

**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, 2021 AND 2020**

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

WEST TEXAS FOOD BANK & WTFB MID COUNTY

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Consolidated Notes to Financial Statements	9
Supplementary Information and Compliance Section:	
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities	27
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 <i>Government Auditing Standards</i>	28
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	30
Schedule of Expenditures of Federal Awards	32
Notes to the Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34



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



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, 2021 and 2020, 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, 2021, and 2020, 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

P.O. Box 1341
Wolfforth, TX 79382

Office: (432) 580-0204
Cell: (432) 557-2626
rscpacfe@att.net

6411 75th Place
Lubbock, TX 79424

Other Information

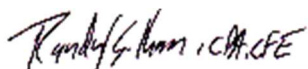
My audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not required parts of 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 were 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 20, 2022, 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 20, 2022

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
A S S E T S		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,063,277	\$ 6,377,828
Accounts Receivable	9,963	650
Grants Receivable	1,220,466	200,841
Pledges Receivable - current	-	15,000
Inventory	2,028,739	1,605,472
Prepaid Expenses	12,141	53,458
TOTAL CURRENT ASSETS	8,334,586	8,253,249
ENDOWMENT INVESTMENTS	1,015,765	644,330
NOTE RECEIVABLE	4,061,000	4,061,000
PROPERTY AND EQUIPMENT (net)	17,931,931	16,880,197
TOTAL ASSETS	\$ 31,343,282	\$ 29,838,776
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 202,361	\$ 775,545
Accrued Liabilities	10,124	15,879
Paycheck Protection Program Loan	-	459,400
Current maturities of long-term debt	-	253,846
TOTAL CURRENT LIABILITIES	212,485	1,504,670
LONG-TERM LIABILITIES		
New Market Tax Credit Notes Payable, net of unamortized debt issuance costs	5,507,653	5,491,854
Long-Term Debt, net of current maturities	-	2,206,582
TOTAL LONG-TERM LIABILITIES	5,507,653	7,698,436
TOTAL LIABILITIES	5,720,138	9,203,106
NET ASSETS		
<u>Without Donor Restrictions</u>		
Undesignated	4,153,067	4,614,389
Invested in Property and Equipment, net of related debt	16,485,278	12,988,915
Board Designated Operating Reserve	3,620,180	649,160
Board Designated Endowment	815,765	444,330
	25,074,290	18,696,794
<u>With Donor Restrictions</u>		
Purpose Restrictions	348,854	1,738,876
Perpetual in Nature	200,000	200,000
	548,854	1,938,876
TOTAL NET ASSETS	25,623,144	20,635,670
TOTAL LIABILITIES AND NET ASSETS	\$ 31,343,282	\$ 29,838,776

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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Public contributions	\$ 9,426,389	\$ 539,041	\$ 9,965,430
Capital campaign monetary contributions	-	146,866	146,866
Donated noncash assets	9,069	-	9,069
Donated food and commodities	13,737,097	-	13,737,097
TOTAL PUBLIC SUPPORT	23,172,555	685,907	23,858,462
REVENUES & OTHER SUPPORT			
Government grants & contracts	2,230,199	-	2,230,199
Program revenue and fees	210,377	-	210,377
Special events, net of costs of \$96,576	53,987	-	53,987
Other income	89,078	-	89,078
PPP loan forgiveness	459,400	-	459,400
Net investment income (loss) on endowment	177,922	-	177,922
TOTAL REVENUES & OTHER SUPPORT	3,220,963	-	3,220,963
TOTAL SUPPORT AND REVENUES	26,393,518	685,907	27,079,425
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions Satisfied by Payments - Food & other programs	1,870,785	(1,870,785)	-
Restrictions Satisfied by Payments - Capital campaign	205,144	(205,144)	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	28,469,447	(1,390,022)	27,079,425
EXPENSES			
Program Services:			
Distribution	16,716,747	-	16,716,747
Food Procurement	303,588	-	303,588
Nutrition	862,210	-	862,210
Processing	748,242	-	748,242
Public Awareness	748,618	-	748,618
Transportation	879,303	-	879,303
TOTAL PROGRAM SERVICES	20,258,708	-	20,258,708
Supporting Services:			
Management and General	1,243,646	-	1,243,646
Fundraising	589,597	-	589,597
TOTAL SUPPORT SERVICES	1,833,243	-	1,833,243
TOTAL EXPENSES	22,091,951	-	22,091,951
CHANGE IN NET ASSETS	6,377,496	(1,390,022)	4,987,474
BEGINNING NET ASSETS	18,696,794	1,938,876	20,635,670
ENDING NET ASSETS	\$ 25,074,290	\$ 548,854	\$ 25,623,144

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, 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	\$ 18,696,794	\$ 1,938,876	\$ 20,635,670

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, 2021**

	PROGRAM SERVICES - ALL WEST TEXAS FOOD BANK							SUPPORT SERVICES			TOTAL
	Food		Nutrition	Public			Total	West Texas Food Bank	West Texas	WTFB-Mid County	2021
	Distribution	Procurement		Processing	Awareness	Transportation		Management and General	Food Bank Fundraising	Management and General	
Salaries	\$ 467,094	\$ 142,392	\$ 404,404	\$ 350,950	\$ 351,126	\$ 412,422	\$ 2,128,388	\$ 419,863	\$ 139,954	\$ -	\$ 2,688,205
Payroll taxes	33,948	10,349	29,391	25,507	25,519	29,974	154,688	30,515	10,172	-	195,375
Employee benefits	88,759	27,058	76,847	66,689	66,723	78,370	404,446	79,784	26,595	-	510,825
Total Personnel Costs	589,801	179,799	510,642	443,146	443,368	520,766	2,687,522	530,162	176,721	-	3,394,405
Professional fees	12,608	3,844	10,916	9,473	9,478	11,133	57,452	11,333	3,778	36,886	109,449
Direct mail fundraising costs	-	-	-	-	-	-	-	-	166,666	-	166,666
Bad debt	-	-	-	-	-	-	-	86,737	-	-	86,737
Contract labor	3,051	930	2,642	2,292	2,294	2,694	13,903	2,742	914	-	17,559
Supplies and materials	62,658	19,101	54,249	47,078	47,102	55,324	285,512	56,322	18,774	-	360,608
Telephone and internet	7,472	2,278	6,470	5,615	5,617	6,598	34,050	6,717	2,239	-	43,006
Occupancy	46,290	14,111	40,077	34,780	34,798	40,872	210,928	41,609	13,870	-	266,407
Equipment rental, repair & maintenance	43,447	13,245	37,616	32,644	32,660	38,361	197,973	39,053	13,018	1,208	251,252
Promotional, publications, & printing	-	-	-	-	-	-	-	-	124,540	-	124,540
Travel	7,945	2,422	6,879	5,970	5,973	7,015	36,204	7,142	2,381	-	45,727
Conferences & meetings	4,064	1,239	3,519	3,054	3,055	3,589	18,520	3,653	1,218	-	23,391
Dues, fees, & subscriptions	4,034	1,230	3,493	3,031	3,033	3,562	18,383	3,626	1,209	-	23,218
Insurance	24,480	7,463	21,195	18,393	18,402	21,615	111,548	22,005	7,335	-	140,888
Vehicle & transportation costs	83,871	25,568	72,614	63,016	63,048	74,054	382,171	75,390	25,130	-	482,691
Special food program & project costs	3,959	1,207	3,428	2,974	2,976	3,496	18,040	3,559	1,186	-	22,785
Food distributed - donated	6,049,394	-	-	-	-	-	6,049,394	-	-	-	6,049,394
Food distributed government commodities	7,605,284	-	-	-	-	-	7,605,284	-	-	-	7,605,284
Food distributed - purchased	2,066,205	-	-	-	-	-	2,066,205	-	-	-	2,066,205
Bank fees	5,593	1,705	4,842	4,202	4,204	4,938	25,484	5,027	1,676	1,072	33,259
Interest - debt issuance costs	-	-	-	-	-	-	-	-	-	15,799	15,799
Interest on loans and notes	3,243	989	2,808	2,437	2,438	2,864	14,779	2,915	972	59,000	77,666
Total before depreciation	16,623,399	275,131	781,390	678,105	678,446	796,881	19,833,352	897,992	561,627	113,965	21,406,936
Depreciation	93,348	28,457	80,820	70,137	70,172	82,422	425,356	83,909	27,970	147,780	685,015
TOTAL	\$ 16,716,747	\$ 303,588	\$ 862,210	\$ 748,242	\$ 748,618	\$ 879,303	\$ 20,258,708	\$ 981,901	\$ 589,597	\$ 261,745	\$ 22,091,951

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
	Food		Nutrition	Processing	Public		Total	West Texas Food Bank	West Texas	WTFB-Mid County	2020
	Distribution	Procurement			Awareness	Transportation		Management and General	Food Bank Fundraising	Management and General	
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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from support & revenue, net of amounts restricted for capital campaign building projects	\$ 11,459,462	\$ 13,425,964
Cash paid for operations	(8,537,263)	(8,103,656)
Distributions from PBAF endowment	26,487	26,925
Interest received	60,671	73,478
Interest paid	(77,666)	(165,166)
NET CASH FROM OPERATING ACTIVITIES	2,931,691	5,257,545
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,727,680)	(1,449,066)
Board designated contributions to endowment	(220,000)	-
NET CASH FOR INVESTING ACTIVITIES	(1,947,680)	(1,449,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on West Texas Food Bank loans	-	459,400
Collection of contributions restricted for capital campaign building projects	161,866	311,700
Principal repayments on West Texas Food Bank loans	(2,460,428)	(900,846)
NET CASH FOR FINANCING ACTIVITIES	(2,298,562)	(129,746)
NET CHANGE IN CASH & CASH EQUIVALENTS	(1,314,551)	3,678,733
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	6,377,828	2,699,095
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 5,063,277	\$ 6,377,828
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,987,474	\$ 4,257,670
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	685,015	596,012
Net investment return on endowment	(177,922)	312
Contributions restricted to capital campaign building projects	(161,866)	(311,700)
PPP loan forgiveness	(459,400)	-
Donated noncash assets	(9,069)	-
Contributions restricted for PBAF endowment	-	(250)
Distributions from PBAF endowment	26,487	26,925
Amortization of debt issuance costs (interest)	15,799	15,799
Change in Assets and Liabilities:		
Decrease (Increase) in grants and accounts receivable	(1,028,938)	50,127
Decrease (Increase) in pledges receivable	15,000	128,700
Decrease (Increase) in prepaid expenses	41,317	(20,606)
Decrease (Increase) in inventory	(423,267)	(62,732)
Increase (Decrease) in accounts payable and accrued liabilities	(578,939)	577,288
NET CASH FROM OPERATING ACTIVITIES	\$ 2,931,691	\$ 5,257,545
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 77,666	\$ 165,166

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, 2021 AND 2020**

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 more than 100 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 2021 or 2020. 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 2021 or 2020 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, 2021 AND 2020**

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 uncollectible 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 uncollectible. 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 \$1.79 per pound in 2021 and \$1.74 per pound in 2020 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, 2021 AND 2020**

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 2021 or 2020.

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

The Organizations follow 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, 2021 AND 2020**

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, 2021 AND 2020

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 2021 totaled \$159,877 for purchased food and \$50,500 for fees. In 2020, revenues and fees totaled \$397,521 for purchased food and \$108,301 for fees. Fees were suspended 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 \$77,000 in 2021 and \$253,000 in 2020.

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, 2021 AND 2020**

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

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.

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 adapted 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. During the pandemic, WTFB received generous financial support from foundations, corporations and individuals that enabled us to meet the 80% increase of operational costs associated with the growth in our community's food need. Currently, we continue to see an increase of 12% in operational cost and an increase of 18% in the cost of food. With the additional money in our reserve account, we made the decision to increase the amount in our endowment account by \$220,000 to bring it over \$1 million and we added \$1.5 million to our investment account. We currently have 253 days of operating cash, which is well over the 90 days recommended by Feeding America.

DEMAND FOR SERVICES: Since March 16, 2020, when our crisis relief began, we have provided food to roughly 30% more households than during the same time period in 2019. In May 2022, we distributed 1.2 million pounds of food compared to May 2019, when we distributed 547,000 pounds of food. Produce accounts for 26% of food distributed currently.

CANCELED PROGRAMS: In the early part of COVID-19 pandemic, our Kids Café program completely shut down. In June 2020, it resumed with fewer sites and less meals distributed. As of August 2021, Kids Café is nearly back to pre-pandemic numbers

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COVID 19 - continued

INCREASED COSTS: WTFB monthly expenses prior to March 16, 2020 were roughly \$500,000. FY 2021, expenses were averaging \$800,000 a month or more. The increased cost of food and fuel is contributing to our expenses currently.

EVENTS: From March 2020-April 2021, all WTFB fundraising, and community events were cancelled. We started to hold events May 2021 and encouraged social distancing and handwashing.

OTHER: WTFB closed the facilities to volunteers the week of March 16, 2020 in order to protect the health of our staff and clients. National Guard was stationed at the food bank from May 2020-September 2021. We utilized contract labor to get us through the end of 2021 and started welcoming volunteers back to the food bank in January 2022.

Subsequent Events

Management has evaluated subsequent events through June 20, 2022, 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, 2021:

Cash and cash equivalents without donor restrictions	\$5,041,988
Accounts receivable	9,963
Grants receivable	<u>1,220,466</u>
	<u>\$6,272,417</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.

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.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 3: INVENTORY

Inventory consisted of the following as of September 30:

<u>Balances</u>	<u>2021</u>	<u>2020</u>
Donated food	\$ 623,733	\$ 497,901
USDA TEFAP commodities	520,672	69,142
USDA CSFP commodities	220,534	132,431
USDA Trade Migration commodities	-	136,443
USDA Cares Act commodities	86,282	153,426
USDA FFCRA	43,789	2,002
USDA COSUP	291,084	-
Purchased food	242,645	614,127
	<u>\$ 2,028,739</u>	<u>\$ 1,605,472</u>
 <u>Pounds received</u>		
Donated food	3,390,994	3,598,671
USDA TEFAP commodities	2,571,387	807,285
USDA CSFP commodities	673,401	434,721
USDA Trade Migration commodities	567,833	1,433,736
USDA Cares Act commodities	274,918	257,742
USDA FFCRA commodities	694,178	19,800
USDA FFFBP commodities	2,133,376	673,524
USDA COSUP	394,588	-
Purchased food	3,558,761	3,930,612
Total	<u>14,259,436</u>	<u>11,156,091</u>
 <u>Pounds distributed</u>		
Donated food	3,332,245	3,770,703
USDA TEFAP commodities	2,058,275	910,541
USDA CSFP commodities	601,847	594,497
USDA Trade Migration commodities	676,987	1,547,050
USDA Cares Act commodities	378,792	44,650
USDA FFCRA commodities	625,680	17,670
USDA FFFBP commodities	2,133,376	673,524
USDA COSUP	52,136	-
Purchased food	3,314,605	3,438,222
Total	<u>13,173,943</u>	<u>10,996,857</u>

NOTE 4: PLEDGES RECEIVABLE

Unconditional pledges receivable for the capital campaign as of September 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ -	<u>\$ 15,000</u>

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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.

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.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 5: ENDOWMENT INVESTMENTS (Continued)

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, 2021, or 2020. Distributions taken during the fiscal year totaled \$25,426 in 2021 and \$26,925 in 2020.

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

<u>Without donor restrictions</u>	<u>2021</u>	<u>2020</u>
Board designated - PBAF Endowment	\$ 815,765	\$ 444,330
 <u>With donor restrictions</u>		
Original donor restricted gift to be maintained in perpetuity - PBAF Endowment	200,000	200,000
Total	<u>\$ 1,015,765</u>	<u>\$ 644,330</u>

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

<u>2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 444,330	\$ 200,000	\$ 644,330
Distributions	(26,487)	-	(26,487)
Contributions	220,000	-	220,000
<u>Investment return:</u>			
Interest & dividends	19,175	-	19,175
Unrealized gains (losses)	178,795	-	178,795
Realized gains (losses)	(9,759)	-	(9,759)
Management fees	(10,289)	-	(10,289)
Total investment return	<u>177,922</u>	<u>-</u>	<u>177,922</u>
End of year	<u>\$ 815,765</u>	<u>\$ 200,000</u>	<u>\$ 1,015,765</u>

WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 5: ENDOWMENT INVESTMENTS (Continued)

<u>2020</u>	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Beginning of year	\$ 471,317	\$ 200,000	\$ 671,317
Distributions	(26,925)	-	(26,925)
<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>

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.

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.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 6: FAIR VALUE MEASUREMENTS (Continued)

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. The Food Bank’s interest is not a publicly traded investment; therefore it is valued as a level 3 input as defined by FASB ASC 820.

There were no transfers between fair value levels in 2021 or 2020. 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, 2021</u>				
Beneficial interest - PBAF	\$ 1,015,765	\$ -	\$ -	\$ 1,015,765
	<u>\$ 1,015,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015,765</u>
 <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>

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 2021 and \$59,000 in 2020.

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>

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 8: PROPERTY & EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Buildings	\$ 15,715,744	\$ 15,706,982
Construction in progress	1,591,946	646,828
Improvements	143,752	127,776
Warehouse Equipment	179,247	102,848
Freezer/Cooler Units	865,189	448,240
Computer Equipment	145,017	145,017
Office & Kitchen Equipment	389,174	375,055
Vehicles	1,020,126	769,768
Donated gift	9,069	-
Land	1,118,385	1,118,385
	<u>21,177,649</u>	<u>19,440,899</u>
Accumulated Depreciation	<u>(3,245,718)</u>	<u>(2,560,702)</u>
Net Property & Equipment	<u>\$ 17,931,931</u>	<u>\$ 16,880,197</u>

Depreciation expense totaled \$685,015 in 2021 and \$596,012 in 2020.

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>2021</u>	<u>2020</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>(392,347)</u>	<u>(408,146)</u>
	<u>\$5,507,653</u>	<u>\$5,491,854</u>

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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

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 2021 and 2020.

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

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

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

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

NOTE 10: LINE OF CREDIT

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 0.5%. Accrued interest and principal are due at maturity on August 30, 2022. No borrowings were drawn in 2021 or 2020. The agreement requires us to comply with certain financial and non-financial covenants.

NOTE 11: LONG-TERM DEBT

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

\$3,361,274 promissory note payable to a bank bearing interest at 3.46% annually.	<u>2021</u>	<u>2020</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
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	-	(253,846)
Long-term debt	<u>\$ -</u>	<u>\$ 2,206,582</u>

This note was paid in full December 14, 2020. Interest expense totaled \$18,665 in 2021 and \$106,166 in 2020

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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 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 loan forgiveness income was recognized in the statement of activities.

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>2021</u>	<u>2020</u>
Nutrition grant	\$ 75,000	\$ -
School pantries	54,000	14,621
Midland Bio Dome	50,239	845,926
Produce drop	41,551	-
Disaster relief - grassfires	30,000	30,000
Senior Box Program	26,312	63,975
Upton County	25,000	-
Capital campaign	18,112	223,256
Community events	15,000	-
Food 2 Kids	13,640	80,120
COVID 19 relief	-	165,000
Freezer/cooler expansion	-	127,404
Reeves County children, seniors, Big Orange Room	-	51,513
Transportation	-	50,000
Feeding America - census	-	22,989
Presidio outreach	-	20,000
Turkey vouchers	-	20,000
Kids farmers market	-	17,072
Fill your tank	-	7,000
	<u>348,854</u>	<u>1,738,876</u>
<u>Perpetual in nature</u>		
Beneficial interest in assets held by PBAF	200,000	200,000
	<u>\$ 548,854</u>	<u>\$ 1,938,876</u>

Net assets of \$2,075,929 and \$1,793,500 were released from restrictions by expending funds to satisfy restrictions in 2021 and 2020, respectively.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 14: DIRECT MAIL

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

	<u>2021</u>	<u>2020</u>
Direct mail contributions	\$1,279,658	\$1,148,350
Direct mail expense	<u>(166,666)</u>	<u>(177,337)</u>
Net direct mail results	<u>\$1,112,992</u>	<u>\$ 971,013</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 \$395,669 in 2021 and \$400,339 in 2020.

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 \$53,634 in 2021 and \$25,790 in 2020.

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:

2022	139,346
2023	137,269
2024	136,512
2025	<u>22,752</u>
	<u>\$435,879</u>

Rental payments under operating leases totaled \$231,723 in 2021 and \$229,360 in 2020.

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.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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 \$1,098 in 2021 and \$2,196 in 2020.

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 \$5,700 in 2021 and \$4,300 in 2020.

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 September 2020, the Food Bank underwent an administrative review by the Texas Department of Agriculture (TDA). No areas of noncompliance were reported. 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
AND
COMPLIANCE SECTION**

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021**

	West Texas Food Bank	WTFB Mid County	Eliminations	Consolidated Total
A S S E T S				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,915,582	\$ 147,695	\$ -	\$ 5,063,277
Accounts Receivable	9,963	-	-	9,963
Grants Receivable	1,220,466	-	-	1,220,466
Inventory	2,028,739	-	-	2,028,739
Prepaid Expenses	12,141	-	-	12,141
TOTAL CURRENT ASSETS	8,186,891	147,695	-	8,334,586
ENDOWMENT INVESTMENTS	1,015,765	-	-	1,015,765
NOTE RECEIVABLE	4,061,000	-	-	4,061,000
PROPERTY AND EQUIPMENT (net)	12,829,211	5,102,720	-	17,931,931
TOTAL ASSETS	\$ 26,092,867	\$ 5,250,415	\$ -	\$ 31,343,282
LIABILITIES & NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 175,475	\$ 26,886	\$ -	\$ 202,361
Accrued Liabilities	10,124	-	-	10,124
TOTAL CURRENT LIABILITIES	185,599	26,886	-	212,485
LONG-TERM LIABILITIES				
New Market Tax Credit Notes Payable, net of unamortized debt issuance costs	-	5,507,653	-	5,507,653
TOTAL LONG-TERM LIABILITIES	-	5,507,653	-	5,507,653
TOTAL LIABILITIES	185,599	5,534,539	-	5,720,138
NET ASSETS				
<u>Without Donor Restrictions</u>				
Undesignated	4,150,635	2,432	-	4,153,067
Invested in Property and Equipment, net of related debt	16,890,211	(404,933)	-	16,485,278
Board Designated Operating Reserve	3,501,803	118,377	-	3,620,180
Board Designated Endowment	815,765	-	-	815,765
	25,358,414	(284,124)	-	25,074,290
<u>With Donor Restrictions</u>				
Purpose Restrictions	348,854	-	-	348,854
Perpetual in Nature	200,000	-	-	200,000
	548,854	-	-	548,854
TOTAL NET ASSETS	25,907,268	(284,124)	-	25,623,144
TOTAL LIABILITIES AND NET ASSETS	\$ 26,092,867	\$ 5,250,415	\$ -	\$ 31,343,282

See Independent Auditor's Report

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	WEST TEXAS FOOD BANK			WTFB MID COUNTY		Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	TOTAL	Without Donor Restrictions	TOTAL		
PUBLIC SUPPORT							
Public contributions	\$ 9,426,389	\$ 539,041	\$ 9,965,430	\$ -	\$ -	\$ -	\$ 9,965,430
Capital campaign contributions	-	146,866	146,866	-	-	-	146,866
Donated noncash assets	9,069	-	9,069	-	-	-	9,069
Donated food and commodities	13,737,097	-	13,737,097	-	-	-	13,737,097
TOTAL PUBLIC SUPPORT	23,172,555	685,907	23,858,462	-	-	-	23,858,462
REVENUES & OTHER SUPPORT							
Government grants & contracts	2,230,199	-	2,230,199	-	-	-	2,230,199
Program revenue and fees	210,377	-	210,377	-	-	-	210,377
Special events, net of costs of \$96,576	53,987	-	53,987	-	-	-	53,987
Other income	89,078	-	89,078	70,000	70,000	(70,000)	89,078
PPP loan forgiveness	459,400	-	459,400	-	-	-	459,400
Net investment income (loss) on endowment	177,922	-	177,922	-	-	-	177,922
TOTAL REVENUES & OTHER SUPPORT	3,220,963	-	3,220,963	70,000	70,000	(70,000)	3,220,963
TOTAL SUPPORT AND REVENUES	26,393,518	685,907	27,079,425	70,000	70,000	(70,000)	27,079,425
NET ASSETS RELEASED FROM RESTRICTIONS							
Restrictions Satisfied by Payments - Food & other programs	1,870,785	(1,870,785)	-	-	-	-	-
Restrictions Satisfied by Payments - Capital campaign	205,144	(205,144)	-	-	-	-	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	28,469,447	(1,390,022)	27,079,425	70,000	70,000	(70,000)	27,079,425
EXPENSES							
Program Services:							
Distribution	16,728,910	-	16,728,910	-	-	(12,163)	16,716,747
Food Procurement	307,296	-	307,296	-	-	(3,708)	303,588
Nutrition	872,741	-	872,741	-	-	(10,531)	862,210
Processing	757,381	-	757,381	-	-	(9,139)	748,242
Public Awareness	757,761	-	757,761	-	-	(9,143)	748,618
Transportation	890,042	-	890,042	-	-	(10,739)	879,303
TOTAL PROGRAM SERVICES	20,314,131	-	20,314,131	-	-	(55,423)	20,258,708
Supporting Services:							
Management and General	992,834	-	992,834	261,745	261,745	(10,933)	1,243,646
Fundraising	593,241	-	593,241	-	-	(3,644)	589,597
TOTAL SUPPORT SERVICES	1,586,075	-	1,586,075	261,745	261,745	(14,577)	1,833,243
TOTAL EXPENSES	21,900,206	-	21,900,206	261,745	261,745	(70,000)	22,091,951
CHANGE IN NET ASSETS	6,569,241	(1,390,022)	5,179,219	(191,745)	(191,745)	-	4,987,474
BEGINNING NET ASSETS	18,789,173	1,938,876	20,728,049	(92,379)	(92,379)	-	20,635,670
ENDING NET ASSETS	\$ 25,358,414	\$ 548,854	\$ 25,907,268	\$ (284,124)	\$ (284,124)	\$ -	\$ 25,623,144

See Independent Auditor's Report



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



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, 2021, 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 20, 2022.

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.

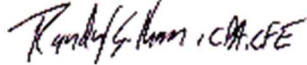
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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



Lubbock, Texas
June 20, 2022



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, 2021. 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, 2021.

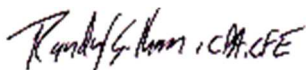
Report on Internal Control Over Compliance

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 20, 2022

WEST TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Program 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	-	\$ 800,000
Total U.S. DHS			<u>800,000</u>
U.S. Department of the Treasury			
Passed-through the City of Odessa - Coronavirus Relief Fund	21.019	-	122,210
Total U.S. Department of the Treasury			<u>122,210</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	-	* 3,818,743
Passed-through the Texas Department of Agriculture (TDA)			
<u>Food Distribution Cluster</u>			
Emergency Food Assistance Program Food Commodities (TEFAP)	10.569	-	* \$ 1,967,062
Emergency Food Assistance Program Food Commodities CARES Act	10.569	-	* 162,628
Emergency Food Assistance Program Food Commodities (FFCRA)	10.569	-	* 426,042
Emergency Food Assistance Program Trade Mitigation Food Commodities	10.569	-	* 568,804
Emergency Food Assistance Program Coronavirus Supplemental Relief (COSUP)	10.569	-	* 281,091
Emergency Food Assistance Program Administrative Costs	10.568	6TX810816	460,120
Emergency Food Assistance Program Food Administrative Costs (FFCRA)	10.568	6TX430123	913
Commodity Supplemental Food Program Commodities (CSFP)	10.565	-	* 380,914
Commodity Supplemental Food Program Administrative Costs	10.565	-	<u>120,228</u>
<u>Child Nutrition Cluster</u>			
Summer Food Service Program for Children (SFSP)	10.559	-	184,760
<u>Non- Clustered</u>			
Child and Adult Care Food Program	10.558	-	<u>60,410</u>
SUBTOTAL - Texas Department of Agriculture			4,612,972
Passed-through Texas Health and Human Services (provided through Feeding Texas)			
<u>SNAP Cluster</u>			
SNAP Nutrition Education Program (SNAP - Ed)	10.551	-	116,934
Community Partner Program (CPP_	10.551	-	<u>114,834</u>
SUBTOTAL - Texas Health and Human Services			231,768
TOTAL USDA			<u>8,663,483</u>
TOTAL EXPENDITURES OF FEDERAL FINANCIAL AWARDS			<u>\$ 9,585,693</u>

* Value of commodities distributed to subrecipient agencies

See accompanying notes to the schedule of expenditures of federal awards

**WEST TEXAS FOOD BANK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021**

NOTE 1: BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the schedule) includes the federal award activity of West Texas Food Bank (the Food Bank) under programs of the federal government for the year ended September 30, 2021. 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 and 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 food commodities and financial assistance of federal awards apply to the programs listed in the accompanying schedule of federal awards.

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

The Organization had no federal loan programs during the fiscal year ended September 30, 2021.

The Food Bank provided no cash federal awards to subrecipients.

NOTE 3: FOOD INVENTORY

Government food commodities inventory on hand totaled \$1,162,362 as of September 30, 2021.

NOTE 4: RECONCILIATION OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

The following schedule reconciles and disaggregates financial information between amounts on the financial statements and federal financial and nonfinancial (food commodities):

Federal financial support in SEFA	\$ 1,980,409
Local government financial support	249,790
Government grants per statement of activities	<u>\$ 2,230,199</u>
Federal food commodities in SEFA	\$ 7,667,218
Donated food commodities from public and private sources	6,069,879
Donated food & commodities per statement of activities	<u>\$ 13,737,097</u>
Federal food commodities expended per SEFA agrees to food distribution in statement of functional expenses	<u>\$ 7,605,284</u>

**WEST TEXAS FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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:

<u>Food Distribution Cluster</u>	<u>CFDA</u>
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 Food Commodities COSUP	10.569
Emergency Food Assistance Program Trade Mitigation Food	10.569
Emergency Food Assistance Program Administrative Costs	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
<u>Non-clusters</u>	
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