

The Roadrunner Food Bank of New Mexico, Inc.

Financial Statements
and
Independent Auditors' Report

June 30, 2008 and 2007

The Roadrunner Food Bank of New Mexico, Inc.

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Independent Auditors' Report

Board of Directors
The Roadrunner Food Bank of New Mexico, Inc.
Albuquerque, New Mexico

We have audited the accompanying statements of financial position of the Roadrunner Food Bank of New Mexico, Inc., (RRFB) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the RRFB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the RRFB as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2008, on our consideration of the RRFB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the RRFB taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McSully Zahn LLC

October 22, 2008

Financial Statements

The Roadrunner Food Bank of New Mexico, Inc.
Statements of Financial Position
June 30,

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 1,270,072	\$ 656,653
Grants receivable	176,783	189,200
Accounts receivable	87,768	89,144
Contract receivable	-	10,000
Inventories	1,308,397	1,180,577
Total current assets	2,843,020	2,125,574
Investments (Note 6)	54,248	69,000
Property and equipment		
Land	232,000	232,000
Building and improvements	1,069,221	1,053,203
Vehicles	925,123	334,703
Office equipment	185,600	165,088
Warehouse equipment	65,327	65,910
	2,477,271	1,850,904
Less accumulated depreciation	(768,623)	(662,716)
Net property and equipment	1,708,648	1,188,188
Total assets	4,605,916	3,382,762
Liabilities and Net Assets		
Current liabilities		
Accounts payable	215,280	187,989
Accrued expenses	162,220	125,884
Deferred revenue	13,971	6,169
Notes payable (Note 8)	39,103	-
Total current liabilities	430,574	320,042
Notes payable (Note 8)	138,237	-
Total liabilities	568,811	320,042
Net assets		
Unrestricted – undesignated	3,196,653	2,576,072
Unrestricted – designated reserve	246,088	218,919
Total unrestricted net assets	3,442,741	2,794,991
Temporarily restricted (Note 4)	594,364	267,729
Total net assets	4,037,105	3,062,720
Total liabilities and net assets	\$ 4,605,916	\$ 3,382,762

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

The Roadrunner Food Bank of New Mexico, Inc.
Statement of Activities
For the Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Donated food – non-federal	\$ 21,018,448	\$ -	\$ 21,018,448
Contributions, grants, and contract	3,031,492	572,275	3,603,767
Food sales	738,771	-	738,771
In-kind food – federal	681,221	-	681,221
Shared maintenance fees	441,450	-	441,450
Reimbursements	264,600	-	264,600
Special events	240,672	-	240,672
Other income	45,286	-	45,286
Agency fees	9,460	-	9,460
Investment income (Note 6)	27,080	-	27,080
Net assets released from restrictions (Note 5)	<u>245,640</u>	<u>(245,640)</u>	<u>-</u>
Total support and revenue	<u>26,744,120</u>	<u>326,635</u>	<u>27,070,755</u>
Expenses			
Program services	25,195,419	-	25,195,419
Supporting services			
Fundraising	620,436	-	620,436
Management and general	<u>280,515</u>	<u>-</u>	<u>280,515</u>
Total supporting services	<u>900,951</u>	<u>-</u>	<u>900,951</u>
Total expenses	<u>26,096,370</u>	<u>-</u>	<u>26,096,370</u>
Change in net assets	647,750	326,635	974,385
Net assets, beginning of year	<u>2,794,991</u>	<u>267,729</u>	<u>3,062,720</u>
Net assets, end of year	<u>\$ 3,442,741</u>	<u>\$ 594,364</u>	<u>\$ 4,037,105</u>

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

The Roadrunner Food Bank of New Mexico, Inc.
Statement of Activities
For the Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Donated food – non-federal	\$ 20,416,231	\$ -	\$ 20,416,231
Contributions, grants, and contract	1,815,895	267,729	2,083,624
Food sales	510,423	-	510,423
In-kind food – federal	489,459	-	489,459
Shared maintenance fees	396,488	-	396,488
Reimbursements	234,200	-	234,200
Special events	219,957	-	219,957
Other income	38,961	-	38,961
Agency fees	8,940	-	8,940
Investment income (Note 6)	22,314	-	22,314
Net assets released from restrictions (Note 5)	<u>284,251</u>	<u>(284,251)</u>	<u>-</u>
Total support and revenue	<u>24,437,119</u>	<u>(16,522)</u>	<u>24,420,597</u>
Expenses			
Program services	23,994,622	-	23,994,622
Supporting services			
Fundraising	476,193	-	476,193
Management and general	198,409	-	198,409
Total supporting services	<u>674,602</u>	<u>-</u>	<u>674,602</u>
Total expenses	<u>24,669,224</u>	<u>-</u>	<u>24,669,224</u>
Change in net assets	(232,105)	(16,522)	(248,627)
Net assets, beginning of year	<u>3,027,096</u>	<u>284,251</u>	<u>3,311,347</u>
Net assets, end of year	<u>\$ 2,794,991</u>	<u>\$ 267,729</u>	<u>\$ 3,062,720</u>

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

The Roadrunner Food Bank of New Mexico, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2008

	Program Services	Fundraising	Management & General	Total
Food related expenses - in-kind	\$ 21,641,030	\$ -	\$ -	\$ 21,641,030
Salaries and wages	1,193,523	96,056	165,279	1,454,858
Cost of items distributed	1,047,507	-	-	1,047,507
Employee benefits	188,118	15,140	26,051	229,309
Direct mail services	-	209,975	-	209,975
Capital campaign professional services	-	136,721	-	136,721
Depreciation	125,872	4,771	2,386	133,029
Vehicles	132,286	-	-	132,286
Freight - food related	125,394	-	-	125,394
Payroll taxes	90,247	7,263	12,497	110,007
Professional services	58,524	25,650	22,809	106,983
Repairs and maintenance	64,388	17,293	3,354	85,035
Cluster fees	84,867	-	-	84,867
Advertising and promotion	80,119	-	562	80,681
Fundraising	-	66,763	-	66,763
Utilities and telephone	56,066	6,596	3,298	65,960
Computer supplies	33,742	12,427	4,673	50,842
Storage	50,474	-	-	50,474
Equipment rental	47,513	1,060	1,824	50,397
Warehouse supplies	33,790	-	-	33,790
Office supplies	26,835	2,160	3,716	32,711
Miscellaneous	17,126	-	12,481	29,607
Newsletter	24,750	-	-	24,750
Second Harvest fees	17,752	-	-	17,752
Waste removal	17,089	-	-	17,089
Special events	-	16,888	-	16,888
Postage	11,781	948	1,631	14,360
Insurance	9,008	725	1,247	10,980
Travel and mileage	9,727	-	-	9,727
Conferences and meeting	-	-	7,951	7,951
Interest	7,891	-	-	7,891
Contract labor	-	-	7,088	7,088
Printing	-	-	3,668	3,668
Total expenses	<u>\$ 25,195,419</u>	<u>\$ 620,436</u>	<u>\$ 280,515</u>	<u>\$ 26,096,370</u>

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

The Roadrunner Food Bank of New Mexico, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2007

	Program Services	Fundraising	Management & General	Total
Food related expenses - in-kind	\$ 21,412,168	\$ -	\$ -	\$ 21,412,168
Salaries and wages	952,954	108,121	124,060	1,185,135
Cost of items distributed	725,955	-	-	725,955
Direct mail services	-	174,920	-	174,920
Employee benefits	123,243	13,983	16,044	153,270
Payroll taxes	72,095	8,179	9,386	89,660
Freight - food related	89,319	-	-	89,319
Depreciation	76,611	1,857	1,857	80,325
Cluster fees	74,443	-	-	74,443
Repairs and maintenance	69,374	1,586	1,586	72,546
Professional services	16,183	38,475	9,050	63,708
Vehicles	59,831	-	-	59,831
Capital campaign professional services	-	56,920	-	56,920
Equipment rental	52,615	1,473	1,690	55,778
Utilities and telephone	50,072	2,782	2,782	55,636
Storage	46,901	-	-	46,901
Warehouse supplies	39,853	-	-	39,853
Computer supplies	22,580	10,951	2,940	36,471
Fundraising	-	33,306	-	33,306
Office supplies	21,919	2,487	2,853	27,259
Newsletter	23,497	-	-	23,497
Waste removal	21,396	-	-	21,396
Special events	-	19,457	-	19,457
Second Harvest fees	16,848	-	-	16,848
Miscellaneous	5,780	-	10,733	16,513
Postage	8,837	1,003	1,150	10,990
Insurance	6,107	693	795	7,595
Travel and mileage	6,041	-	-	6,041
Advertising and promotion	-	-	4,768	4,768
Conferences and meeting	-	-	3,430	3,430
Printing	-	-	2,879	2,879
Contract labor	-	-	2,406	2,406
Total expenses	<u>\$ 23,994,622</u>	<u>\$ 476,193</u>	<u>\$ 198,409</u>	<u>\$ 24,669,224</u>

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

The Roadrunner Food Bank of New Mexico, Inc.
Statements of Cash Flows
For the Years Ended June 30,

	2008	2007
Cash flows from operating activities		
Cash received from contributions, grants, contract, and reimbursements	\$ 3,400,326	\$ 2,263,145
Cash received from shared maintenance fees, food sales, and agency fees	1,198,859	911,463
Cash received from special events	240,672	219,957
Other cash receipts	46,581	50,973
Interest and dividends received	27,080	20,950
Cash paid to employees and suppliers	(4,319,974)	(3,235,783)
Interest paid	(7,891)	-
Net cash provided by operating activities	585,653	230,705
Cash flows from investing activities		
Proceeds from sales of investments	182,331	90,455
Purchases of investments	(150,000)	-
Purchases of property and equipment	(276,458)	(202,755)
Net cash used in investing activities	(244,127)	(112,300)
Cash flows from financing activities		
Principal payments on notes payable	(23,107)	-
Cash contributions restricted for purchase of trailers	295,000	-
Net cash provided by financing activities	271,893	-
Net increase in cash and cash equivalents	613,419	118,405
Cash and cash equivalents, beginning of year	656,653	538,248
Cash and cash equivalents, end of year	\$ 1,270,072	\$ 656,653

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

The Roadrunner Food Bank of New Mexico, Inc.
Statements of Cash Flows — continued
For the Years Ended June 30,

	<u>2008</u>	<u>2007</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 974,385</u>	<u>\$ (248,627)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	133,029	80,325
Cash contributions restricted for purchase of trailers	(295,000)	-
Noncash contributions	(195,458)	-
Other noncash adjustments	(58,639)	461,799
Other adjustments	1,295	10,648
Changes in assets and liabilities		
Accounts receivable	1,376	(7,802)
Grants receivable	12,417	-
Contract receivable	10,000	(10,000)
Inventories	(69,181)	(189,654)
Accounts payable	27,291	120,302
Accrued liabilities	36,336	10,300
Deferred revenue	7,802	3,414
Total adjustments	<u>(388,732)</u>	<u>479,332</u>
Net cash provided by operating activities	<u>\$ 585,653</u>	<u>\$ 230,705</u>

Noncash Investing and Financing Activities

During the year ended June 30, 2008, the RRFB financed the purchase of two trucks in the amount of \$200,447.

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

The Roadrunner Food Bank of New Mexico, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

1) The Organization

The Roadrunner Food Bank of New Mexico, Inc., (RRFB) is a New Mexico nonprofit corporation established in 1980. The RRFB solicits, collects, and purchases food and then distributes the food through a network of agencies, including emergency food pantries, group homes, low-income day care centers, shelters, soup kitchens, and other regional food banks. The RRFB is an affiliate of America's Second Harvest. The RRFB also sponsors direct-service programs, including the State-wide Fresh Produce Food Initiative, Senior Assistance, Low-Income Housing services, the Native American Assistance Program, Senior Helpings, and Food for Kids. The RRFB also provides in-kind services and use of its building for the operations of the New Mexico Association of Food Banks (the "Association"). The Association is a seven-member collaborative organization, of which the RRFB is one of the members, that coordinates statewide food bank activities such as food solicitation and distribution, fundraising, education, advocacy, and research.

The RRFB's main sources of revenue and support are donated food, in-kind food from the State of New Mexico Human Services Department (NMHSD), food sales, contributions and grants, and shared maintenance fees, which are fees paid by participating agencies for the handling of food by the RRFB. The food received from the NMHSD is pass-through food from the U.S. Department of Agriculture (USDA). This food is received through a contract with the Association who contracts with the RRFB to distribute the food.

2) Summary of Significant Accounting Policies

Income Taxes

The RRFB is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as an organization that is not a private foundation.

Use of Estimates

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

Advertising costs

Advertising costs are expensed as incurred.

The Roadrunner Food Bank of New Mexico, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

2) Summary of Significant Accounting Policies — continued

Support

The RRFB reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated Services and Materials

The RRFB recognizes contributed services if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services and donated materials are recorded at the fair value of the services and materials on the date of donation. During the year ended June 30, 2008, the RRFB received two donated trucks valued at \$177,879 on the date of donation. The RRFB also received donated produce in the amount of \$10,720, in addition to the donated food inventory referenced below, and \$70,697 of donated program advertising. During the year ended June 30, 2007, no other significant donated services or materials were donated other than the donated food inventory referenced below.

Property and Equipment

Property and equipment are stated at cost. Property and equipment that are received by donation are recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the RRFB reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The RRFB reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated property and equipment in excess of \$500 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from five to forty years.

Functional Allocation of Expenses

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

The Roadrunner Food Bank of New Mexico, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

2) Summary of Significant Accounting Policies — continued

Inventories

Inventories consist of donated food, purchased food, and food received through a contract with the Association. Inventories are valued at lower of cost or market, with cost for purchased food determined using the first-in first-out method, and cost for donated food determined using the fair value on the date of donation. Donated inventories, other than inventories received from the USDA, are valued using a price per pound provided by America's Second Harvest. For the years ended June 30, 2008 and 2007, the price per pound provided by America's Second Harvest was \$1.49 and \$1.69, respectively. The RRFB uses values provided by the NMHSD in valuing food received from the USDA.

Accounts Receivable

Accounts receivable are stated at unpaid balances less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying past-due accounts and by using historical experience applied to an aging of accounts receivable. No allowance for doubtful accounts was determined necessary by management as of June 30, 2008 and 2007. The RRFB charges off uncollectible accounts receivable when it is determined the receivable will not be collected.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the RRFB considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

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

3) **Concentrations**

A portion of the RRFB's cash and cash equivalent balances are held in financial institutions and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. During the years ending June 30, 2008 and 2007, the cash and cash equivalent balances exceeded the insured limit of the FDIC. The RRFB has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk related to the uninsured balances.

The Roadrunner Food Bank of New Mexico, Inc.

Notes to Financial Statements

June 30, 2008 and 2007

4) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	2008	2007
MSG Settlement Funds – various program-related disbursements	\$ 408,858	\$ -
Food for vulnerable populations	156,383	189,200
Food for Kids	22,089	78,529
Mobile pantry	7,034	-
Total temporarily restricted net assets	\$ 594,364	\$ 267,729

5) Net Assets Released from Restrictions

As noted in Note 2, the RRFB reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Net assets released from restrictions for donor-restricted contributions whose restrictions were not met in the same reporting period consist of the following for the years ended June 30:

	2008	2007
Food for vulnerable populations	\$ 189,200	\$ -
Food for Kids	56,440	134,832
Senior Helpings	-	74,600
Truck purchase	-	65,000
Forklift	-	6,037
Entrepreneurial project	-	3,782
Total net assets released from restrictions	\$ 245,640	\$ 284,251

The Roadrunner Food Bank of New Mexico, Inc.

Notes to Financial Statements

June 30, 2008 and 2007

6) Investments

It is the policy of the RRFB to sell donated stocks or other investments as soon as feasibly possible. The common stocks held as of June 30, 2008, were donated late in June 2008 and were sold in early July 2008. The cost, fair value, and unrealized appreciation (depreciation) of investments are as follows as of June 30:

	2008		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Municipal bond	\$ 25,238	\$ 25,000	\$ (238)
Marketable certificate of deposit	22,000	22,000	-
Common stocks	7,248	7,248	-
Total investments	\$ 54,486	\$ 54,248	\$ (238)
	2007		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Marketable certificates of deposit	\$ 44,000	\$ 44,000	\$ -
Municipal bond	25,238	25,000	(238)
Total investments	\$ 69,238	\$ 69,000	\$ (238)

Investment income from cash, cash equivalents, and investments is as follows for the years ended June 30:

	2008	2007
Interest and dividends	\$ 27,080	\$ 20,950
Net realized and unrealized gains	-	1,364
Total investment income	\$ 27,080	\$ 22,314

The Roadrunner Food Bank of New Mexico, Inc.

Notes to Financial Statements

June 30, 2008 and 2007

7) Retirement Plan

On July 1, 2005, the RRFB established a 403(b) Thrift Retirement Plan. The plan provides an employer matching contribution for participating employees who are at least twenty-one years old and have completed a minimum of one year of service. Employees who normally work less than twenty hours per week are not eligible for employer matching contributions. The RRFB's employer match equals the lesser of the employee's contributions to the plan or 2% of the employee's compensation for the plan year. Expense related to this plan was \$9,949 and \$7,483 for the years ended June 30, 2008 and 2007, respectively.

8) Notes Payable

Notes payable consist of the following as of June 30, 2008:

Note payable to bank, payable in 60 monthly principal and interest payments of \$3,588, interest at 6.75%, collateralized by vehicles, final payment due October 2012	\$ 160,649
Note payable to bank, payable in 60 monthly principal and interest payments of \$573, interest at 6.75%, collateralized by a vehicle, final payment due March 2011	<u>16,691</u>
Total notes payable	177,340
Less current portion	<u>(39,103)</u>
Notes payable – long-term	<u>\$ 138,237</u>

Future maturities of notes payable are as follows as of June 30, 2008:

Year ended June 30

2009	\$ 39,103
2010	41,826
2011	43,009
2012	40,637
2013	<u>12,765</u>
Total	<u>\$ 177,340</u>

The Roadrunner Food Bank of New Mexico, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

9) Subsequent Events

In September 2008, the RRFB sold its building for a purchase price of \$1,915,000.

Also in September 2008, the RRFB entered into a building lease agreement for a new location for its operations. The lease is a ten-year lease with an option to extend for two additional years commencing in November 2008. The lease requires annual lease payments of \$1,050,000. The lease required the RRFB to provide the landlord with an irrevocable letter of credit in the amount of \$550,000 to be held by the landlord as security for the RRFB's performance of the obligations as stated in the lease. The RRFB obtained this letter of credit in September 2008. The letter of credit is to be converted into cash not later than 30 days following the closing of the RRFB's building sale. This cash will serve as a deposit which will be applied to the purchase price if the RRFB elects to purchase the building. During the first 36 months of the lease, the RRFB has the option to purchase the building for \$13 million plus the landlord's out-of-pocket costs for capital improvements in excess of the tenant improvement allowance of \$750,000 provided in the lease. The landlord will also provide a monthly in-kind lease contribution of approximately \$42,000 during the first 36 months of the lease.

The RRFB also entered into a one-year \$750,000 line of credit agreement in September 2008. The line of credit includes an initial 5.75% interest rate. The RRFB is required to pay monthly interest payments on the outstanding balance beginning in October 2008.

Schedule of Expenditures of Federal Awards

The Roadrunner Food Bank of New Mexico, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-through from New Mexico Human Services Department – Emergency Food Assistance Program (Food – Note 2)	10.569	08-630-9000-0009	\$ 682,080
Pass-through from New Mexico Human Services Department – Emergency Food Assistance Program	10.568	08-630-9000-0009	<u>109,765</u>
		Total federal awards	<u>\$ 791,845</u>

The Roadrunner Food Bank of New Mexico, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the RRFB and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2) Food

Nonmonetary assistance is reported in the schedule at the assessed value as determined by the State of New Mexico Human Services Department. At June 30, 2008, the RRFB had \$12,309 of food on hand in inventory from the State of New Mexico Human Services Department.

3) Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

The following is a reconciliation of the expenditures reported on the schedule of expenditures of federal awards to the expenditures reported in the financial statements:

Expenditures according to the schedule of expenditures of federal awards	\$ 791,845
Expenditures paid by other sources	<u>25,304,525</u>
Expenditures on the financial statements	<u><u>\$ 26,096,370</u></u>

Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters

Board of Directors
The Roadrunner Food Bank of New Mexico, Inc.
Albuquerque, New Mexico

We have audited the financial statements of The Roadrunner Food Bank of New Mexico, Inc., (RRFB) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the RRFB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RRFB's internal control over financial reporting. Accordingly, we do not express such an opinion on the effectiveness of the RRFB's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control. Our consideration on internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would

not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance

As part of obtaining reasonable assurance about whether the RRFB's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, the RRFB's management, and governmental awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "McNulty Zahn LLC". The signature is written in a cursive, flowing style.

October 22, 2008

Independent Auditors' Report on Compliance
With Requirements Applicable to the Major
Program and Internal Control Over Compliance

Board of Directors
The Roadrunner Food Bank of New Mexico, Inc.
Albuquerque, New Mexico

Compliance

We have audited the compliance of The Roadrunner Food Bank of New Mexico, Inc., (RRFB) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The RRFB's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the RRFB's management. Our responsibility is to express an opinion on the RRFB's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the RRFB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the RRFB's compliance with those requirements.

In our opinion, the RRFB complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The RRFB's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the RRFB's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the RRFB's internal control over compliance.

A control deficiency in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, the RRFB's management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "McSully Zahn LLC". The signature is written in a cursive, flowing style.

October 22, 2008

The Roadrunner Food Bank of New Mexico, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting: Material weakness identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for the major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

The Roadrunner Food Bank of New Mexico, Inc.
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2008

Section I — Summary of Auditors' Results — continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.569	U.S. Department of Agriculture – Emergency Assistance Food Program

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

Section II — Financial Statement Findings

None

Section III — Federal Award Findings and Questioned Costs

None

The Roadrunner Food Bank of New Mexico, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

U.S. Department of Agriculture

Finding FA2006-1 – Reconciliation of Pounds of Inventory (from June 30, 2006 audit)

Condition: When we initially performed the reconciliation of pounds of inventory beginning with beginning-of-year pounds, adding inventory receipts, and subtracting inventory distributions, other uses, and disposals, for the year ended June 30, 2006, there was a significant unlocated difference. Management was able to determine the reasons for the difference upon further investigation. The difference as determined by management was due to various adjustments for damaged inventory, mispulls, miscounts, sorting, and “adjusted to error” entries in Navision. Approximately 70% of the difference appeared to be due to “adjusted to error” entries.

Recommendation: Management should consider performing a reconciliation of inventory pounds as described above on a quarterly or monthly basis. This would result in addressing inventory adjustments more closely to the time when they are occurring.

Current Status: Resolved.