

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT

FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION

December 31, 2020 and 2019

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT

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GF Valdez, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Community Food Bank of Victoria
dba Food Bank of the Golden Crescent
Victoria, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Food Bank of Victoria (the Food Bank), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

GF Valdez, P.C.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our 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 (CFR) 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 audits 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 information 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*, we have also issued our report dated June 18, 2021, on our consideration of the Community Food Bank of Victoria's internal control over financial reporting and on our 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 our 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 Community Food Bank of Victoria's internal control over financial reporting and compliance.

GF Valdez, P.C.

June 18, 2021
Corpus Christi, Texas

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 STATEMENT OF FINANCIAL POSITION
 December 31, 2020

	2020	2019
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,432,901	\$ 377,647
Investments	3,178,231	404,074
Accounts receivable - government grants and contracts	252,953	183,771
Accounts receivable - agencies	25,924	13,920
Donated food inventory, net of salvage	1,126,910	636,820
Total Current Assets	6,016,919	1,616,232
Property and equipment, net of accumulated depreciation	3,126,630	2,703,838
Total Assets	\$ 9,143,549	\$ 4,320,070
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 11,460	\$ 5,131
Deferred revenue	17,723	14,777
Accrued expenses	4,601	-
Total Current Liabilities	33,784	19,908
Notes payable - Paycheck Protection Program	209,400	-
Total Liabilities	243,184	19,908
Net Assets		
without donor restrictions	6,987,931	3,569,167
with donor restrictions	1,912,434	730,995
Total net assets	8,900,365	4,300,162
Total Liabilities and Net Assets	\$ 9,143,549	\$ 4,320,070

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Value of donated food inventory, net of food scrapped of \$358,736	\$ 8,095,457	\$ -	\$ 8,095,457
Contributions	3,235,982	3,261,018	6,497,000
USDA donated commodities	-	5,131,248	5,131,248
Government grants and contracts	511,077	-	511,077
Program service fees	416,943	-	416,943
Fundraising	234,033	-	234,033
Unrealized gain on investments	27,415	-	27,415
Downtown farmers market	14,555	-	14,555
Realized gain on sales of investments	9,017	-	9,017
Dividend and interest income	2,962	-	2,962
Net assets released from restrictions	7,210,827	(7,210,827)	-
Total revenues, gains and other support	19,758,268	1,181,439	20,939,707
Expenses:			
Program expenses	15,834,046	-	15,834,046
Administrative	240,816	-	240,816
Fundraising	264,642	-	264,642
Total expenses	16,339,504	-	16,339,504
Increase in Net Assets	3,418,764	1,181,439	4,600,203
Net Assets, December 31, 2019	3,569,167	730,995	4,300,162
Net Assets, December 31, 2020	\$ 6,987,931	\$ 1,912,434	\$ 8,900,365

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Value of donated food inventory, net of food scrapped of \$495,778	\$ 4,938,734	\$ -	\$ 4,938,734
USDA donated commodities	-	4,016,715	4,016,715
Contributions	383,308	280,042	663,350
Government grants and contracts	474,030	-	474,030
Program service fees	327,595	-	327,595
Fundraising	181,336	-	181,336
Unrealized loss on investments	43,824	-	43,824
Downtown farmers market	13,323	-	13,323
Dividend and interest income	12,790	-	12,790
Realized gain on sales of investments	5,425	-	5,425
Net assets released from restrictions	5,812,916	(5,812,916)	-
Total revenues, gains and other support	<u>12,193,281</u>	<u>(1,516,159)</u>	<u>10,677,122</u>
Expenses:			
Program expenses	10,470,045	-	10,470,045
Administrative	207,125	-	207,125
Fundraising	272,103	-	272,103
Total expenses	<u>10,949,273</u>	<u>-</u>	<u>10,949,273</u>
Increase (Decrease) in Net Assets	1,244,008	(1,516,159)	(272,151)
Net Assets, December 31, 2018	<u>2,325,159</u>	<u>2,247,154</u>	<u>4,572,313</u>
Net Assets, December 31, 2019	<u>\$ 3,569,167</u>	<u>\$ 730,995</u>	<u>\$ 4,300,162</u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended December 31, 2020

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 12,736,659	\$ -	\$ -	\$ -	\$ 12,736,659
Payroll expense	1,242,534	10,768	92,742	103,510	1,346,044
Food purchases	1,014,522	-	-	-	1,014,522
Program expense	426,307	-	-	-	426,307
Depreciation expense	46,053	138,161	-	138,161	184,214
Fundraising expense	-	-	138,761	138,761	138,761
Repairs and maintenance	78,837	14,078	939	15,017	93,854
Transportation	86,086	1,162	2,145	3,307	89,393
Utilities	41,198	17,217	3,075	20,292	61,490
Office expense	31,018	14,008	5,003	19,011	50,029
Food processing	45,677	-	-	-	45,677
Insurance	25,161	1,894	-	1,894	27,055
Professional fees	3,926	22,249	-	22,249	26,175
Grant expense	23,872	-	241	241	24,113
Training	16,507	1,785	4,015	5,800	22,307
Dues and subscriptions	2,061	3,092	6,299	9,391	11,452
Postage	-	-	9,387	9,387	9,387
Downtown farmers market	8,912	-	-	-	8,912
Volunteer recognition	2,741	5,568	257	5,825	8,566
Miscellaneous expense	-	6,138	-	6,138	6,138
Investment expense	-	4,498	-	4,498	4,498
Uniforms	1,975	198	1,778	1,976	3,951
	<u>\$ 15,834,046</u>	<u>\$ 240,816</u>	<u>\$ 264,642</u>	<u>\$ 505,458</u>	<u>\$ 16,339,504</u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 8,850,187	\$ -	\$ -	\$ -	\$ 8,850,187
Payroll expense	1,070,632	9,279	79,912	89,191	1,159,823
Depreciation expense	41,047	123,140	-	123,140	164,187
Fundraising expense	-	-	164,111	164,111	164,111
Program expense	105,281	-	-	-	105,281
Transportation	75,959	1,025	1,893	2,918	78,877
Food purchases	78,574	-	-	-	78,574
Repairs and maintenance	72,052	736	858	1,594	73,646
Utilities	35,967	15,031	2,684	17,715	53,682
Office expense	30,636	13,836	4,941	18,777	49,413
Training	29,301	3,168	7,127	10,295	39,596
Professional fees	4,198	23,792	-	23,792	27,990
Insurance	23,321	1,755	-	1,755	25,076
Grant expense	15,371	-	155	155	15,526
Downtown farmers market	14,785	-	-	-	14,785
Dues and subscriptions	2,361	3,542	7,215	10,757	13,118
Postage	9,815	-	2,160	2,160	11,975
Food Processing	8,542	-	-	-	8,542
Miscellaneous expense	-	5,284	-	5,284	5,284
Investment expense	-	4,498	-	4,498	4,498
Volunteer recognition	952	1,933	89	2,022	2,974
Uniforms	1,064	106	958	1,064	2,128
	<u>\$ 10,470,045</u>	<u>\$ 207,125</u>	<u>\$ 272,103</u>	<u>\$ 479,228</u>	<u>\$ 10,949,273</u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 4,600,203	\$ (272,151)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities		
Depreciation	184,214	164,187
Unrealized gain on investments	(27,415)	(43,824)
In-kind contributions of food items	(13,979,585)	(9,034,823)
Distributions of in-kind food items	13,489,495	8,929,560
Decrease (increase) in:		
Accounts receivable	(81,186)	(81,985)
Increase (decrease) in:		
Accounts payable	6,329	(14,783)
Accrued expenses	4,601	(304)
Deferred revenue	2,946	(987)
	4,199,602	(355,110)
Cash flows from investing activities:		
Purchases of investments	(2,800,324)	(82,243)
Redemption of investments	53,582	1,070,084
Purchases of property and equipment	(607,006)	(1,739,126)
	(3,353,748)	(751,285)
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	209,400	-
	209,400	-
Net change in cash	1,055,254	(1,106,395)
Cash at beginning of year	377,647	1,484,042
Cash at end of year	\$ 1,432,901	\$ 377,647

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 1 – NATURE OF ACTIVITIES

The Community Food Bank of Victoria (Food Bank) is a Texas non-profit Corporation that operated originally as part of the Spirit of Youth of Victoria and then began its own operations as a separate entity on September 30, 1989. In order to identify better with its eleven-county service area, the Food Bank began doing business as the Food Bank of the Golden Crescent. The Food Bank's purpose is to collect and warehouse salvageable food, which has been donated by organizations and businesses, and distribute it to other non-profit agencies (agencies) which feed and distribute food to low-income families and individuals. Funding is provided primarily by donated commodities obtained from a nationwide network of sources including supermarket chains, the United States Department of Agriculture and food drives. The value of food and non-perishable items received from supermarket chains was \$5,214,578 and \$2,745,736, (25% and 26% of revenues), for the years ended December 31, 2020 and 2019, respectively.

The U.S. Department of Agriculture (USDA) is administering a Trade Mitigation Food Purchase and Distribution Program (Trade Mitigation Food Program) to purchase up to \$1.2 billion in USDA Foods. The bulk of this food is being distributed through The Emergency Food Assistance Program (TEFAP), which is USDA's primary outlet for foods purchased through market support mechanisms. The Food Bank distributed 1,460,764 pounds of food under the Trade Mitigation Food Program for the year ending December 31, 2020.

Beginning in the Spring of 2020, under the statutory authority of the CARES Act, the USDA through the Texas Department of Agriculture (TDA) is administering a program to reimburse incurred costs of distribution USDA foods relating to the COVID-19 crisis. The bulk of this food is being distributed through TEFAP, which is USDA's primary outlet for foods purchased through market support mechanisms. Additionally, USDA is making CARES funds available to assist with the operational costs of the receipt, storage and distribution of these foods. The Food Bank received \$29,014 of CARES funds for the year ending December 31, 2020.

In the Spring of 2020, under the statutory authority of the Texas Government Code, Chapter 418 and the CARES, the U.S. Department of Homeland Security (USDHS) through the Texas Division of Emergency Management (TDEM) and the Texas A&M University System, an agency of the State of Texas, are administering a program to purchase and distribute food as an emergency protective measure related to the COVID-19 crisis. The food is purchased under the rules and regulations of the Federal Emergency Management Agency (FEMA) Public Assistance Program. The Food Bank received \$1,122,747 of funding through this program for the year ending December 31, 2020.

THE COMMUNITY FOOD BANK OF VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 1 – NATURE OF ACTIVITIES (Continued)

Below is a summary of principle programs administered by the Food Bank:

1. Kids Backpack program – the backpack program provides children with nutritious food to take home for the weekend. Backpacks are filled with nutritious, child-friendly food and redistributed on the day before weekends or holiday vacations.
2. Mobile Pantry program – The mobile pantry program reaches individuals and families living in rural areas and surrounding counties of Victoria, Texas. The goal is to provide and distribute food items, including fresh produce, every month in smaller cities that do not have local help.
3. Hunters for the Hungry – The Hunters for the Hungry program goal is to alleviate hunger and malnutrition to families in surrounding counties of Victoria, Texas. Their mission is to provide a meaningful outlet for hunters wishing to help their communities and promote stewardship of the environment through sensible wildlife management plans.
4. Nutrition Education Program – The Food Bank has a team of nutrition educators and registered dietitian who inspire change in food choices and behaviors of children and adults so they can live healthier lives. The Food Bank emphasizes a lifestyle rich in whole foods such as vegetables, fruits, whole grains and lean meats and teach how eating healthy does not have to be expensive.
5. Social Services Program – The Food Bank assist clients to complete applications for SNAP, Long Term Care for Seniors, CHIPS, Medicaid, TANF, and Medicare Savings Programs in local and rural counties so families can get the help they need.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Food Bank prepares its financial statements under the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The Food Bank is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Food Bank’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of cash flows, the Food Bank considers investments available for current use with an initial maturity date of ninety days to be cash equivalents. The Food Bank maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits of up to \$250,000 under the Federal Deposit Insurance Corporation (FDIC). Management believes it is not exposed to any significant risk on cash accounts.

Shared Maintenance Fees

The Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based on predetermined rates from \$0.03 to \$0.19 per pound.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable represent amounts due from agencies and others and are stated at the amount the Food Bank expects to collect for shared maintenance fees and grants from government agencies. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Food Bank determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of December 31, 2020 and 2019, management estimates that no reserve for losses on receivables is required.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. The unrealized gain or loss on investments is included as a component of investment income in the statements of activities. Investments in certificates of deposit with original maturities over three months are carried at fair value.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. Depreciation is calculated using the straight-line method over useful lives of the assets, ranging from five to fifteen years for vehicles, office furniture and equipment and ten to forty years for buildings and building improvements. It is in the Food Bank's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of accounts and any gains or losses are reported in the change in net assets.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of donated food and non-food items, purchased food, and commodities received from the United States Department of Agriculture (USDA). USDA and donated food and non-food items were valued at \$1.74 and \$1.62 per pound for the years ended December 31, 2020 and 2019, respectively. This valuation is based on published fair market value derived from cost studies conducted by Feeding America. Purchased food is valued at the latest purchase price. USDA commodity inventory amounts as of December 31, 2020 and 2019 are restricted to distribution programs serving low-income families and individuals. Therefore, the value of these ending inventories is reflected as with donor restriction asset in the statement of financial position. Accordingly, the distribution of these commodities is reflected in the statement of activities as assets released from restriction.

Contributions and Contributed Services

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions. The Food Bank receives a significant amount of donated services from unpaid volunteers who assist in the warehouse. However, the value of these services has not been recognized in the statement of activities since they do not meet the criteria for recognition as contributed services. The Food Bank received 13,134 hours of services from 3,166 volunteers for the year ending December 31, 2020. The Food Bank received 14,959 hours of services from 4,626 volunteers for the year ending December 31, 2019.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

THE COMMUNITY FOOD BANK OF VICTORIA
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 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Grants	Time and effort
Salaries and benefits	Time and effort
Repairs and maintenance	Time and effort
Education and training	Time and effort
Occupancy	Time and effort
Professional services	Full time equivalent
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Food Bank reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Income Tax Status

The Food Bank is not-for-profit organization that is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization. Accordingly, no provision for income taxes had been made in the accompanying statements. The Food Bank’s Form 990, Return of Organization Exempt from Income Tax, for the years ending 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

THE COMMUNITY FOOD BANK OF VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Employees of the Food Bank begin to accrue vacation benefits upon their first day of employment and are eligible to use this time upon receipt of their first paycheck. Vacation benefits are typically taken in the calendar year it was accrued, however up to 40 and 20 hours for full-time and part-time employees, respectively, is allowed to be carried over into the following fiscal period. Any unused vacation hours will be paid in full upon termination. Sick leave accumulates upon employment. For an employee to be eligible for paid sick leave, 90 days of service must be completed. All unused sick leave may accrue, but unused sick pay is not paid to employees upon termination with the Food Bank. Because these amounts cannot be reasonably estimated, no accrual has been made for compensated absences.

Recent Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in U.S. GAAP. This standard was implemented for the fiscal year ended December 31, 2020. The majority of the Food Bank's revenues come from grants and public support. Grant revenues are currently recognized when performance obligations are met. Additionally, the public support is considered contribution revenue. There was no material change in revenue recognition due to the implementation of ASU 2014-09.

In November 2016, the FASB issued ASU 2016-08, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Food Bank beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The adoption of ASU 2016-18 did not have a material impact on the financial statements.

On January 1, 2020, the Food Bank adopted the FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance on determining whether a transaction with a resource provided is a contribution or an exchange transaction. Upon adoption of the standard, the Food Bank determined that grant support received through periodic claims filed with the respective funding sources is conditional upon incurring qualifying expenses and includes a right of release, and therefore should not be recorded until this barrier is overcome. Adoption of ASU 2018-08 had no impact on previously reported net assets.

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2020 and 2019

NOTE 3 – RESTRICTIONS ON NET ASSETS

Capital Campaign

In June 2020, the Food Bank began a Capital Campaign to acquire land and build a new facility to relocate the Food Bank’s operations. This new location and building will provide more space for the Food Bank’s daily activities. Through solicitation of contributions of the Capital Campaign, the Food Bank has raised support of \$889,711.

Net assets with donor restrictions related to the Capital Campaign total \$827,541 which have not been expended as of December 31, 2020.

NOTE 4 – LIQUIDITY AND AVAILIBITIY OF FINANCIAL ASSETS

The following represents the Food Bank’s financial assets available for general expenditures within one year at December 31, 2020 and 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,432,901	\$ 377,647
Investments	3,178,231	404,074
Accounts receivable	<u>113,292</u>	<u>197,691</u>
Total financial assets	4,724,424	979,412
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,912,434	730,995
Less net assets with purpose restrictions to be met in less than a year	<u> --</u>	<u> --</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,811,990</u>	<u>\$ 248,417</u>

As part of the Food Bank’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

THE COMMUNITY FOOD BANK OF VICTORIA
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NOTE 5 – CONTINGENCIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Food Bank for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. The Food Bank expects such amounts, if any, to be immaterial.

NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS

Management of the Food Bank has evaluated subsequent events for disclosure through June 18, 2021, the date the financial statements were available to be issued. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

NOTE 7 – INVESTMENTS

Investments consisted of the following as of December 31:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2020</u>				
Certificate of Deposit	\$2,747,468	\$ --	\$ --	\$ 2,747,468
Mutual Funds	<u>375,019</u>	<u>55,744</u>	<u>--</u>	<u>430,763</u>
	<u>\$3,122,487</u>	<u>\$ 55,744</u>	<u>\$ --</u>	<u>\$ 3,178,231</u>
<u>December 31, 2019</u>				
Mutual Funds	\$ 362,436	\$ 28,328	\$ --	\$ 390,764
Certificate of Deposit	<u>13,310</u>	<u>--</u>	<u>--</u>	<u>13,310</u>
	<u>\$ 375,746</u>	<u>\$ 28,328</u>	<u>\$ --</u>	<u>\$ 404,074</u>

Net interest and dividend income for the years ending December 31, 2020 and 2019 were \$2,962 and \$12,790, respectively. Net unrealized gains of \$27,415 and \$43,824 were recorded on the books of the Food Bank for the years ended December 31, 2020 and 2019, respectively. Net realized gains were \$9,017 and \$5,425 for the years ended December 31, 2020 and 2019, respectively.

THE COMMUNITY FOOD BANK OF VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 8 – INVENTORY

The majority of food distributed by The Food Bank is received by contributions from the general public and from the U. S. Department of Agriculture (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. The total value of contributed food for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	113,795	\$ 198,003	128,150	\$ 207,603
FEMA commodities	206,462	160,118	--	--
USDA commodities	<u>405,320</u>	<u>705,257</u>	<u>252,947</u>	<u>409,774</u>
	<u><u>725,577</u></u>	<u><u>\$1,063,378</u></u>	<u><u>381,097</u></u>	<u><u>\$ 617,377</u></u>
Purchased food inventory:				
Purchased inventory	<u>131,708</u>	<u>\$ 63,532</u>	<u>20,880</u>	<u>\$ 19,443</u>
	<u><u>857,285</u></u>	<u><u>\$1,126,910</u></u>	<u><u>401,977</u></u>	<u><u>\$ 636,820</u></u>

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Building (E Rio Grande)	\$ 1,022,139	\$ 1,012,709
Land (E Rio Grande)	22,064	22,064
Equipment	993,685	841,999
Vehicles	756,312	554,072
Construction-in-progress (S Laurent)	1,567,200	1,355,347
Land (S Laurent)	<u>245,792</u>	<u>245,792</u>
	4,607,192	4,031,983
Less: Accumulated depreciation	<u>(1,480,562)</u>	<u>(1,328,145)</u>
Property and equipment, net	<u><u>\$ 3,126,630</u></u>	<u><u>\$ 2,703,838</u></u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$184,214 and \$164,187, respectively.

THE COMMUNITY FOOD BANK OF VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 9 – PROPERTY AND EQUIPMENT (continued)

In February 2019, the Food Bank purchased land and a building in the amount of \$245,792 and \$1,119,453, respectively. The remodeling and renovating of the new building have amounted to an additional \$447,747 as of December 31, 2020. These assets are not depreciable until the Food Bank moves into the new location.

NOTE 10 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 15, 2020, the Food Bank received a PPP loan as established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and facilitated by the Small Business Administrative (SBA), which provides for loans to qualifying entities for amounts up to 2.5 times the average monthly payroll expenses for the qualifying entity. The specific terms of the notes are that there will be monthly payments \$11,784 beginning November 15, 2020 at an annual rate of 1.00%. The loan matures April 15, 2022.

Under the terms of the PPP, certain amounts of the loan may be forgiven if the funds are utilized for allowed expenses. The Food Bank applied for forgiveness in April 2021 and expected all amounts to be forgiven. On June 9, 2021, the total loan amount of \$209,400 was forgiven.

NOTE 11 – LINE OF CREDIT PAYABLE

The Food Bank holds a revolving line of credit for amounts up to \$250,000 with Prosperity Bank, to support Food Bank's operations. The line of credit held a zero balance at December 31, 2020 and 2019. No funds were disbursed to the Food Bank from the line in 2020 or 2019.

NOTE 12 – CONCENTRATIONS

The Food Bank receives a large portion of its food supplies from the U.S. Department of Agriculture via the Emergency Food Assistance Programs (TEFAP). For the years ending December 31, 2020 and 2019, these commodities comprised approximately 39% and 42%, respectively, of the total value of all donated food received. A grant to reimburse administrative costs with the U.S. Department of Agriculture provided approximately 100% of the assistance necessary to fund the administrative operations of the Food Bank for the years ending December 31, 2020 and 2019.

THE COMMUNITY FOOD BANK OF VICTORIA
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 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2020 and 2019

NOTE 13 – RETIREMENT PLAN

The Food Bank offers a 403(b) retirement plan available to all full-time employees once they have completed 90 days of employment. Those employees who are eligible to participate may contribute an elected percentage not to exceed 10% or a set amount withheld from their payroll check every pay period. The Food Bank will match 100% of the employee’s contribution each pay period up to the budgeted amount for the year. Each employee is 100% vested in the Food Bank’s match. Contributions made on behalf of employees totaled \$24,990 and \$28,136 for the years ending December 31, 2020 and 2019, respectively.

NOTE 14 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 were available for the following purposes:

<u>Specific Purpose</u>	<u>2020</u>	<u>2019</u>
USDA commodities for distribution	\$ 705,257	\$ 409,774
Capital expansion	827,541	--
Disaster relief – COVID-19	152,223	--
Transportation and food purchases	96,234	173,953
Backpack program	69,634	132,045
Agencies	59,870	--
Operation training	1,675	--
Food pantry	--	15,223
Total net assets with donor restrictions	<u>\$ 1,912,434</u>	<u>\$ 730,995</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

<u>Specific Purpose</u>	<u>2020</u>	<u>2019</u>
USDA commodities for distribution	\$ 4,835,765	\$ 3,826,789
Disaster relief – TDEM	970,524	--
Disaster relief – COVID-19	964,865	--
Transportation and food purchases	166,248	79,866
Kids Backpack program	148,451	113,608
Capital expansion	62,170	30,376
Asset purchases	35,229	2,524
Food pantry	15,223	--
Agencies	12,352	--
Hurricane Harvey relief fund	--	1,752,253
Farmers market	--	7,500
Total net assets released from restriction	<u>\$ 7,210,827</u>	<u>\$ 5,812,916</u>

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2020 and 2019

NOTE 15 – OPERATING LEASES

The Food Bank has non-cancelable operating leases, primarily for use of office equipment. This lease generally contains renewal options for various periods and requires the Food Bank to pay costs such as taxes, maintenance, and insurance. Total lease expense for 2020 and 2019 was \$4,077 and \$4,956, respectively.

Future estimated minimum lease payments under operating leases for the equipment that have remaining terms in excess of one year as of December 31, 2020, are:

<u>Year</u>		
2021	\$	2,556
2022		1,736
2023		1,373
2024		1,252
2025		1,252
Thereafter		<u> --</u>
Total	\$	<u> 8,169</u>

NOTE 16 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- Level 2 – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- Level 3 – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Fair value measurements and levels within the fair value hierarchy of those measurements for assets and liabilities reported at fair value on a recurring basis at December 31, 2020 and 2019 are as follows:

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2020 and 2019

NOTE 16 – FAIR VALUE MEASUREMENTS (continued)

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2020</u>				
Certificate of Deposit	\$ 2,747,468	\$ 2,747,468	\$ --	\$ --
Mutual Funds	<u>430,763</u>	<u>430,763</u>	<u> </u>	<u> </u>
Total	<u>\$ 3,178,231</u>	<u>\$ 3,178,231</u>	<u>\$ --</u>	<u>\$ --</u>
<u>December 31, 2019</u>				
Mutual Funds	\$ 390,764	\$ 390,764	\$ --	\$ --
Certificate of Deposit	<u>13,310</u>	<u>13,310</u>	<u> </u>	<u> </u>
Total	<u>\$ 404,074</u>	<u>\$ 404,074</u>	<u>\$ --</u>	<u>\$ --</u>

To estimate their fair value, the Food Bank uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (market approach).

Valuation methods used for assets measured at fair value on a recurring basis are as follows:

- Mutual funds are valued at the net asset value of shares held at year end. These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of futures fair values.
- Certificate of deposits are valued at the closing price reported on the active market on which the individual securities are traded.

Furthermore, while the Food Bank believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date. The Food Bank recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2020 and 2019.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 17 – RELATED-PARTY TRANSACTIONS

A board member of the Food Bank is an employee of a supermarket chain to which the Food Bank paid \$60,562 to during 2020. In addition, the Food Bank paid out \$500 to each board member for their work during the pandemic year. In total, the Food Bank paid out \$4,500 to the board of directors during 2020.

NOTE 18 – UNCERTAINTY

As a result of COVID-19, economic uncertainties have arisen which may negatively affect the consolidated financial position, results of operations and cash flows of the Food Bank. The uncertainties include market value fluctuations of investments and potential impact on donor contributions. The duration of these uncertainties and financial effects cannot be reasonably estimated at this time.

THE COMMUNITY FOOD BANK OF VICTORIA
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Passed Through Entity Identifying Number	Passed Through to Subrecipients	Receipts	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>					
Passed Through the:					
Texas Health and Human Services Commission					
<u>The Food Distribution - Cluster</u>					
Texas Department of Agriculture					
Emergency Food Assistance Program (Food Commodities)	10.569	04006	-	\$ 5,131,248	\$ 4,835,765
Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)	10.568	04006	-	97,602	97,602
COVID-19 - Funds passed through the:					
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)	10.568	04006	-	29,014	29,014
Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)-Disaster	10.568	04006	-	142,331	142,331
Trade Mitigation Food Purchases and Distribution Program (Administration Costs)	10.178	04006	-	76,635	76,635
Total U.S. Department of Agriculture				<u>5,476,830</u>	<u>5,181,347</u>
<u>U. S. Department of Health and Human Services</u>					
Passed Through the:					
Texas Food Bank Network					
Supplemental Nutrition Assistance Program Education	N/A	HHSC-529-15-0081-00001	-	65,225	65,225
Community Based Outreach & Application Assistance Services	N/A	HHSC-529-06-0423-00013	-	100,270	100,270
Total U.S. Department of Health and Human Services				<u>165,495</u>	<u>165,495</u>
<u>U.S. Department of Housing and Urban Development</u>					
Passed Through the:					
Office of Community Planning and Development					
Community Development Block Grants/Entitlement Grants					
City of Victoria, Texas	14.218	B-13-MC-48-0510	-	10,000	10,000
Total U.S. Department of Housing and Urban Development				<u>10,000</u>	<u>10,000</u>
<u>U.S. Department of Homeland Security</u>					
Passed Through the:					
United Way of America					
Emergency Food and Shelter Program - Victoria County	97.024	842600-005	-	7,211	7,211
Emergency Food and Shelter Program - CARES	97.024	842600-005	-	20,098	20,098
Total passed-through United Way of America				<u>27,309</u>	<u>27,309</u>
COVID-19 - Funds passed through the:					
Texas Division of Emergency Management (TDEM)					
Disaster Grants-Public Assistance (Presidentially Declared Disaster):	97.036	C2020-1721	-	1,122,747	970,524
Total passed-through TDEM				<u>1,122,747</u>	<u>970,524</u>
Total U.S. Department of Homeland Security				<u>1,150,056</u>	<u>997,833</u>
Total Federal Awards				<u>\$ 6,802,381</u>	<u>\$ 6,354,675</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Community Food Bank of Victoria under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic 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. Pass-through entity indentifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – FOOD DONATION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. As of December 31, 2020, the Food Bank had \$705,257 of USDA commodities in inventory.

INDEPENDENT AUDITORS' 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
The Community Food Bank of Victoria
dba Food Bank of the Golden Crescent
Victoria, Texas

We 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 Community Food Bank of Victoria (Food Bank), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our 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, we 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

GF Valdez, P.C.

A Public Accounting Firm

5430 Holly Road, Suite 1
Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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.

GF Valdez, P.C.

June 18, 2021
Corpus Christi, Texas

GF Valdez, P.C.

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

To the Board of Directors
The Community Food Bank of Victoria
dba Food Bank of the Golden Crescent
Victoria, Texas

Report on Compliance for Each Major Federal Program

We have audited the Community Food Bank of Victoria's (Food Bank) 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 December 31, 2020. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Food Bank's 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 December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



June 18, 2021
Corpus Christi, Texas

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2020

A SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? No
- Noncompliance material to the financial statements? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? No
- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 501(a)? No

Identificaiton of major programs:

<u>CFDA #</u>	<u>Federal Program Title</u>
	The Food Distribution Cluster -
10.569	Texas Department of Agriculture Emergency Food Assistance Program (Food Commodities)
10.568	Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)
97.036	Texas Division of Emergency Management (TDEM) Disaster Grants-Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

B FINDINGS RELATED TO FEDERAL AWARDS

None

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

B PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL
AWARD PROGRAMS AUDIT

None