

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

FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION

December 31, 2021 and 2020

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

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Community Food Bank of Victoria (the Food Bank), a nonprofit organization, which comprise the statements of financial position as of December 31, 2021 and 2020, 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 our opinion, the financial statements present fairly, in all material respects, the financial position of the Food Bank as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the 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

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

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

- 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 our 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.

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

Supplementary Information

Our audits were 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.

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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 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*, we have also issued our report dated September 13, 2022, on our consideration of the Food Bank'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 solely 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 the effectiveness of the Food Bank's 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.

Corpus Christi, Texas
September 13, 2022

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 STATEMENT OF FINANCIAL POSITION
 December 31, 2021

	2021	2020
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 3,514,624	\$ 1,432,901
Investments	495,138	3,178,231
Accounts receivable - government grants and contracts	203,116	252,953
Accounts receivable - agencies	23,800	25,924
Donated food inventory, net of food waste	1,612,061	1,126,910
Total Current Assets	5,848,739	6,016,919
Property and equipment, net of accumulated depreciation	6,722,223	3,126,630
Total Assets	\$ 12,570,962	\$ 9,143,549
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Current Liabilities		
Accounts payable	290,586	11,460
Deferred revenue	14,684	17,723
Accrued expenses	3,268	4,601
Total Current Liabilities	308,538	33,784
Note payable - Paycheck Protection Program (PPP)	-	209,400
Total Liabilities	308,538	243,184
Net Assets		
Without donor restrictions	10,701,737	6,987,931
With donor restrictions	1,560,687	1,912,434
Total net assets	12,262,424	8,900,365
Total Liabilities and Net Assets	\$ 12,570,962	\$ 9,143,549

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Value of donated food inventory, net of food scrapped of \$80,780	\$ 9,553,098	\$ -	\$ 9,553,098
Contributions	861,082	3,941,366	4,802,448
USDA donated commodities	-	3,737,506	3,737,506
Government grants and contracts	509,310	-	509,310
Program service fees	436,891	-	436,891
Fundraising	238,705	-	238,705
Forgiveness of PPP note payable	209,400	-	209,400
Realized gain on sales of investments	56,908	-	56,908
Dividend and interest income	5,442	-	5,442
Unrealized gain on investments	4,367	-	4,367
Loss on disposal of equipment	(10,095)	-	(10,095)
Net assets released from restrictions	8,030,619	(8,030,619)	-
Total revenues, gains and other support	19,895,727	(351,747)	19,543,980
Expenses:			
Program expenses	15,751,269	-	15,751,269
Supporting services:			
Administrative	198,179	-	198,179
Fundraising	232,473	-	232,473
Total expenses	16,181,921	-	16,181,921
Increase (Decrease) in Net Assets	3,713,806	(351,747)	3,362,059
Net Assets, December 31, 2020	6,987,931	1,912,434	8,900,365
Net Assets, December 31, 2021	\$ 10,701,737	\$ 1,560,687	\$ 12,262,424

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
Supporting services:			
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
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 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended December 31, 2021

	Program Services	Supporting Services		Total	Total Expenses
		Administrative	Fundraising		
Food distributed	\$ 12,781,850	\$ -	\$ -	\$ -	\$ 12,781,850
Payroll expense	1,138,873	9,870	85,005	94,875	1,233,748
Food purchases	1,028,527	-	-	-	1,028,527
Program expense	255,165	-	-	-	255,165
Depreciation expense	122,911	89,194	-	89,194	212,105
Repairs and maintenance	98,003	17,501	1,167	18,668	116,671
Fundraising expense	-	-	112,228	112,228	112,228
Transportation	101,411	1,369	2,527	3,896	105,307
Office expense	44,938	20,295	7,248	27,543	72,481
Food processing	59,854	-	-	-	59,854
Utilities	39,061	16,323	2,914	19,237	58,298
Grant expense	38,445	-	388	388	38,833
Professional fees	2,625	30,305	-	30,305	32,930
Insurance	14,871	1,119	-	1,119	15,990
Dues and subscriptions	2,650	3,973	8,094	12,067	14,717
Training	7,810	844	1,900	2,744	10,554
Downtown farmers market	10,494	-	-	-	10,494
Postage	-	-	9,183	9,183	9,183
Volunteer recognition	1,964	3,990	184	4,174	6,138
Uniforms	1,817	182	1,635	1,817	3,634
Investment expense	-	3,214	-	3,214	3,214
	<u>\$ 15,751,269</u>	<u>\$ 198,179</u>	<u>\$ 232,473</u>	<u>\$ 430,652</u>	<u>\$ 16,181,921</u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA
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 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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 3,362,059	\$ 4,600,203
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	212,105	184,214
Unrealized gain on investments	(4,367)	(27,415)
Realized gain on sales of investments	(56,908)	-
Loss on disposal of property and equipment	10,095	-
In-kind contributions of food items	(14,542,913)	(13,979,585)
Distributions of in-kind food items	14,057,762	13,489,495
Forgiveness of Paycheck Protection Program (PPP) note	(209,400)	-
Decrease (increase) in:		
Accounts receivable	51,961	(81,186)
Increase (decrease) in:		
Accounts payable	279,126	6,329
Accrued expenses	(1,333)	4,601
Deferred revenue	(3,039)	2,946
Net cash provided by operating activities	3,155,148	4,199,602
Cash flows from investing activities:		
Purchases of investments	(131,908)	(2,800,324)
Redemption of investments	2,876,276	53,582
Purchases of property and equipment	(3,817,793)	(607,006)
Net cash used in investing activities	(1,073,425)	(3,353,748)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program (PPP) note	-	209,400
Net cash provided by financing activities	-	209,400
Net change in cash	2,081,723	1,055,254
Cash at beginning of year	1,432,901	377,647
Cash at end of year	\$ 3,514,624	\$ 1,432,901
 SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITY		
Forgiveness of Paycheck Protection Program (PPP) note payable	\$ 209,400	\$ -

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, 2021 and 2020

NOTE 1 – NATURE OF ACTIVITIES

The Community Food Bank of Victoria (the 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 \$4,549,312 and \$5,214,578, (23% and 25% of revenues), for the years ended December 31, 2021 and 2020, 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 156,593 and 1,460,764 pounds of food under the Trade Mitigation Food Program for the years ending December 31, 2021 and 2020, respectively.

Beginning in the Spring of 2020, under the statutory authority of the CARES Act (CARES), 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 \$0 and \$29,014 of CARES funds for the years ending December 31, 2021 and 2020, respectively.

In the Spring of 2020, under the statutory authority of the Texas Government Code, Chapter 418 and 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 \$1,252,500 and \$1,122,747 of funding through this program for the years ending December 31, 2021 and 2020, respectively.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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 following explains the details of both classes of net assets:

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, whereby 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
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020, 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. Realized gains and losses on sales of investments are included in the statement of activities. Investments in certificates of deposit with original maturities over three months are carried at fair value.

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 \$1.79 and \$1.74 per pound for the years ended December 31, 2021 and 2020, 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 at December 31, 2021 and 2020 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.

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 the Food Bank's policy to capitalize property and equipment over \$1,500 and to expense items purchased at lesser amounts. 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 statement of activities.

THE COMMUNITY FOOD BANK OF VICTORIA
 DBA FOOD BANK OF THE GOLDEN CRESCENT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 14,244 hours of services from 3,480 volunteers for the year ending December 31, 2021. The Food Bank received 13,134 hours of services from 3,166 volunteers for the year ending December 31, 2020.

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 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
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

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 not yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. However, ASU 2020-05, *Leases* (Topic 842) amends the previous effective date for the Food Bank. The new standard is now effective for the Food Bank's December 31, 2022 fiscal year. The Food Bank is currently evaluating the impact of the new standard on its financial statements.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
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For the Years Ended December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In September 2020, the FASB issued 2020-07, *Not-for-Profit Entities* (Topic 958), *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments require presentation of contributed nonfinancial assets as a separate line item in the statement of activities (apart from cash and other financial assets). In addition, disclosure is required for each type of contributed financial asset including uses, policies, restrictions, valuation details, and market information. ASU No. 2020-07 is effective for the fiscal year ending December 31, 2022. The Food Bank is currently evaluating the impact of the new standard on its financial statements.

Subsequent events

Management of the Food Bank has evaluated subsequent events for disclosure through September 13, 2022, 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 3 – RESTRICTIONS ON NET ASSETS

Capital Campaign

In June 2020, the Food Bank began a Capital Campaign to acquire land and renovate a facility to relocate the Food Bank's operations. This new location and facility will provide more space for the Food Bank's daily activities. Through solicitation of contributions of the Capital Campaign, the Food Bank raised support of \$1,939,700 during 2021.

Net assets with donor restrictions related to the Capital Campaign had been expended as of December 31, 2021.

NOTE 4 – 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.

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 For the Years Ended December 31, 2021 and 2020

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Food Bank’s financial assets available for general expenditures within one year at December 31, 2021 and 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,514,624	\$ 1,432,901
Investments	495,138	3,178,231
Accounts receivable	226,916	278,877
Total financial assets	4,236,678	4,890,009
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,560,687)	(1,912,434)
Less net assets with purpose restrictions to be met in less than a year	--	--
Financial assets available to meet general expenditures over the next twelve months	\$ 2,675,991	\$ 2,977,575

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.

NOTE 6 – INVESTMENTS

Investments consisted of the following as of December 31:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>December 31, 2021</u>				
Mutual Funds	\$ 435,028	\$ 60,110	\$ --	\$ 495,138
	\$ 435,028	\$ 60,110	\$ --	\$ 495,138
<u>December 31, 2020</u>				
Certificate of Deposit	\$2,747,469	\$ --	\$ --	\$ 2,747,469
Mutual Funds	375,019	55,743	--	430,762
	\$3,122,488	\$ 55,743	\$ --	\$ 3,178,231

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 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2021 and 2020

NOTE 6 – INVESTMENTS (Continued)

Net interest and dividend income for the years ending December 31, 2021 and 2020 were \$5,442 and \$2,962, respectively. Net unrealized gains of \$4,367 and \$27,415 were recorded on the books of the Food Bank for the years ended December 31, 2021 and 2020, respectively. Net realized gains were \$56,908 and \$9,017 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 – 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 Food Bank staff at the time of receipt based on actual weight. The total value of contributed food for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	163,471	\$ 292,613	113,795	\$ 198,003
FEMA commodities	340,554	486,825	206,462	160,118
USDA commodities	<u>418,108</u>	<u>748,413</u>	<u>405,320</u>	<u>705,257</u>
	922,133	\$1,527,851	725,577	\$ 1,063,378
Purchased food inventory:				
Purchased inventory	<u>69,225</u>	<u>\$ 84,210</u>	<u>131,708</u>	<u>\$ 63,532</u>
	<u>991,358</u>	<u>\$1,612,061</u>	<u>857,285</u>	<u>\$ 1,126,910</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, 2021 and 2020

NOTE 8 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Building (E Rio Grande)	\$ 1,022,139	\$ 1,022,139
Land (E Rio Grande)	22,064	22,064
Equipment	1,018,165	993,685
Vehicles	734,679	756,312
Construction-in-progress (S Laurent)	5,360,513	1,567,200
Land (S Laurent)	<u>245,792</u>	<u>245,792</u>
	8,403,352	4,607,192
Less: Accumulated depreciation	<u>(1,681,129)</u>	<u>(1,480,562)</u>
Property and equipment, net	<u>\$ 6,722,223</u>	<u>\$ 3,126,630</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$212,105 and \$184,214, respectively.

In February 2019, the Food Bank purchased land and a building in the amount of \$245,792 and \$1,119,453, respectively, to relocate their operations. The cost of remodeling and renovating the new building and property (construction-in-progress) amounted to \$4,241,060 as of December 31, 2021. These costs are not depreciable until the Food Bank moves into the new location.

NOTE 9 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 15, 2020, the Food Bank received a Paycheck Protection Program (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 Paycheck Protection Program, 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.

THE COMMUNITY FOOD BANK OF VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 10 – LINE OF CREDIT PAYABLE

The Food Bank holds a revolving line of credit for amounts up to \$250,000 with Prosperity Bank, Texas to support Food Bank's operations. The line of credit held a zero balance at December 31, 2021 and 2020. No funds were disbursed to the Food Bank from the line in 2021 or 2020.

NOTE 11 – 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, 2021 and 2020, these commodities comprised approximately 28% and 39%, 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, 2021 and 2020.

NOTE 12 – 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 \$23,828 and \$24,990 for the years ending December 31, 2021 and 2020, respectively.

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 DBA FOOD BANK OF THE GOLDEN CRESCENT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2021 and 2020

NOTE 13 – 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>2021</u>	<u>2020</u>
USDA commodities for distribution	\$ 748,413	\$ 705,257
Disaster relief – COVID-19	447,009	152,223
Transportation and food purchases	164,098	96,234
FPI Strategic Capacity Building Services	136,452	--
Backpack program	43,929	69,634
Agencies	20,786	59,870
Capital expansion	--	827,541
Training	--	1,675
Total net assets with donor restrictions	<u>\$ 1,560,687</u>	<u>\$ 1,912,434</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>2021</u>	<u>2020</u>
USDA commodities for distribution	\$ 3,694,350	\$ 4,835,765
Capital expansion	2,767,241	62,170
Disaster relief – TDEM	957,714	970,524
Winter Storm	271,666	--
Kids Backpack program	264,235	148,451
Agencies	39,084	12,352
Transportation and food purchases	21,106	166,248
FPI Strategic Capacity Building Services	13,548	--
Training	1,675	--
Disaster relief – COVID-19	--	964,865
Asset purchases	--	35,229
Food pantry	--	15,223
Total net assets released from restriction	<u>\$ 8,030,619</u>	<u>\$ 7,210,827</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, 2021 and 2020

NOTE 14 – OPERATING LEASES

The Food Bank has non-cancelable operating leases, primarily for the 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 2021 and 2020 was \$5,016 and \$4,077, 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, 2021, are:

<u>Year</u>	
2022	\$ 5,016
2023	2,193
2024	1,252
2025	1,252
Thereafter	<u> --</u>
 Total	 <u>\$ 9,713</u>

NOTE 15 – 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.

THE COMMUNITY FOOD BANK OF VICTORIA
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 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2021 and 2020

NOTE 15 – FAIR VALUE MEASUREMENTS (continued)

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, 2021 and 2020 are as follows:

	<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, 2021</u>				
Mutual Funds	\$ 495,138	\$ 495,138	\$ --	\$ --
Total	<u>\$ 495,138</u>	<u>\$ 495,138</u>	<u>\$ --</u>	<u>\$ --</u>
<u>December 31, 2020</u>				
Certificate of Deposit	\$ 2,747,469	\$ 2,747,469	\$ --	\$ --
Mutual Funds	<u>430,762</u>	<u>430,762</u>	<u> </u>	<u> </u>
Total	<u>\$ 3,178,231</u>	<u>\$ 3,178,231</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, 2021 and 2020.

THE COMMUNITY FOOD BANK OF VICTORIA
DBA FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 16 – RELATED-PARTY TRANSACTIONS

A board member of the Food Bank is an employee of a supermarket chain to which the Food Bank paid \$3,143 and \$60,562 to during 2021 and 2020, respectively.

NOTE 17 – 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
DBA FOOD BANK OF THE GOLDEN CRESCENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

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	-	\$ 3,737,506	\$ 3,694,350
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)	10.568	04006	-	426,290	426,290
COVID-19 - Funds passed through the:					
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)-Disaster	10.568	04006	-	11,419	11,419
Total U.S. Department of Agriculture				<u>4,175,215</u>	<u>4,132,059</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	-	88,628	88,628
Community Based Outreach & Application Assistance Services	N/A	HHSC-529-06-0423-00013	-	80,164	80,164
Total U.S. Department of Health and Human Services				<u>168,792</u>	<u>168,792</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	-	10,800	10,800
Passed Through the					
Texas Department of Housing and Community Affairs	14.228	B-20-DW-48-0001	-	300,000	300,000
Total U.S. Department of Housing and Urban Development				<u>310,800</u>	<u>310,800</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	-	14,723	14,723
Emergency Food and Shelter Program - Gonzales County	97.024	807800-002	-	5,327	5,327
Emergency Food and Shelter Program -Dewitt County	97.024	801600-003	-	2,500	2,500
Total passed-through United Way of America				<u>22,550</u>	<u>22,550</u>
COVID-19 - Funds passed through the:					
Texas Division of Emergency Management (TDEM)					
Disaster Grants-Public Assistance (Presidentially Declared Disaster):	97.036	C2020-1721	-	1,252,500	957,714
Total passed-through TDEM				<u>1,252,500</u>	<u>957,714</u>
Total U.S. Department of Homeland Security				<u>1,275,050</u>	<u>980,264</u>
Total Federal Awards				<u>\$ 5,929,857</u>	<u>\$ 5,591,915</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, 2021

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, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2021, the Food Bank had \$748,413 of USDA commodities in inventory.

GF Valdez, P.C.

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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 (the Food Bank), a nonprofit organization, which comprise the statements of financial position as of December 31, 2021, 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 September 13, 2022.

Report on 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) as a basis for designing 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.

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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, 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 statements. 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.

Corpus Christi, Texas
September 13, 2022

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

Opinion on Each Major Federal Program

We have audited The Community Food Bank of Victoria's (the Food Bank) compliance with the types of compliance requirements identified as subject to audit 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, 2021. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Community Food Bank of Victoria 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, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our 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

Our 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 our 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 for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. 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, we:

- 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 we 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 Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

We are 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 a 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.

GF Valdez, P.C.

A Public Accounting Firm

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Our 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, during our audit we did not identify any deficiencies in internal control over compliance that we 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.

Our 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.

GF Valdez, P.C.

Corpus Christi, Texas
September 13, 2022

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, 2021

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>
10.569	The Food Distribution Cluster - 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, 2021

A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None