

**WEST TEXAS FOOD BANK
AND
WTFB MID COUNTY
(a supporting organization)**

**CONSOLIDATED FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

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Certified Public Accountant
Certified Fraud Examiner**

WEST TEXAS FOOD BANK & WTFB MID COUNTY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the West Texas Food Bank and WTFB Mid County:

Report on the Financial Statements

I have audited the accompanying consolidated financial statements of West Texas Food Bank and WTFB Mid County (both nonprofit organizations), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of West Texas Food Bank and WTFB Mid County as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

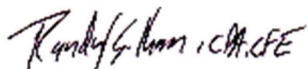
My audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not required parts of the basic consolidated financial statements.

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* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The consolidating financial statements and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate 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 auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated April 21, 2020, on my consideration of the Food Bank's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.



Lubbock, Texas
April 21, 2020

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

	2019	2018
A S S E T S		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,699,095	\$ 1,481,104
Accounts Receivable	62,145	111,894
Grants Receivable	189,473	76,188
Pledges Receivable - current	43,700	93,900
Inventory	1,542,740	1,166,353
Prepaid Expenses	32,852	19,965
TOTAL CURRENT ASSETS	4,570,005	2,949,404
PLEDGES RECEIVABLE - long term	100,000	100,000
ENDOWMENT INVESTMENTS	671,317	717,719
NOTE RECEIVABLE	4,061,000	4,061,000
PROPERTY AND EQUIPMENT (net)	16,027,142	16,307,272
TOTAL ASSETS	<u>\$ 25,429,464</u>	<u>\$ 24,135,395</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 168,902	\$ 108,973
Accrued Liabilities	45,234	47,167
Current maturities of long-term debt	253,846	3,742,661
TOTAL CURRENT LIABILITIES	467,982	3,898,801
LONG-TERM LIABILITIES		
New Market Tax Credit Notes Payable, net of unamortized debt issuance costs	5,476,054	5,460,255
Long-Term Debt, net of current maturities	3,107,428	-
TOTAL LONG-TERM LIABILITIES	8,583,482	5,460,255
TOTAL LIABILITIES	9,051,464	9,359,056
NET ASSETS		
<u>Without Donor Restrictions</u>		
Undesignated	1,811,542	1,803,749
Invested in Property and Equipment, net of related debt	11,250,814	11,165,356
Board Designated Operating Reserve	717,711	596,742
Board Designated Endowment	471,317	517,719
	14,251,384	14,083,566
<u>With Donor Restrictions</u>		
Purpose Restrictions	1,926,616	492,773
Perpetual in Nature	200,000	200,000
	2,126,616	692,773
TOTAL NET ASSETS	16,378,000	14,776,339
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,429,464</u>	<u>\$ 24,135,395</u>

See Independent Auditor's Report

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Public contributions	\$ 2,779,758	\$ 744,527	\$ 3,524,285
Capital campaign monetary contributions	-	1,564,593	1,564,593
Capital campaign - donated noncash assets	-	119,010	119,010
Donated food and commodities	8,111,066	-	8,111,066
TOTAL PUBLIC SUPPORT	10,890,824	2,428,130	13,318,954
REVENUES & OTHER SUPPORT			
Government grants & contracts	896,868	-	896,868
Program revenue and fees	730,910	-	730,910
Special events, net of costs of \$280,441	333,410	-	333,410
Other income	106,568	-	106,568
Net investment income (loss) on endowment	(19,772)	-	(19,772)
TOTAL REVENUES & OTHER SUPPORT	2,047,984	-	2,047,984
 TOTAL SUPPORT AND REVENUES	 12,938,808	 2,428,130	 15,366,938
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions Satisfied by Payments - Food & other programs	678,048	(678,048)	-
Restrictions Satisfied by Payments - Capital campaign	316,239	(316,239)	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	13,933,095	1,433,843	15,366,938
EXPENSES			
Program Services:			
Distribution	9,597,149	-	9,597,149
Food Procurement	314,713	-	314,713
Nutrition	576,830	-	576,830
Processing	537,596	-	537,596
Public Awareness	594,076	-	594,076
Transportation	704,009	-	704,009
TOTAL PROGRAM SERVICES	12,324,373	-	12,324,373
Supporting Services:			
Management and General	943,119	-	943,119
Fundraising	497,785	-	497,785
TOTAL SUPPORT SERVICES	1,440,904	-	1,440,904
TOTAL EXPENSES	13,765,277	-	13,765,277
CHANGE IN NET ASSETS	167,818	1,433,843	1,601,661
BEGINNING NET ASSETS	14,083,566	692,773	14,776,339
ENDING NET ASSETS	\$ 14,251,384	\$ 2,126,616	\$ 16,378,000

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

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	With Donor Restrictions	Without Donor Restrictions	Total
PUBLIC SUPPORT			
Public contributions	\$ 2,590,074	\$ 669,717	\$ 3,259,791
Capital campaign monetary contributions	-	-	-
Donated food and commodities	7,991,377	-	7,991,377
TOTAL PUBLIC SUPPORT	10,581,451	669,717	11,251,168
REVENUES & OTHER SUPPORT			
Government grants & contracts	583,161	-	583,161
Program revenue and fees	674,259	-	674,259
Special events, net of costs of \$183,435	323,745	-	323,745
Other income	108,539	-	108,539
Gain (loss) on disposition of fixed assets	(17,108)	-	(17,108)
Net investment income (loss)	76,303	-	76,303
TOTAL REVENUES & OTHER SUPPORT	1,748,899	-	1,748,899
 TOTAL SUPPORT AND REVENUES	 12,330,350	 669,717	 13,000,067
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions Satisfied by Payments - Food & other programs	777,130	(777,130)	-
Restrictions Satisfied by Payments - Capital campaign	310,291	(310,291)	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	13,417,771	(417,704)	13,000,067
EXPENSES			
Distribution	9,559,519	-	9,559,519
Food Procurement	260,255	-	260,255
Nutrition	477,010	-	477,010
Processing	444,567	-	444,567
Public Awareness	491,275	-	491,275
Transportation	582,184	-	582,184
TOTAL PROGRAM SERVICES	11,814,810	-	11,814,810
Supporting Services:			
Management and General	812,307	-	812,307
Fundraising	384,034	-	384,034
TOTAL SUPPORT SERVICES	1,196,341	-	1,196,341
TOTAL EXPENSES	13,011,151	-	13,011,151
CHANGE IN NET ASSETS	406,620	(417,704)	(11,084)
BEGINNING NET ASSETS	13,676,946	1,110,477	14,787,423
ENDING NET ASSETS	<u>\$ 14,083,566</u>	<u>\$ 692,773</u>	<u>\$ 14,776,339</u>

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

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	PROGRAM SERVICES - ALL WEST TEXAS FOOD BANK							SUPPORT SERVICES			TOTAL
	Distribution	Food Procurement	Nutrition	Processing	Public Awareness	Transportation	Total	West Texas Food Bank Management and General	West Texas Food Bank Fundraising	WTFB-Mid County Management and General	2019
Salaries	\$ 308,058	\$ 142,241	\$ 260,710	\$ 242,978	\$ 268,504	\$ 318,191	\$ 1,540,682	\$ 305,915	\$ 101,907	\$ -	\$ 1,948,504
Payroll taxes	23,237	10,729	19,666	18,328	20,254	24,002	116,216	23,076	7,687	-	146,979
Employee benefits	66,005	30,477	55,860	52,061	57,530	68,176	330,109	65,546	21,835	-	417,490
Total Personnel Costs	397,300	183,447	336,236	313,367	346,288	410,369	1,987,007	394,537	131,429	-	2,512,973
Professional fees	5,461	2,522	4,622	4,307	4,760	5,641	27,313	5,423	1,807	42,536	77,079
Direct mail fundraising costs	-	-	-	-	-	-	-	-	195,309	-	195,309
Bad debt	-	-	-	-	-	-	-	1,681	-	-	1,681
Contract labor	2,273	1,049	1,923	1,792	1,981	2,347	11,365	2,257	752	-	14,374
Supplies	23,288	10,753	19,708	18,368	20,297	24,053	116,467	23,125	7,704	-	147,296
Telephone and internet	6,124	2,828	5,183	4,830	5,338	6,325	30,628	6,081	2,026	-	38,735
Occupancy	27,380	12,642	23,172	21,596	23,864	28,281	136,935	27,190	9,057	-	173,182
Equipment rental, repair & maintenance	22,233	10,266	18,816	17,536	19,379	22,965	111,195	22,079	7,355	-	140,629
Promotional, publications, & printing	-	-	-	-	-	-	-	-	77,003	-	77,003
Travel	14,801	6,834	12,526	11,674	12,901	15,288	74,024	14,698	4,896	-	93,618
Conferences & meetings	3,015	1,392	2,551	2,378	2,628	3,114	15,078	2,994	997	-	19,069
Dues, fees, & subscriptions	2,582	1,192	2,185	2,037	2,251	2,667	12,914	2,564	854	-	16,332
Insurance	15,095	6,970	12,775	11,906	13,157	15,591	75,494	14,990	4,993	-	95,477
Vehicle & transportation costs	66,141	30,539	55,975	52,168	57,648	68,317	330,788	65,681	21,880	-	418,349
Special food program & project costs	9,047	4,177	7,656	7,135	7,885	9,344	45,244	8,984	2,993	-	57,221
Food distributed - Donated	5,656,310	-	-	-	-	-	5,656,310	-	-	-	5,656,310
Food distributed USDA commodities	2,235,578	-	-	-	-	-	2,235,578	-	-	-	2,235,578
Food distributed - Purchased	1,023,671	-	-	-	-	-	1,023,671	-	-	-	1,023,671
Bank fees	3,050	1,408	2,582	2,406	2,659	3,151	15,256	3,029	1,009	827	20,121
Interest - debt issuance costs	-	-	-	-	-	-	-	-	-	15,799	15,799
Interest on loans and notes	15,372	7,098	13,009	12,124	13,398	15,877	76,878	15,265	5,085	59,000	156,228
Total before depreciation	9,528,721	283,117	518,919	483,624	534,434	633,330	11,982,145	610,578	475,149	118,162	13,186,034
Depreciation	68,428	31,596	57,911	53,972	59,642	70,679	342,228	67,952	22,636	146,427	579,243
TOTAL	\$ 9,597,149	\$ 314,713	\$ 576,830	\$ 537,596	\$ 594,076	\$ 704,009	\$ 12,324,373	\$ 678,530	\$ 497,785	\$ 264,589	\$ 13,765,277

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

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	PROGRAM SERVICES - ALL WEST TEXAS FOOD BANK							SUPPORT SERVICES			TOTAL
	Distribution	Food Procurement	Nutrition	Processing	Public Awareness	Transportation	Total	West Texas Food Bank Management and General	West Texas Food Bank Fundraising	WTFB-Mid County Management and General	2018
Salaries	\$ 246,833	\$ 113,971	\$ 208,894	\$ 194,687	\$ 215,139	\$ 254,951	\$ 1,234,475	\$ 245,115	\$ 81,653	\$ -	\$ 1,561,243
Payroll taxes	18,728	8,647	15,849	14,771	16,323	19,343	93,661	18,597	6,195	-	118,453
Employee benefits	52,104	24,058	44,096	41,096	45,414	53,817	260,585	51,741	17,236	-	329,562
Total Personnel Costs	317,665	146,676	268,839	250,554	276,876	328,111	1,588,721	315,453	105,084	-	2,009,258
Professional fees	4,693	2,167	3,971	3,701	4,090	4,847	23,469	4,660	1,552	36,786	66,467
Direct mail fundraising costs	-	-	-	-	-	-	-	-	163,379	-	163,379
Contract labor	3,668	1,694	3,104	2,893	3,197	3,789	18,345	3,643	1,213	-	23,201
Supplies	21,001	9,697	17,773	16,564	18,305	21,692	105,032	20,855	6,947	-	132,834
Telephone and internet	5,940	2,743	5,027	4,685	5,178	6,136	29,709	5,899	1,965	-	37,573
Occupancy	24,343	11,240	20,601	19,200	21,217	25,143	121,744	24,173	8,053	-	153,970
Equipment rental, repair & maintenance	19,307	8,915	16,340	15,229	16,828	19,943	96,562	19,173	6,387	2,242	124,364
Promotional, publications, & printing	-	-	-	-	-	-	-	-	34,200	-	34,200
Travel	11,550	5,333	9,774	9,109	10,067	11,929	57,762	11,469	3,821	-	73,052
Conferences & meetings	1,943	897	1,644	1,532	1,693	2,006	9,715	1,929	643	-	12,287
Dues, fees, & subscriptions	2,786	1,286	2,358	2,197	2,428	2,878	13,933	2,767	922	-	17,622
Insurance	13,413	6,193	11,351	10,579	11,691	13,854	67,081	13,320	4,437	-	84,838
Vehicle & transportation costs	47,641	21,998	40,319	37,577	41,525	49,209	238,269	47,310	15,760	-	301,339
Special food program & project costs	5,578	2,575	4,720	4,399	4,861	5,761	27,894	5,539	1,845	-	35,278
Food distributed - Donated	7,060,785	-	-	-	-	-	7,060,785	-	-	-	7,060,785
Food distributed USDA commodities	753,142	-	-	-	-	-	753,142	-	-	-	753,142
Food distributed - Purchased	1,060,061	-	-	-	-	-	1,060,061	-	-	-	1,060,061
Disaster relief	121,884	-	-	-	-	-	121,884	-	-	-	121,884
Bank fees	1,814	838	1,535	1,431	1,581	1,874	9,073	1,801	600	815	12,289
Interest - debt issuance costs	-	-	-	-	-	-	-	-	-	15,799	15,799
Interest on loans and notes	18,347	8,472	15,527	14,471	15,992	18,951	91,760	18,220	6,069	59,000	175,049
Total before depreciation	9,495,561	230,724	422,883	394,121	435,529	516,123	11,494,941	496,211	362,877	114,642	12,468,671
Depreciation	63,958	29,531	54,127	50,446	55,746	66,061	319,869	63,512	21,157	137,942	542,480
TOTAL	\$ 9,559,519	\$ 260,255	\$ 477,010	\$ 444,567	\$ 491,275	\$ 582,184	\$ 11,814,810	\$ 559,723	\$ 384,034	\$ 252,584	\$ 13,011,151

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

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from support and revenue	7,077,738	\$ 4,959,127
Cash paid for operations	(5,234,220)	(4,435,865)
Interest received	65,561	62,684
Interest paid	<u>(156,228)</u>	<u>(175,049)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,752,851</u>	<u>410,897</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(180,103)	(313,709)
Proceeds from sale of property and equipment	-	73,378
Distributions from endowment	<u>26,630</u>	<u>25,426</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(153,473)</u>	<u>(214,905)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on West Texas Food Bank loans	88,192	-
Principal repayments on West Texas Food Bank loans	<u>(469,579)</u>	<u>(545,091)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(381,387)</u>	<u>(545,091)</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	1,217,991	(349,099)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,481,104</u>	<u>1,830,203</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,699,095</u></u>	<u><u>\$ 1,481,104</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,601,661	\$ (11,084)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	579,243	542,480
Net investment return on endowment	19,772	(76,303)
Realized (gain) loss on disposition of fixed assets	-	17,108
Donated noncash assets	(119,010)	-
Amortization of debt issuance costs (interest)	15,799	15,799
Change in Assets and Liabilities:		
Decrease (Increase) in grants and accounts receivable	(63,536)	(77,684)
Decrease (Increase) in pledges receivable	50,200	150,000
Decrease (Increase) in prepaid expenses	(12,887)	(4,160)
Decrease (Increase) in inventory	(376,387)	(120,702)
Increase (Decrease) in accounts payable and accrued liabilities	<u>57,996</u>	<u>(24,557)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 1,752,851</u></u>	<u><u>\$ 410,897</u></u>

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

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

West Texas Food Bank (the Food Bank) is a non-profit corporation originally organized in the State of Texas in 1985 as the Permian Basin Food Bank, Inc. The Food Bank changed its name to West Texas Food Bank in 2005. The Food Bank serves individuals and partner agencies in 19 counties in West Texas. The Food Bank's network includes 65 community partners and faith-based charitable agencies, including food pantries, community kitchens, emergency organizations, shelters, residential centers, rehabilitation centers, senior centers, and youth centers. These agencies provide ongoing and emergency food assistance to thousands of persons. The Food Bank also provides programs to increase the community awareness on issues of hunger and nutrition education.

WTFB Mid County (the Supporting Organization), also a Texas nonprofit corporation, was created in June 2016 and is organized and will be operated at all times exclusively for the benefit of the Food Bank. The Supporting Organization constructed a new facility in Midland, Texas which it leases to the Food Bank. The facility was placed in service in January 2017. WTFB Mid County is a Type I supporting organization as defined by Section 509(a)(3) of Internal Revenue Code, whereby not less than a majority of the board of directors has been appointed from the Food Bank's board of directors.

Basis of Consolidation

The accompanying consolidated financial statements include the financial statements of the Food Bank and the Supporting Organization (collectively, the Organizations). All significant inter-organization transactions have been eliminated in the consolidated financial statements.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting consistent with generally accepted accounting principles applicable to voluntary health and welfare organizations in the United States of America.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Income Taxes

Both the Food Bank and WTFB Mid County qualify as a tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, both organizations have been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no taxable unrelated business income for 2019 or 2018. The Organizations' Forms 990, Return of Organization Exempt from Income Tax are subject to examination by the IRS, generally for three years after they are filed. There were no examinations during 2019 or 2018 and are none in progress through the date of this report.

Cash & Cash Equivalents

The Organizations consider all cash on hand, cash held in demand accounts, certificates of deposit, and all highly liquid investments maturing in three (3) months or less to be cash and cash equivalents.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivables consist primarily of shared maintenance fees billed to agencies for services rendered. Grants receivable are reimbursable costs due from granting agencies. The Food Bank use the direct write-off method to account for bad debts. Management considers all receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is necessary. Accounts will be charged to operations if they become uncollectible.

Promises to Give (Pledges Receivable)

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. The Food Bank has estimated that all pledges are fully collectible based on the past history of those donors from whom the promises to give were received; therefore, no discount rate or uncollectible amounts have been calculated. Pledges are donor restricted for the capital campaign for improvements to existing distribution facilities.

Inventory

Inventory consists of donated food, purchased food, and USDA commodities. Inventory is stated at the lower of cost or market value. Donated food is reported at an average price of \$1.62 per pound in 2019 and \$1.68 per pound in 2018 based on a cost study done by Feeding America at the national level. Purchased food is valued at cost. USDA commodities are valued based on published USDA fair market values.

Investments

Under FASB ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which they are recognized.

Beneficial Interest in Assets Held by Community Foundation

During 1996, we established an endowment fund with the Permian Basin Area Foundation (PBAF). The Foundation maintains variance power, as described in the Articles of Incorporation of the Foundation. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The fund is held and invested by the PBAF for our benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities and cash flows.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organizations capitalize expenditures for property and equipment in excess of \$2,500. Furniture and equipment are recorded at cost or, if donated, at their fair market value at date of gift. Donated assets are recorded at their fair market value on the date of the donation. Capital assets are depreciated using the straight-line method over the estimated useful lives of the individual assets, which range from 3 to 39 years. Work in process is capitalized as expenditures are made and will be depreciated upon completion and date placed in service. Maintenance and repair costs are charged to expense as incurred.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment in 2019 or 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, and a board designated endowment established as a beneficial interest in assets held by the Permian Basin Area Foundation.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction expires, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give (pledges), or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned. Federal and state grants are recognized on a reimbursement basis where the Food Bank incurs expenses for grant programs and then subsequently requests reimbursement from the granting agency.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition – continued

Donated food and products are recorded as support without donor restrictions at fair market value on the date received and as an expense when the food and products are distributed to agencies and individuals. The fair value of donated food is explained in the Inventory footnote. Donated services that create or enhance non-financial assets or that require specialized skills that would typically need to be purchased if not donated, are recorded at fair market value in the period received.

For certain food products, the Food Bank charges a shared maintenance fee of ten to fifteen cents per pound of food distributed to help offset costs of handling and redistribution. This revenue is recognized as billed upon distribution and totaled \$154,329 in 2019 and \$121,181 in 2018.

Contributed Services & Materials

The Food Bank receives a significant amount of donated services from a variety of unpaid volunteers who assist in various food distribution processes. The Food Bank also receives a substantial amount of donated items for fundraising special events from various donors. No amounts have been recognized in the accompanying statement of activities for services and materials for which no fair market value was obtained from donors since the criteria for such recognition has not been met under FASB ASC 958. Estimated fair value of donated volunteer service hours totaled approximately \$449,000 in 2019 and \$446,000 in 2018.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Concentrations of Credit and Market Risk

We maintain cash deposits with financial institutions. Noninterest-bearing deposits are now aggregated with any interest-bearing deposits the owner holds in the same category, and the combined total insured up to at least \$250,000. The Organizations have not experienced any losses related to these accounts and believes there is no significant risk with respect to their deposits.

Through our endowment with the PBAF, we have investments in various types of marketable debt and equity securities including professionally managed mutual funds, corporate bonds, common stocks, and exchange traded funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Guidance

Adopted in 2019:

In August 2016, the FASB issued an accounting standard update (ASU 2016-14) that will result in significant changes to the presentation of financial statements of not-for-profit entities. The main provisions are as follows: (1) eliminate requirement to present separately amounts for temporarily restricted net assets and permanently restricted net assets, (2) eliminate requirement to present separately the transactions and other changes in each of those classes of net assets, (3) eliminate requirement to present cash flows provided by operating activities using the indirect method of reporting, (4) present two net asset classes rather than the current three by reporting net assets with donor restrictions and without donor restrictions, (5) provide enhanced disclosures for: board designations and donor-imposed restrictions, liquidity, quantitative information on the availability of an NFP to meet cash needs within one year of balance sheet date, and (6) voluntary health and welfare organizations will no longer be required to provide a statement of functional expenses; rather, they can provide such information about expenses on the face of the statement of activities, as a separate statement, or in notes to financial statements. This Update has been adopted and applied to all periods presented.

In August 2018, the FASB issued accounting standard update (ASU 2018-13), which removes and modifies several disclosure requirements on fair value measurements Topic 820. The following disclosure requirements were removed from Topic 820: 1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. 2) the policy for timing of transfers between levels. 3) the valuation processes for Level 3 fair value measurements. 4) for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. As permitted, the Food Bank elected to early adopt this update and has implemented for 2019 and applied to all periods presented.

Future updates

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers,” which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date,” which deferred the effective date for one year. Accordingly, this ASU will be effective for fiscal years beginning after December 15, 2018.

In February 2016, the FASB issued an accounting standard update (ASU 2016-02), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate and equipment. The ASU will require organizations that lease assets—referred to as “lessees”—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

In June 2018, The FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Guidance

nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Where the organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted.

The Food Bank is currently evaluating the impact of the adoption of the future updates to its financial statements. The adoption of these updates is not expected to have a material impact on the Food Bank's financial statements.

COVID 19

Recent events escalating in March 2020 of the coronavirus outbreak are having a worldwide impact on all organizations and while much of the effects are ongoing, many are still evolving and remain fully unknown. The potential economic effects of the coronavirus may be difficult to assess or predict with meaningful precision both generally and on an organization-specific basis. We are not expecting any declines in funding from the grants already approved. As expected, we have seen a drastic increase in food distribution needs. We have postponed our large fundraisers at this time until further notice. While the economic effect cannot be predicted, the community has continued to support the Food Bank financially, but the effect on local donors

Subsequent Events

Management has evaluated subsequent events through April 21, 2020, the date which the consolidated financial statements were available to be issued. No other significant events have occurred that would require disclosure in the notes or recognition in the consolidated financial statements.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of September 30, 2019:

Cash and cash equivalents without donor restrictions	\$1,096,428
Accounts receivable	62,145
Grants receivable	<u>189,473</u>
	<u>\$1,348,046</u>

Our endowment funds consist of funds designated by the board as endowments and are managed by the Permian Basin Area Foundation (PBAF) through an endowment agreement. Donor-restricted endowment funds are not available for general expenditure.

The board designated endowment with the PBAF is subject to an annual spending rate established in the agreement described. The policy calls for appropriating an annual distribution of 5% of the fund's average market value as determined. No distributions were available at year end.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2: LIQUIDITY AND AVAILABILITY (Continued)

As part of our liquidity management plan, cash in excess of daily requirements may be invested in short-term investments, CDs, and money market funds. At their discretion, the Board may contribute a portion of any operating surplus, to the board designated endowment.

NOTE 3: INVENTORY

Inventory consisted of the following as of September 30:

<u>Balances</u>	<u>2019</u>	<u>2018</u>
Donated food	\$ 742,138	\$ 650,143
USDA TEFAP commodities	171,642	244,053
USDA CSFP commodities	220,904	107,714
USDA Trade Migration	229,142	-
Purchased food	178,914	164,443
	<u>\$ 1,542,740</u>	<u>\$ 1,166,353</u>
<u>Pounds received</u>		
Donated food	3,552,170	4,198,608
USDA TEFAP commodities	1,115,958	1,132,063
USDA CSFP commodities	649,697	158,403
USDA Trade Migration	1,082,353	-
Purchased food	1,055,096	944,701
Total	<u>7,455,274</u>	<u>6,433,775</u>
<u>Pounds distributed</u>		
Donated food	3,145,308	3,886,566
USDA TEFAP commodities	930,854	936,444
USDA CSFP commodities	453,954	-
USDA Trade Migration	795,908	-
Purchased food	1,072,685	921,568
Total	<u>6,398,709</u>	<u>5,744,578</u>

NOTE 4: PLEDGES RECEIVABLE

Unconditional pledges receivable for the capital campaign as of September 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 43,700	\$ 93,900
Due in 1 to 2 years	<u>100,000</u>	<u>100,000</u>
	<u>\$ 143,900</u>	<u>\$ 193,900</u>

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 5: ENDOWMENT INVESTMENTS

The Food Bank received \$200,000 from a family charitable foundation in 1996. The donor explicitly stipulated that the principal was to be used to establish a donor restricted endowment fund from which only the income may be used to support operations. In 1996, the board of directors resolved to establish two separate endowment accounts of \$100,000 each from the donor-restricted gift of \$200,000. One account established was a money market mutual fund which was transferred into the Permian Basin Area Foundation endowment fund in October 2011. The original principal is reported as donor restricted net assets that are perpetual in nature. At this time, the Food Bank established an endowment fund with the Permian Basin Area Foundation, a community foundation that facilitates the creation of permanent charitable funds, in partnership with many donors. The PBAF qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The endowment does permit contributions with and without donor restrictions. At their discretion, the Food Bank's board of directors approves funds to contribute to the endowment, which are reported as net assets without donor restrictions as designated by the board. Investment earnings are recorded as net assets without donor restrictions. No restrictions have been placed on earnings from the endowment and therefore, are reported as net assets without donor restrictions.

The board of directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Food Bank's original gift was not absent of donor stipulations. As a result of this interpretation, the Food Bank classifies as donor restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund (2) The purposes of the Food Bank and the donor-restricted endowment fund (3) General economic conditions (4) The possible effect of inflation and deflation (5) The expected total return from income and the appreciation of investments (6) Other resources of the Food Bank (7) The investment policies of the organization.

Any declines in the fair value of the assets of the either board-designated or donor-restricted endowment funds would be classified as net assets without donor restrictions in compliance with generally accepted accounting principles. From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 5: ENDOWMENT INVESTMENTS (Continued)

The endowment agreement with the PBAF establishes a beneficial interest in assets held by the PBAF whereby they receive, accept, administer, invest, and distribute the assets of the fund for the benefit of the Food Bank. The Food Bank is eligible to receive annual distributions of 5% of the market value as determined by the agreement. Excess earnings are reinvested into the fund. The Assets in the permanent funds of PBAF are invested with long-term objectives of corpus protection and value growth employing proven professional investment managers and diligent performance monitoring. The PBAF investment strategy embraces a defined asset allocation model and disciplined re-balancing to maintain actual values within the allocation policy. The diversified portfolio includes positions in large cap, mid-cap, small cap, and international equities, equities, as well as fixed income securities.

The PBAF's investment committee governs policy and monitors investment management and performance relative to standard benchmarks and peer group comparisons. This agreement was amended in 2011 to a) add a provision that distributions from the fund may be required by the PBAF if the accumulated distributable amount exceeds 15% of the total value of the fund; b) change the administrative fee from 2% to 1%, and c) agree to the Food Bank's request for certain funds to be invested by an investment firm.

The board of directors does not factor the earnings from the endowment assets as part of their operating budget annually. Any specific purchases to be made from these earnings are approved by the board at its discretion. The Food Bank is eligible to receive annual distributions of 5% of the fund's balance at the close of the third quarter of each year to be effective for the subsequent year. No funds were available for distribution as of September 30, 2019, or 2018. Distributions taken during the fiscal year totaled \$25,426 in \$26,630 in 2019 and \$25,426 in 2018.

The composition of endowment net assets is as follows as of September 30:

<u>Without donor restrictions</u>	<u>2019</u>	<u>2018</u>
Board designated - PBAF Endowment	\$ 471,317	\$ 517,719
 <u>With donor restrictions</u>		
Original donor restricted gift to be maintained in perpetuity - PBAF Endowment	200,000	200,000
Total	<u>\$ 671,317</u>	<u>\$ 717,719</u>

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 5: ENDOWMENT INVESTMENTS (Continued)

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

	Without Donor	With Donor	
<u>2019</u>	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Beginning of year	\$ 517,719	\$ 200,000	\$ 717,719
Distributions	(26,630)	-	(26,630)
<u>Investment return:</u>			
Interest & dividends	14,918	-	14,918
Unrealized gains (losses)	(313,455)	-	(313,455)
Realized gains (losses)	291,634	-	291,634
Management fees	(12,869)	-	(12,869)
Total investment return	(19,772)	-	(19,772)
End of year	<u>\$ 471,317</u>	<u>\$ 200,000</u>	<u>\$ 671,317</u>

	Board	Donor	
<u>2018</u>	<u>Designated</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 466,842	\$ 200,000	\$ 666,842
Distributions	(25,426)	-	(25,426)
<u>Investment return:</u>			
Interest & dividends	10,619	-	10,619
Unrealized gains (losses)	83,618	-	83,618
Realized gains (losses)	(4,203)	-	(4,203)
Management fees	(13,731)	-	(13,731)
Total investment return	76,303	-	76,303
End of year	<u>\$ 517,719</u>	<u>\$ 200,000</u>	<u>\$ 717,719</u>

NOTE 6: FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature (FASB ASC 820) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority.

The Food Bank uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 1 or Level 2 inputs generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were unavailable.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations have the ability to access.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 6: FAIR VALUE MEASUREMENTS (Continued)

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the PBAF. A substantial portion of the underlying assets at the PBAF are measured at fair value using level 1 and 2 inputs, the most common being shares of mutual funds valued at the net asset value of shares held by the fund at year-end. The Food Bank's ownership in such investments is represented by an undivided interest in the portfolios managed by the PBAF. The fair values of beneficial interests in the PBAF is determined by us using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets, and are based on the fair values of investments as reported by the trustees. Since the Food Bank's interest itself is not a publicly traded investment, it is valued as a level 3 input as defined by FASB ASC 820.

There were no transfers between fair value levels in 2019 or 2018. No changes were made to the availability of observable market data to assess the appropriate classification of investments.

The following table sets forth, by level within the fair value hierarchy, the Food Bank's investments:

<u>September 30, 2019</u>	<u>Fair Value</u>	<u>(Level 3)</u>
Beneficial interest - PBAF	<u>\$ 671,317</u>	<u>\$ 671,317</u>
<u>September 30, 2018</u>	<u>Fair Value</u>	<u>(Level 3)</u>
Beneficial interest - PBAF	<u>\$ 717,719</u>	<u>\$ 717,719</u>

NOTE 7: NOTE RECEIVABLE

In connection with the issuance of New Market Tax Credits Notes Payable, the Food Bank entered into the following note receivable on July 20, 2016, to lend \$4,061,000 to Twain Investment Fund 184, LLC Investment Fund, LLC (Twain). The note is secured by Twain's 99.99% membership interest in USBCDE SUB-CDE 157, LLC and MBS-UI SUB-CDE XXIX, LLC, collectively the Community Development Entities (CDEs). Interest on the unpaid principal amount at the rate of 1.4527% per annum is receivable quarterly for interest accruing through the last day of the last month of the applicable quarter until August 31, 2022. The first quarterly payment shall be on September 15, 2016, and payments shall be made on each December 15, March 15, June 15, and September 15 thereafter through June 15, 2023. Beginning September 15, 2023, principal payments shall be made quarterly and continuing each December 15, March 15, June 15, and September 15 thereafter until all principal is paid. The maturity date of the note is June 15, 2046. Interest received totaled \$59,000 in 2019 and \$59,000 in 2018.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 7: NOTE RECEIVABLE (Continued)

Future minimum principal receipts are as follows for the years ending September 30:

2023-2027	\$948,483
2028-2032	1,128,945
2033-2037	1,213,837
2038-2046	<u>769,735</u>
	<u>\$4,061,000</u>

NOTE 8: PROPERTY & EQUIPMENT

Property and equipment consisted of the following as of September 30:

	2019	2018
Buildings	\$ 15,673,491	\$ 15,603,451
Construction in progress	20,998	12,445
Improvements	50,476	43,226
Warehouse Equipment	84,848	60,508
Freezer/Cooler Units	17,569	17,569
Computer Equipment	145,017	145,017
Office & Kitchen Equipment	369,685	368,005
Vehicles	511,363	443,122
Land	1,118,385	999,375
	<u>17,991,832</u>	<u>17,692,718</u>
Accumulated Depreciation	<u>(1,964,690)</u>	<u>(1,385,446)</u>
Net Property & Equipment	<u>\$ 16,027,142</u>	<u>\$ 16,307,272</u>

Depreciation expense totaled \$579,243 in 2019 and \$542,480 in 2018

NOTE 9: NEW MARKET TAX CREDITS NOTES PAYABLE

WTFB Mid County (the Supporting Organization) executed loan agreements for four separate promissory notes effective July 20, 2016, that provide for borrowings totaling \$5,900,000 from USBCDE SUB-CDE 157, LLC and MBS-UI SUB-CDE XXIX, LLC, collectively the Community Development Entities (CDEs). The loans were used to finance the building of a new facility in Midland, Texas and are intended to be treated as a “qualified low-income community investment” for purposes of generating New Market Tax Credits (NMTC) under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property deed of trust, security agreement and fixture filing on this property and a guaranty by the Food Bank.

All four notes were originated July 20, 2016 and bear interest at an annual effective rate of 1% and mature on June 1, 2046. Interest is payable quarterly on March 1, June 1, September 1, and December 1 of each year, beginning September 1, 2016. Starting September 1, 2023 through the maturity date, payments of principal and interest are payable quarterly on the same dates aforementioned. All remaining principal and accrued and unpaid interest shall be due and payable on the maturity date.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 9: NEW MARKET TAX CREDITS NOTES PAYABLE (Continued)

The note payable balances as of September 30 are as follows:

	<u>2019</u>	<u>2018</u>
USB QLICI – Loan A	\$ 668,500	\$ 668,500
USB QLICI – Loan B	331,500	331,500
MBS QLICI – Loan A	3,392,500	3,392,500
MBS QLICI – Loan B	<u>1,507,500</u>	<u>1,507,500</u>
	5,900,000	5,900,000
Unamortized debt issuance costs	<u>(424,526)</u>	<u>(439,745)</u>
	<u>\$5,476,054</u>	<u>\$5,460,255</u>

Interest is not imputed on these loans that carry below market interest rates since they carry certain restrictions as defined in the loan agreements. Interest expense totaled \$59,000 in both 2019 and 2018

Debt issuance costs are fees incurred related to the issuance of the NMTC notes payable and are being amortized over the term of the debts. FASB ASU 2015-03 requires these costs to be presented as a direct deduction from the carrying value of the associated debt.

Future maturities of debt payments for all four NMTC notes payable are as follows for the years ending September 30:

2023-2027	\$1,050,260
2028-2032	1,223,674
2033-2037	1,286,334
2038-2042	1,352,201
2043-2046	<u>987,531</u>
	<u>\$5,900,000</u>

At the end of the seven year compliance period, in July 2023, US Bancorp Community Development Corporation (the Tax Credit Investor) can exercise its put option to sell its interest in the Twain Investment Fund 184, LLC for \$1,000 to the Organizations. After exercising its option to purchase the interest in the Investment Fund, the Organizations may cancel the new market tax credits notes payable.

NOTE 10: LINE OF CREDIT

We established a \$250,000 revolving line of credit with a bank on August 27, 2019, secured by accounts receivable. Borrowings under the line bear interest at the WSJ prime rate plus 0.75. Accrued interest and principal are due at maturity on August 27, 2020. Monthly interest payments on borrowings are due beginning September 27, 2019. No borrowings were drawn in 2019. The agreement requires us to comply with certain financial and non-financial covenants.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11: LONG-TERM DEBT

Long-term debt consisted of the following as of September 30:

	<u>2019</u>	<u>2018</u>
\$3,361,274 promissory note payable to a bank bearing interest at 3.46% annually. Four principal payments of \$253,846 to be made annually beginning August 27, 2020 with each subsequent payment due on the same date each year thereafter until the maturity date of August 27, 2024, at which time the final payment of principal and interest payment of \$2,352,873 is due in addition to the accrued interest. The note is secured by the Food Bank's land and building facility at 411 S. Pagewood in Odessa, Texas	\$ 3,361,274	\$ -
\$5,000,000 construction note payable to a bank bearing interest at 2.59% annually. Repayments will be made on advances taken from this note as interest only payments for 24 months with any unpaid principal due beginning August 2017 and payable annually for each year thereafter. The note matures in August 2019 and is secured by a construction deed of trust on the new facility and warehouse in Odessa, Texas.	-	3,739,021
Note payable to a vehicle finance company bearing interest at 1.9% annually; matures in March 2019; payable in monthly installments of \$890 for 48 months; secured by 2015 Ford pickup truck		3,640
Current maturities	(253,846)	(3,742,661)
Long-term debt	<u>\$ 3,107,428</u>	<u>\$ -</u>
Maturities of long-term debt as of September 30, 2019 is as follows:		
	2020 \$ 253,846	
	2021 \$ 253,846	
	2022 \$ 253,846	
	2023 \$ 2,599,796	
	<u>\$ 3,361,334</u>	

Interest expense on long term debt totaled \$97,228 in 2019 and \$116,049 in 2018.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent unspent contributions received and pledged for specific programs, projects, and purposes. Net assets are released by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. Net assets with donor restrictions are as follows as of September 30:

<u>Subject to expenditure for specific purpose</u>	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 1,561,959	\$ 194,595
Reeves County children, seniors, Big Orange Room	51,513	92,328
Ector Middle School pantry	-	4,895
Healthy foods	27,763	-
Food pantries MISD Jr. High	16,610	-
Fuel for trucks	145,073	-
Disaster relief - grassfires	30,000	30,000
Kids farmers market	2,072	-
Food 2 Kids	91,626	87,565
Kids in the Kitchen	-	23,847
Upton County/Rankin ministerial alliance	-	3,368
Disaster relief for Hurricane Harvey victims	-	56,175
	<u>1,926,616</u>	<u>492,773</u>
<u>Perpetual in nature</u>		
Beneficial interest in assets held by PBAF	200,000	200,000
	<u>\$ 2,126,616</u>	<u>\$ 692,773</u>

Net assets of \$994,287 and \$1,087,421 were released from restrictions by expending funds to satisfy restrictions in 2019 and 2018, respectively.

NOTE 13: DIRECT MAIL

Direct mail produced the following results for the years ending September 30:

	<u>2019</u>	<u>2018</u>
Direct mail contributions	\$ 724,837	\$ 719,990
Direct mail expense	<u>(195,309)</u>	<u>(163,379)</u>
Net direct mail results	<u>\$ 529,528</u>	<u>\$ 556,661</u>

NOTE 14: HEALTH CARE COVERAGE

Employees of the Food Bank were covered by a qualified health insurance plan. The Food Bank pays for the employee premium based on their current group plan in effect. Employees, at their option, may authorize payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers. Employer costs totaled \$326,298 in 2019 and \$255,571 in 2018.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 15: RETIREMENT PLAN

The Food Bank offers participation in a Simple IRA plan for all eligible employees. Employees may contribute the maximum allowable limit of their eligible compensation as determined by the IRS annually. The Food Bank's contribution is 100% of the employees' contribution up to a maximum of 3% of eligible compensation. These contributions totaled \$25,790 in 2019 and \$22,277 in 2018.

NOTE 16: LEASES

The Food Bank leases vehicles, trucks, and office equipment under non-cancelable operating leases. Terms range from 36 – 78 months. Future minimum payments are as follows for the years ending September 30:

2020	\$160,818
2021	144,034
2022	25,586
2023	<u>757</u>
	<u>\$331,195</u>

Rental payments under operating leases totaled \$222,878 in 2019 and \$140,676 in 2018.

The Food Bank entered into a one-year capital lease agreement for the purchase of warehouse equipment. Terms are 12 monthly payments of \$1,030 beginning July 2019 plus first and last payments due at signing. The lease obligation balance of \$11,242 is included in current accrued liabilities in the consolidated statement of financial position as of September 30, 2019.

The Food Bank (lessee) and WTFB Mid County (lessor) have executed a premises and equipment lease whereby the Food Bank leases the Midland facility from as part of the New Market Tax Credit program. The term of this lease commenced on July 20, 2016 and shall end on July 20, 2046, unless terminated early in accordance with the terms of the lease. Base rent of \$17,500 per quarter is payable on the twenty-fifth day of each August, November, February and May through and including May 2023 (the seven year compliance period in accordance with the NMTC agreement). Quarterly payments would increase to \$73,250 per quarter in the event the lease was not terminated after the compliance period. All lease payments are eliminated in consolidation between the Food Bank and WTFB Mid County.

NOTE 17: AFFILIATED ORGANIZATIONS

The Food Bank is a member of Feeding America, a national food bank network that provides financial and administrative resources to member food banks throughout the nation. Dues totaled \$4,329 in 2019 and \$4,113 in 2018.

The Food Bank is also a member of the Texas Food Bank Network, an alliance of food banks in the state of Texas who administers several programs and partnerships to aid in the relief of hunger in the state. Dues totaled \$4,500 in 2019 and \$4,800 in 2018.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 18: COMMITMENTS AND CONTINGENCIES

The Organizations participates in both federal and state governed programs. In connection with grants and funding under these programs, the Organizations are required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In 2019, the Food Bank underwent desk reviews from Feeding America and the Texas Dept. of Agriculture. Both reviews resulted in findings that have been corrected and accepted by those agencies. In the opinion of management, the Food Bank has complied with all requirements thereafter. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. Management does not anticipate any such disallowances or questioned costs.

SUPPLEMENTARY INFORMATION

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019**

	West Texas Food Bank	WTFB Mid County	Eliminations	Consolidated Total
A S S E T S				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,514,687	\$ 184,408	\$ -	\$ 2,699,095
Accounts Receivable	62,145	-	-	62,145
Grants Receivable	189,473	-	-	189,473
Pledges Receivable - current	43,700	-	-	43,700
Inventory	1,542,740	-	-	1,542,740
Prepaid Expenses	32,852	-	-	32,852
TOTAL CURRENT ASSETS	<u>4,385,597</u>	<u>184,408</u>	<u>-</u>	<u>4,570,005</u>
PLEDGES RECEIVABLE - long term	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
ENDOWMENT INVESTMENTS	<u>671,317</u>	<u>-</u>	<u>-</u>	<u>671,317</u>
NOTE RECEIVABLE	<u>4,061,000</u>	<u>-</u>	<u>-</u>	<u>4,061,000</u>
PROPERTY AND EQUIPMENT (net)	<u>10,637,777</u>	<u>5,389,365</u>	<u>-</u>	<u>16,027,142</u>
TOTAL ASSETS	<u><u>\$ 19,855,691</u></u>	<u><u>\$ 5,573,773</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,429,464</u></u>
LIABILITIES & NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 168,902	\$ -	\$ -	\$ 168,902
Accrued Liabilities	45,234	-	-	45,234
Current maturities of long-term debt	253,846	-	-	253,846
TOTAL CURRENT LIABILITIES	<u>467,982</u>	<u>-</u>	<u>-</u>	<u>467,982</u>
LONG-TERM LIABILITIES				
New Market Tax Credit Notes Payable, net of unamortized debt issuance costs	-	5,476,054	-	5,476,054
Long-Term Debt, net of current maturities	<u>3,107,428</u>	<u>-</u>	<u>-</u>	<u>3,107,428</u>
TOTAL LONG-TERM LIABILITIES	<u>3,107,428</u>	<u>5,476,054</u>	<u>-</u>	<u>8,583,482</u>
TOTAL LIABILITIES	<u>3,575,410</u>	<u>5,476,054</u>	<u>-</u>	<u>9,051,464</u>
NET ASSETS				
<u>Without Donor Restrictions</u>				
Undesignated	1,811,542	-	-	1,811,542
Invested in Property and Equipment, net of related debt	11,337,503	(86,689)	-	11,250,814
Board Designated Operating Reserve	533,303	184,408	-	717,711
Board Designated Endowment	471,317	-	-	471,317
	<u>14,153,665</u>	<u>97,719</u>	<u>-</u>	<u>14,251,384</u>
<u>With Donor Restrictions</u>				
Purpose Restrictions	1,926,616	-	-	1,926,616
Perpetual in Nature	200,000	-	-	200,000
	<u>2,126,616</u>	<u>-</u>	<u>-</u>	<u>2,126,616</u>
TOTAL NET ASSETS	<u>16,280,281</u>	<u>97,719</u>	<u>-</u>	<u>16,378,000</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 19,855,691</u></u>	<u><u>\$ 5,573,773</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,429,464</u></u>

See Independent Auditor's Report

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	WEST TEXAS FOOD BANK			WTFB MID COUNTY			Consolidated
	Without Donor Restrictions	With Donor Restrictions	TOTAL	Without Donor Restrictions	TOTAL	Eliminations	Total
PUBLIC SUPPORT							
Public contributions	\$ 2,779,758	\$ 744,527	\$ 3,524,285	\$ -	\$ -	\$ -	\$ 3,524,285
Capital campaign contributions	-	1,564,593	1,564,593	-	-	-	1,564,593
Capital campaign - donated noncash assets	-	119,010	119,010	-	-	-	119,010
Donated food and commodities	8,111,066	-	8,111,066	-	-	-	8,111,066
TOTAL PUBLIC SUPPORT	10,890,824	2,428,130	13,318,954	-	-	-	13,318,954
REVENUES & OTHER SUPPORT							
Government grants & contracts	896,868	-	896,868	-	-	-	896,868
Program revenue and fees	730,910	-	730,910	-	-	-	730,910
Special events, net of costs of \$280,441	333,410	-	333,410	-	-	-	333,410
Other income	106,568	-	106,568	70,000	70,000	(70,000)	106,568
Net investment income (loss) on endowment	(19,772)	-	(19,772)	-	-	-	(19,772)
TOTAL REVENUES & OTHER SUPPORT	2,047,984	-	2,047,984	70,000	70,000	(70,000)	2,047,984
TOTAL SUPPORT AND REVENUES	12,938,808	2,428,130	15,366,938	70,000	70,000	(70,000)	15,366,938
NET ASSETS RELEASED FROM RESTRICTIONS							
Restrictions Satisfied by Payments - Food & other programs	678,048	(678,048)	-	-	-	-	-
Restrictions Satisfied by Payments - Capital campaign	316,239	(316,239)	-	-	-	-	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	13,933,095	1,433,843	15,366,938	70,000	70,000	(70,000)	15,366,938
EXPENSES							
Program Services:							
Distribution	9,608,216	-	9,608,216	-	-	(11,067)	9,597,149
Food Procurement	319,823	-	319,823	-	-	(5,110)	314,713
Nutrition	586,196	-	586,196	-	-	(9,366)	576,830
Processing	546,325	-	546,325	-	-	(8,729)	537,596
Public Awareness	603,722	-	603,722	-	-	(9,646)	594,076
Transportation	715,440	-	715,440	-	-	(11,431)	704,009
TOTAL PROGRAM SERVICES	12,379,722	-	12,379,722	-	-	(55,349)	12,324,373
Supporting Services:							
Management and General	689,520	-	689,520	264,589	264,589	(10,990)	943,119
Fundraising	501,446	-	501,446	-	-	(3,661)	497,785
TOTAL SUPPORT SERVICES	1,190,966	-	1,190,966	264,589	264,589	(14,651)	1,440,904
TOTAL EXPENSES	13,570,688	-	13,570,688	264,589	264,589	(70,000)	13,765,277
CHANGE IN NET ASSETS	362,407	1,433,843	1,796,250	(194,589)	(194,589)	-	1,601,661
BEGINNING NET ASSETS	13,523,026	692,773	14,215,799	560,540	560,540	-	14,776,339
Net asset transfer from supporting organization	268,232	-	268,232	(268,232)	(268,232)	-	-
ENDING NET ASSETS	\$ 14,153,665	\$ 2,126,616	\$ 16,280,281	\$ 97,719	\$ 97,719	\$ -	\$ 16,378,000

See Independent Auditor's Report

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

To the Board of Directors of the West Texas Food Bank:

I 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 financial statements of the West Texas Food Bank (a nonprofit organization) (the Food Bank) which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated April 21, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

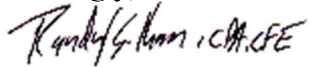
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Randy G. Hannon, CPA, CFE.

Lubbock, Texas
April 21, 2020



Randy Silhan, CPA, CFE
Certified Public Accountant
Certified Fraud Examiner



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

To the Board of Directors of the West Texas Food Bank:

Report on Compliance for Each Major Federal Program

I have audited the Food Bank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended September 30, 2019. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Food Bank's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Food Bank's compliance.

Opinion on Each Major Federal Program

In my opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

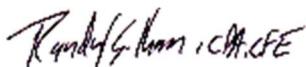
Report on Internal Control Over Compliance

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Agency's 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lubbock, Texas
April 21, 2020

WEST TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Program Award Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture (USDA)			
Passed-through the Texas Department of Agriculture (TDA)			
Emergency Food Assistance Program Food Commodities*	10.569	-	* \$ 806,353
Emergency Food Assistance Program Administrative Costs	10.568	6TX810816	243,633
Commodity Supplemental Food Program Commodities*	10.565	-	* 375,727
Commodity Supplemental Food Program Administrative Costs	10.565	-	75,010
Summer Food Service Program	10.559	-	125,639
Child and Adult Care Food Program	10.558	-	217,870
Emergency Food Assistance Program Trade Migration Food Commodities*	10.178	-	* 1,053,498
Emergency Food Assistance Program Trade Migration Administrative Costs	10.178	-	72,874
SUBTOTAL - Texas Department of Agriculture			<u>2,970,604</u>
Passed-through Feeding Texas			
SNAP Nutrition Education Program (SNAP - Ed)	10.551	-	94,254
Community Partner Program	10.551	-	67,588
SUBTOTAL - Feeding Texas			<u>161,842</u>
TOTAL USDA			<u>3,132,446</u>
TOTAL EXPENDITURES OF FEDERAL FINANCIAL AWARDS			<u>\$ 3,132,446</u>

* Value of commodities redistributed

See accompanying notes to the schedule of expenditures of federal awards

WEST TEXAS FOOD BANK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
SEPTEMBER 30, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of West Texas Food Bank (the Food Bank) under programs of the federal government for the year ended September 30, 2019. 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 the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Food Bank has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: FOOD DISTRIBUTION

Non-cash assistance is reported in the schedule at the fair market value of the commodities received and distributed. USDA and CSFP food commodities inventory on hand totaled \$621,688 as of September 30, 2019.

**WEST TEXAS FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of West Texas Food Bank (Food Bank)
2. There are no significant control deficiencies or material weaknesses disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Food Bank are disclosed during the audit.
4. No control deficiencies in internal control over major federal award programs are disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the Food Bank expresses an unmodified opinion on all major programs.
6. There are no material findings or questioned costs that are required to be reported in accordance with Title 2 CFR section 200.516(a).

7. The programs tested as major programs include:

	<u>CFDA</u>
Emergency Food Assistance Program Food Commodities	10.569*
Emergency Food Assistance Program Administrative Costs	10.568*
Commodity Supplemental Food Program Food Commodities	10.565*
Commodity Supplemental Food Program Administrative Costs	10.565*
Emergency Food Assistance Program Trade Migration Food Commodities	10.178
Emergency Food Assistance Program Trade Migration Administrative	10.178

*Food Distribution Cluster

8. The threshold for distinguishing Types A and B programs is \$750,000.
9. The Food Bank qualifies as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT: NONE

FINDINGS & QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT: NONE

PRIOR YEAR FINDINGS & QUESTIONED COSTS: NONE