenses	1,400,538	27,961	211,317	90,739	1,730,555	40,956	92,321	1,863,832
Packaging products	1,311,200	127,861	5,282	80,064	1,524,407	23,649	-	1,548,056
Postage/mail	332	5	-	21	358	1,101,779	8,577	1,110,714
Printing	32,745	592	8,464	15,427	57,228	30,100	1,318	88,646
Professional fees	902,165	23,887	1,334	55,771	983,157	490,672	520,339	1,994,168
Rental/lease	1,482,439	37,546	5,024	91,643	1,616,652	1,094	25,161	1,642,907
Fees and subscriptions	99,841	6,409	18,760	4,565	129,575	599,318	534,243	1,263,136
Technology	229,679	5,012	12,691	14,199	261,581	198,244	423,805	883,630
Travel	242,349	11,115	18,658	14,982	287,104	41,860	54,613	383,577
Vehicle costs	1,222,910	27,708	3,984	75,599	1,330,201	-	-	1,330,201
Donor communications	-	-	-	-	-	2,392,497	-	2,392,497
Community outreach	-	-	-	-	-	2,380,647	-	2,380,647
TOTAL FUNCTIONAL EXPENSES	\$ 221,538,285	\$ 4,773,872	\$ 1,741,832	\$ 14,481,055	\$ 242,535,044	\$ 9,308,761	\$ 4,397,985	\$ 256,241,790

See Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Community Food Assistance	Child Nutrition	Senior Nutrition	Skills Center	Total Program Services	Fundraising and Communications	General Administration	Total Expenses
Compensation	\$ 11,916,662	\$ 1,714,778	\$ 741,500	\$ 1,090,058	\$ 15,462,998	\$ 1,898,417	\$ 2,678,816	\$ 20,040,231
Food purchases	9,166,710	2,904,444	11,006	38,222	12,120,382	-	-	12,120,382
Occupancy costs	2,184,521	96,867	135,929	13,096	2,430,413	1,073	2,487	2,433,973
Depreciation	2,649,132	73,984	164,839	2,422	2,890,377	-	32,528	2,922,905
Donated food surplus	180,373,057	13,260	12,394,092	-	192,780,409	-	-	192,780,409
Education and training	43,766	2,744	2,723	43,696	92,929	10,871	40,249	144,049
Fuel	1,230,303	95,927	76,554	482	1,403,266	1,634	35	1,404,935
Insurance	389,948	7,555	24,264	-	421,767	11,861	222,992	656,620
Supplies	3,452	11,509	215	21,857	37,033	-	18,782	55,815
Other expenses	1,396,549	64,163	86,899	206,133	1,753,744	39,439	57,616	1,850,799
Packaging products	1,216,360	121,547	75,099	5,635	1,418,641	21,464	-	1,440,105
Postage/mail	647	34	40	33	754	1,074,582	8,632	1,083,968
Printing	39,003	920	2,152	7,515	49,590	31,748	706	82,044
Professional fees	839,914	25,639	52,263	2,313	920,129	524,377	445,429	1,889,935
Rental/lease	1,312,804	34,621	81,688	5,134	1,434,247	837	25,010	1,460,094
Fees and subscriptions	146,063	3,084	7,782	7,562	164,491	514,857	484,371	1,163,719
Technology	161,910	4,226	10,075	10,815	187,026	172,476	411,469	770,971
Travel	209,241	18,777	13,020	19,221	260,259	37,922	52,162	350,343
Vehicle costs	1,255,230	37,145	78,105	246	1,370,726	-	-	1,370,726
Donor communications	-	-	-	-	-	2,270,061	-	2,270,061
Community outreach	-	-	-	-	-	2,397,358	-	2,397,358
TOTAL FUNCTIONAL EXPENSES	\$ 214,535,272	\$ 5,231,224	\$ 13,958,245	\$ 1,474,440	\$ 235,199,181	\$ 9,008,977	\$ 4,481,284	\$ 248,689,442

See Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,014,635	\$ 9,319,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,072,626	2,922,905
Amortization of debt issuance costs	23,249	21,311
Non-cash lease expense	171,391	159,124
Loss on sale/disposal of property and equipment	68,292	3,749,491
Contributions restricted to investment in property and equipment	(50,000)	(50,000)
Change in beneficial interest in perpetual trust	(58,785)	(65,687)
Realized and unrealized gains on investments	(5,952,875)	(6,316,007)
(Increase) decrease in assets:		
Inventory	1,508,831	(1,971,559)
Program and other receivables	(925,316)	88,078
Bequests receivable	9,194	186,000
Prepaid expenses	129,705	(347,314)
Increase (decrease) in liabilities:		
Accounts payable	800,943	228,982
Accrued expenses	623,745	(106,060)
Security deposit	-	(26,400)
Gift annuities payable	(3,099)	(16,112)
Operating lease liabilities	(173,068)	(160,862)
Net cash provided by operating activities	<u>13,259,468</u>	<u>7,615,532</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(16,974,620)	(5,246,992)
Issuance of New Markets Tax Credit leveraged loan receivable	-	(24,723,000)
Purchase of investments	(15,221,099)	(11,953,737)
Proceeds from sale of investments	9,245,019	9,245,800
Net cash used in investing activities	<u>(22,950,700)</u>	<u>(32,677,929)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from New Markets Tax Credit notes payable	-	34,300,000
Payments for debt issuance costs	-	(697,466)
Collection of contributions restricted to investment in property and equipment	50,000	50,000
Principal payments on finance lease liabilities	-	(117,135)
Net cash provided by financing activities	<u>50,000</u>	<u>33,535,399</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>(9,641,232)</u>	<u>8,473,002</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>15,482,180</u>	<u>7,009,178</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 5,840,948</u></u>	<u><u>\$ 15,482,180</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 342,966</u>	<u>\$ 328,268</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ 125,013</u>
Purchases of property and equipment included in accounts payable	<u>\$ 827,344</u>	<u>\$ 519,281</u>
Cash and cash equivalents	<u>\$ 4,197,483</u>	<u>\$ 4,375,486</u>
Restricted cash	<u>1,643,465</u>	<u>11,106,694</u>
Total cash and cash equivalents and restricted cash	<u><u>\$ 5,840,948</u></u>	<u><u>\$ 15,482,180</u></u>

See Notes to Consolidated Financial Statements

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies

Nature of Operations - St. Mary's Food Bank Alliance ("St. Mary's"), the world's first food bank, was established in 1967. St. Mary's is a community-based Arizona not-for-profit corporation whose primary mission is bridging the gap for Arizona communities with nourishment for today and hope for tomorrow. St. Mary's is supported by various sources including community donations and government funding. Its main programs are described below:

- **Community Food Assistance** - Community Food Assistance is provided to individuals and families in need free of charge. This food assistance program is meant as a temporary supplement until more sustainable solutions are in place. The food distributed to our neighbors consists of Emergency Food boxes containing non-perishable U.S Department of Agriculture ("USDA") commodities, donated, and purchased goods along with fresh produce, protein, and dairy items. The distribution of these food items is accomplished through client service centers in Phoenix, Surprise, and Chinle, Arizona, 700 affiliate agency partners, mobile "pop up" distributions, and home deliveries for neighbors who are unable to make it to one of the distribution sites. Community Food Assistance distributions sites currently operate in 7 of the 15 counties in Arizona.
- **Child Nutrition** - Child Nutrition consists of the Kids Cafe, Backpacks and School Pantry programs. Kids Cafe continues to be the largest component of St. Mary's Child Nutrition efforts. The Kids Cafe meal-service program, which is funded by the Arizona Department of Education through the U.S. Department of Agriculture, provides Arizona children with what is often their last meal of the day. The addition of the weekend Backpack and School Pantry programs has expanded the services offered to school aged children. St. Mary's collaborates with more than 301 schools, community centers, churches and other neighborhood groups to provide healthy meals daily in after-school and summer programs. In addition to the nutritious meals, these programs include recreational components and access to after-school tutoring.
- **Senior Nutrition** - Senior Nutrition consists of the Commodity Supplemental Food Program ("CSFP"). This program is a tailored box specifically prescribed by the USDA with the goal of improving the health of people 60 and older by supplementing their diets with nutritious non-perishable commodities. This program is partially funded with federal funds and is often supplemented with fresh produce, protein, and dairy.
- **Skills Center** - The Skills Center consists of the Community Kitchen, CK Catering, and the Logistics, Inventory, Forklift, and Training ("LIFT") programs. Community Kitchen is a life skills and food service training program for those with barriers to employment. LIFT is a hands-on training program that teaches adults with barriers to employment to be successful in the warehouse and logistics industry. Students gain the skills to get jobs offering livable wages and opportunities for advancement through hands-on training as well as classroom studies.

SMFB Foundation (the "Foundation") is a 501(c)(3) entity established to enable the growth of St. Mary's long-term reserves. St. Mary's is the sole member of the Foundation.

SMFB NMTC Support Corp is a 501(c)(3) entity established to facilitate the New Markets Tax Credit ("NMTC") Program described in Note 9. St. Mary's has control of and an economic interest in SMFB NMTC Support Corp.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies (continued)

The significant accounting policies followed by St. Mary's, the Foundation and SMFB NMTC Support Corp, collectively referred to in these consolidated financial statements as the "Organization", are summarized below:

Basis of presentation - The accompanying consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*. Under ASC 958-205, the Organization is required to report information regarding their consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and change in net assets.

Prior-year summarized information - The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Principles of consolidation - The consolidated financial statements include the accounts of St. Mary's, the Foundation and SMFB NMTC Support Corp. All significant inter-organization transactions and accounts have been eliminated in consolidation.

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

Cash and cash equivalents - For purposes of reporting cash flows, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies (continued)

Restricted cash - The Organization entered into financing agreements in August 2023 to assist with the campus expansion (Note 7). The financing agreements require the Organization to maintain cash received restricted for the construction of the project in a separate account. The construction disbursement account totaled approximately \$665,000 and \$9,938,000 at June 30, 2025 and 2024, respectively. Additionally, in accordance with a Fee and Services Agreement for management of the project, a separate fee reserve account totaling approximately \$978,000 and \$1,169,000 at June 30, 2025 and 2024, respectively, is required for purposes of maintaining sufficient funds in a controlled account to cover the costs of such expenses over a period defined per the agreement.

Inventory - Donated inventories are stated at the estimated value per pound as determined by Feeding America (Note 2). Purchased inventories are stated at the lower of cost, as determined using the first-in, first-out ("FIFO") basis, or net realizable value.

Shipping and handling costs for donated food are expensed as they are incurred and are included in the accompanying consolidated statement of activities and change in net assets within program services expense.

Program and other receivables - Program and other receivables include amounts due from various governmental agencies for program services provided and amounts due from agency partners and are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to program and other receivables.

Bequests - Bequests are recognized as contribution revenue in the period the Organization receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met. At June 30, 2025 and 2024, bequests receivable are all due within one year. Management provides for probable uncollectible bequests receivable through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual bequests receivable, if necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to bequests receivable. At June 30, 2025 and 2024, bequests receivable are deemed by management to be fully collectible; accordingly, an allowance for uncollectible bequests is not considered necessary.

Promises to give - Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the pledge is expected to be collected, the creditworthiness of the donors, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts, if any, is included in contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2025 and 2024, there were no pledges receivable outstanding.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies (continued)

Property and equipment - Purchased property and equipment are valued at cost. Maintenance and repairs are charged to operations when incurred. Generally, property and equipment additions in excess of \$5,000 are capitalized. Depreciation and amortization of property and equipment are computed on a straight-line basis over estimated useful lives which range from 3 to 31 years for buildings and improvements, 3 to 20 years for furniture, fixtures and equipment, 5 to 8 years for equipment held under finance leases and 3 to 10 years for vehicles. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as revenues in the net assets with donor restrictions class. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Impairment of long-lived assets - The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment charges were recorded for the years ended June 30, 2025 or 2024.

Investments - The Organization accounts for its investments in accordance with FASB ASC 958-321, *Not-for-Profit Entities - Investments - Equity Securities* and FASB ASC 958-320, *Not-for-Profit Entities - Investments - Debt Securities*. Under FASB ASC 958-320 and FASB ASC 958-321, the Organization reports investments in equity and debt securities at fair value in the consolidated statement of financial position. The fair value of marketable equity securities with readily determinable fair values are based on quoted market prices. The fair value of fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are observable. If quoted market prices are not available, fair value is determined using one, or a combination, of the following methods: (1) a matrix pricing for similar bonds, (2) quoted prices for recent trading activity of assets with similar characteristics to the bond or (3) using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms to companies with comparable credit risk and a credit value adjustment to consider the likelihood of counterparty nonperformance, after consideration for the impact of collateralization and netting agreements, if applicable.

Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) is included in net assets without donor restrictions unless the associated income or loss is restricted. Declines in the fair value of investments below their cost that are deemed to be other than temporary are reflected as realized losses. There were no declines in fair value of investments below their cost that were deemed to be other than temporary as of June 30, 2025 and 2024.

The Organization invests in various types of investments which are exposed to a variety of risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies (continued)

Fair value measurement - FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

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

New Markets Tax Credit leveraged loan receivable - The New Markets Tax Credit ("NMTC") leveraged loan receivable consists of a promissory note receivable with SMFB Investment Fund, LLC (the "Fund"), an unrelated Delaware limited liability company. The leveraged loan receivable is collateralized by the Fund's interest in Bumble Bee NMTC, LLC, (the "CDE"), related to the NMTC transaction and is stated at the principal amount outstanding. Payments on the leveraged loan receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. The note receivable from the Fund bears a fixed interest rate of 1.387233%, requires quarterly payments of accrued interest beginning September 15, 2023 through June 15, 2030. Beginning September 15, 2030, the note receivable requires quarterly payments of accrued and unpaid interest and principal due and payable through maturity on August 1, 2049. Interest earned under the note receivable totaled approximately \$343,000 and \$313,000 for the years ended June 30, 2025 and 2024, respectively. Management assesses the credit quality of the leveraged loan receivable based on indicators such as collateralization, collection experience and management's internal metrics and reviews the collectability of the leverage loan receivable on an ongoing basis. The leverage loan receivable is periodically evaluated for impairment based on relevant facts and circumstances. Management has determined that no allowance is necessary, and no impairment has occurred as of June 30, 2025 or 2024.

Revenue from contracts with customers - The Organization's Source Program and Skills Center - CK Catering program are accounted for as exchange transactions in accordance with FASB ASC 606, *Revenue from Contracts with Customers*, as described below.

Source program revenues from sales of purchased food items to agencies are reported at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for the goods. Amounts received for sales are recorded as revenue at the point in time the goods are transferred to the customer. Payment is due at the time of the sale and this transaction may result in accounts receivable.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies (continued)

CK catering program revenues for catering events held are reported at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. Cancellation provisions vary by program and refunds may be available for services not provided. Revenue is recognized at the time the event is held. Unearned fees are reflected as contract liabilities in the accompanying consolidated statement of financial position. As of June 30, 2025 and 2024, there were no contract liabilities associated with CK catering program revenues.

Substantially all of the Organization's contracts with customers include a single performance obligation to transfer the promised good or service. The Organization does not have any significant financing components as payment is generally received in a customary time frame from the customers. The contracts do not contain material amounts of variable consideration. At contract inception, the Organization evaluates the probability of collecting the transaction price based on the history of payment by the customer.

Government grants and Kids Cafe revenue - The Organization has contracts with city, state and federal agencies to provide a variety of program services to the public based on contract requirements, including eligibility, reimbursement, and other requirements. These contracts from governmental agencies were determined to be conditional contributions and are recorded as revenue as the conditions are met, which is generally when the related expenditures are incurred over the period the service is provided or under unit of service contracts as services are provided. As these are generally non-exchange contracts, amounts billed for unpaid services are included in program and other receivables in the accompanying consolidated statement of financial position. Advances are recorded as deferred revenue upon receipt.

Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants or contracts. Additionally, if the Organization terminates their activities, all unearned amounts are to be returned to the funding sources.

As of June 30, 2025 and 2024, the Organization had various governmental grants that are conditional in nature and the revenue can only be recognized once funds have been spent on qualified costs. As of June 30, 2025 and 2024, the remaining amount of conditional contributions under these governmental grants is not material to the consolidated financial statements.

Contributions - The Organization evaluates grants and contributions for evidence of the transfer of commensurate value from the Organization to the grantor or resource provider. The transfer of commensurate value from the Organization to the grantor or resource provider may include instances when a) the goods or services provided by the Organization directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Organization. When such factors exist, the Organization accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Organization accounts for the award under the contribution accounting model.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies (continued)

In the absence of the transfer of commensurate value from the Organization to the resource provider, the Organization evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Organization or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Organization and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Organization to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Organization recognizes amounts received from unconditional contributions at the time the Organization receives notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Organization.

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and change in net assets as net assets released from restrictions. Restricted contributions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to net assets without donor restrictions.

Donated non-financial assets (in-kinds) - The Organization accounts for donated non-financial assets (in-kinds) in accordance with Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. In accordance with ASU No. 2020-07, the Organization presents contributed non-financial assets separately on the consolidated statement of activities and change in net assets.

Donated surplus food is recorded at the estimated fair value (see Note 2). Donated materials are recorded at their estimated fair value at the date of receipt. Donated services are recognized as contributions in accordance with FASB 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. See Note 2.

Beneficial interest in perpetual trust - The Organization is the sole beneficiary of a perpetual trust that is held and controlled by a third party in perpetuity. Under perpetual trust agreements, the Organization records the contribution with donor restriction at the fair value of the Organization's beneficial interest in the trust assets. Income earned on the trust assets is recorded as income from beneficial interest in perpetual trust without donor restriction in the accompanying consolidated statement of activities and change in net assets, unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as change in beneficial interest in perpetual trust in the with donor restriction net asset class. The trust's assets include primarily mutual funds and government bonds.

Advertising - Advertising costs are expensed as incurred. Advertising expense totaled \$110,775 and \$144,046, respectively, for the years ended June 30, 2025 and 2024.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies (continued)

Functional expenses - The costs of providing the Organization's various programs and other activities have been reported on a functional basis in the accompanying consolidated statement of activities and change in net assets. The consolidated statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. The Organization charges substantially all of the expenses directly to the appropriate function. Program services expenses are allocated among the specific programs on the basis of pounds of food distributed during the fiscal year. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income tax status - St. Mary's, the Foundation and SMFB NMTC Support Corp qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, there is no provision for income taxes for these organizations. In addition, they qualify for the charitable contribution deduction under Section 170 of the Code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income would be taxable.

St. Mary's, the Foundation, and SMFB NMTC Support Corp evaluate their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. At June 30, 2025 and 2024, management believes St. Mary's, the Foundation, and SMFB NMTC Support Corp did not have any uncertain tax positions.

St. Mary's, the Foundation's, and SMFB NMTC Support Corp's federal Returns of Organizations Exempt from Income Tax (Form 990) for 2022, 2023, and 2024, as applicable, are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2025 returns had not yet been filed.

Leases - The Organization accounts for leases as required by ASC Topic 842, *Leases*. The Organization determines if a contract or arrangement is, or contains, a lease at inception. Right-of-Use ("ROU") assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The ROU assets include any prepaid lease payments and additional direct costs and exclude lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

The Organization made an accounting policy election not to separate non-lease components from lease components for all existing classes of underlying assets. The Organization also made an accounting policy election to not record right of use ROU assets and lease liabilities for leases with an initial term of twelve months or less on the accompanying consolidated statement of financial position.

The ROU asset includes any prepaid lease payments and additional direct costs and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(1) Nature of operations and summary of significant accounting policies (continued)

Recent accounting pronouncements - In June 2016, the FASB issued ASU No. 2016-03 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss method of estimating credit losses with an expected loss method referred to as the current expected loss (“CECL”) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. Under the CECL model, an entity measures all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the allowance for loan and leases losses. The Organization adopted Topic 326 in 2024 with no significant impact on the consolidated financial statements.

Subsequent events - The Organization has evaluated events through December 8, 2025, which is the date the consolidated financial statements were available to be issued.

(2) Donated non-financial assets (in-kinds)

The Organization receives donated food from various private and public sources consisting primarily of (i) direct donation drop off at one of the Organization’s warehouses, (ii) food rescued from retail grocery partners directly by the Organization and its partner agencies as part of the Grocery Rescue program, and (iii) online marketplace distributions, which are picked up either by the Organization or a partner agency and delivered to a partner agency location for distribution. The Organization reports the fair value of donated food over which it has control (i.e., variance power) as contributions without donor restrictions, and immediately thereafter, as expense when distributed for program purposes and received by the neighbors. Donated surplus food and commodities are typically utilized in the Organization’s programs. For the years ended June 30, 2025 and 2024, the Organization did not monetize any donated surplus food and commodities.

The Organization has entered into written contracts with retail grocery and partner agencies to distribute food products directly. These contracts provide the Organization with explicit variance power and authority over the distribution of the food. During the years ended June 30, 2025 and 2024, 24,126,481 pounds and 23,168,507 pounds, respectively, were donated under these contract arrangements. Donations made directly to local partners with whom the Organization does not have a written agreement are not included in the consolidated financial statements because the Organization does not have written agreements with such donors granting the Organization explicit variance power and authority over the distribution of such donated goods and services.

In order to provide a measurable basis for evaluating the primary mission of the Organization, management values food for purposes of including donated and distributed food as components of the accompanying consolidated financial statements. For the years ended June 30, 2025 and 2024, donated food was valued at a composite price of \$1.72 and \$1.74 per pound, respectively, resulting in approximately 115,057,000 and 112,076,000 pounds, respectively, reflected in the accompanying consolidated statements of activities and change in net assets as donated surplus food and commodities. The composite price is the estimated weighted average wholesale amount per pound, as determined by Feeding America. These values were determined based upon calendar year 2024 and 2023 studies performed by Feeding America. Each of the annual studies involves a review of a sample of product categories and wholesale prices using a national wholesaler’s pricing catalogs. Other independent sources may also be used as necessary for items not included in the catalogs (Level 2 inputs). The average value of one pound of donated product will vary from year-to-year based on the mix of product items donated. As part of the study, Feeding America analyzes and reviews the results to determine the accuracy and understand the key components of the valuation and the year-over-year changes.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(2) Donated non-financial assets (in-kinds) (continued)

In addition to donated surplus food and commodities, the Organization receives various other in-kind contributions in the form of donated services, supplies, rent and discounted rentals on transportation equipment. For the years ended June 30, other in-kind contributions consist of the following:

Contribution	Used For	2025	2024
Tractor rental	Food distribution and transportation	\$ 492,496	\$ 414,540
Truck parking	Food distribution and transportation	60,000	60,000
Freight subsidy	Food distribution and transportation	58,176	229,000
Building	Distribution center for various programs	329,699	294,994
Donated items	Other program support	60,179	54,807
		<u>\$ 1,000,550</u>	<u>\$ 1,053,341</u>

Other in-kind contributions are valued using estimated prices of identical or similar services and products in the local retail markets (Level 2 inputs) based on information provided by third parties and independent outside agencies. The Organization's general practice is to utilize donated items at the program level for which the items were intended to support. During the years ended June 30, 2025 and 2024, the Organization did not monetize any other in-kind contributions and there were no donor restrictions on the other in-kind contributions.

The Organization entered into an agreement in September 1998 to receive donated distribution center space from an unrelated party in Surprise, Arizona. The lease automatically renews annually and can be terminated by either party. The space has an estimated fair value of \$0.95 and \$0.85 per square foot at June 30, 2025 and 2024, respectively, which is valued using average local market rate of rents of similar class and quality (Level 2 inputs).

The Organization utilizes the services of numerous volunteers to perform a variety of tasks that assist the Organization with specific programs, campaign solicitations, and various committee assignments. This support has not been recorded as a component of in-kind contribution revenue as it does not meet the recognition criteria under FASB ASC 958-605. During the year ended June 30, 2025, the Organization received the benefit of approximately 193,000 hours from approximately 81,000 volunteers. During the year ended June 30, 2024, the Organization received the benefit of approximately 191,000 hours from approximately 81,000 volunteers.

(3) Concentrations of credit risk

Financial instruments that subject the Organization to potential concentrations of credit risk consist principally of cash and investments. The Organization maintains its cash in bank accounts, which are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC"). Periodically, the Organization maintains cash in its financial institutions in excess of the amounts insured by the FDIC.

The Organization also maintains cash in accounts with investment firms. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation ("SIPC"). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Of the program and other receivables at June 30, 2025 and 2024, 90% and 83%, respectively, are due from departments within the State of Arizona. Concentrations of credit risk with respect to these receivables are

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(3) Concentrations of credit risk (continued)

limited due to the nature of the receivables and the collection history with the funding sources. The Organization requires no collateral on its program and other receivables.

Of the bequests receivable at June 30, 2025 and 2024, 100% was due from two donors and one donor, respectively.

Of donated surplus food and commodities revenues during the years ended June 30, 2025 and 2024, 21% and 20% was donated from one organization, respectively.

(4) Inventory

Inventory consists of the following at June 30:

	2025	2024
Donated food inventory	\$ 3,969,379	\$ 5,541,995
Government food	3,373,222	3,422,961
Purchased food inventory	765,085	648,879
Other inventory	13,941	16,623
Total cost and donated value	\$ 8,121,627	\$ 9,630,458

(5) Investments

Investments consist of the following at June 30:

	2025	2024
Cash and money market funds	\$ 18,663,178	\$ 15,848,353
Mutual funds:		
Large cap equity	34,852,863	30,303,198
Small cap equity	17,955,777	16,813,417
Other equity	46,314	38,021
Fixed income	31,190,789	28,882,521
Fixed income:		
Market linked notes and securities	-	503,800
Exchange traded funds	19,550	18,553
Private equity funds	2,740,904	1,130,619
Hedge funds	-	1,938
Total	\$ 105,469,375	\$ 93,540,420

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(5) Investments (continued)

Investment return for the years ended June 30 consists of:

	2025	2024
Interest and dividends	\$ 4,795,408	\$ 3,445,932
Unrealized investment gains	5,604,983	6,122,036
Realized investment gains	347,892	193,971
Investment fees	(121,594)	(120,554)
Total investment return	<u>\$ 10,626,689</u>	<u>\$ 9,641,385</u>

(6) Split interest agreements

The Organization currently administers charitable gift annuities that provide an annual income payment to the beneficiaries until the income obligation is completed in accordance with the donor's trust agreement. The assets contributed under the charitable gift annuities are carried at fair value. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a risk-free discount rate determined at the time the annuities are established, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. As of June 30, 2025 and 2024, the present value of the annuity payment liability is \$199,674 and \$202,773, respectively. To calculate the present value of the charitable gift annuity, management used the applicable federal rate of approximately 5% as of June 30, 2025 and 2024. Charitable gift annuities are estimated to mature through 2045. Assets of the Organization that are reserved for charitable gift annuities totaled \$413,181 and \$397,699 at June 30, 2025 and 2024, respectively, and are included within investments in the accompanying consolidated statements of financial position.

(7) Property and equipment

Property and equipment consist of the following at June 30:

	2025	2024
Land	\$ 3,823,593	\$ 3,823,593
Buildings and improvements	33,110,168	32,425,748
Furniture, fixtures, and equipment	8,113,535	7,304,592
Vehicles	9,160,411	7,934,379
Equipment held under finance leases	56,004	125,662
	54,263,711	51,613,974
Accumulated depreciation and amortization	(25,166,271)	(22,445,914)
	29,097,440	29,168,060
Construction in progress	15,696,027	1,483,642
Property and equipment, net	<u>\$ 44,793,467</u>	<u>\$ 30,651,702</u>

Depreciation expense charged to operations was \$3,072,626 and \$2,922,905, respectively, for the years ended June 30, 2025 and 2024.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(7) Property and equipment (continued)

At June 30, 2025 and 2024, construction in progress primarily represents campus expansions. The campus expansion will enhance the Organization's capacity to meet the growing needs in Arizona by improving the volunteer experience and doubling food box production capacity. Additionally, the expansion will optimize the use of the existing warehouse through expansion of warehouse space and additional dock doors, significantly increasing food storage capacity. Construction in progress is being funded through HUD grants and the proceeds from the New Markets Tax Credit (see Note 9) with a total remaining cost of approximately \$9.4 million, and the work is expected to be completed and assets placed into service during fiscal year 2026. To facilitate the campus expansion, during fiscal year 2024, the Organization had to demolish a building and recognized a loss of approximately \$3.7 million.

(8) Fair value measurement

The following table sets forth, by level within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of June 30, 2025:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Investments:				
Cash and money market funds	\$ 18,663,178	\$ -	\$ -	\$ 18,663,178
Mutual funds:				
Large cap equity	34,852,863	-	-	34,852,863
Small cap equity	17,955,777	-	-	17,955,777
Other equity	46,314	-	-	46,314
Fixed income	31,190,789	-	-	31,190,789
Exchange traded funds	<u>19,550</u>	<u>-</u>	<u>-</u>	<u>19,550</u>
Total investments	<u>102,728,471</u>	<u>-</u>	<u>-</u>	<u>102,728,471</u>
Beneficial interest in perpetual trust	<u>-</u>	<u>-</u>	<u>921,809</u>	<u>921,809</u>
Total	<u><u>\$ 102,728,471</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 921,809</u></u>	<u><u>\$ 103,650,280</u></u>

The following table sets forth, by level within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of June 30, 2024:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Investments:				
Cash and money market funds	\$ 15,848,353	\$ -	\$ -	\$ 15,848,353
Mutual funds:				
Large cap equity	30,303,198	-	-	30,303,198
Small cap equity	16,813,417	-	-	16,813,417
Other equity	38,021	-	-	38,021
Fixed income	28,882,521	-	-	28,882,521
Fixed income:				
Market linked notes and securities	-	-	503,800	503,800
Exchange traded funds	<u>18,553</u>	<u>-</u>	<u>-</u>	<u>18,553</u>
Total investments	<u>91,904,063</u>	<u>-</u>	<u>503,800</u>	<u>92,407,863</u>
Beneficial interest in perpetual trust	<u>-</u>	<u>-</u>	<u>863,024</u>	<u>863,024</u>
Total	<u><u>\$ 91,904,063</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,366,824</u></u>	<u><u>\$ 93,270,887</u></u>

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(8) Fair value measurement (continued)

The Organization currently has no other financial instruments subject to fair value measurement on a recurring basis.

Beneficial interest in perpetual trust - The fair value of the beneficial interest agreement is recorded at the fair value of the investment which is held by a third-party trustee and then adjusted for the Organization's interest in the assets. The fair value of the beneficial interest is estimated to approximate the fair value of the underlying assets of the trust itself. While the underlying assets of the trust are primarily observable, the fair value of the beneficial interest itself is not observable in markets and, accordingly, this trust is classified within Level 3 of the valuation hierarchy.

In accordance with FASB ASC 820, the Organization is required to disclose the nature and risks of investments reported at net asset value ("NAV"). Investments reported at NAV as a practical expedient are excluded from the fair value hierarchy.

Private equity funds - the Organization invests in the Vanguard HarbourVest 2023 Private Equity Feeder Fund L.P. and the Vanguard HarbourVest 2022 Private Equity Feeder Fund L.P. The feeder funds make investments as a limited partner in the HarbourVest Partners ("Main Fund") or any alternative investment vehicles. At such time as the feeder funds are not invested in the Main Fund or securities received from the Main Fund, the general partner on behalf of the partnership shall invest such funds in the same type of short-term securities in which the Main Fund is permitted to invest pursuant to the Main Fund agreement. The focus of HarbourVest is to invest across primary, secondary, and direct co-investments, infrastructure and real assets, and private credit. The investment in the funds totaled \$2,740,904 and \$1,128,232 at June 30, 2025 and 2024, respectively. The investments cannot be redeemed prior to the end of the Fund's term. The Organization had unfunded commitments of \$5,250,000 and \$6,532,500 in the funds at June 30, 2025 and 2024, respectively.

(9) New Markets Tax Credit notes payable

The NMTC Program is an alternative financing complement to conventional capital sources and is patterned after the federal New Markets Tax Credit Program. The purpose of the program is to encourage capital investment in low-income communities and to create new jobs. The NMTC Program permits investors/note holders to claim a credit against federal income taxes for qualified equity investments ("QEIs") in designated community development entities ("CDEs"). These designated CDEs must use substantially all (85%) of the proceeds to make qualified low-income community investments ("QLICIs"). The investor is provided with a tax credit, which is claimed over a seven-year period. Under the NMTC Program, a "lender" into the program cannot be the ultimate beneficiary of the tax credit; therefore, the SMFB NMTC Support Corp was created to be the lender, with the Organization being the ultimate beneficiary of the tax credits.

In August 2023, St. Mary's entered into a series of transactions in order to make additional funds available to it through the NMTC Program to fund the renovation and expansion of the Organization's food distribution campus (See Note 7). On August 2, 2023, St. Mary's contributed an aggregate \$24,723,000 to SMFB NMTC Support Corp, which loaned the newly formed SMFB Investment Fund, LLC (the "Fund"), an unrelated Delaware limited liability company, \$24,723,000 in exchange for a note receivable. Wells Fargo Community Investment ("Wells Fargo") owns 100% of the membership interests in the Fund.

The note receivable from the Fund bears a fixed interest rate of 1.387233%, requires quarterly payments of accrued interest beginning September 15, 2023 through June 15, 2030.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(9) New Markets Tax Credit notes payable (continued)

Beginning September 15, 2030, the note receivable requires quarterly payments of accrued and unpaid interest and principal due and payable through maturity on August 1, 2049. Interest earned under the note receivable totaled approximately \$343,000 and \$313,000 for the years ended June 30, 2025 and 2024, respectively. The Fund then made a QEI in Bumble Bee NMTC, LLC ("Bumble Bee"), which is majority owned by the Fund and is a designated CDE. Bumble Bee then made two loans in the amounts of \$24,723,000 (Note A) and \$9,577,000 (Note B) to St. Mary's. Notes A and B, payable to Bumble Bee, are structured as payments of interest only through August 2, 2030, at a fixed rate of 1%, followed by quarterly payments of principal and interest through maturity on August 1, 2053. Notes A and B are secured by substantially all assets of St. Mary's.

The transaction is subject to a put/call option agreement. Wells Fargo has a put option whereby upon exercise of the option after the last day of the tax credit investment period or the occurrence of a NMTC recapture event, SMFB NMTC Support Corp is obligated to purchase Wells Fargo's 99.99% membership interest in Bumble Bee NMTC, LLC for \$1,000. At the end of the seven-year tax credit investment period, SMFB NMTC Support Corp has a call option whereby if exercised, they have the right to purchase Wells Fargo's 99.99% membership interest in Bumble Bee NMTC, LLC at fair value at which time Note B will be forgiven.

The tax credits associated with the transaction are contingent on the Organization maintaining compliance with applicable portions of Section 42 of the Internal Revenue Code. Failure to maintain compliance or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus penalties and interest. St. Mary's and SMFB NMTC Support Corp have both signed a QALICB Indemnification Agreement that obligates them, joint and severally, to pay any NMTC recapture amount, as defined in Section 45D(g)(2) of the Internal Revenue Code, to investors within the NMTC structure with respect to related tax credits that have been claimed with respect to the designated qualified equity investment amount at the time of any recapture or disallowance of tax credits claimed. Recapture or disallowance can result from St. Mary's failing to qualify as a QALICB, failure of the CDE loans to qualify as a QLICI, among others.

Debt issuance costs incurred in connection with the NMTC transactions totaled approximately \$697,000 and are being amortized on a straight-line basis over the term of Notes A and B. Amortization of debt issuance costs totaled \$23,249 and \$21,311 for the years ended June 30, 2025 and 2024, respectively.

Interest under Notes A and B totaled approximately \$343,000 and \$313,000 for the years ended June 30, 2025 and 2024, respectively.

(10) Net assets

Net assets without donor restrictions include board-designated assets that have been set aside by the Board of Directors of St. Mary's. Board-designated funds are intended to fund future capital projects and strategic initiatives which are Board-approved but not considered in the annual operating budget, as well as provide potential funding for food purchases in the event of scarcity and for a future recession, should such situations present themselves. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. The board designated net assets are held in investment accounts by the Foundation and total \$86,307,699 and \$77,218,798 respectively, as of June 30, 2025 and 2024.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(10) Net assets (continued)

Net assets with donor restrictions are available for the following restricted purposes as of June 30:

	2025	2024
Purpose restrictions	\$ 1,042,229	\$ 1,182,792
Restricted in perpetuity	760,796	760,796
Total net assets with donor restrictions	<u>\$ 1,803,025</u>	<u>\$ 1,943,588</u>

Net assets with donor restrictions released from restriction during the year ended June 30, 2025 are as follows:

Satisfaction of purpose restriction:

Child Nutrition	\$ 50,000
Senior Nutrition	62,833
Skills Center	90,292
Equipment and Building Improvements	13,860
Agency development	250,392
Home Delivery	22,593
Other community & employee support	<u>60,652</u>
Total net assets with donor restrictions released from restrictions	<u>\$ 550,622</u>

(11) Leasing activities

Lessee activities - The Organization entered into a finance lease for vehicles which expired in March 2024. Additionally, the Organization has entered into various operating lease agreements for office and other equipment, and office and warehouse space, expiring through June 2029. Future minimum lease payments for operating leases include approximately \$14,000 related to options to extend lease terms that are reasonably certain of being exercised. It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases.

The operating lease right-of-use assets and operating lease liabilities, current and long-term, are recorded as individual, separate items in the consolidated statements of financial position as of June 30, 2025 and 2024.

The Organization's lease agreements typically require reimbursement for real estate taxes, common area maintenance and insurance. These costs are not fixed and therefore are expensed as incurred as variable lease costs and not included in the right-of-use assets or lease liabilities balances. Operating lease expense is included under rental/lease, technology, and postage/mail expenses in the accompanying consolidated statements of functional expenses.

**ST. MARY'S FOOD BANK ALLIANCE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(11) Leasing activities (continued)

The following summarizes the components of lease expense and cash flow information related to leases for the years ended June 30:

	2025	2024
Operating lease expense	\$ 132,999	\$ 171,872
Short term operating lease expense	<u>\$ 893,391</u>	<u>\$ 790,235</u>
Variable operating lease expense	<u>\$ -</u>	<u>\$ 9,099</u>
Finance lease costs:		
Amortization of lease assets included in depreciation expense	\$ -	\$ 99,289
Interest on lease liabilities included in interest expense	<u>-</u>	<u>14,064</u>
Total finance lease costs	<u>\$ -</u>	<u>\$ 113,353</u>
Operating cash flow from operating leases	\$ 719,040	\$ 173,611
Operating cash flow from finance leases	<u>\$ -</u>	<u>\$ 14,064</u>
Financing cash flow from finance leases	<u>\$ -</u>	<u>\$ 117,135</u>

Future maturities of operating lease liabilities as of June 30, 2025 are as follows:

Year Ending June 30,

2026	\$ 104,313
2027	91,826
2028	9,455
2029	<u>9,227</u>
Total lease payments	<u>214,821</u>
Less: interest	<u>(5,768)</u>
Present value of lease liabilities	<u>\$ 209,053</u>

The following summarizes the weighted average remaining operating lease terms and discount rates applied as of June 30:

	2025	2024
Weighted Average Remaining Lease Term (years)	2.10	2.63
Weighted Average Discount Rate	4.00%	3.43%

Lessor activities - The Organization leased office space to unrelated third parties under non-cancelable operating lease agreements. The Organization accounts for these agreements as operating leases with rental income recognized ratably over the term of the arrangements. Rental income is included under miscellaneous and other revenue in the accompanying consolidated statements of activities and change in net assets and totaled \$71,014 and \$308,851, respectively, during the years ended June 30, 2025 and 2024.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(11) Leasing activities (continued)

There is no transfer of ownership to the customers at the end of the leases and the terms do not include a bargain purchase option. The leasing arrangements do not include substantive substitution rights and generally do not require significant assumptions or judgments. The Organization combines all lease and non-lease components of lease contracts for which the timing and pattern of transfer are the same and the lease component meets the classification of an operating lease.

Rental payments include base monthly fees and the portion of maintenance, insurance and taxes that the tenants are responsible for. Minimum lease payments due from the tenants are as follows:

Years Ending June 30.

2026	\$ 73,155
2027	<u>24,624</u>
Total lease payments due from customers	<u>\$ 97,779</u>

(12) Retirement plans

The Organization participates in a qualified 401(k) defined contribution retirement plan (the "Plan") for eligible employees. Employees who have attained the age of 21 are eligible to participate in the Plan after 30 days of employment. Participants are automatically enrolled at a 6% elective deferral rate. The Organization has a discretionary match policy whereby employees receive an employer match on the first 3% of their eligible pay contributed to the Plan and 50% of the next 3% of their eligible pay contributed to the Plan. Contributions to the Plan under this arrangement were \$555,900 and \$511,013, respectively, for the years ended June 30, 2025 and 2024.

Effective February 1, 2021 the Organization established a Non-Qualified 457(b) deferred compensation retirement plan (the "Non-Qualified 457(b) Plan") covering certain members of senior management. The Non-Qualified 457(b) Plan provides for employee contributions, and at the discretion of the Organization, employer credits may be authorized each year. Contributions by the employees to the Non-Qualified 457(b) Plan totaled approximately \$35,000 and \$34,000 during the years ended June 30, 2025 and 2024, respectively. An employee is 100% vested in any elective contributions to the Non-Qualified 457(b) Plan, plus any investment earnings or losses. Distributions from the 457(b) Plan during the years ended June 30, 2025 and 2024, totaled approximately \$26,000 and \$24,000, respectively. As of June 30, 2025 and 2024, approximately \$89,000 and \$80,000, respectively, has been accrued and is included in accrued expenses in the accompanying consolidated statements of financial position, representing the Organization's accumulated undistributed contributions to the Non-Qualified 457(b) Plan. At June 30, 2025 and 2024, while the Organization has set aside approximately \$89,000 and \$81,000, respectively, in a separate investment account (representing accumulated participant contributions, plus earnings thereon), these funds remain available to the general creditors of the Organization.

(13) Risks and uncertainties

Periodically, the Organization is involved in litigation and claims arising in the normal course of operations. In the opinion of management and based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

(13) Risks and uncertainties (continued)

Due to the federal government's review and potential restructuring of federal funding priorities, there is uncertainty regarding the continuation and amounts of future funding from federal sources. The Organization is closely monitoring policy developments and may need to explore alternative funding sources to reduce or close programs to address the potential impacts.

(14) Liquidity and availability of resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the return on investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-based activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2025 and 2024, reduced by amounts that are not currently available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include investments necessary to fund gift annuities, net assets with donor restrictions and board-designated funds. Board-designated funds are intended to fund future capital projects and strategic initiatives which are Board-approved but not considered in the annual operating budget, as well as provide potential funding for food purchases in the event of scarcity and for a future recession, should such situations present themselves. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2025	2024
Cash and cash equivalents	\$ 4,197,483	\$ 4,375,486
Program and other receivables, net	2,140,073	1,214,757
Bequests receivable	128,806	138,000
Restricted cash	1,643,465	11,106,694
Investments	<u>105,469,375</u>	<u>93,540,420</u>
Total financial assets	113,579,202	110,375,357
Less: Board designated net assets	(86,307,699)	(77,218,798)
Less: Restricted cash	(1,643,465)	(11,106,694)
Less: Investments designated to fund 457(b) Plan	(89,133)	(80,749)
Less: Investments designated to fund gift annuities	(413,181)	(397,699)
Less: Investments with redemption restrictions	(2,740,904)	(1,130,619)
Less: Net assets with donor restriction	<u>(1,803,025)</u>	<u>(1,943,588)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,581,795</u>	<u>\$ 18,497,210</u>

While the Organization's investments are classified as long-term in the accompanying consolidated statement of financial position based on management's intent, the investments could be readily liquidated without significant penalty to fund operating cash flow needs, except as noted above.

ADDITIONAL INFORMATION

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

ADDITIONAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2025

	<u>ASSETS</u>					<u>Total</u>
	<u>St. Mary's</u>	<u>SMFB</u>	<u>SMFB NMTC</u>	<u>Support Corp</u>	<u>Eliminations</u>	
CURRENT ASSETS						
Cash and cash equivalents	\$ 4,108,183	\$ 2,612	\$ 86,688	\$ -	\$ -	\$ 4,197,483
Inventory	8,121,627	-	-	-	-	8,121,627
Program and other receivables, net of allowance for doubtful accounts of \$20,000	2,140,073	-	-	-	-	2,140,073
Bequests receivable	128,806	-	-	-	-	128,806
Restricted cash	665,396	-	-	-	-	665,396
Prepaid expenses	591,215	-	-	-	-	591,215
TOTAL CURRENT ASSETS	15,755,300	2,612	86,688	-	-	15,844,600
RESTRICTED CASH	978,069	-	-	-	-	978,069
INVESTMENTS	19,164,287	86,305,088	-	-	-	105,469,375
NEW MARKETS TAX CREDIT LEVERAGED LOAN RECEIVABLE	-	-	24,723,000	-	-	24,723,000
BENEFICIAL INTEREST IN PERPETUAL TRUST	921,809	-	-	-	-	921,809
OPERATING LEASE RIGHT-OF-USE ASSETS, net	207,163	-	-	-	-	207,163
PROPERTY AND EQUIPMENT, net	44,793,467	-	-	-	-	44,793,467
TOTAL ASSETS	\$ 81,820,095	\$ 86,307,700	\$ 24,809,688	\$ -	\$ -	\$ 192,937,483
 <u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES						
Accounts payable	3,127,872	-	-	-	-	3,127,872
Accrued expenses	2,259,225	-	-	-	-	2,259,225
Current maturities of gift annuities payable	22,251	-	-	-	-	22,251
Current maturities of operating lease liabilities	104,313	-	-	-	-	104,313
TOTAL CURRENT LIABILITIES	5,513,661	-	-	-	-	5,513,661
GIFT ANNUITIES PAYABLE, less current maturities	177,423	-	-	-	-	177,423
OPERATING LEASE LIABILITIES, less current maturities	104,740	-	-	-	-	104,740
NEW MARKETS TAX CREDIT NOTES PAYABLE, net of debt issuance costs	33,647,094	-	-	-	-	33,647,094
TOTAL LIABILITIES	39,442,918	-	-	-	-	39,442,918
NET ASSETS	42,377,177	86,307,700	24,809,688	-	-	153,494,565
TOTAL LIABILITIES AND NET ASSETS	\$ 81,820,095	\$ 86,307,700	\$ 24,809,688	\$ -	\$ -	\$ 192,937,483

See Independent Auditors' Report

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

ADDITIONAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2025

	St. Mary's	SMFB Foundation	SMFB NMTC Support Corp	Eliminations	Total
SUPPORT AND REVENUES					
Contributions:					
Donated surplus food and commodities	\$ 197,897,233	\$ -	\$ -	\$ -	\$ 197,897,233
Community contributions of cash and other financial assets	47,601,341	4,440	- (260,373)		47,345,408
Other in-kind contributions	1,000,550	-	-	- 1,000,550	
Government grants	9,321,345	-	- -		9,321,345
Child nutrition - Kids Cafe	2,509,060	-	- -		2,509,060
Source program	1,235,733	-	- -		1,235,733
Skills center - CK Catering	7,882	-	- -		7,882
Investment return	1,194,787	9,088,902	343,000 -		10,626,689
Change in beneficial interest in perpetual trust	58,785	- -	- -		58,785
Miscellaneous and other revenue	322,032	- -	- -		322,032
TOTAL SUPPORT AND REVENUES	261,148,748	9,093,342	343,000 (260,373)		270,324,717
EXPENSES					
Program services					
Community food assistance	221,538,285	- -	- -		221,538,285
Child nutrition	4,773,872	- -	- -		4,773,872
Senior nutrition	1,741,832	- -	- -		1,741,832
Skills center	14,481,055	- -	- -		14,481,055
Grants	4,440	- 255,933	(260,373) -		- -
Total program services	242,539,484	- 255,933	(260,373) 242,535,044		
Supporting services					
Fundraising and communications	9,308,761	- -	- -		9,308,761
General administration	4,392,187	4,440 1,358	- -		4,397,985
Total supporting services	13,700,948	4,440 1,358	- - 13,706,746		
TOTAL EXPENSES	256,240,432	4,440 257,291	(260,373) 256,241,790		
LOSS ON SALE/DISPOSAL OF PROPERTY AND EQUIPMENT					
	(68,292)	- -	- -		(68,292)
CHANGE IN NET ASSETS					
NET ASSETS, BEGINNING OF YEAR	4,840,024	9,088,902	85,709	-	14,014,635
NET ASSETS, END OF YEAR	\$ 37,537,153	77,218,798	24,723,979	-	\$ 139,479,930
	\$ 42,377,177	\$ 86,307,700	\$ 24,809,688	\$ -	\$ 153,494,565

See Independent Auditors' Report

**UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS**

**ST. MARY'S FOOD BANK ALLIANCE
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2025

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Food Distribution Cluster				
Passed through Arizona Department of Economic Security				
Commodity Supplemental Food Program (Administrative Costs)	10.565	CTR052593	\$ 259,381	\$ 1,606,381
Commodity Supplemental Food Program (Food Commodities)	10.565	Commodity Food	5,747,946	12,720,478
Emergency Food Assistance Program (Administrative Costs)	10.568	CTR052635	242,362	1,840,157
COVID-19 Emergency Food Assistance Program (Administrative Costs)	10.568	CTR052635	-	629,988
Emergency Food Assistance Program (Food Commodities)	10.569	Commodity Food	27,697,972	<u>44,275,981</u>
Total Food Distribution Cluster (10.565, 10.568 and 10.569)			<u>33,947,661</u>	<u>61,072,985</u>
Passed through Arizona Department of Economic Security				
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537	ADES18-184025	-	<u>446,684</u>
Passed through Arizona Department of Education				
Child and Adult Care Food Program (Child Feeding)	10.558	KR02-1170-ALS	-	<u>1,694,998</u>
Passed through Arizona Department of Education				
Summer Food Service Program for Children (Summer Feeding), part of the Child Nutrition Cluster	10.559	ED09-0001	-	<u>815,993</u>
Total U.S. Department of Agriculture			<u>33,947,661</u>	<u>64,030,660</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Arizona Department of Housing				
Economic Development Initiatives, Community Projects Funding, and Miscellaneous Grants	14.251	B-23-CP-AZ-0042	-	<u>4,000,000</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>4,000,000</u>
U.S. DEPARTMENT OF TREASURY				
Passed through City of Phoenix				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (SLFRF)	21.027	157726-O	-	<u>132,215</u>
Total U.S. Department of Treasury			<u>-</u>	<u>132,215</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Arizona Department of Economic Security				
Temporary Assistance for Needy Families	93.558	CTR052635	-	<u>271,350</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>271,350</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 33,947,661</u>	<u>\$ 68,434,225</u>

See Independent Auditors' Report
See Notes to the Schedule of Expenditures of Federal Awards
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ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2025

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of **St. Mary's Food Bank Alliance and Affiliates** under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of **St. Mary's Food Bank Alliance and Affiliates**, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of **St. Mary's Food Bank Alliance and Affiliates**.

(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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. **St. Mary's Food Bank Alliance and Affiliates** has elected not to use the de minimus indirect cost rate as allowed under the Uniform Guidance.



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

To the Board of Directors of

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **St. Mary's Food Bank Alliance and Affiliates** (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 8, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 consolidated 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 the Organization's consolidated 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 consolidated 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 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.

CBIZ CPAs P.C.

December 8, 2025



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

To the Board of Directors of

ST. MARY'S FOOD BANK ALLIANCE AND AFFILIATES

Report on Compliance for the Major Federal Programs

Opinion on the Major Federal Programs

We have audited **St. Mary's Food Bank Alliance and Affiliates'** (the "Organization") 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 each of the Organization's major federal programs for the year ended June 30, 2025. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organization 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 programs. Our audit does not provide a legal determination of the Organization'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 the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Organization'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 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 Auditors' 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.

CBIZ CPAs P.C.

December 8, 2025

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2025

Section I – Summary of Auditors' Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP: Unmodified

Is a going concern emphasis-of-matter paragraph included in the auditors' report? No

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to the consolidated financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of Auditors' Report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
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10.565, 10.568 and 10.569

Food Distribution Cluster

14.251

Economic Development Initiatives,
Community Projects Funding, and
Miscellaneous Grants

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

\$2,053,027

Auditee qualified as low-risk auditee? Yes

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2025

Section II – Financial Statement Findings

None noted

Section III – Findings and Questioned Costs Relating to Federal Awards

None noted