

**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, 2022 AND 2021**

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

# WEST TEXAS FOOD BANK & WTFB MID COUNTY

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**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 Consolidated Financial Statements**

#### ***Opinion***

I have audited the accompanying consolidated financial statements of West Texas Food Bank and WTFB Mid County (the consolidated organization), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, 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.

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, 2022, and 2021, 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.

#### ***Basis for Opinion***

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of West Texas Food Bank and WTFB Mid County and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### ***Responsibilities of Management for the Consolidated 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Texas Food Bank and WTFB Mid County's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the consolidated Organization's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

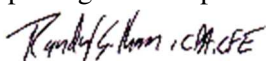
#### ***Supplementary Information***

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 the 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 supplementary information referenced above 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 29, 2023, 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 29, 2023

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2022 AND 2021**

	2022	2021
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,781,658	\$ 5,063,277
Accounts Receivable	25,203	9,963
Grants Receivable	213,824	1,220,466
Promises to Give - current	709,431	-
Inventory	2,330,370	2,028,739
Prepaid Expenses	16,832	12,141
TOTAL CURRENT ASSETS	10,077,318	8,334,586
<b>PROMISES TO GIVE - long term</b>	1,800,000	-
<b>INVESTMENTS</b>		
Brokerage Account	1,291,962	-
Endowment	828,469	1,015,765
TOTAL INVESTMENTS	2,120,431	1,015,765
<b>NOTE RECEIVABLE</b>	4,061,000	4,061,000
<b>PROPERTY AND EQUIPMENT (net)</b>	18,901,006	17,931,931
TOTAL ASSETS	\$ 36,959,755	\$ 31,343,282
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 209,710	\$ 202,361
Accrued Liabilities	78,706	10,124
TOTAL CURRENT LIABILITIES	288,416	212,485
<b>LONG-TERM LIABILITIES</b>		
New Market Tax Credit Notes Payable, net of unamortized debt issuance costs	5,523,451	5,507,653
TOTAL LONG-TERM LIABILITIES	5,523,451	5,507,653
TOTAL LIABILITIES	5,811,867	5,720,138
<b>NET ASSETS</b>		
<u>Without Donor Restrictions</u>		
Undesignated	5,361,421	4,153,067
Invested in Property and Equipment, net of related debt	17,438,555	16,485,278
Board Designated Operating Reserve	2,067,470	3,620,180
Board Designated Endowment	628,469	815,765
	25,495,915	25,074,290
<u>With Donor Restrictions</u>		
Purpose Restrictions	5,451,973	348,854
Perpetual in Nature	200,000	200,000
	5,651,973	548,854
TOTAL NET ASSETS	31,147,888	25,623,144
TOTAL LIABILITIES AND NET ASSETS	\$ 36,959,755	\$ 31,343,282

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, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT</b>			
Public contributions	\$ 5,278,861	\$ 1,059,111	\$ 6,337,972
Capital campaign monetary contributions	-	5,150,000	5,150,000
Donated food and commodities	14,895,296	-	14,895,296
<b>TOTAL PUBLIC SUPPORT</b>	<b>20,174,157</b>	<b>6,209,111</b>	<b>26,383,268</b>
<b>REVENUES &amp; OTHER SUPPORT</b>			
Government grants & contracts	2,991,485	-	2,991,485
Program revenue and fees	380,261	-	380,261
Special events, net of costs of \$165,679	10,695	-	10,695
Other income	89,872	-	89,872
Net investment income (loss) on other investments	(233,038)	-	(233,038)
Net investment income (loss) on endowment	(159,105)	-	(159,105)
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<b>3,080,170</b>	<b>-</b>	<b>3,080,170</b>
<b>TOTAL SUPPORT AND REVENUES</b>	<b>23,254,327</b>	<b>6,209,111</b>	<b>29,463,438</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Restrictions Satisfied by Payments - Food & other programs	963,929	(963,929)	-
Restrictions Satisfied by Payments - Capital campaign	142,063	(142,063)	-
<b>TOTAL SUPPORT, REVENUES, &amp; RECLASSIFICATIONS</b>	<b>24,360,319</b>	<b>5,103,119</b>	<b>29,463,438</b>
<b>EXPENSES</b>			
Program Services:			
Distribution	17,991,468	-	17,991,468
Food Procurement	342,784	-	342,784
Nutrition	973,529	-	973,529
Processing	844,848	-	844,848
Public Awareness	648,488	-	648,488
Transportation	992,835	-	992,835
<b>TOTAL PROGRAM SERVICES</b>	<b>21,793,952</b>	<b>-</b>	<b>21,793,952</b>
Supporting Services:			
Management and General	1,348,884	-	1,348,884
Fundraising	795,858	-	795,858
<b>TOTAL SUPPORT SERVICES</b>	<b>2,144,742</b>	<b>-</b>	<b>2,144,742</b>
<b>TOTAL EXPENSES</b>	<b>23,938,694</b>	<b>-</b>	<b>23,938,694</b>
<b>CHANGE IN NET ASSETS</b>	<b>421,625</b>	<b>5,103,119</b>	<b>5,524,744</b>
<b>BEGINNING NET ASSETS</b>	<b>25,074,290</b>	<b>548,854</b>	<b>25,623,144</b>
<b>ENDING NET ASSETS</b>	<b>\$ 25,495,915</b>	<b>\$ 5,651,973</b>	<b>\$ 31,147,888</b>

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
<b>PUBLIC SUPPORT</b>			
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
<b>TOTAL PUBLIC SUPPORT</b>	<u>23,172,555</u>	<u>685,907</u>	<u>23,858,462</u>
<b>REVENUES &amp; OTHER SUPPORT</b>			
Government grants & contracts	2,230,199	-	2,230,199
Program revenue and fees	210,377	-	210,377
Special events, net of costs of \$73,885	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
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<u>3,220,963</u>	<u>-</u>	<u>3,220,963</u>
<b>TOTAL SUPPORT AND REVENUES</b>	26,393,518	685,907	27,079,425
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Restrictions Satisfied by Payments - Food & other programs	1,870,785	(1,870,785)	-
Restrictions Satisfied by Payments - Capital campaign	205,144	(205,144)	-
<b>TOTAL SUPPORT, REVENUES, &amp; RECLASSIFICATIONS</b>	<u>28,469,447</u>	<u>(1,390,022)</u>	<u>27,079,425</u>
<b>EXPENSES</b>			
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
<b>TOTAL PROGRAM SERVICES</b>	<u>20,258,708</u>	<u>-</u>	<u>20,258,708</u>
Supporting Services:			
Management and General	1,243,646	-	1,243,646
Fundraising	589,597	-	589,597
<b>TOTAL SUPPORT SERVICES</b>	<u>1,833,243</u>	<u>-</u>	<u>1,833,243</u>
<b>TOTAL EXPENSES</b>	<u>22,091,951</u>	<u>-</u>	<u>22,091,951</u>
<b>CHANGE IN NET ASSETS</b>	<u>6,377,496</u>	<u>(1,390,022)</u>	<u>4,987,474</u>
<b>BEGINNING NET ASSETS</b>	18,696,794	1,938,876	20,635,670
<b>ENDING NET ASSETS</b>	<u>\$ 25,074,290</u>	<u>\$ 548,854</u>	<u>\$ 25,623,144</u>

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

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	PROGRAM SERVICES - ALL WEST TEXAS FOOD BANK							SUPPORT SERVICES			TOTAL
	Food		Nutrition	Public			Total	West Texas Food Bank	West Texas	WTFB-Mid County	2022
	Distribution	Procurement		Processing	Awareness	Transportation		Management and General	Food Bank Fundraising	Management and General	
Salaries	\$ 498,361	\$ 151,924	\$ 431,475	\$ 374,442	\$ 177,844	\$ 440,030	\$ 2,074,076	\$ 532,962	\$ 261,117	\$ -	\$ 2,868,155
Payroll taxes	36,512	11,130	31,611	27,433	27,447	32,238	166,371	32,820	10,940	-	210,131
Employee benefits	101,174	30,842	87,595	76,017	76,055	89,332	461,015	90,943	30,314	-	582,272
Total Personnel Costs	636,047	193,896	550,681	477,892	281,346	561,600	2,701,462	656,725	302,371	-	3,660,558
Professional fees	22,823	6,958	19,760	17,148	17,157	20,152	103,998	20,516	6,839	10,000	141,353
Direct mail fundraising costs	-	-	-	-	-	-	-	-	205,062	-	205,062
Bad debt	-	-	-	-	-	-	-	19,470	-	-	19,470
Contract labor	8,338	2,542	7,219	6,265	6,268	7,362	37,994	7,495	2,498	-	47,987
Supplies and materials	57,989	17,678	50,206	43,570	43,592	51,202	264,237	52,126	17,375	-	333,738
Telephone and internet	8,417	2,566	7,288	6,324	6,328	7,432	38,355	7,566	2,522	-	48,443
Occupancy	54,776	16,698	47,424	41,156	41,176	48,365	249,595	49,237	16,412	-	315,244
Equipment rental, repair & maintenance	26,334	8,028	22,799	19,786	19,796	23,251	119,994	23,671	7,890	-	151,555
Promotional, publications, & printing	-	-	-	-	-	-	-	-	142,087	-	142,087
Travel	10,439	3,182	9,038	7,843	7,847	9,217	47,566	9,383	3,128	-	60,077
Conferences & meetings	8,866	2,703	7,676	6,662	6,665	7,829	40,401	7,970	2,657	-	51,028
Dues, fees, & subscriptions	4,606	1,404	3,987	3,460	3,462	4,067	20,986	4,140	1,380	-	26,506
Insurance	29,886	9,111	25,875	22,455	22,466	26,388	136,181	26,864	8,955	-	172,000
Vehicle & transportation costs	107,591	32,799	93,151	80,838	80,879	94,998	490,256	96,711	32,237	-	619,204
Special food program & project costs	35,517	10,827	30,750	26,685	26,699	31,360	161,838	31,925	10,642	-	204,405
Food distributed - donated	10,589,155	-	-	-	-	-	10,589,155	-	-	-	10,589,155
Food distributed government commodities	3,761,867	-	-	-	-	-	3,761,867	-	-	-	3,761,867
Food distributed - purchased	2,516,001	-	-	-	-	-	2,516,001	-	-	-	2,516,001
Bank fees	4,195	1,279	3,632	3,152	3,154	3,704	19,116	3,771	1,257	1,097	25,241
Interest - debt issuance costs	-	-	-	-	-	-	-	-	-	15,799	15,799
Interest on loans and notes	-	-	-	-	-	-	-	-	-	59,000	59,000
Total before depreciation	17,882,847	309,671	879,486	763,236	566,835	896,927	21,299,002	1,017,570	763,312	85,896	23,165,780
Depreciation	108,621	33,113	94,043	81,612	81,653	95,908	494,950	97,638	32,546	147,780	772,914
<b>TOTAL</b>	<b>\$ 17,991,468</b>	<b>\$ 342,784</b>	<b>\$ 973,529</b>	<b>\$ 844,848</b>	<b>\$ 648,488</b>	<b>\$ 992,835</b>	<b>\$ 21,793,952</b>	<b>\$ 1,115,208</b>	<b>\$ 795,858</b>	<b>\$ 233,676</b>	<b>\$ 23,938,694</b>

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**

	<b>PROGRAM SERVICES - ALL WEST TEXAS FOOD BANK</b>							<b>SUPPORT SERVICES</b>			<b>TOTAL</b>
	Food		Public					West Texas Food Bank	West Texas	WTFB-Mid County	2021
	Distribution	Procurement	Nutrition	Processing	Awareness	Transportation	Total	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
<b>Total Personnel Costs</b>	<b>589,801</b>	<b>179,799</b>	<b>510,642</b>	<b>443,146</b>	<b>443,368</b>	<b>520,766</b>	<b>2,687,522</b>	<b>530,162</b>	<b>176,721</b>	<b>-</b>	<b>3,394,405</b>
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
<b>TOTAL</b>	<b>\$ 16,716,747</b>	<b>\$ 303,588</b>	<b>\$ 862,210</b>	<b>\$ 748,242</b>	<b>\$ 748,618</b>	<b>\$ 879,303</b>	<b>\$ 20,258,708</b>	<b>\$ 981,901</b>	<b>\$ 589,597</b>	<b>\$ 261,745</b>	<b>\$ 22,091,951</b>

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, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 5,524,744	\$ 4,987,474
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	772,914	685,015
Net investment (income) loss on endowment	159,105	(177,922)
Contributions restricted to capital campaign building projects	(2,640,569)	(161,866)
Net investment (income) loss on other investments	233,038	-
PPP loan forgiveness	-	(459,400)
Donated noncash assets	-	(9,069)
Distributions from PBAF endowment	28,192	26,487
Amortization of debt issuance costs (interest)	15,799	15,799
Change in Assets and Liabilities:		
Decrease (Increase) in grants and accounts receivable	991,402	(1,028,938)
Decrease (Increase) in promises to give	(2,509,431)	15,000
Decrease (Increase) in prepaid expenses	(4,691)	41,317
Decrease (Increase) in inventory	(301,631)	(423,267)
Increase (Decrease) in accounts payable and accrued liabilities	75,931	(578,939)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 2,344,803</b>	<b>\$ 2,931,691</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,741,986)	(1,727,680)
Board designated contributions to endowment	-	(220,000)
Purchases of operating investments	(1,525,005)	-
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(3,266,991)</b>	<b>(1,947,680)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collection of contributions restricted for capital campaign building projects	2,640,569	161,866
Principal repayments on West Texas Food Bank loans	-	(2,460,428)
<b>NET CASH USED FOR FINANCING ACTIVITIES</b>	<b>2,640,569</b>	<b>(2,298,562)</b>
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENTS</b>	1,718,381	(1,314,551)
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	<b>5,063,277</b>	<b>6,377,828</b>
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	<b>\$ 6,781,658</b>	<b>\$ 5,063,277</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for interest	<b>\$ 59,000</b>	<b>\$ 77,666</b>

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, 2022 AND 2021**

**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 people. 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, the IRS has determined that both organizations are 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 2022 or 2021. 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 2022 or 2021 and are none in progress through the date of this report.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash, Cash Equivalents, & Restricted Cash

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. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statements of cash flows:

Cash and cash equivalents without donor restrictions	\$3,839,116
Cash and cash equivalents restricted for capital campaign building project	2,566,856
Cash and cash equivalents restricted for other programs and purposes	<u>375,686</u>
	<u>\$6,781,658</u>

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

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 promises to give are fully collectible based on the past history of those donors from whom they were received; therefore, no discount rate or uncollectible amounts have been calculated. Promises to give are donor-restricted for the capital campaign and related construction and improvements of facilities.

Food Inventory

Inventory consists of donated food and supplies, purchased food, and government commodities. Donated food is reported at an average price of \$1.92 per pound in 2022 and \$1.79 per pound in 2021 based on cost studies done by Feeding America at the national level. Purchased food is valued at the cost of products purchased as determined by the first-in, first-out method. Government commodities are valued based on their established fair market values by the USDA. The Food Bank recognizes donated food, commodities, and other goods as food and other supplies and as contributions in these consolidated financial statements. Food and other supplies are recognized as expenses when distributed.

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.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 2022 or 2021.

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.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

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, 2022 AND 2021**

**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 2022 totaled \$268,565 for purchased food and \$111,696 for fees. Revenues and fees for 2021 totaled \$159,877 for purchased food and \$50,500 for fees.

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 as 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 Nonfinancial Assets

Donated materials and use of facilities are recognized at fair value as contribution when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The Food Bank receives a significant amount of donated time from a variety of unpaid volunteers who assist in various food distribution processes. The Food Bank also receives 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 \$328,000 in 2022 and \$77,000 in 2021.

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.

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 based on management's determination of the nature of the costs and employee time expended.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated 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.

The Organization owns 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. The Organization is currently evaluating the effect of the standard upon adoption for the next fiscal year.

Economic, social and health, legislative issues

The following provides a brief summary regarding the financial impact of local economic conditions, social and health issues, and any relevant legislation:

- No special events have been canceled or postponed during the current year. Community events have continued as normal.
- Grants have returned to normal (pre-pandemic). Capital campaign is close to 90% pledge commitment. Oil economy is stable and corporate donations are comparable to the previous year.
- Demand for services continues to remain high. Midland/Odessa is seeing more migrants from the border. High cost of food at the grocery stores is causing people to continue to seek help at the food bank to supplement their food.
- No staff have been laid off due to financial strain on the Food Bank.
- The Food Bank continues to provide food at little to no shared maintenance and cost of purchased products continues to be waived.

Subsequent Events

Management has evaluated subsequent events through June 29, 2023, the date on which the consolidated financial statements were available to be issued. No significant events have occurred that would require disclosure in the notes or recognition in the consolidated financial statements.



**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**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	\$3,839,116
Brokerage account investments	1,291,962
Accounts receivable	25,203
Grants receivable	<u>213,824</u>
	<u>\$5,370,105</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.

**NOTE 3: INVENTORY**

Inventory consisted of the following as of September 30:

<u>Balances</u>	<u>2022</u>	<u>2021</u>
Donated food	\$ 1,531,634	\$ 623,733
Purchased food	341,355	242,645
USDA TEFAP commodities	84,447	520,672
USDA CSFP commodities	339,695	220,534
USDA TEFAP (BBB) commodities	33,239	-
USDA Cares Act commodities	-	86,282
USDA FFCRA commodities	-	43,789
USDA COSUP commodities	-	291,084
	<u>\$ 2,330,370</u>	<u>\$ 2,028,739</u>

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**NOTE 3: INVENTORY (Continued)**

<u>Pounds received</u>	<u>2022</u>	<u>2021</u>
Donated food	5,731,462	3,390,994
Purchased food	3,323,230	3,558,761
USDA TEFAP commodities	1,970,748	2,571,387
USDA CSFP commodities	896,170	673,401
USDA TEFAP (BBB) commodities	501,092	-
USDA COSUP commodities	287,620	394,588
USDA Trade Migration commodities	-	567,833
USDA Cares Act commodities	-	274,918
USDA FFCRA commodities	-	694,178
USDA FFFBP commodities	-	2,133,376
Total	<u>12,710,322</u>	<u>14,259,436</u>

<u>Pounds distributed</u>	<u>2022</u>	<u>2021</u>
Donated food	5,282,190	3,332,245
Purchased food	3,859,382	3,314,605
USDA TEFAP commodities	2,489,554	2,058,275
USDA CSFP commodities	820,225	601,847
USDA TEFAP (BBB) commodities	469,734	-
USDA COSUP commodities	630,072	52,136
USDA Cares Act commodities	109,218	378,792
USDA FFCRA commodities	70,628	625,680
USDA Trade Migration commodities	-	676,987
USDA FFFBP commodities	-	2,133,376
Total	<u>13,731,003</u>	<u>13,173,943</u>

**NOTE 4: PROMISES TO GIVE**

Unconditional promises to give for the capital campaign as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 709,431	\$ -
Due in 1 to 5 years	1,800,000	-
	<u>\$ 2,509,431</u>	<u>\$ -</u>

As of September 30, 2022, approximately 95% of the balance is due from six donors.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**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, 2022 AND 2021**

**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, 2022 or 2021. Distributions taken during the fiscal year totaled \$28,192 in 2022 and \$26,487 in 2021.

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

<u>Without donor restrictions</u>	<u>2022</u>	<u>2021</u>
Board designated - PBAF Endowment	\$ 628,469	\$ 815,765
 <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>\$ 828,469</u>	<u>\$ 1,015,765</u>

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

<u>2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 815,765	\$ 200,000	\$ 1,015,765
Distributions	(28,192)	-	(28,192)
<u>Investment return:</u>			
Interest & dividends	37,850	-	37,850
Unrealized gains (losses)	(214,131)	-	(214,131)
Realized gains (losses)	29,758	-	29,758
Management fees	(12,581)	-	(12,581)
Total investment return	<u>(159,104)</u>	<u>-</u>	<u>(159,104)</u>
End of year	<u>\$ 628,469</u>	<u>\$ 200,000</u>	<u>\$ 828,469</u>

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**NOTE 5: ENDOWMENT INVESTMENTS** (Continued)

<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)
<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>

**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. Mutual funds and money market funds are valued at the net asset value closing price from an actively traded exchange. These are included within 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, 2022 AND 2021**

**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 2022 or 2021. 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, 2022</u>				
Beneficial interest - PBAF	\$ 828,469	\$ -	\$ -	\$ 828,469
Brokerage account:				
Equity mutual funds	364,372	364,372	-	-
Fixed income mutual funds	841,656	841,656	-	-
Money market	85,934	85,934	-	-
	<u>\$ 2,120,431</u>	<u>\$ 1,291,962</u>	<u>\$ -</u>	<u>\$ 828,469</u>
<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>

**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 2022 and \$59,000 in 2021.

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, 2022 AND 2021**

**NOTE 8: PROPERTY & EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>
Buildings	\$ 17,443,541	\$ 15,715,744
Construction in progress	1,039,752	1,591,946
Improvements	177,641	143,752
Warehouse Equipment	327,747	179,247
Freezer/Cooler Units	865,189	865,189
Computer Equipment	153,527	145,017
Office & Kitchen Equipment	481,434	389,174
Vehicles	1,303,352	1,020,126
Donated gift	9,069	9,069
Land	1,118,385	1,118,385
	<u>22,919,637</u>	<u>21,177,649</u>
Accumulated Depreciation	<u>(4,018,631)</u>	<u>(3,245,718)</u>
Net Property & Equipment	<u>\$ 18,901,006</u>	<u>\$ 17,931,931</u>

Depreciation expense totaled \$772,914 in 2022 and \$685,015 in 2021.

**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 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>2022</u>	<u>2021</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>(376,549)</u>	<u>(392,347)</u>
	<u>\$5,523,451</u>	<u>\$5,507,653</u>

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**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 2022 and 2021.

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 0.25%. Accrued interest and principal are due at maturity on September 20, 2023. No borrowings were drawn in 2022 or 2021. The agreement requires us to comply with certain financial and non-financial covenants.

**NOTE 11: 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.



**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS**

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

<u>Subject to expenditure for specific purpose</u>	<u>2022</u>	<u>2021</u>
Capital campaign	\$ 5,076,287	\$ 18,112
School pantries	96,015	54,000
Nutrition grant	71,418	75,000
Produce drop	36,780	41,551
Produce pods	31,329	-
Disaster relief - grassfires	30,000	30,000
Produce pod and kitchen	30,000	-
Mobile market produce truck	22,250	-
Upton County	18,002	25,000
Community events	15,000	15,000
Feeding America - freight	14,392	-
Senior Box Program	7,500	26,312
Social services proram	3,000	-
Midland Bio Dome	-	50,239
Food 2 Kids	-	13,640
	<u>5,451,973</u>	<u>348,854</u>
<u>Perpetual in nature</u>		
Beneficial interest in assets held by PBAF	200,000	200,000
	<u>\$ 5,651,973</u>	<u>\$ 548,854</u>

Net assets of \$1,105,992 and \$2,075,929 were released from restrictions by expending funds to satisfy restrictions in 2022 and 2021, respectively.

**NOTE 13: CONTRIBUTED NONFINANCIAL ASSETS**

The majority of food distributed by the Food Bank is received by contributions from the general public, and the USDA. The estimated value of these contributions is recognized in the consolidated financial statements as contribution revenue and food and other supplies or program expenses if distributed during the year. The pounds collected are recorded by the Food Bank staff at the time of receipt based on actual weight. Donated food is reported at an average price of \$1.92 per pound in 2022 and \$1.79 per pound in 2021 based on cost studies done by Feeding America at the national level. Government commodities are valued based on their established fair market values by the USDA.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**NOTE 13: CONTRIBUTED NONFINANCIAL ASSETS (Continued)**

The value of contributed food is as follows for the years ended September 30:

	2022			2021		
	Pounds	Value per pound	Amount	Pounds	Value per pound	Amount
General food, household item donations	5,731,462	\$ 1.92	\$ 11,004,407	3,390,994	\$ 1.79	\$ 6,069,879
USDA government commodities	3,655,630	range: \$.29 to \$7.60	3,890,889	7,309,681	range: \$.24 to \$6.09	7,667,218
	<u>9,387,092</u>		<u>\$ 14,895,296</u>	<u>10,700,675</u>		<u>\$ 13,737,097</u>

**NOTE 14: DIRECT MAIL**

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

	<u>2022</u>	<u>2021</u>
Direct mail contributions	\$1,406,701	\$1,270,658
Direct mail expense	<u>(205,062)</u>	<u>(166,666)</u>
Net direct mail results	<u>\$1,201,639</u>	<u>\$1,103,992</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 \$448,201 in 2022 and \$395,669 in 2021.

**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 \$81,017 in 2022 and \$53,634 in 2021.

**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:

2023	\$137,269
2024	136,512
2025	<u>22,752</u>
	<u>\$296,533</u>

Rental payments under operating leases totaled \$185,461 in 2022 and \$231,723 in 2021.

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**NOTE 17: LEASES** (Continued)

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: RELATED PARTY TRANSACTIONS**

The Organization may periodically conduct business with employees, board members, volunteers, family members of these parties, or companies owned or associated with these parties. Management asserts that these transactions were consummated on terms equivalent to those of arms-length transactions.

**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. 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 that are direct and material to the financial statements.

**SUPPLEMENTARY INFORMATION  
AND  
COMPLIANCE SECTION**

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2022**

	West Texas Food Bank	WTFB Mid County	Eliminations	Consolidated Total
<b>A S S E T S</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 6,660,948	\$ 120,710	\$ -	\$ 6,781,658
Accounts Receivable	25,203	-	-	25,203
Grants Receivable	213,824	-	-	213,824
Promises to Give - current	709,431	-	-	709,431
Inventory	2,330,370	-	-	2,330,370
Prepaid Expenses	16,832	-	-	16,832
<b>TOTAL CURRENT ASSETS</b>	<b>9,956,608</b>	<b>120,710</b>	<b>-</b>	<b>10,077,318</b>
<b>PROMISES TO GIVE - long term</b>	<b>1,800,000</b>	<b>-</b>	<b>-</b>	<b>1,800,000</b>
<b>INVESTMENTS</b>				
Brokerage Account	1,291,962	-	-	1,291,962
Endowment	828,469	-	-	828,469
<b>TOTAL INVESTMENTS</b>	<b>2,120,431</b>	<b>-</b>	<b>-</b>	<b>2,120,431</b>
<b>NOTE RECEIVABLE</b>	<b>4,061,000</b>	<b>-</b>	<b>-</b>	<b>4,061,000</b>
<b>PROPERTY AND EQUIPMENT (net)</b>	<b>13,946,065</b>	<b>4,954,941</b>	<b>-</b>	<b>18,901,006</b>
<b>TOTAL ASSETS</b>	<b>\$ 31,884,104</b>	<b>\$ 5,075,651</b>	<b>\$ -</b>	<b>\$ 36,959,755</b>
<b>LIABILITIES &amp; NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 209,710	\$ -	\$ -	\$ 209,710
Accrued Liabilities	78,706	-	-	78,706
<b>TOTAL CURRENT LIABILITIES</b>	<b>288,416</b>	<b>-</b>	<b>-</b>	<b>288,416</b>
<b>LONG-TERM LIABILITIES</b>				
New Market Tax Credit Notes Payable, net of unamortized debt issuance costs	-	5,523,451	-	5,523,451
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-</b>	<b>5,523,451</b>	<b>-</b>	<b>5,523,451</b>
<b>TOTAL LIABILITIES</b>	<b>288,416</b>	<b>5,523,451</b>	<b>-</b>	<b>5,811,867</b>
<b>NET ASSETS</b>				
<u>Without Donor Restrictions</u>				
Undesignated	5,322,302	39,119	-	5,361,421
Invested in Property and Equipment, net of related debt	18,007,065	(568,510)	-	17,438,555
Board Designated Operating Reserve	1,985,879	81,591	-	2,067,470
Board Designated Endowment	628,469	-	-	628,469
	<b>25,943,715</b>	<b>(447,800)</b>	<b>-</b>	<b>25,495,915</b>
<u>With Donor Restrictions</u>				
Purpose Restrictions	5,451,973	-	-	5,451,973
Perpetual in Nature	200,000	-	-	200,000
	<b>5,651,973</b>	<b>-</b>	<b>-</b>	<b>5,651,973</b>
<b>TOTAL NET ASSETS</b>	<b>31,595,688</b>	<b>(447,800)</b>	<b>-</b>	<b>31,147,888</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,884,104</b>	<b>\$ 5,075,651</b>	<b>\$ -</b>	<b>\$ 36,959,755</b>

See Independent Auditor's Report

**WEST TEXAS FOOD BANK AND WTFB MID COUNTY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	WEST TEXAS FOOD BANK			WTFB MID COUNTY		Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	TOTAL	Without Donor Restrictions	TOTAL		
<b>PUBLIC SUPPORT</b>							
Public contributions	\$ 5,278,861	\$ 1,059,111	\$ 6,337,972	\$ -	\$ -	\$ -	\$ 6,337,972
Capital campaign contributions	-	5,150,000	5,150,000	-	-	-	5,150,000
Donated food and commodities	14,895,296	-	14,895,296	-	-	-	14,895,296
<b>TOTAL PUBLIC SUPPORT</b>	<b>20,174,157</b>	<b>6,209,111</b>	<b>26,383,268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,383,268</b>
<b>REVENUES &amp; OTHER SUPPORT</b>							
Government grants & contracts	2,991,485	-	2,991,485	-	-	-	2,991,485
Program revenue and fees	380,261	-	380,261	-	-	-	380,261
Special events, net of costs of \$165,679	10,695	-	10,695	-	-	-	10,695
Other income	89,872	-	89,872	70,000	70,000	(70,000)	89,872
Net investment income (loss) on other investments	(233,038)	-	(233,038)	-	-	-	(233,038)
Net investment income (loss) on endowment	(159,105)	-	(159,105)	-	-	-	(159,105)
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<b>3,080,170</b>	<b>-</b>	<b>3,080,170</b>	<b>70,000</b>	<b>70,000</b>	<b>(70,000)</b>	<b>3,080,170</b>
<b>TOTAL SUPPORT AND REVENUES</b>	<b>23,254,327</b>	<b>6,209,111</b>	<b>29,463,438</b>	<b>70,000</b>	<b>70,000</b>	<b>(70,000)</b>	<b>29,463,438</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>							
Restrictions Satisfied by Payments - Food & other programs	963,929	(963,929)	-	-	-	-	-
Restrictions Satisfied by Payments - Capital campaign	142,063	(142,063)	-	-	-	-	-
<b>TOTAL SUPPORT, REVENUES, &amp; RECLASSIFICATIONS</b>	<b>24,360,319</b>	<b>5,103,119</b>	<b>29,463,438</b>	<b>70,000</b>	<b>70,000</b>	<b>(70,000)</b>	<b>29,463,438</b>
<b>EXPENSES</b>							
Program Services:							
Distribution	18,003,631	-	18,003,631	-	-	(12,163)	17,991,468
Food Procurement	346,492	-	346,492	-	-	(3,708)	342,784
Nutrition	984,060	-	984,060	-	-	(10,531)	973,529
Processing	853,987	-	853,987	-	-	(9,139)	844,848
Public Awareness	657,631	-	657,631	-	-	(9,143)	648,488
Transportation	1,003,574	-	1,003,574	-	-	(10,739)	992,835
<b>TOTAL PROGRAM SERVICES</b>	<b>21,849,375</b>	<b>-</b>	<b>21,849,375</b>	<b>-</b>	<b>-</b>	<b>(55,423)</b>	<b>21,793,952</b>
Supporting Services:							
Management and General	1,126,141	-	1,126,141	233,676	233,676	(10,933)	1,348,884
Fundraising	799,502	-	799,502	-	-	(3,644)	795,858
<b>TOTAL SUPPORT SERVICES</b>	<b>1,925,643</b>	<b>-</b>	<b>1,925,643</b>	<b>233,676</b>	<b>233,676</b>	<b>(14,577)</b>	<b>2,144,742</b>
<b>TOTAL EXPENSES</b>	<b>23,775,018</b>	<b>-</b>	<b>23,775,018</b>	<b>233,676</b>	<b>233,676</b>	<b>(70,000)</b>	<b>23,938,694</b>
<b>CHANGE IN NET ASSETS</b>	<b>585,301</b>	<b>5,103,119</b>	<b>5,688,420</b>	<b>(163,676)</b>	<b>(163,676)</b>	<b>-</b>	<b>5,524,744</b>
<b>BEGINNING NET ASSETS</b>	<b>25,358,414</b>	<b>548,854</b>	<b>25,907,268</b>	<b>(284,124)</b>	<b>(284,124)</b>	<b>-</b>	<b>25,623,144</b>
<b>ENDING NET ASSETS</b>	<b>\$ 25,943,715</b>	<b>\$ 5,651,973</b>	<b>\$ 31,595,688</b>	<b>\$ (447,800)</b>	<b>\$ (447,800)</b>	<b>\$ -</b>	<b>\$ 31,147,888</b>

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, 2022, 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 29, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I 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.

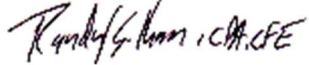
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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

**Report on 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 29, 2023





**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**

***Opinion on 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

I am required to be independent of the Food Bank and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Food Bank's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Food Bank's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Food Bank's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

***Auditor's Responsibilities for the Audit of Compliance- continued***

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I :

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

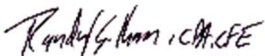
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

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

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lubbock, Texas  
June 29, 2023

**WEST TEXAS FOOD BANK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Program Number	Expenditures
<b>U.S. Department of the Treasury</b>			
<u>Coronavirus State and Local Fiscal Recovery Fund:</u>			
Passed-through the Texas Department of Agriculture (TDA)	21.027	GFB202201	\$ 962,607
Passed-through the City of Odessa	21.027	-	161,480
<b>Total U.S. Department of the Treasury</b>			<u>1,124,087</u>
<b>U.S. Department of Agriculture (USDA)</b>			
Passed-through the Texas Department of Agriculture (TDA)			
<u>Food Distribution Cluster:</u>			
Emergency Food Assistance Program Food Commodities (TEFAP)	10.569	-	* \$ 1,936,752
Emergency Food Assistance Program Food Commodities (BBB)	10.569	-	* 688,485
Emergency Food Assistance Program Coronavirus Supplemental Relief (COSUP)	10.569	-	* 538,670
Emergency Food Assistance Program Administrative Costs (TEFAP)	10.568	6TX810816	274,312
Emergency Food Assistance Program Administrative Costs (BBB)	10.568	-	154,875
Commodity Supplemental Food Program Commodities (CSFP)	10.565	-	* 597,960
Commodity Supplemental Food Program Administrative Costs	10.565	-	186,848
			<u>4,377,902</u>
<u>Child Nutrition Cluster</u>			
Summer Food Service Program for Childen (SFSP)	10.559	-	93,038
<u>Non- Clustered</u>			
Child and Adult Care Food Program	10.558	-	245,549
SUBTOTAL - Texas Department of Agriculture			<u>4,716,489</u>
Passed-through Texas Health and Human Services (subaward of Feeding Texas)			
<u>SNAP Cluster</u>			
SNAP Nutrition Education Program (SNAP - Ed)	10.551	-	114,957
Community Partner Program (CPP)	10.551	-	127,573
SUBTOTAL - Texas Health and Human Services			<u>242,530</u>
<b>TOTAL USDA</b>			<u>4,959,019</u>
<b>U.S. Department of Housing and Urban Development (HUD)</b>			
Passed-through the Texas Department of Housing & Community Affairs			
Community Development Block Grant (CDBG and CARES Act)	14.228	B-20-DW-48-0001	559,300
<b>TOTAL HUD</b>			<u>559,300</u>
<b>U.S. Department of Health and Humas Services (HHS)</b>			
Passed-through Texas Health and Human Services (subaward of Feeding Texas)			
Temporary Assistance for Needy Families - Pandemic Emergency Assistance	93.558	-	101,877
<b>TOTAL HHS</b>			<u>101,877</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 6,744,283</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, 2022**

**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, 2022. 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 in 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, 2022.

The Food Bank provided no cash federal awards to subrecipients.

**NOTE 3: FOOD INVENTORY**

Government food commodities inventory on hand totaled \$457,381 as of September 30, 2022.

**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	\$ 2,982,416
Local government financial support	9,069
Government grants per statement of activities	<u>\$ 2,991,485</u>
Federal food commodities	\$ 3,890,889
Donated food commodities from public and private sources	11,004,407
Donated food & commodities per statement of activities	<u>\$ 14,895,296</u>
Federal food commodities expended per SEFA agrees to food distribution in statement of functional expenses	<u>\$ 3,761,867</u>

**WEST TEXAS FOOD BANK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**SUMMARY OF AUDITOR’S RESULTS**

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of West Texas Food Bank (Food Bank) were prepared in accordance with GAAP.
2. No significant control deficiencies or material weaknesses are reported in the audit report of the financial statements.
3. No instances of noncompliance material to the financial statements of the Food Bank, which would be required to be reported in accordance with *Government Auditing Standards*, were reported.
4. No control deficiencies in internal control over major federal award programs were disclosed during the audit. No material weaknesses were reported.
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:

<b><u>Food Distribution Cluster</u></b>	<b><u>CFDA</u></b>
Emergency Food Assistance Program Food Commodities	10.569
Emergency Food Assistance Program Food Commodities Build Back Better	10.569
Emergency Food Assistance Program Food Commodities COSUP	10.569
Emergency Food Assistance Program Administrative Costs	10.568
Emergency Food Assistance Program Administrative Costs Build Back Better	10.568
Commodity Supplemental Food Program Food Commodities	10.565
Commodity Supplemental Food Program Administrative Costs	10.565
<b><u>Non-clusters</u></b>	
Coronavirus State and Local Fiscal Recovery Fund	21.027

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**