

**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, 2020 AND 2019**

**Randy Silhan, CPA, CFE
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, 2020 and 2019, 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, 2020, and 2019, 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

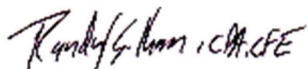
My audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not required parts of 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 June 2, 2021, 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
June 2, 2021

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
A S S E T S		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,377,828	\$ 2,699,095
Accounts Receivable	650	62,145
Grants Receivable	200,841	189,473
Pledges Receivable - current	15,000	43,700
Inventory	1,605,472	1,542,740
Prepaid Expenses	53,458	32,852
TOTAL CURRENT ASSETS	8,253,249	4,570,005
PLEDGES RECEIVABLE - long term	-	100,000
ENDOWMENT INVESTMENTS	644,330	671,317
NOTE RECEIVABLE	4,061,000	4,061,000
PROPERTY AND EQUIPMENT (net)	16,880,197	16,027,142
TOTAL ASSETS	<u>\$ 29,838,776</u>	<u>\$ 25,429,464</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 775,545	\$ 168,902
Accrued Liabilities	15,879	45,234
Paycheck Protection Program Loan	459,400	-
Current maturities of long-term debt	253,846	253,846
TOTAL CURRENT LIABILITIES	1,504,670	467,982
LONG-TERM LIABILITIES		
New Market Tax Credit Notes Payable, net of unamortized debt issuance costs	5,491,854	5,476,054
Long-Term Debt, net of current maturities	2,206,582	3,107,428
TOTAL LONG-TERM LIABILITIES	7,698,436	8,583,482
TOTAL LIABILITIES	9,203,106	9,051,464
NET ASSETS		
<u>Without Donor Restrictions</u>		
Undesignated	4,614,389	1,811,542
Invested in Property and Equipment, net of related debt	12,988,915	11,250,814
Board Designated Operating Reserve	649,160	717,711
Board Designated Endowment	444,330	471,317
	18,696,794	14,251,384
<u>With Donor Restrictions</u>		
Purpose Restrictions	1,738,876	1,926,616
Perpetual in Nature	200,000	200,000
	1,938,876	2,126,616
TOTAL NET ASSETS	20,635,670	16,378,000
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,838,776</u>	<u>\$ 25,429,464</u>

See Independent Auditor's Report

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Public contributions	\$ 8,232,633	\$ 1,422,760	\$ 9,655,393
Capital campaign monetary contributions	-	183,000	183,000
Donated food and commodities	9,755,752	-	9,755,752
TOTAL PUBLIC SUPPORT	17,988,385	1,605,760	19,594,145
REVENUES & OTHER SUPPORT			
Government grants & contracts	3,045,472	-	3,045,472
Program revenue and fees	505,822	-	505,822
Special events, net of costs of \$73,885	160,127	-	160,127
Other income	82,751	-	82,751
Net investment income (loss) on endowment	(312)	-	(312)
TOTAL REVENUES & OTHER SUPPORT	3,793,860	-	3,793,860
 TOTAL SUPPORT AND REVENUES	 21,782,245	 1,605,760	 23,388,005
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions Satisfied by Payments - Food & other programs	1,117,723	(1,117,723)	-
Restrictions Satisfied by Payments - Capital campaign	675,777	(675,777)	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	23,575,745	(187,740)	23,388,005
EXPENSES			
Program Services:			
Distribution	14,180,336	-	14,180,336
Food Procurement	336,794	-	336,794
Nutrition	765,868	-	765,868
Processing	753,872	-	753,872
Public Awareness	689,422	-	689,422
Transportation	731,605	-	731,605
TOTAL PROGRAM SERVICES	17,457,897	-	17,457,897
Supporting Services:			
Management and General	1,120,657	-	1,120,657
Fundraising	551,781	-	551,781
TOTAL SUPPORT SERVICES	1,672,438	-	1,672,438
 TOTAL EXPENSES	 19,130,335	 -	 19,130,335
 CHANGE IN NET ASSETS	 4,445,410	 (187,740)	 4,257,670
BEGINNING NET ASSETS	14,251,384	2,126,616	16,378,000
ENDING NET ASSETS	<u>\$ 18,696,794</u>	<u>\$ 1,938,876</u>	<u>\$ 20,635,670</u>

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, 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	PROGRAM SERVICES - ALL WEST TEXAS FOOD BANK							SUPPORT SERVICES			TOTAL
								West Texas Food Bank	West Texas	WTFB-Mid County	
	Distribution	Food Procurement	Nutrition	Processing	Public Awareness	Transportation	Total	Management and General	Food Bank Fundraising	Management and General	2020
Salaries	\$ 327,693	\$ 159,312	\$ 362,274	\$ 356,599	\$ 326,113	\$ 346,067	\$ 1,878,058	\$ 394,672	\$ 131,557	\$ -	\$ 2,404,287
Payroll taxes	24,482	11,902	27,066	26,642	24,364	25,855	140,311	29,487	9,829	-	179,627
Employee benefits	65,360	31,776	72,257	71,126	65,045	69,025	374,589	78,719	26,240	-	479,548
Total Personnel Costs	417,535	202,990	461,597	454,367	415,522	440,947	2,392,958	502,878	167,626	-	3,063,462
Professional fees	7,371	3,583	8,149	8,021	7,335	7,784	42,243	8,877	2,959	37,191	91,270
Direct mail fundraising costs	-	-	-	-	-	-	-	-	177,337	-	177,337
Bad debt	-	-	-	-	-	-	-	26,200	-	-	26,200
Contract labor	2,500	1,215	2,763	2,720	2,488	2,640	14,326	3,010	1,004	-	18,340
Supplies and materials	36,993	17,985	40,897	40,257	36,815	39,068	212,015	44,555	14,852	-	271,422
Telephone and internet	5,699	2,771	6,301	6,202	5,672	6,019	32,664	6,864	2,288	-	41,816
Occupancy	30,878	15,012	34,136	33,602	30,729	32,609	176,966	37,189	12,396	-	226,551
Equipment rental, repair & maintenance	14,549	7,073	16,085	15,833	14,479	15,365	83,384	17,523	5,841	-	106,748
Promotional, publications, & printing	-	-	-	-	-	-	-	-	96,323	-	96,323
Travel	6,323	3,074	6,991	6,881	6,293	6,678	36,240	7,616	2,539	-	46,395
Conferences & meetings	4,463	2,170	4,934	4,857	4,441	4,713	25,578	5,375	1,792	-	32,745
Dues, fees, & subscriptions	3,803	1,849	4,204	4,139	3,785	4,016	21,796	4,580	1,527	-	27,903
Insurance	17,137	8,331	18,946	18,649	17,055	18,098	98,216	20,640	6,880	-	125,736
Vehicle & transportation costs	60,649	29,485	67,049	65,999	60,357	64,050	347,589	73,046	24,348	-	444,983
Special food program & project costs	5,130	2,494	5,672	5,583	5,106	5,418	29,403	6,179	2,060	-	37,642
Food distributed - donated	6,265,891	-	-	-	-	-	6,265,891	-	-	-	6,265,891
Food distributed government commodities	3,241,336	-	-	-	-	-	3,241,336	-	-	-	3,241,336
Food distributed - purchased	3,980,349	-	-	-	-	-	3,980,349	-	-	-	3,980,349
Bank fees	4,129	2,007	4,565	4,493	4,109	4,360	23,663	4,973	1,658	615	30,909
Interest - debt issuance costs	-	-	-	-	-	-	-	-	-	15,799	15,799
Interest on loans and notes	14,470	7,035	15,997	15,746	14,400	15,281	82,929	17,428	5,809	59,000	165,166
Total before depreciation	14,119,205	307,074	698,286	687,349	628,586	667,046	17,107,546	786,933	527,239	112,605	18,534,323
Depreciation	61,131	29,720	67,582	66,523	60,836	64,559	350,351	73,626	24,542	147,493	596,012
TOTAL	\$14,180,336	\$ 336,794	\$ 765,868	\$ 753,872	\$ 689,422	\$ 731,605	\$ 17,457,897	\$ 860,559	\$ 551,781	\$ 260,098	\$ 19,130,335

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 and materials	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 government 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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from support & revenue, net of amounts restricted for capital campaign building projects	\$ 13,425,964	\$ 5,462,945
Cash paid for operations	(8,103,656)	(5,234,220)
Distributions from PBAF endowment	26,925	26,630
Interest received	73,478	65,561
Interest paid	(165,166)	(156,228)
NET CASH FROM OPERATING ACTIVITIES	<u>5,257,545</u>	<u>164,688</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,449,066)	(180,103)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(1,449,066)</u>	<u>(180,103)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on West Texas Food Bank loans	459,400	88,192
Collection of contributions restricted for capital campaign building projects	311,700	1,614,793
Principal repayments on West Texas Food Bank loans	(900,846)	(469,579)
NET CASH FROM (USED FOR) FINANCING ACTIVITIES	<u>(129,746)</u>	<u>1,233,406</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	3,678,733	1,217,991
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	2,699,095	1,481,104
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,377,828</u>	<u>\$ 2,699,095</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,257,670	\$ 1,601,661
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	596,012	579,243
Net investment return on endowment	312	19,772
Contributions restricted to capital campaign building projects	(311,700)	(1,614,793)
Donated noncash assets	-	(119,010)
Contributions restricted for PBAF endowment	(250)	-
Distributions from PBAF endowment	26,925	26,630
Amortization of debt issuance costs (interest)	15,799	15,799
Change in Assets and Liabilities:		
Decrease (Increase) in grants and accounts receivable	50,127	(63,536)
Decrease (Increase) in pledges receivable	128,700	50,200
Decrease (Increase) in prepaid expenses	(20,606)	(12,887)
Decrease (Increase) in inventory	(62,732)	(376,387)
Increase (Decrease) in accounts payable and accrued liabilities	577,288	57,996
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 5,257,545</u>	<u>\$ 164,688</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	<u>\$ 165,166</u>	<u>\$ 156,228</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, 2020 AND 2019**

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 2020 or 2019. 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 2020 or 2019 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, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Credit Policies

Accounts receivable consist primarily of shared maintenance fees billed to agencies for services rendered. Grants receivable are reimbursable costs due from granting agencies. The Food Bank deems all receivables to be fully collectible based on historical experience and an assessment of economic conditions, and a review of subsequent collections; therefore, no allowance for doubtful accounts is necessary. Accounts receivable will be written off and charged to bad debt expense in operations if they become uncollectible.

Promises to Give (Pledges Receivable)

The Food Bank 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. The allowance for uncollectable promises to give is 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 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 and related construction and improvements of facilities.

Inventory

Inventory consists of donated food, purchased food, and government commodities. Inventory is stated at the lower of cost or market value. Donated food is reported at an average price of \$1.74 per pound in 2020 and \$1.62 per pound in 2019 based on a cost study done by Feeding America at the national level. Purchased food is valued at cost. Government commodities are valued based on their established 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, 2020 AND 2019

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.

The Organizations review 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 2020 or 2019.

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. 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

Effective October 1, 2019, the Organizations adopted ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606). This ASU establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. The Organizations used the modified retrospective method to all contracts and provide additional disclosures as defined within the standard. Management has undertaken a review of contracts and revenue streams for all net revenues. In the context of Topic 606 as it applies to the Organizations, customers and responsible parties include partner agencies and the lessee/lessor arrangement between the Food Bank and WTFB Mid County. Adoption of this standard had no significant impact on the Organizations accounting and related financial statements. The program revenue, fees and lease income disclosures provide further detail.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition – continued

The Organizations believe their approach is consistent with the revenue recognition method required by the new standard. The expanded disclosures pertaining to revenue recognition begin in the period of adoption. The Organization has clarified receivables, contract assets and contract liabilities reported the statement of financial position.

Accounts receivable for program revenue and fees represent unconditional rights to consideration from contracts with responsible parties; accordingly, parties are not billed until the application agreement is completed and the revenue recognition process has commenced. Once billed, payment is due in accordance with the contract and agreement. The Organization does not have any contract assets or liabilities.

The performance obligation of program services is simultaneously received and consumed by the responsible parties; therefore, the revenue is recognized at the time service is rendered monthly.

The Organization evaluates responsible party's credit risk and assesses the collection probability to determine the consideration due in exchange for the services promised. The Organization evaluates the party's ability and intent to pay as amounts become due. This assessment incorporates expected payments from parties in addition to any rate adjustments for a total combined assessment. The transaction price for program services is equivalent to the contract price.

Contributions

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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donated Food and Commodities

Donated food, products, and commodities 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.

Government Grants and Contracts

Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when incurred expenditures comply with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. No amounts have been received in advance under our federal and state contracts and grants. None of the grants or contracts involve an exchange portion. Disallowed costs due to oversight agency audits are recognized in the period the funds are repaid after the oversight agency has made its determination and issued a final correction action plan requiring repayment of such costs.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Revenue and Fees

This represents revenue paid by partner agencies for certain purchased food products and a charged shared maintenance fee of ten cents per pound of food distributed to help offset costs of handling and redistribution. This revenue is recognized at a point in time, when invoiced. Revenues and fees for 2020 totaled \$397,521 for purchased food and \$108,301 for fees. In 2019, revenues and fees totaled \$576,581 for purchased food and \$154,329 for fees. Fees were suspended during 2020 due to the COVID 19 pandemic.

Lease Income

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 lease disclosure describes terms and conditions.

Special Events

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Special events revenue is recognized equal to the fair value of direct benefits to donors when the special event takes place. Contributions received for events taking place after year-end are recognized as deferred support. Due to the nature of the Food Bank's special events, the exchange element of deferred support is determined at the time the event takes place, therefore, this portion is not considered a contract liability. The contribution element of special event revenue is recognized immediately, unless there is a right of return if the special event does not take place.

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 \$253,000 in 2020 and \$449,000 in 2019.

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.

Financial Instruments, 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.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments, Credit and Market Risk (continued)

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.

Recent Accounting Guidance

Adopted accounting pronouncements:

As described in the Support and Revenue Recognition disclosure, the Organizations adopted ASU No. 2014-09 -Revenue from Contracts with Customers (Topic 606).

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 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. The adoption of this guidance had no significant impact to the financial statements.

New accounting pronouncements

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, 2021, and interim periods within fiscal years beginning after December 15, 2022.

In September 2020, the FASB issued an accounting standard update (ASU 2020-07), requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. No material impact on the financial statements is expected upon the expected future adoption of these updates.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COVID 19

The COVID-19 outbreak in the United States caused disruption through mandated and voluntary closings of multiple businesses and nonprofit organizations. Businesses and organizations locally and throughout Texas have reopened and COVID cases have significantly declined; however, caution and some uncertainty continue to exist. Future financial impact and duration cannot be reasonably estimated. The Organizations continue to operate following federal and state health and safety guidelines. As expected, we have seen a drastic increase in food distribution needs. Values of donated food and costs of purchased food distributed increased 51% in 2020. Pounds of food distributed increased 72% in 2020. While future economic effects cannot be predicted, the community, foundations, Feeding America, Feeding Texas, and other private businesses and nonprofit agencies have continued to support the Food Bank financially from contributions and donated food and products. A significant increase of government programs and grants were made available and received in 2020. These included but are not limited to the CARES Act, Families First Coronavirus Relief Act, Farmers to Families Food Box Program, COVID Relief Fund, Disaster Grants Public Assistance (Presidentially Declared Disasters); along with continued and increased government support and commodities from the USDA and Texas Health and Human Services. Amounts are disclosed in the financial statements and schedule of expenditures of federal financial awards. Special events were not impacted in 2019. Events for 2020 were altered such as the golf tournament, which was held in 2020. The signature annual event was not held in 2020 but is planned for 2021. The Organizations have accounted for possible effects that may impact their 2021 budget. The Food Bank participated in the Paycheck Protection Program Loan as described in a separate disclosure.

Subsequent Events

Management has evaluated subsequent events through June 2, 2021, the date which the consolidated financial statements were available to be issued. Other than the events described in the COVID 19 note above, 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, 2020:

Cash and cash equivalents without donor restrictions	\$5,321,597
Accounts receivable	650
Grants receivable	<u>200,841</u>
	<u>\$5,523,088</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 4% 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, 2020 AND 2019

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>2020</u>	<u>2019</u>
Donated food	\$ 497,901	\$ 742,138
USDA TEFAP commodities	69,142	171,642
USDA CSFP commodities	132,431	220,904
USDA Trade Migration commodities	136,443	229,142
USDA Cares Act commodities	153,426	-
USDA FFCRA	2,002	-
Purchased food	614,127	178,914
	<u>\$ 1,605,472</u>	<u>\$ 1,542,740</u>
<u>Pounds received</u>		
Donated food	3,598,671	3,552,170
USDA TEFAP commodities	807,285	1,115,958
USDA CSFP commodities	434,721	649,697
USDA Trade Migration commodities	1,433,736	1,082,353
USDA Cares Act commodities	257,742	-
USDA FFCRA commodities	19,800	-
USDA FFFBP commodities	673,524	-
Purchased food	3,930,612	1,055,096
Total	<u>11,156,091</u>	<u>7,455,274</u>
<u>Pounds distributed</u>		
Donated food	3,770,703	3,145,308
USDA TEFAP commodities	910,541	930,854
USDA CSFP commodities	594,497	453,954
USDA Trade Migration commodities	1,547,050	795,908
USDA Cares Act commodities	44,650	-
USDA FFCRA commodities	17,670	-
USDA FFFBP commodities	673,524	-
Purchased food	3,438,222	1,072,685
Total	<u>10,996,857</u>	<u>6,398,709</u>

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 4: PLEDGES RECEIVABLE

Unconditional pledges receivable for the capital campaign as of September 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 15,000	\$ 43,700
Due in 1 to 2 years	<u>-</u>	<u>100,000</u>
	<u>\$ 15,000</u>	<u>\$ 143,700</u>

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.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 5: ENDOWMENT INVESTMENTS (Continued)

Declines in the fair value of assets of 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.

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 4% 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 4% 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, 2020, or 2019. Distributions taken during the fiscal year totaled \$25,426 in 2020 and \$26,630 in 2019.

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

<u>Without donor restrictions</u>	<u>2020</u>	<u>2019</u>
Board designated - PBAF Endowment	\$ 444,330	\$ 471,317
 <u>With donor restrictions</u>		
Original donor restricted gift to be maintained in perpetuity - PBAF Endowment	<u>200,000</u>	<u>200,000</u>
Total	<u>\$ 644,330</u>	<u>\$ 671,317</u>

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 5: ENDOWMENT INVESTMENTS (Continued)

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

<u>2020</u>	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 471,317	\$ 200,000	\$ 671,317
Distributions	(26,925)	-	(26,925)
Contributions	250	-	250
<u>Investment return:</u>			
Interest & dividends	21,330	-	21,330
Unrealized gains (losses)	(17,384)	-	(17,384)
Realized gains (losses)	4,799	-	4,799
Management fees	(9,057)	-	(9,057)
Total investment return	(312)	-	(312)
End of year	<u>\$ 444,330</u>	<u>\$ 200,000</u>	<u>\$ 644,330</u>

<u>2019</u>	Without Donor Restrictions	With Donor Restrictions	Total
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>

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. Money market funds are valued at the closing price from an actively traded exchange. These are included within cash and cash equivalents as Level 1 measurements in the table below.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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.

Time deposits and certificates of deposit included in cash and cash equivalents are valued at amortized cost, which approximates fair value. These are included as a Level 2 measurement in the table below.

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 2020 or 2019. 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:

	Fair Value	Level 1	Level 2	Level 3
<u>September 30, 2020</u>				
Beneficial interest - PBAF	644,330	\$ -	\$ -	\$ 644,330
Certificates of deposit	731,395	-	731,395	-
Money market	352	352	-	-
	<u>\$ 1,376,077</u>	<u>\$ 352</u>	<u>\$ 731,395</u>	<u>\$ 644,330</u>
<u>September 30, 2019</u>				
Beneficial interest - PBAF	\$ 671,317	\$ -	\$ -	\$ 671,317

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 2020 and \$59,000 in 2019.

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:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 15,706,982	\$ 15,673,491
Construction in progress	646,828	20,998
Improvements	127,776	50,476
Warehouse Equipment	102,848	84,848
Freezer/Cooler Units	448,240	17,569
Computer Equipment	145,017	145,017
Office & Kitchen Equipment	375,055	369,685
Vehicles	769,768	511,363
Land	<u>1,118,385</u>	<u>1,118,385</u>
	19,440,899	17,991,832
Accumulated Depreciation	<u>(2,560,702)</u>	<u>(1,964,690)</u>
Net Property & Equipment	<u>\$ 16,880,197</u>	<u>\$ 16,027,142</u>

Depreciation expense totaled \$596,012 in 2020 and \$579,243 in 2019.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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.

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

	<u>2020</u>	<u>2019</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>(408,146)</u>	<u>(423,946)</u>
	<u>\$5,491,854</u>	<u>\$5,476,054</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 2020 and 2019.

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.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 10: LINE OF CREDIT

The Food Bank has a \$250,000 revolving line of credit with a bank, 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, 2021. Monthly interest payments on borrowings are due beginning September 27, 2020. No borrowings were drawn in 2020 or 2019. The agreement requires us to comply with certain financial and non-financial covenants.

NOTE 11: LONG-TERM DEBT

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

\$3,361,274 promissory note payable to a bank bearing interest at 3.46% annually.	<u>2020</u>	<u>2019</u>
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.	\$ 2,460,428	\$ 3,361,274
Additional principal payments are permitted.		
The note is secured by the Food Bank's land and building facility at 411 S. Pagewood in Odessa, Texas		
Current maturities	<u>(253,846)</u>	<u>(253,846)</u>
Long-term debt	<u>\$ 2,206,582</u>	<u>\$ 3,107,428</u>
Maturities of long-term debt is as follows for fiscal years ending September 30:		
	2021 \$ 253,846	
	2022 \$ 253,846	
	2023 \$ 253,846	
	2024 \$ 1,698,890	
	<u>\$ 2,460,428</u>	

Interest expense on long term debt totaled \$106,166 in 2020 and \$97,228 in 2019.

NOTE 12: PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Food Bank received loan proceeds in the amount of \$459,400 under the Paycheck Protection Program ("PPP"). The PPP provides for loans to qualifying businesses and organizations in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks), if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 6 months after then end of the covered period. Original terms of the loan called for the Food Bank to repay any remaining balance of \$459,400, plus interest accrued at 1% per annum in monthly payments beginning November 2020 until the maturity date of April 17, 2022. The Food Bank used loan proceeds for purposes consistent with the program and applied for forgiveness. The SBA officially notified the Food Bank that the loan was forgiven in full on December 1, 2020, at which time the debt extinguishment income was recognized in the statement of activities.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 13: 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>2020</u>	<u>2019</u>
Capital campaign	\$ 1,069,182	\$ 1,561,959
COVID 19 relief	165,000	-
Freezer/cooler expansion	127,404	-
Food 2 Kids	80,120	91,626
Senior Box Program	63,975	-
Reeves County children, seniors, Big Orange Room	51,513	51,513
Transportation	50,000	-
Disaster relief - grassfires	30,000	30,000
Feeding America - census	22,989	-
Presidio outreach	20,000	-
Turkey vouchers	20,000	-
Kids farmers market	17,072	2,072
Midland ISD School pantries	7,500	-
Food pantries MISD Jr. High	7,121	16,610
Fill your tank	7,000	-
Fuel for trucks	-	145,073
Healthy foods	-	27,763
	<u>1,738,876</u>	<u>1,926,616</u>
<u>Perpetual in nature</u>		
Beneficial interest in assets held by PBAF	200,000	200,000
	<u>\$ 1,938,876</u>	<u>\$ 2,126,616</u>

Net assets of \$1,793,500 and \$994,287 were released from restrictions by expending funds to satisfy restrictions in 2020 and 2019, respectively.

NOTE 14: DIRECT MAIL

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

	<u>2020</u>	<u>2019</u>
Direct mail contributions	\$ 1,148,350	\$ 724,837
Direct mail expense	(177,337)	(195,309)
Net direct mail results	<u>\$ 971,013</u>	<u>\$ 529,528</u>

NOTE 15: 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 \$400,339 in 2020 and \$326,298 in 2019.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 16: 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 \$38,189 in 2020 and \$25,790 in 2019.

NOTE 17: LEASES

The Food Bank leases vehicles, trucks, and office equipment under non-cancelable operating leases. Terms range from 36 – 72 months. Future minimum payments are as follows for the years ending September 30:

2021	\$144,034
2022	139,346
2023	137,269
2024	136,512
2025	<u>22,752</u>
	<u>\$559,913</u>

Rental payments under operating leases totaled \$229,360 in 2020 and \$228,878 in 2019.

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 as of September 30, 2020, and 2019 totaled \$1,970 and \$11,242, respectively. These amounts are included in current accrued liabilities in the consolidated statement of financial position.

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. Lease payments totaling \$70,000 are eliminated in consolidation between the Food Bank and WTFB Mid County.

NOTE 18: 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 \$2,196 in 2020 and \$4,329 in 2019.

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 \$4,300 in 2020 and \$4,500 in 2019.

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 19: 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 2020, the Food Bank underwent an administrative review by the Texas Department of Agriculture (TDA). No areas of noncompliance were reported. In 2019, the Food Bank underwent desk reviews from Feeding America and the TDA. Both reviews resulted in findings that were corrected and accepted by those agencies. Since governmental 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, 2020**

	West Texas Food Bank	WTFB Mid County	Eliminations	Consolidated Total
A S S E T S				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 6,228,801	\$ 149,027	\$ -	\$ 6,377,828
Accounts Receivable	650	-	-	650
Grants Receivable	200,841	-	-	200,841
Pledges Receivable - current	15,000	-	-	15,000
Inventory	1,605,472	-	-	1,605,472
Prepaid Expenses	53,458	-	-	53,458
TOTAL CURRENT ASSETS	<u>8,104,222</u>	<u>149,027</u>	<u>-</u>	<u>8,253,249</u>
ENDOWMENT INVESTMENTS	<u>644,330</u>	<u>-</u>	<u>-</u>	<u>644,330</u>
NOTE RECEIVABLE	<u>4,061,000</u>	<u>-</u>	<u>-</u>	<u>4,061,000</u>
PROPERTY AND EQUIPMENT (net)	<u>11,629,696</u>	<u>5,250,501</u>	<u>-</u>	<u>16,880,197</u>
TOTAL ASSETS	<u><u>\$ 24,439,248</u></u>	<u><u>\$ 5,399,528</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,838,776</u></u>
LIABILITIES & NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 775,492	\$ 53	\$ -	\$ 775,545
Accrued Liabilities	15,879	-	-	15,879
Paycheck Protection Program Loan	459,400	-	-	459,400
Current maturities of long-term debt	253,846	-	-	253,846
TOTAL CURRENT LIABILITIES	<u>1,504,617</u>	<u>53</u>	<u>-</u>	<u>1,504,670</u>
LONG-TERM LIABILITIES				
New Market Tax Credit Notes Payable, net of unamortized debt issuance costs	-	5,491,854	-	5,491,854
Long-Term Debt, net of current maturities	2,206,582	-	-	2,206,582
TOTAL LONG-TERM LIABILITIES	<u>2,206,582</u>	<u>5,491,854</u>	<u>-</u>	<u>7,698,436</u>
TOTAL LIABILITIES	<u>3,711,199</u>	<u>5,491,907</u>	<u>-</u>	<u>9,203,106</u>
NET ASSETS				
<u>Without Donor Restrictions</u>				
Undesignated	4,614,442	(53)	-	4,614,389
Invested in Property and Equipment, net of related debt	13,230,268	(241,353)	-	12,988,915
Board Designated Operating Reserve	500,133	149,027	-	649,160
Board Designated Endowment	444,330	-	-	444,330
	<u>18,789,173</u>	<u>(92,379)</u>	<u>-</u>	<u>18,696,794</u>
<u>With Donor Restrictions</u>				
Purpose Restrictions	1,738,876	-	-	1,738,876
Perpetual in Nature	200,000	-	-	200,000
	<u>1,938,876</u>	<u>-</u>	<u>-</u>	<u>1,938,876</u>
TOTAL NET ASSETS	<u>20,728,049</u>	<u>(92,379)</u>	<u>-</u>	<u>20,635,670</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,439,248</u></u>	<u><u>\$ 5,399,528</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,838,776</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, 2020**

	WEST TEXAS FOOD BANK			WTFB MID COUNTY			
	Without Donor Restrictions	With Donor Restrictions	TOTAL	Without Donor Restrictions	TOTAL	Eliminations	Consolidated Total
PUBLIC SUPPORT							
Public contributions	\$ 8,232,633	\$ 1,422,760	\$ 9,655,393	\$ -	\$ -	\$ -	\$ 9,655,393
Capital campaign contributions	-	183,000	183,000	-	-	-	183,000
Donated food and commodities	9,755,752	-	9,755,752	-	-	-	9,755,752
TOTAL PUBLIC SUPPORT	17,988,385	1,605,760	19,594,145	-	-	-	19,594,145
REVENUES & OTHER SUPPORT							
Government grants & contracts	3,045,472	-	3,045,472	-	-	-	3,045,472
Program revenue and fees	505,822	-	505,822	-	-	-	505,822
Special events, net of costs of \$73,885	160,127	-	160,127	-	-	-	160,127
Other income	82,751	-	82,751	70,000	70,000	(70,000)	82,751
Net investment income (loss) on endowment	(312)	-	(312)	-	-	-	(312)
TOTAL REVENUES & OTHER SUPPORT	3,793,860	-	3,793,860	70,000	70,000	(70,000)	3,793,860
TOTAL SUPPORT AND REVENUES	21,782,245	1,605,760	23,388,005	70,000	70,000	(70,000)	23,388,005
NET ASSETS RELEASED FROM RESTRICTIONS							
Restrictions Satisfied by Payments - Food & other programs	1,117,723	(1,117,723)	-	-	-	-	-
Restrictions Satisfied by Payments - Capital campaign	675,777	(675,777)	-	-	-	-	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	23,575,745	(187,740)	23,388,005	70,000	70,000	(70,000)	23,388,005
EXPENSES							
Program Services:							
Distribution	14,189,877	-	14,189,877	-	-	(9,541)	14,180,336
Food Procurement	341,432	-	341,432	-	-	(4,638)	336,794
Nutrition	776,415	-	776,415	-	-	(10,547)	765,868
Processing	764,254	-	764,254	-	-	(10,382)	753,872
Public Awareness	698,917	-	698,917	-	-	(9,495)	689,422
Transportation	741,681	-	741,681	-	-	(10,076)	731,605
TOTAL PROGRAM SERVICES	17,512,576	-	17,512,576	-	-	(54,679)	17,457,897
Supporting Services:							
Management and General	872,050	-	872,050	260,098	260,098	(11,491)	1,120,657
Fundraising	555,611	-	555,611	-	-	(3,830)	551,781
TOTAL SUPPORT SERVICES	1,427,661	-	1,427,661	260,098	260,098	(15,321)	1,672,438
TOTAL EXPENSES	18,940,237	-	18,940,237	260,098	260,098	(70,000)	19,130,335
CHANGE IN NET ASSETS	4,635,508	(187,740)	4,447,768	(190,098)	(190,098)	-	4,257,670
BEGINNING NET ASSETS	14,153,665	2,126,616	16,280,281	97,719	97,719	-	16,378,000
ENDING NET ASSETS	<u>\$ 18,789,173</u>	<u>\$ 1,938,876</u>	<u>\$ 20,728,049</u>	<u>\$ (92,379)</u>	<u>\$ (92,379)</u>	<u>\$ -</u>	<u>\$ 20,635,670</u>

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, 2020, 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 June 2, 2021.

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.

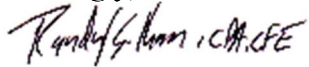
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify 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 my 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. Homan, CPA, CFE.

Lubbock, Texas

June 2, 2021



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, 2020. 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, 2020.

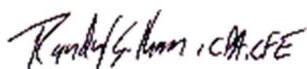
Report on Internal Control Over Compliance

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 Food Bank'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

June 2, 2021

WEST TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<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 Homeland Security (DHS) through sub-agency			
Federal Emergency Management Agency (FEMA)			
Passed-through the Texas Division of Emergency Management (TDEM)			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	-	\$ 1,969,000
Total U.S. DHS			<u>1,969,000</u>
U.S. Department of Agriculture (USDA)			
Direct federal award			
Coronavirus Food Assistance Program Food Commodities via the			
Farmers to Families Food Box Program (FFFBP)	10.130	- *	825,075
Passed-through the Texas Department of Agriculture (TDA)			
<u>Food Distribution Cluster</u>			
Emergency Food Assistance Program Food Commodities	10.569	- *	\$ 602,979
Emergency Food Assistance Program Food Commodities CARES Act	10.569	- *	28,409
Emergency Food Assistance Program Food Commodities FFCRA	10.569	- *	16,666
Emergency Food Assistance Program Administrative Costs	10.568	6TX810816	220,053
Emergency Food Assistance Program Food Administrative Costs CARES Act	10.568	6TX810815	199,459
Emergency Food Assistance Program Food Administrative Costs FFCRA	10.568	6TX430123	19,086
Commodity Supplemental Food Program Commodities	10.565	- *	207,643
Commodity Supplemental Food Program Administrative Costs	10.565	-	133,703
<u>Child Nutrition Cluster</u>			
Summer Food Service Program for Children	10.559	-	57,030
<u>Non- Clustered</u>			
Child and Adult Care Food Program	10.558	-	119,081
Emergency Food Assistance Program Trade Migration Food Commodities*	10.178	- *	1,560,564
Emergency Food Assistance Program Trade Migration Administrative Costs	10.178	-	99,368
SUBTOTAL - Texas Department of Agriculture			<u>3,264,041</u>
Passed-through Texas Health and Human Services (provided through Feeding Texas)			
<u>SNAP Cluster</u>			
SNAP Nutrition Education Program (SNAP - Ed)	10.551	-	81,081
Community Partner Program	10.551	-	114,400
SUBTOTAL - Texas Health and Human Services			<u>195,481</u>
TOTAL USDA			<u>4,284,597</u>
TOTAL EXPENDITURES OF FEDERAL FINANCIAL AWARDS			<u><u>\$ 6,253,597</u></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, 2020

NOTE 1: BASIS OF PRESENTATION

The schedule of expenditures of federal financial 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, 2020. 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). This schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the entire financial position, changes in net assets, or cash flows of the Food Bank or the consolidated financial statements.

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.

References to government commodities, financial assistance, and programs include the following:

U.S. Department of Agriculture (USDA), Texas Department of Agriculture (TDA), Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA), Texas Division of Emergency Management (TDEM), The Emergency Food Assistance Program (TEFAP), Commodity Supplemental Food Program (CSFP), Farmers to Families Food Box Program (FFFBP), Families First Coronavirus Relief Act (FFCRA), Coronavirus Aid, Relief, and Economic Security Act (CARES), Emergency Food Assistance Program Trade Migration, Texas Health and Human Services (THHS), Summer Food Service Program for Children (SFSP), Child and Adult Care Food Program (CACFP), SNAP Nutrition Education Program (SNAP - Ed), and Community Partner Program (CPP).

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

NOTE 3: FOOD INVENTORY

Governmental food commodities inventory on hand totaled \$493,444 as of September 30, 2020. Further detail is disclosed in Note 3 of the consolidated financial statements.

NOTE 4: RECONCILIATION OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

Expenditures of federal financial awards totaled \$6,253,597. This includes both monetary and nonmonetary awards. Monetary assistance from federal governmental grants and contracts reported in this schedule totaled \$3,012,261. Local government support totaled \$33,211. This totals \$3,045,472 as reported for government grants and contracts support in the consolidated and consolidating statement of activities.

Nonmonetary assistance for governmental food commodities distributed is reported in this schedule at the fair market value of the commodities distributed. This amount totaled \$3,241,336 and is reported in the consolidated statement of functional expenses. The value of federal nonmonetary commodities totaled \$3,494,064. Donated food from other sources totaled 6,261,688. This totals \$9,755,752 as reported for donated food and commodities in the consolidated and consolidating statement of activities.

**WEST TEXAS FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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. No significant control deficiencies or material weaknesses disclosed for 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 disclosed.
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:

Food Distribution Cluster

Emergency Food Assistance Program Food Commodities	10.569
Emergency Food Assistance Program Food Commodities CARES Act	10.569
Emergency Food Assistance Program Food Commodities Families First Coronavirus Relief Act (FFCRA)	10.569
Emergency Food Assistance Program Administrative Costs	10.568
Emergency Food Assistance Program Food Administrative Costs CARES Act	10.568
Emergency Food Assistance Program Food Administrative Costs Families First Coronavirus Relief Act (FFCRA)	10.568
Commodity Supplemental Food Program Food Commodities	10.565
Commodity Supplemental Food Program Administrative Costs	10.565

Non-clusters

Emergency Food Assistance Program Trade Migration Food Commodities	10.178
Emergency Food Assistance Program Trade Migration Administrative Costs	10.178
Coronavirus Food Assistance Program Food Commodities via the Farmers to Families Food Box Program (FFFBP)	10.130
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

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