

**WEST TEXAS FOOD BANK
FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT**

**SEPTEMBER 30, 2024
(with comparative totals for September 30, 2023)**

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Certified Fraud Examiner**

WEST TEXAS FOOD BANK

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the West Texas Food Bank

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of West Texas Food Bank (the Food Bank), which comprise the statement of financial position as of September 30, 2024 and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of West Texas Food Bank as of September 30, 2024, 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 audit 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 to meet my other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 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 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 Food Bank'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 financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

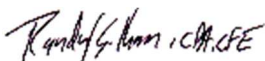
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 26, 2025, 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 26, 2025

WEST TEXAS FOOD BANK
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2024
(with comparative totals for 2023)

	2024	2023
A S S E T S		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,183,617	\$ 7,348,858
Accounts Receivable	106,953	54,021
Grants Receivable	355,952	794,926
Promises to Give - current	160,000	130,000
Inventory	2,263,259	2,526,144
Prepaid Expenses	38,504	31,788
TOTAL CURRENT ASSETS	4,108,285	10,885,737
PROMISES TO GIVE - long term	675,000	1,800,000
INVESTMENTS		
Brokerage Account	1,719,407	1,414,171
Endowment	1,060,938	902,670
TOTAL INVESTMENTS	2,780,345	2,316,841
PROPERTY AND EQUIPMENT (net)	29,072,779	22,691,979
OTHER ASSETS		
Operating lease right of use asset	45,594	188,723
Financing lease right of use asset	9,963	16,297
TOTAL OTHER ASSETS	55,557	205,020
TOTAL ASSETS	<u>\$ 36,691,966</u>	<u>\$ 37,899,577</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 183,894	\$ 393,588
Accrued Liabilities	33,428	30,932
Deferred Revenue	42,747	44,868
Operating lease liabilities, current portion	34,024	144,479
Financing lease liabilities, current portion	7,565	7,201
Line of credit	642,993	-
TOTAL CURRENT LIABILITIES	944,651	621,068
LONG-TERM LIABILITIES		
Operating lease liabilities, less current portion	12,220	44,244
Financing lease liabilities, less current portion	2,607	10,172
TOTAL LONG-TERM LIABILITIES	14,827	54,416
TOTAL LIABILITIES	959,478	675,484
NET ASSETS		
<u>Without Donor Restrictions</u>		
Undesignated	4,046,905	4,390,365
Invested in Property and Equipment, net of related debt	29,072,779	22,691,979
Board Designated Operating Reserve	1,732	227,450
Board Designated Endowment	860,938	702,670
	33,982,354	28,012,464
<u>With Donor Restrictions</u>		
Purpose Restrictions	1,550,134	9,011,629
Perpetual in Nature	200,000	200,000
	1,750,134	9,211,629
TOTAL NET ASSETS	35,732,488	37,224,093
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,691,966</u>	<u>\$ 37,899,577</u>

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

WEST TEXAS FOOD BANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(with comparative totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024	2023
PUBLIC SUPPORT				
Public contributions	\$ 6,177,680	\$ 952,184	\$ 7,129,864	\$ 6,410,903
Capital campaign monetary contributions	-	1,709	1,709	5,213,434
Donated food and commodities	17,189,705	-	17,189,705	15,261,772
TOTAL PUBLIC SUPPORT	23,367,385	953,893	24,321,278	26,886,109
REVENUES & OTHER SUPPORT				
Government grants & contracts	1,815,151	-	1,815,151	3,128,842
Program revenue and fees	772,070	-	772,070	451,084
Special events, net of costs of \$127,635	44,574	-	44,574	5,989
Net gain on New Market Tax Credit debt dissolution	-	-	-	1,476,934
Interest income	189,184	-	189,184	127,562
Other income	41,713	-	41,713	58,276
Net investment income (loss) on brokerage investments	209,798	-	209,798	50,971
Net investment income (loss) on endowment	194,017	-	194,017	106,293
TOTAL REVENUES & OTHER SUPPORT	3,266,507	-	3,266,507	5,405,951
TOTAL SUPPORT AND REVENUES	26,633,892	953,893	27,587,785	32,292,060
NET ASSETS RELEASED FROM RESTRICTIONS				
Restrictions Satisfied by Payments - Food & other programs	968,796	(968,796)	-	-
Restrictions Satisfied by Payments - Capital campaign	7,446,592	(7,446,592)	-	-
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	35,049,280	(7,461,495)	27,587,785	32,292,060
EXPENSES				
Program Services:				
Distribution	21,893,707	-	21,893,707	19,640,606
Food Procurement	443,701	-	443,701	381,416
Nutrition	1,260,139	-	1,260,139	1,083,250
Processing	1,093,575	-	1,093,575	940,064
Public Awareness	853,007	-	853,007	699,418
Transportation	1,285,128	-	1,285,128	1,104,726
TOTAL PROGRAM SERVICES	26,829,257	-	26,829,257	23,849,480
Supporting Services:				
Management and General	1,413,117	-	1,413,117	1,489,630
Fundraising	837,016	-	837,016	876,745
TOTAL SUPPORT SERVICES	2,250,133	-	2,250,133	2,366,375
TOTAL EXPENSES	29,079,390	-	29,079,390	26,215,855
CHANGE IN NET ASSETS	5,969,890	(7,461,495)	(1,491,605)	6,076,205
BEGINNING NET ASSETS	28,012,464	9,211,629	37,224,093	31,147,888
ENDING NET ASSETS	\$ 33,982,354	\$ 1,750,134	\$ 35,732,488	\$ 37,224,093

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

WEST TEXAS FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(with comparative totals for 2023)

	PROGRAM SERVICES - ALL WEST TEXAS FOOD BANK							SUPPORT SERVICES		2024	2023
	Distribution	Food Procurement	Nutrition	Processing	Public Awareness	Transportation	Total	Management and General	Fundraising		
Salaries	\$ 675,150	\$ 205,817	\$ 584,536	\$ 507,272	\$ 266,408	\$ 596,127	\$ 2,835,310	\$ 706,507	\$ 343,787	\$ 3,885,604	\$ 3,337,319
Payroll taxes	49,207	15,001	42,603	36,972	36,990	43,448	224,221	44,231	14,744	283,196	243,674
Employee benefits	141,371	43,097	122,397	106,219	106,272	124,824	644,180	127,076	42,359	813,615	678,910
Total Personnel Costs	865,728	263,915	749,536	650,463	409,670	764,399	3,703,711	877,814	400,890	4,982,415	4,259,903
Professional fees	16,555	5,047	14,333	12,438	12,445	14,617	75,435	14,881	4,960	95,276	149,936
Direct mail fundraising costs	-	-	-	-	-	-	-	-	168,183	168,183	215,957
Contract labor	2,977	907	2,577	2,237	2,238	2,629	13,565	2,676	892	17,133	10,031
Supplies and materials	84,117	25,643	72,827	63,201	63,233	74,271	383,292	75,611	25,204	484,107	425,319
Telephone and internet	11,251	3,430	9,741	8,453	8,458	9,934	51,267	10,113	3,371	64,751	57,062
Occupancy	61,982	18,895	53,663	46,570	46,593	54,727	282,430	55,715	18,572	356,717	313,899
Equipment rental, repair & maintenance	30,222	9,213	26,166	22,708	22,719	26,685	137,713	27,167	9,056	173,936	149,359
Promotional, publications, & printing	-	-	-	-	-	-	-	-	91,236	91,236	144,409
Travel	11,816	3,602	10,230	8,878	8,882	10,433	53,841	10,621	3,540	68,002	77,365
Conferences & meetings	7,320	2,231	6,337	5,499	5,502	6,463	33,352	6,579	2,193	42,124	51,650
Dues, fees, & subscriptions	7,743	2,361	6,704	5,818	5,821	6,837	35,284	6,960	2,320	44,564	30,126
Insurance	35,792	10,911	30,988	26,892	26,906	31,603	163,092	32,173	10,724	205,989	192,636
Vehicle & transportation costs	153,696	46,854	133,068	115,479	115,537	135,706	700,340	138,154	46,051	884,545	697,850
Special food program & project costs	16,658	5,078	14,422	12,516	12,522	14,709	75,905	14,974	4,991	95,870	93,706
Food distributed - donated	9,367,135	-	-	-	-	-	9,367,135	-	-	9,367,135	10,115,203
Food distributed government commodities	7,912,447	-	-	-	-	-	7,912,447	-	-	7,912,447	4,555,277
Food distributed - purchased	3,158,639	-	-	-	-	-	3,158,639	-	-	3,158,639	3,718,954
Bank fees	6,733	2,053	5,830	5,059	5,062	5,945	30,682	6,052	2,017	38,751	29,277
Interest - debt issuance costs	-	-	-	-	-	-	-	-	-	-	14,483
Interest on loans and notes	-	-	-	-	-	-	-	5,180	-	5,180	75,591
Total before depreciation	21,750,811	400,140	1,136,422	986,211	745,588	1,158,958	26,178,130	1,284,670	794,200	28,257,000	25,377,993
Depreciation	142,896	43,561	123,717	107,364	107,419	126,170	651,127	128,447	42,816	822,390	837,862
TOTAL	\$ 21,893,707	\$ 443,701	\$ 1,260,139	\$ 1,093,575	\$ 853,007	\$ 1,285,128	\$ 26,829,257	\$ 1,413,117	\$ 837,016	\$ 29,079,390	\$ 26,215,855

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

WEST TEXAS FOOD BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(with comparative totals for 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,491,605)	\$ 6,076,205
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	822,390	837,862
Net investment (income) loss on endowment	(194,017)	(106,293)
Contributions restricted to capital campaign building projects	(1,096,709)	(5,792,865)
Net investment (income) loss on brokerage investments	(209,798)	(50,971)
Net (gain) on New Market Tax Credit debt dissolution	-	(1,476,934)
Distributions from PBAF endowment	35,849	32,092
Amortization of debt issuance costs (interest)	-	14,483
Amortization of right of use assets	6,985	142,589
Change in Assets and Liabilities:		
Grants and accounts receivable	386,042	(609,920)
Promises to give	1,095,000	579,431
Operating lease liabilities	(142,479)	(134,659)
Prepaid expenses	(6,716)	(14,956)
Inventory	262,885	(195,774)
Current liabilities	(209,319)	180,972
NET CASH USED FOR OPERATING ACTIVITIES	\$ (741,492)	\$ (518,738)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,203,190)	(4,628,835)
Principal payments on financing lease liability	(7,201)	(6,854)
Redemptions (Purchases) of brokerage account investments	46,940	(71,238)
NET CASH USED FOR INVESTING ACTIVITIES	(7,163,451)	(4,706,927)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for capital campaign building projects	1,096,709	5,792,865
Borrowings on line of credit	1,197,719	-
Principal repayments on line of credit	(554,726)	-
NET CASH FROM FINANCING ACTIVITIES	1,739,702	5,792,865
NET CHANGE IN CASH & CASH EQUIVALENTS	(6,165,241)	567,200
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	7,348,858	6,781,658
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 1,183,617	\$ 7,348,858
SUPPLEMENTAL DISCLOSURES		
<u>Cash flow information:</u>		
Cash paid during the year for interest	\$ 5,180	\$ 75,591
<u>Noncash and financing activities:</u>		
Maturity of New Market Tax Credit Note Receivable	\$ -	\$ 4,061,000
Maturity of New Market Tax Credit Notes Payable	\$ -	\$ 5,537,934
Lease liabilities arising from obtaining right of use assets	\$ -	\$ 347,609

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

**WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, a Type I supporting organization as defined by Section 509(a)(3) of Internal Revenue Code was created in June 2016 for the purpose of constructing a new facility in Midland, Texas which it leased to the Food Bank from the time the facility was placed in service in January 2017 until its dissolution on August 18, 2023 in connection with the New Market Tax Credit windup.

Basis of Accounting

The accompanying 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

The Food Bank qualifies as a tax-exempt organization 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 the Food Bank 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 2024. The Food Bank's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after they are filed. There were no examinations during 2024 and none in progress through the date of this report.

Cash, Cash Equivalents, & Restricted Cash

The Food Bank considers 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	\$ 468,483
Cash and cash equivalents restricted for capital campaign building project	50,134
Cash and cash equivalents restricted for other programs and purposes	<u>665,000</u>
	<u>\$1,183,617</u>

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Credit Policies

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

Promises to Give

The Food Bank records 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 \$1.97 per pound in 2024 and \$1.93 per pound in 2023 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 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.

Beneficial Interest in Assets Held by Community Foundation

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

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Food Bank capitalizes 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 Food Bank reviews 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 2024.

Lease Accounting

The Food Bank follows FASB guidance Topic 842 which increases transparency and comparability among organizations by requiring (1) recognition of lease assets and lease liabilities on the balance sheet and (2) disclosure of key information about leasing arrangements. Some changes to the lessor accounting guidance were made to align both of the following: (1) the lessor accounting guidance with certain changes made to the lessee accounting guidance and (2) key aspects of the lessor accounting model with revenue recognition guidance. The Food Bank used the transition method that allowed them to recognize a cumulative-effect adjustment to the opening equity balance in the period of adoption. The Food Bank used the package of practical expedients permitted under the transition guidance that allowed them to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases. The Food Bank did not need to recognize a material adjustment to the opening balance of net assets upon adoption. Because of the transition method used, Topic 842 was not applied to periods prior to adoption and the adoption of had no impact on previously reported results. The Food Bank determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed.

They recognize a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The weighted-average discount rate is based on the discount rate implicit in the lease. The Food Bank elected the option to use the risk-free rate using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Food Bank has applied the risk-free rate option to all operating leases. The interest rate of our only financing lease is readily determinable as stated in the lease agreement. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term. The Food Bank has elected to combine readily determinable lease and non-lease components, such as fixed truck charges as defined in the lease agreement in calculating the ROU assets and liabilities for equipment and trucks.

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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

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

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

Support and Revenue Recognition

The Food Bank follows 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 Food Bank 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 Food Bank, customers and responsible parties include partner agencies. The program revenue, fees and lease income disclosures provide further detail.

The Food Bank believes 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 Food Bank has clarified receivables, contract assets and contract liabilities reported on 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 Food Bank 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.

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition (continued)

The Food Bank evaluates responsible party's credit risk and assesses the collection probability to determine the consideration due in exchange for the services promised. The Food Bank 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.

Program revenue and fees paid by partner agencies for certain purchased food products are charged a 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 2024 totaled \$492,935 for purchased food and \$279,135 for fees.

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.

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. Estimated fair value of donated volunteer service hours totaled approximately \$737,000 in 2024.

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition (continued)

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.

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. Note 13 describes these in further detail.

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.

Reclassifications

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

Financial Instruments, Credit and Market Risk

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

The Food Bank 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 financial statements.

Recent Accounting Guidance

The Food Bank adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets, including the Food Bank's accounts receivable and held-to-maturity debt securities, by requiring the Food Bank to recognize an allowance for all expected losses over the life of the financial asset at origination. The Food Bank used a modified retrospective transition method for the beginning of the year net assets in this year of adoption. Adoption of this ASU did not have a significant impact on the financial statements.

**WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Economic, social and health, legislative matters

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

- Special events: The Jersey Mikes Promotion which we budgeted for was allocated instead to Meals on Wheels. That usually brought in 25k. We also budgeted for a Whataburger promotion for 20k based on the previous year. That promotion was cancelled. We also lost a promotion from Associated Supply which totaled 20k. Community events have continued as normal.
- Changes in pledges, grants: Foundations were overbudget by 90% due to a surprise donation from the Charles Butt Foundation. Corporate donations came in 35% under budget which development has determined was caused to the election which also affected individual and direct mail donations.
- Demand for services: Continues to remain high. Midland/Odessa continues to see more migrants from the border. Inflation is causing people to continue to seek help at the food bank to supplement their food. The food bank is averaging 60 pounds per household monthly.
- Staff layoffs: We started the year with 55 employees and ended with 52. This was due to voluntary and forced terminations and not due to layoffs.
- Impact on 2024 budget: The food bank increased its shared maintenance fee to .15 in the last quarter and increased the cost of purchased product to .50 on the dollar. Total Income was 2% over budget and expenses 15% over budget. Expenses include depreciation and value of donated food and commodities.

Subsequent Events

Management has evaluated subsequent events through June 26, 2025, the date on which the financial statements were available to be issued. No significant events have occurred that would require disclosure in the notes or recognition in the financial statements.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of September 30, 2024:

Cash and cash equivalents without donor restrictions	\$ 468,483
Brokerage account investments	1,719,407
Accounts receivable	106,953
Grants receivable	<u>255,952</u>
	<u>\$2,550,795</u>

Our endowment funds consist of funds designated by the board as endowments and are managed by the Permian Basin Area Foundation (PBAF) through an endowment agreement. Donor-restricted endowment funds are not available for general expenditure. The board designated endowment with the PBAF is subject to an annual spending rate established in the agreement described. The policy calls for appropriating an annual distribution of 4% of the fund's average market value as determined. No distributions were available at year end. As part of our liquidity management plan, cash in excess of daily requirements may be invested in short-term investments, CDs, and money market funds. At their discretion, the Board may contribute a portion of any operating surplus to the board designated endowment.

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3: INVENTORY

Inventory consisted of the following as of September 30:

<u>Balances</u>	<u>2024</u>	<u>2023</u>
Donated food	\$ 556,958	\$ 976,671
Purchased food	934,155	155,123
USDA TEFAP commodities	354,295	787,237
USDA CSFP commodities	252,996	292,111
USDA CCC commodities	164,217	159,299
USDA LFPA commodities	638	155,703
	<u>\$ 2,263,259</u>	<u>\$ 2,526,144</u>
 <u>Pounds received</u>	 <u>2024</u>	 <u>2023</u>
Donated food	4,761,430	5,282,801
Purchased food	4,285,951	4,375,296
USDA TEFAP commodities	2,094,920	2,577,729
USDA CSFP commodities	1,074,837	813,263
USDA TEFAP (BBB) commodities	-	243,080
USDA CCC commodities	1,210,996	631,305
USDA LFPA commodities	1,031,608	931,692
Total	<u>14,459,742</u>	<u>14,855,166</u>
 <u>Pounds distributed</u>	 <u>2024</u>	 <u>2023</u>
Donated food	4,985,177	5,574,775
Purchased food	3,283,897	4,533,208
USDA TEFAP commodities	2,404,871	2,086,934
USDA CSFP commodities	1,036,238	916,486
USDA TEFAP (BBB) commodities	-	274,438
USDA CCC commodities	1,209,176	529,190
USDA LFPA commodities	1,282,816	680,119
Total	<u>14,202,175</u>	<u>14,595,150</u>

NOTE 4: PROMISES TO GIVE

Unconditional promises to give for the capital campaign as of September 30:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 160,000	\$ 130,000
Due in 1 to 5 years	675,000	1,800,000
	<u>\$ 835,000</u>	<u>\$ 1,930,000</u>

As of September 30, 2024 the balance is due from eight donors.

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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 Food Bank.

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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024. Distributions taken during the fiscal year totaled \$35,849 in 2024.

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

<u>Without donor restrictions</u>	<u>2024</u>	<u>2023</u>
Board designated - PBAF Endowment	\$ 860,938	\$ 702,670
<u>With donor restrictions</u>		
Original donor restricted gift to be maintained in perpetuity - PBAF Endowment	200,000	200,000
Total	<u>\$ 1,060,938</u>	<u>\$ 902,670</u>

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

<u>2024</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 702,670	\$ 200,000	\$ 902,670
Distributions	(35,849)	-	(35,849)
Contributions	100	-	100
<u>Investment return:</u>			
Interest & dividends	34,889	-	34,889
Unrealized gains (losses)	140,051	-	140,051
Realized gains (losses)	31,271	-	31,271
Management fees	(12,194)	-	(12,194)
Total investment return	<u>194,017</u>	<u>-</u>	<u>194,017</u>
End of year	<u>\$ 860,938</u>	<u>\$ 200,000</u>	<u>\$ 1,060,938</u>

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5: ENDOWMENT INVESTMENTS (Continued)

<u>2023</u>	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 628,469	\$ 200,000	\$ 828,469
Distributions	(32,092)	-	(32,092)
Contributions	-	-	-
<u>Investment return:</u>			
Interest & dividends	29,607	-	29,607
Unrealized gains (losses)	78,804	-	78,804
Realized gains (losses)	9,653	-	9,653
Management fees	(11,771)	-	(11,771)
Total investment return	106,293	-	106,293
End of year	<u>\$ 702,670</u>	<u>\$ 200,000</u>	<u>\$ 902,670</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 Food Bank 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.

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6: FAIR VALUE MEASUREMENTS (Continued)

The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the PBAF. A substantial portion of the underlying assets at the PBAF are measured at fair value using level 1 and 2 inputs, the most common being shares of mutual funds valued at the net asset value of shares held by the fund at year-end.

The Food Bank's ownership in such investments is represented by an undivided interest in the portfolios managed by the PBAF. The fair values of beneficial interests in the PBAF is determined by us using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of investments as reported by the trustees. 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 2024. No changes were made to the availability of observable market data to assess the appropriate classification of investments.

The following table presents the Food Bank's assets and liabilities measured at fair value on a recurring basis except those measured at cost or NAV per share as a practical expedient as of:

	Fair Value	Level 1	Level 2	Level 3
<u>September 30, 2024</u>				
Beneficial interest - PBAF	\$ 1,060,938	\$ -	\$ -	\$ 1,060,938
<u>Brokerage account:</u>				
Equity mutual funds	508,378	508,378	-	-
Fixed income mutual funds	1,117,824	1,117,824	-	-
Money market	93,205	93,205	-	-
	<u>\$ 2,780,345</u>	<u>\$ 1,719,407</u>	<u>\$ -</u>	<u>\$ 1,060,938</u>
<u>September 30, 2023</u>				
Beneficial interest - PBAF	\$ 902,670	\$ -	\$ -	\$ 902,670
<u>Brokerage account:</u>				
Equity mutual funds	431,014	431,014	-	-
Fixed income mutual funds	907,651	907,651	-	-
Money market	75,506	75,506	-	-
	<u>\$ 2,316,841</u>	<u>\$ 1,414,171</u>	<u>\$ -</u>	<u>\$ 902,670</u>

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 7: PROPERTY & EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Buildings	\$ 16,579,084	\$ 16,545,834
Construction in progress	12,314,866	5,482,815
Improvements	313,399	283,971
Warehouse Equipment	338,823	334,312
Freezer/Cooler Units	865,344	865,344
Computer Equipment	189,376	158,446
Office & Kitchen Equipment	532,743	400,298
Vehicles	1,531,822	1,391,247
Donated gift	9,069	9,069
Land	1,118,385	1,118,385
	<u>33,792,911</u>	<u>26,589,721</u>
Accumulated Depreciation	<u>(4,720,132)</u>	<u>(3,897,742)</u>
Net Property & Equipment	<u><u>\$ 29,072,779</u></u>	<u><u>\$ 22,691,979</u></u>

Depreciation expense totaled \$822,390 in 2024.

NOTE 8: LEASES

The Food Bank leases trucks, warehouse equipment, and office equipment under non-cancelable operating and finance leases. Terms range from 36 – 72 months. Discount rates range from 4% to 4.5% for operating leases and 4.95% for the finance lease. Lease expiration dates range from 2024 to 2027.

The following summarizes the line items in the statement of financial position for right-of-use assets and lease liabilities as of September 30, 2024:

Assets

Operating lease right-of-use asset	\$ 46,244
Financing lease right-of-use asset	<u>9,313</u>
Total leased right-of-use assets	<u><u>\$ 55,557</u></u>

Liabilities

Operating lease liabilities, current portion	\$ 34,024
Financing lease liabilities, current portion	<u>7,565</u>
	<u>41,589</u>
Operating lease liabilities, long term	12,220
Financing lease liabilities, long term	<u>2,607</u>
	<u>14,827</u>
Total lease liabilities	<u><u>\$ 56,416</u></u>

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8: LEASES (Continued)

Total lease costs for the year ended September 30, 2024:

Operating lease cost	\$	147,911
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Financing lease cost

Interest expense	\$	698
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Amortization of right-of-use assets	\$	6,985
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Other information related to leases for the year ended September 30, 2024:

Cash paid for amounts included in measurement of lease liabilities

Operating cash flows from operating leases	\$	147,911
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Operating cash flows from financing leases	\$	698
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Financing cash flows from from finance leases	\$	7,201
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Right-of-use assets obtained in exchange for lease liabilities:

Operating leases		-
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Financing lease		-
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The following summarizes the weighted-average remaining lease term and weight-average discount rate as of September 30, 2024:

Weighted-average remaining lease term in years:

Operating leases	1.19
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Financing lease	1.33
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Weighted-average discount rate

Operating leases	4.24%
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Financing lease	4.95%
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The future minimum lease payments under leases with terms greater than one year are as follows as of September 30, 2024:

	Operating	Finance
2025	\$ 34,151	\$ 7,899
2026	11,398	2,633
2027	1,900	-
	47,449	10,532
Less interest:	(1,205)	(360)
Present value of lease liability	\$ 46,244	\$ 10,172

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9: LINES OF CREDIT

The Food Bank has a \$250,000 revolving line of credit with a local bank for purposes of general operations, 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, 2024. No borrowings were drawn in 2024. The agreement requires us to comply with certain financial and non-financial covenants.

The Food Bank established a \$11,000,000 revolving line of credit with a bank effective December 14, 2022 for purposes of financing capital campaign receivables for expansion of the Odessa facility. The line of credit is secured by capital campaign pledges, donations, accounts receivable, and a demand deposit account with the lender. Borrowings under the line bear interest at fixed rate of 4.795%. Accrued interest and principal are due at maturity on December 14, 2026. In 2024 borrowings totaled \$1,197,719, principal repayments totaled \$554,726 and interest of \$5,180 was repaid. The outstanding balance totaled \$642,993 at year end. The agreement requires us to comply with certain financial and non-financial covenants.

NOTE 10: 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>2024</u>
Capital campaign	\$ 885,134
Technical improving data	275,000
Truck fleet (second installment)	100,000
Senior nutrition waiting list	64,938
Senior nutrition	49,837
School pantries	49,322
Upton F2K	35,163
Kids Café (overhead)	34,571
Produce	24,692
Senior van wrap and fuel	20,578
South Elementary School	10,000
Upton County	899
	<u>1,550,134</u>
<u>Perpetual in nature</u>	
Beneficial interest in assets held by PBAF	200,000
	<u>\$ 1,750,134</u>

Net assets of \$8,415,388 were released from restrictions by expending funds to satisfy restrictions in 2024,

WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11: 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 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 \$1.97 per pound in 2024 and \$1.93 per pound in 2023 based estimated values by Feeding America at the national level. Government commodities are valued based on their established fair market values by the USDA. The value of contributed food is as follows for the years ended September 30:

	2024			2023		
	Pounds	Value per pound	Amount	Pounds	Value per pound	Amount
General food, household item donations	4,761,430	\$ 1.97	\$ 9,380,018	5,282,801	\$ 1.93	\$ 10,195,806
USDA government commodities	5,412,361	range: \$.26 to \$.75	7,809,687	5,197,069	range: \$.32 to \$.94	5,065,966
	<u>10,173,791</u>		<u>\$ 17,189,705</u>	<u>10,479,870</u>		<u>\$ 15,261,772</u>

NOTE 12: DIRECT MAIL

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

	<u>2024</u>	<u>2023</u>
Direct mail contributions	\$1,025,294	\$1,143,715
Direct mail expense	(168,183)	(215,957)
Net direct mail results	<u>\$ 857,111</u>	<u>\$ 927,758</u>

NOTE 13: HEALTH CARE COVERAGE

Employees of the Food Bank were covered by a qualified health insurance plan. The Food Bank pays 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 \$612,720 in 2024.

NOTE 14: 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 \$124,126 in 2024.

NOTE 15: RELATED PARTY TRANSACTIONS

The Food Bank 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.

**WEST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 16: COMMITMENTS AND CONTINGENCIES

Government programs

The Food Bank participates in both federal and state governed programs. In connection with grants and funding under these programs, the Food Bank is 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.

Legal matters

In February 2024, the Food Bank retained legal counsel to file a pre-suit notice and demand of specific performance letter in connection with a construction project. Management expects the matter to be resolved and does not anticipate a material impact to their financial position. No positions have changed as of the date of this report.

**FEDERAL AWARDS &
COMPLIANCE SECTION**



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, 2024, 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 26, 2025.

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.

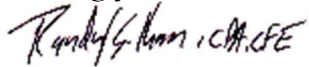
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify 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 Food Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Lubbock, Texas
June 26, 2025

**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, 2024. 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, 2024.

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 my 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.

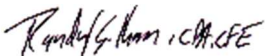
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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.

 Randy G. Hearn, CPA, CFE

Lubbock, Texas
June 26, 2025

WEST TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Program Number	Expenditures
U.S. Department of Agriculture (USDA)			
Passed-through the Texas Department of Agriculture (TDA)			
<u>Food Distribution Cluster:</u>			
The Emergency Food Assistance Program Food Commodities (TEFAP)	10.569	- *	\$ 4,229,771
The Emergency Food Assistance Program Administrative Costs (TEFAP)	10.568	6TX810816	265,109
Commodity Supplemental Food Program Commodities (CSFP)	10.565	- *	925,505
Commodity Supplemental Food Program Administrative Costs	10.565	-	197,835
			<u>5,618,220</u>
<u>Child Nutrition Cluster</u>			
Summer Food Service Program for Children (SFSP)	10.559	-	131,514
<u>Non- Clustered</u>			
Child and Adult Care Food Program	10.558	-	359,219
TEFAP Commodity Credit Corporation (food commodities)	10.187	- *	2,255,994
TEFAP Commodity Credit Corporation (administrative costs)	10.187	-	97,856
			<u>2,353,850</u>
Passed-through Feeding Texas contract with TDA			
Local Food Purchase Assistance (administrative costs)	10.182	-	495,141
Local Food Purchase Assistance (food commodities)	10.182	- *	501,177
			<u>996,318</u>
SUBTOTAL - Texas Department of Agriculture			<u>9,459,121</u>
Passed-through Texas Health and Human Services (subaward of Feeding Texas)			
<u>SNAP Cluster</u>			
SNAP Nutrition Education Program (SNAP - Ed)	10.551	-	90,298
Community Partner Program (CPP)	10.551	-	168,193
			<u>258,491</u>
TOTAL USDA			<u>9,717,612</u>
U.S. Department of Housing and Urban Development (HUD)			
Passed-through the City of Odessa			
Community Development Block Grant	14.218	-	9,986
TOTAL HUD			<u>9,986</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 9,727,598</u></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, 2024

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, 2024. 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 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 Food Bank had no federal loan programs during the fiscal year ended September 30, 2024.

The Food Bank provided no cash federal awards to subrecipients.

NOTE 3: FOOD INVENTORY

Government food commodities inventory on hand totaled \$772,145 as of September 30, 2024.

NOTE 4: RECONCILIATION OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

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

Federal financial support in SEFA	\$ 1,815,151
Government grants per statement of activities	<u>\$ 1,815,151</u>
Federal food commodities	\$ 7,809,687
Donated food commodities from public and private sources	9,380,018
Donated food & commodities per statement of activities	<u>\$ 17,189,705</u>
Federal food commodities expended per SEFA agrees to food distribution in statement of functional expenses	<u>\$ 7,912,447</u>

**WEST TEXAS FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of West Texas 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:

	<u>CFDA</u>
<u>Food Distribution Cluster</u>	
Emergency Food Assistance Program Food Commodities	10.569
Emergency Food Assistance Program Food Commodities Build Back Better	10.569
Emergency Food Assistance Program Administrative Costs	10.568
Commodity Supplemental Food Program Food Commodities	10.565
Commodity Supplemental Food Program Administrative Costs	10.565
<u>Non-clusters</u>	
Local Food Purchase Assistance Program (administrative costs)	10.182
Local Food Purchase Assistance Program (food commodities)	10.182

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