



**East
Texas
Food
Bank**

**Financial Statements
June 30, 2018 and 2017**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to the Financial Statements	9-21
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 <i>Government Auditing Standards</i>	22-23
Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	24-25
Schedule of Expenditures of Federal Awards	26
Schedule of Expenditures of State Awards	27
Notes to Schedule of Expenditures of Federal Awards	28
Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Audit findings	30

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Regional East Texas Food Bank
Tyler, Texas

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statement of Regional East Texas Food Bank (Food Bank) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

AUDITORS' RESPONSIBILITY

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

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 June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER INFORMATION

Our audit was conducted for the purpose of forming an opinion on the financial statements taken 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, 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 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 Food Bank's internal control over financial reporting and compliance.


PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas

October 23, 2018

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 3,310,651	\$ 3,049,314
Board designated cash and cash equivalents	356,495	1,024,152
Total cash and cash equivalents	<u>3,667,146</u>	<u>4,073,466</u>
Receivables		
Trade receivables	63,569	111,104
Grants receivable	410,398	557,602
Unconditional promises to give	707,750	515,750
Total receivables	<u>1,181,717</u>	<u>1,184,456</u>
Inventory		
Purchased inventory	947,079	555,266
Donated food and commodities inventory	1,751,724	901,304
USDA inventory	356,822	439,445
Total inventory	<u>3,055,625</u>	<u>1,896,015</u>
Property, plant, and equipment, net	4,294,604	3,448,426
Other assets:		
Beneficial interest in ETFB Foundation	2,879,163	2,787,032
Prepaid insurance and expense	14,453	20,560
Total assets	<u><u>\$15,092,708</u></u>	<u><u>\$13,409,955</u></u>
 LIABILITIES		
Accounts payable - trade	\$ 414,142	\$ 358,087
Other accrued liabilities	46,910	46,027
Total liabilities	<u>461,052</u>	<u>404,114</u>
 NET ASSETS		
Unrestricted:		
Operating	12,082,058	10,415,714
Board-designated	356,495	1,024,152
Total unrestricted	<u>12,438,553</u>	<u>11,439,866</u>
Temporarily restricted	2,193,103	1,565,975
Total net assets	<u>14,631,656</u>	<u>13,005,841</u>
Total liabilities and net assets	<u><u>\$15,092,708</u></u>	<u><u>\$13,409,955</u></u>

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

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF ACTIVITIES
JUNE 30, 2018

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUES			
Support:			
Donated Food and commodities	\$ 24,094,508	\$ -	\$ 24,094,508
USDA commodities	3,729,558	-	3,729,558
Contributions	2,183,111	1,914,708	4,097,819
Total support	30,007,177	1,914,708	31,921,885
Revenues:			
Shared maintenance	873,569	-	873,569
Purchased food recovery	2,307,653	-	2,307,653
Federal grant revenues	2,081,837	-	2,081,837
Other	26,736	-	26,736
Total revenues	5,289,795	-	5,289,795
Total support and revenues	35,296,972	1,914,708	37,211,680
EXPENSES			
Program and services:			
Warehouse	2,063,389	-	2,063,389
Food distribution	30,196,872	-	30,196,872
Programs	1,616,219	-	1,616,219
Communication and marketing	502,389	-	502,389
Support services	697,002	-	697,002
Fundraising	679,033	-	679,033
Total expenses	35,754,904	-	35,754,904
(LOSS) INCOME FROM OPERATIONS	(457,932)	1,914,708	1,456,776
NON OPERATING REVENUE AND EXPENSE			
Unrealized gain on beneficial interest in ETFB Foundation	92,131	-	92,131
Transfers received from beneficial interest in ETFB Foundation	35,719	-	35,719
Interest income	27,596	13,593	41,189
Net assets released from restrictions	1,301,173	(1,301,173)	-
Total non operating revenue (expenses)	1,456,619	(1,287,580)	169,039
CHANGE IN NET ASSETS	998,687	627,128	1,625,815
NET ASSETS AT THE BEGINNING OF PERIOD	11,439,866	1,565,975	13,005,841
NET ASSETS AT END OF PERIOD	\$ 12,438,553	\$ 2,193,103	\$ 14,631,656

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

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF ACTIVITIES
JUNE 30, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUES			
Support:			
Donated Food and commodities	\$ 23,392,910	\$ -	\$ 23,392,910
USDA commodities	3,225,015	-	3,225,015
Contributions	2,157,210	1,480,124	3,637,334
Total support	28,775,135	1,480,124	30,255,259
Revenues:			
Shared maintenance	1,050,605	-	1,050,605
Purchased food recovery	2,044,198	-	2,044,198
Federal grant revenues	1,921,546	-	1,921,546
Leased storage recovery	33,809	-	33,809
Other	28,062	-	28,062
Total revenues	5,078,220	-	5,078,220
Total support and revenues	33,853,355	1,480,124	35,333,479
EXPENSES			
Program and services:			
Warehouse	2,038,808	-	2,038,808
Food distribution	29,608,609	-	29,608,609
Programs	1,360,783	-	1,360,783
Communication and marketing	343,553	-	343,553
Support services	676,179	-	676,179
Fundraising	775,418	-	775,418
Total expenses	34,803,350	-	34,803,350
(LOSS) INCOME FROM OPERATIONS	(949,995)	1,480,124	530,129
NON OPERATING REVENUE AND EXPENSE			
Unrealized gain on beneficial interest in ETFB Foundation	179,560	-	179,560
Transfers received from beneficial interest in ETFB Foundation	32,962	-	32,962
Gain on disposal of assets	12,000	-	12,000
Interest income	13,185	1,698	14,883
Net assets released from restrictions	715,133	(715,133)	-
Total non operating revenue (expenses)	952,840	(713,435)	239,405
CHANGE IN NET ASSETS	2,845	766,689	769,534
NET ASSETS AT THE BEGINNING OF PERIOD	11,437,021	799,286	12,236,307
NET ASSETS AT END OF PERIOD	\$ 11,439,866	\$ 1,565,975	\$ 13,005,841

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

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2018

	Programs and Services						Total
	Warehouse	Food Distribution	Programs	Communication & Marketing	Support Services	Fundraising	Expenses
Salaries and benefits	\$ 784,952	\$ 109,054	\$ 486,542	\$ 167,097	\$ 335,528	\$ 225,318	\$ 2,108,491
Payroll taxes	57,757	8,286	35,905	12,735	24,663	16,218	155,564
Employee benefits and 401k	122,830	22,005	81,477	22,984	153,153	32,577	435,026
Total salaries and related expenses	965,539	139,345	603,924	202,816	513,344	274,113	2,699,081
Food Purchases	-	2,665,216	-	-	-	-	2,665,216
Free food purchases	-	277,770	-	-	-	-	277,770
Donated food and commodities	-	23,253,538	-	-	-	-	23,253,538
USDA inventory distributed	-	3,812,181	-	-	-	-	3,812,181
Supplies	117,723	520	1,324	1,540	9,766	1,681	132,554
Telephone, answering service	14,124	3,732	4,265	873	11,506	2,764	37,264
Postage	653	444	777	232	984	4,463	7,553
Occupancy	198,392	-	-	-	9,547	-	207,939
Local Transportation	4,517	4,860	64,715	114	9,993	841	85,040
Professional development/training & travel	9,933	3,255	11,646	6,926	18,234	11,012	61,006
Marketing and advertising	-	-	-	266,688	-	-	266,688
Fundraising campaigns	-	-	-	-	-	339,101	339,101
Truck expense	291,395	-	5,623	-	-	-	297,018
Program services	-	-	746,372	-	-	-	746,372
Board liability, workers' compensation, building and contents insurance	23,304	778	778	778	18,279	778	44,695
Membership dues, fees, printing	10,456	5,096	6,197	6,398	5,089	9,423	42,659
Equipment maintenance	60,449	8,362	31,164	16,024	38,422	34,857	189,278
Uniforms	160	-	-	-	11,003	-	11,163
Freight	37,544	-	-	-	-	-	37,544
Contract Labor	37,415	-	9,931	-	4,409	-	51,755
Professional fees	-	-	-	-	39,726	-	39,726
Solid Waste disposal	7,035	-	-	-	-	-	7,035
Restricted grant expenses	-	-	107,728	-	-	-	107,728
Total expenses before depreciation	1,778,639	30,175,097	1,594,444	502,389	690,302	679,033	35,419,904
Depreciation Expense	284,750	21,775	21,775	-	6,700	-	335,000
Total Expenses	\$ 2,063,389	\$ 30,196,872	\$ 1,616,219	\$ 502,389	\$ 697,002	\$ 679,033	\$ 35,754,904

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

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2017

	Programs and Services						Total
	Warehouse	Food Distribution	Programs	Communication & Marketing	Support Services	Fundraising	Expenses
Salaries and benefits	\$ 764,318	\$ 105,546	\$ 452,987	\$ 133,613	\$ 353,557	\$ 213,348	\$ 2,023,369
Payroll taxes	55,751	7,863	32,230	9,593	25,160	15,229	145,826
Employee benefits and 401k	114,674	21,613	77,038	10,667	143,704	31,718	399,414
Total salaries and related expenses	934,743	135,022	562,255	153,873	522,421	260,295	2,568,609
Food Purchases	-	2,649,957	-	-	-	-	2,649,957
Free food purchases	-	278,723	-	-	-	-	278,723
Donated food and commodities	-	23,302,186	-	-	-	-	23,302,186
USDA inventory distributed	-	3,198,470	-	-	-	-	3,198,470
Supplies	132,922	240	960	1,997	8,756	1,453	146,328
Telephone, answering service	18,457	3,287	4,130	594	9,092	2,473	38,033
Postage	979	331	1,034	326	1,101	5,382	9,153
Occupancy	186,729	-	-	-	10,498	-	197,227
Local Transportation	2,123	3,974	68,750	153	10,142	924	86,066
Professional development/training & travel	5,353	3,532	10,513	2,132	16,965	7,874	46,369
Marketing and advertising	-	-	-	164,584	-	-	164,584
Fundraising expense	-	-	-	-	-	451,320	451,320
Truck expense	259,790	-	-	-	-	-	259,790
Program services	140	-	660,352	-	-	-	660,492
Board liability, workers' compensation, building and contents insurance	30,588	882	882	882	19,790	882	53,906
Membership dues, fees, printing	7,761	5,276	7,867	5,318	7,575	13,224	47,021
Equipment maintenance	85,737	7,033	22,076	13,694	14,493	31,591	174,624
Uniforms	162	-	-	-	6,797	-	6,959
Freight	61,102	-	-	-	-	-	61,102
Contract Labor	45,906	-	-	-	2,378	-	48,284
Professional fees	-	-	-	-	40,111	-	40,111
Solid Waste disposal	8,746	-	-	-	-	-	8,746
Restricted grant expenses	-	-	2,267	-	-	-	2,267
Total expenses before depreciation	1,781,238	29,588,913	1,341,086	343,553	670,119	775,418	34,500,327
Depreciation Expense	257,570	19,696	19,697	-	6,060	-	303,023
Total Expenses	\$ 2,038,808	\$ 29,608,609	\$ 1,360,783	\$ 343,553	\$ 676,179	\$ 775,418	\$ 34,803,350

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

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF CASH FLOWS
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Increase in net assets	\$ 1,625,815	\$ 769,534
Depreciation	335,000	303,023
Gain on disposal of fixed assets	-	(12,000)
Unrealized gain on beneficial interest in ETFB Foundation	(92,131)	(179,560)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities		
(Increase) decrease in trade accounts receivable	47,535	(52,387)
(Increase) decrease in grants receivable	147,204	(203,709)
(Increase) decrease in unconditional promises to give	(192,000)	98,100
(Increase) decrease in prepaid expenses	6,107	(16,667)
Increase in purchased inventory	(391,813)	(73,225)
Increase in donated food and commodities inventory	(767,797)	(127,611)
Increase in accounts payable - trade	55,127	81,697
Increase in other accrued liabilities	1,811	7,296
Net cash provided by operating activities	<u>774,858</u>	<u>594,491</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES:</u>		
Purchases of fixed assets	<u>(1,181,178)</u>	<u>(251,416)</u>
Net cash used in investing activities	(1,181,178)	(251,416)
<u>CASH FLOW FROM FINANCING ACTIVITIES:</u>		
Proceeds from sale of fixed assets	<u>-</u>	<u>12,000</u>
Net cash provided by investing activities	<u>-</u>	<u>12,000</u>
Net increase (decrease) in cash and cash equivalents	(406,320)	355,075
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,073,466</u>	<u>3,718,391</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,667,146</u></u>	<u><u>\$ 4,073,466</u></u>

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

**REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional East Texas Food Bank (Food Bank) is a Texas nonprofit corporation whose mission is to fight hunger and feed hope in East Texas.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The Food Bank follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities* in preparing the financial statements. Net assets, revenues, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Food Bank and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met by actions of the Food Bank and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Food Bank. Generally, the donors of these assets permit the Food Bank to use all or part of the income earned on any related investment for general or specific purposes. Currently, there are no assets that meet these requirements.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted contributions (i.e., when the donor-stipulated purposes have been fulfilled and/or when the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

FUNCTIONAL EXPENSES

The Food Bank allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated according to their natural expenditure classification. Other expenses that are common to several functions are allocated as deemed appropriate.

The Food Bank's principal programs include:

General Food Distribution

The Food Bank accumulates food from various sources including purchases, donations and food received through grant programs. The Food Bank distributes the accumulated food to charitable organizations throughout the East Texas area for ultimate distribution to the end-recipients.

**REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BackPack Program

The BackPack Program helps to alleviate child hunger by providing hungry children with nutritious and easy to prepare food at times when other resources are not available, such as weekends and school vacations.

Kids Cafe/Snack Program

The Kids Cafe and Afterschool Snack Program helps alleviate child hunger by providing hungry children with nutritious meals at times when other resources are not available, such as afterschool.

Summer Food Program

The Summer Food Program serves children in low-income communities who participate in free and reduced feeding programs during the school year.

Senior Box Program

The Senior Box Program is designed to improve the health and nutrition of senior citizens. The goal of the Senior Box Program is to provide a free box of nutritious food to 3,500 people each month in identified communities within the East Texas Food Bank's service area where seniors may have little or no access to food assistance.

Mobile Pantry

The Mobile Pantry program reaches out to feed hungry East Texans who live in isolated, rural communities without access to emergency food assistance.

Fresh Produce Program

The Fresh Produce Program distributes fresh fruits and vegetables to clients through partner agencies.

East Texas Food Bank Garden

The East Texas Food Bank Garden program provides an additional source of fresh produce for hungry East Texans through partnership with the Smith County Sheriff's Office and the Smith County Agricultural Extension Office.

Nutrition Education

The Nutrition Education program offers nutrition education classes and information to low-income community members by partnering with community organizations and social service agencies serving limited-resource clients.

SNAP/Food Stamps

The SNAP program works to ensure that all eligible East Texans have the knowledge and benefits of the SNAP (Supplemental Nutritional Assistance Program), formerly known as the Food Stamp Program.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUNCTIONAL EXPENSES - CONTINUED

Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) is a federal child nutrition program that provides reimbursement for meals and snacks served at at-risk after school programs. The program follows specific child nutrition guidelines and operates in afterschool programs such as the YMCA and the Boys and Girls Club.

CASH AND CASH EQUIVALENTS

The Food Bank considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

Cash equivalents consist primarily of investments held at The Vanguard Group, Inc. (Vanguard). The entire amount of these balances was invested in short-term U.S. treasury bills backed by the full faith and credit of the U.S. government. At June 30, 2018 and 2017, the carrying amount of these funds was \$1,719,359 and \$3,037,868, respectively.

INVENTORY

Donated food and household commodities have been recorded in the financial statements at fair market value, as determined by Feeding America, a third-party nonprofit organization, at an average of national wholesale prices under the first-in, first-out method. The average of national wholesale price per pound used to value donated inventory was \$1.68 and \$1.73 for the years ended June 30, 2018 and 2017, respectively.

Commodities received from the USDA are valued based on amounts assigned to products by the USDA. At June 30, 2018 and 2017, respectively, there were approximately 1,652,840 pounds and 1,401,048 pounds of donated food and household commodities on hand including goods received from the USDA. During the years ended June 30, 2018 and 2017, the Food Bank distributed approximately 21.6 and 22.1 million pounds, respectively of food and household commodities.

Inventory comprised of purchased food items made available to the Food Bank's partner agencies is stated at the lower of cost or net realizable value under the first-in, first-out method.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPERTY, PLANT, AND EQUIPMENT

The Food Bank capitalizes all expenditures for property, plant, and equipment in excess of \$2,500. Expenditures for maintenance and repairs that do not materially extend the useful lives of assets are charged to expense. Property, plant, and equipment is stated at cost if purchased, or at fair value if donated, less accumulated depreciation.

Donated property, plant, and equipment are recorded as contributions in the accompanying statements at their estimated fair values. Such donations are reported as unrestricted support, 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 are reported as restricted support. The Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation of property, plant, and equipment is provided on a straight-line basis over the following useful lives:

Buildings	7- 39 years
Furniture and fixtures	3 - 7 years
Equipment	5 - 7 years
Warehouse equipment	5 - 7 years

CONTRIBUTIONS AND REVENUE RECOGNITION

Contributions, including unconditional promises to give by donors, are recorded when received and are immediately available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS WHOSE USE IS LIMITED

Assets set aside for Board-designated purposes are classified as assets whose use is limited. As of June 30, 2018 and 2017, the Board of Directors designated cash and cash equivalents aggregating \$356,495 and \$1,024,152 to be used for various purposes. The Board released \$667,657 and \$49,355 of designated cash in 2018 and 2017, respectively. Such releases were made for the purpose of Board designated capital projects.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Food Bank maintains receivables due from customers and government agencies. Additionally, the Food Bank maintains pledges receivable due from various contributors. The allowance for doubtful accounts is established through a provision for bad debts charged to expense and represents management's best estimate of possible losses due to bad debts that have been incurred within the accounts receivable portfolio. In establishing the allowance, management considers historical write-offs, current economic conditions and the financial stability of the debtors. As of June 30, 2018 and 2017, an allowance for doubtful accounts was not considered necessary to properly reflect the realizable value of accounts receivable.

INCOME TAXES

The Food Bank is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent the entity has unrelated business income. The Food Bank had no taxable unrelated business income during the years ended June 30, 2018 and 2017. The Food Bank believes it is no longer subject to income tax examinations for years prior to 2015.

ALLOCATION OF EXPENSES

The costs of providing programs and services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain expenses have been allocated among the programs and services based on management estimates. These expenses are summarized in the statement of functional expenses.

ESTIMATES

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

The Food Bank, as described above, has used the average of wholesale prices per pound as determined by Feeding America for valuing donated food and commodities in the preparation of the accompanying financial statements. This price per pound has been used to record "support from donated food" as well as "food distribution expense." Donated inventory is recorded on the first-in, first-out method using these same amounts.

**REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BENEFICIAL INTEREST

The beneficial interest in ETFB Foundation represents investments held by the East Texas Food Bank Foundation (Foundation) and consists primarily of government securities and publicly traded funds. The beneficial interest is reflected in the attached financial statements at fair value as determined by the Foundation.

NOTE 2 - CONTRIBUTED AND DONATED GOODS AND SERVICES

Certain contributed goods and services have been recorded in the financial statements as support for the years ended June 30, 2018 and 2017. The contributed goods and services were recorded at values indicated by donors and included as programs and services expenses or capitalizable assets. The services were primarily for special marketing and advertising.

A substantial number of volunteers have donated significant amounts of their time to the Food Bank and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

NOTE 3 - MARKETING AND ADVERTISING

The Food Bank uses marketing and advertising to promote its programs and services among the audience it serves, increase hunger awareness, spread nutrition education and conduct social marketing campaigns. The costs of marketing and advertising are expensed as incurred. Marketing and advertising costs totaled \$266,688 and \$164,584, which included \$209,230 and \$133,544 of contributed goods and services, for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at June 30:

	2018	2017
Land	\$ 237,677	\$ 237,677
Buildings	4,915,991	4,896,274
Furniture and fixtures	751,898	574,961
Equipment	136,934	182,510
Warehouse equipment	1,736,331	1,753,591
Construction in progress	975,040	35,996
Accumulated depreciation	(4,459,267)	(4,232,583)
	<u>\$ 4,294,604</u>	<u>\$ 3,448,426</u>

**REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT - CONTINUED

Depreciation expense was \$335,000 and \$303,023 for the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, depreciation expense was allocated based on management estimates as follows:

Programs	6.5%
Warehouse	85.0%
Food distribution	6.5%
Support Services	2.0%

NOTE 5 - RESTRICTIONS ON NET ASSETS

All of the restrictions on net assets at June 30, 2018 and 2017 were restricted to be spent on programs and services or capital additions. There were no permanently restricted net assets at June 30, 2018 and 2017. Temporarily restricted net assets consist of cash in various restricted cash accounts and certain unconditional promises to give. Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Capital Campaign	\$ 2,132,922	\$ 1,362,247
Outreach	10,635	58,200
Agency capacity	-	50,000
Mobile pantry	16,532	44,778
Fresh produce	10,000	30,632
BackPack program	7,625	10,744
Kids Café	9,189	9,032
Feeding America - Disaster Relief	6,200	-
Other	-	342
Program Services	<u>\$ 2,193,103</u>	<u>\$ 1,565,975</u>

NOTE 6 - CONCENTRATIONS

Approximately 22% and 29% of the foods donated during the years ended June 30, 2018 and 2017, respectively, were received from the USDA under a contract with the Texas Department of Agriculture.

Financial instruments that potentially subject the Food Bank to concentrations of credit risk consist primarily of cash and cash equivalents and at times may be in excess of FDIC and SIPC insured limits. The Food Bank uses quality depository institutions and monitors their stability. The Food Bank has not experienced any losses in such accounts, and it does not believe it is exposed to any significant risk of loss related to these concentrations. The Food Bank utilizes a sweep account system for the purpose of transferring funds in excess of federal insurance limits into a fully insured investment account as established by a primary financial institution.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 - FUNDRAISING

During the years ended June 30, 2018 and 2017, the Food Bank incurred costs of \$404,920 and \$515,123 respectively, for fundraising activities which included the cost of appeals and special events. In addition, \$274,113 and \$260,295 respectively, of salaries and related expenses were allocated to fundraising.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Food Bank has a defined contribution salary deferral plan covering substantially all full-time employees. Under the Plan, the Food Bank provides a matching component to the employees' contributions on a discretionary basis. Additional year-end contributions may be made at the Board of Directors' discretion. Plan expenses incurred during the years ended June 30, 2018 and 2017 totaled \$38,549 and \$33,826, respectively.

NOTE 9 - CONTRIBUTIONS RECEIVABLE

Contributions are recognized in the period when an unconditional promise to give is made. Conditional contributions are recognized when the condition on which they depend are substantially met. Unconditional contributions receivable from capital campaigns and other endeavors at June 30, 2018 are as follows.

	<u>2018</u>	<u>2017</u>
Amounts (net) due in:		
Less than one year	\$ 332,750	\$ 125,750
One to five years	<u>375,000</u>	<u>390,000</u>
	<u><u>\$ 707,750</u></u>	<u><u>\$ 515,750</u></u>

NOTE 10 - CONTINGENCIES

The Food Bank receives funding or reimbursement from governmental agencies that are subject to specific compliance requirements and review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement by the grantor agency for expenses disallowed under the terms and conditions specified in the grant agreements. The net effect of any disallowances or adjustments resulting from these activities could have a material effect on the Food Bank's financial position.

The Food Bank is subject to certain claims and contingencies that arise in the normal course of performing its services. None of these, in the opinion of management, are expected to have a material adverse effect on the financial position, activities or cash flows of the Food Bank.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 - EAST TEXAS FOOD BANK FOUNDATION

The Foundation was organized as a Texas nonprofit corporation to be operated exclusively to benefit the Food Bank. The Food Bank made an initial grant in the amount of \$1,039,285 to the Foundation. The Foundation has not been granted variance power by the Food Bank. All property of the Foundation is restricted by the donor to be an endowment, from which only the income may be used. The bylaws of the Foundation permit it to distribute annually to the Food Bank up to, but not more than, 5% of the average of the fair market value of the endowment assets as of the end of the most recent twelve calendar quarters immediately preceding such year, or if greater, the minimum amount required to be distributed by law.

The Food Bank reports its interest in the assets held by the Foundation in accordance with ASC 958, *Not-for-profit Entities*, which requires it to be reported at the fair value of the assets under the caption of beneficial interest receivable.

Assets held by the Foundation for the benefit of the Food Bank consisted of the following at June 30:

	2018	2017
Cash and cash equivalents	\$ 326,439	\$ 64,703
Interest receivable	2,303	4,178
Investments, at fair value	2,550,421	2,718,151
	<u>\$ 2,879,163</u>	<u>\$ 2,787,032</u>

The following summarizes the asset activity in the beneficial interest in the ETFB Foundation during the year ended June 30:

	2018	2017
Balance, beginning of period	\$ 2,787,032	\$ 2,607,472
Investment income	74,430	68,100
Net realized and unrealized gain/(loss)	81,695	156,654
Transfer to Food Bank	(35,719)	(32,962)
Investment expense	(28,275)	(12,232)
Balance, end of period	<u>\$ 2,879,163</u>	<u>\$ 2,787,032</u>

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 12 - FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets liabilities in active markets that the Food Bank has the ability to access

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 12 - FAIR VALUE MEASUREMENTS - CONTINUED

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value in the accompanying statements of financial position include investments held by the Food Bank. Following is a description of the valuation methodologies used to measure the fair value of the investments underlying the beneficial interest receivable.

Government securities: Valued based on quoted market prices for similar securities in active markets.

All other assets: Valued based on quoted market prices for identical assets in active markets.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the investments held by the Food Bank classified within the balance of total cash and cash equivalents (see further discussion in note 1) at fair value as of June 30, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
U.S. Treasury bills	\$ 1,719,359	\$ -	\$ 1,719,359
Savings bonds	9,189		9,189
	<u>\$ 1,728,548</u>	<u>\$ -</u>	<u>\$ 1,728,548</u>

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 12 - FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth by level, within the fair value hierarchy, the investments underlying the beneficial interest at fair value as of June 30, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Debt Securities			
U.S. Treasury bills	\$ 74,783	\$ -	\$ 74,783
Government agencies	32,921	-	32,921
Mutual funds	1,395,200	1,395,200	-
Corporate bonds	299,990	-	299,990
Equities	749,830	749,830	-
	<u>\$ 2,552,724</u>	<u>\$ 2,145,030</u>	<u>\$ 407,694</u>

The following table sets forth by level, within the fair value hierarchy, the investments held by the Food Bank classified within the balance of total cash and cash equivalents (see further discussion in note I) at fair value as of June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
U.S. Treasury bills	\$ 3,037,868	\$ -	\$ 3,037,868
Savings bonds	9,032	-	9,032
	<u>\$ 3,046,900</u>	<u>\$ -</u>	<u>\$ 3,046,900</u>

The following table sets forth by level, within the fair value hierarchy, the investments underlying the beneficial interest at fair value as of June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Debt Securities			
U.S. Treasury bills	\$ 158,772	\$ -	\$ 158,772
Government agencies	324,955	-	324,955
Mutual funds	1,345,858	1,345,858	-
Corporate bonds	254,856	-	254,856
Equities	633,710	633,710	-
	<u>\$ 2,718,151</u>	<u>\$ 1,979,568</u>	<u>\$ 738,583</u>

**REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 13 - SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events through October 23, 2018, the date on which the financial statements were available to be issued.

**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***

Board of Directors of
Regional East Texas Food Bank
Tyler, 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 Food Bank, which comprise the statement of financial position as of June 30, 2018, 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 October 23, 2018.

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 our 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 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.

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 of the effectiveness of the Food Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Prothro, Wilhelmi & Co., PLLC". The signature is written in a cursive, flowing style.

PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas
October 23, 2018

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

Board of Directors
Regional East Texas Food Bank
Tyler, Texas

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the Food Bank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended June 30, 2018. The Food Bank's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITORS' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 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 June 30, 2018.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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



PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas
October 23, 2018

**REGIONAL EAST TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Expenditures
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
Passed through Texas Department of Agriculture:			
Child and Adult Care Food Program			
Program Year:	10.558	01544	
2016/2017			51,369
2017/2018			495,899
Total Child and Adult Care Food Program			<u>547,268</u>
<u>Food Distribution Cluster:</u>			
Commodity Supplemental Food Program			
Program Year:	10.565	01544	
2016/2017			474,875
2017/2018			307,909
Total Commodity Supplemental Food Program			<u>782,784</u>
Emergency Food Assistance Program (Administrative Costs)			
Program Year:	10.568	01544	
2017/2018			474,748
Total Emergency Food Assistance Program (Administrative Costs)			<u>474,748</u>
Emergency Food Assistance Program (Food Commodities)			
Program Year:	10.569	01544	
2016/2017			385,572
2017/2018			117,926
Total Emergency Food Assistance Program (Food Commodities)			<u>503,498</u>
Total Food Distribution Cluster			<u>1,761,030</u>
<u>Child Nutrition Programs Cluster:</u>			
Summer Food Service Program for Children	10.559	01544	
Program Year:			
2017			153,475
2018			143,439
Total Child Nutrition Programs Cluster			<u>296,914</u>
Passed through Texas Health and Human Services Commission:			
<u>SNAP Cluster:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Program Year:	10.561		
2016-2017		529-16-0002-00002	172,103
2017-2018		529-16-0002-00002	228,124
Total State Administrative Matching Grants for the SNAP			<u>400,227</u>
Total SNAP Cluster			<u>400,227</u>
Total United States Department of Agriculture:			<u>3,005,439</u>
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>			
Emergency Food and Shelter National Board Program	97.024		5,000
Total United States Department of Homeland Security:			<u>5,000</u>
Total Federal Assistance			<u><u>3,010,439</u></u>

**REGIONAL EAST TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2018**

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
<u>HEALTH AND HUMANS SERVICES</u>			
Community Partner Program			<u>135,076</u>
Total Health and Human Services Commision			<u>135,076</u>
Total State Assistance			<u><u>\$ 135,076</u></u>

REGIONAL EAST TEXAS FOOD BANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) presents the federal grant activity of the Food Bank. The Schedule is presented on the accrual basis of accounting. The information in the 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.

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

FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the USDA reported value of the commodities received and disbursed. All expenditures under the Emergency Food Assistance Program (Food Commodities) were in the form of non-monetary assistance. The Commodity Supplemental Food Program included \$732,895 in non-monetary assistance. At June 30, 2018, the Food Bank had Food Commodities totaling \$356,822 in inventory.

INSURANCE COVERAGE

During the year ended June 30, 2018, the Food Bank maintained the following insurance policies:

<u>Type of Coverage</u>	<u>Liability Limit</u>
Accident	
One Owner Life Insurance	\$ 300,000
Health Insurance	500,000
Multiple Owner Life Insurance	5,000,000
Unallocated Group Annuity	5,000,000
Automobile	1,000,000
Commercial General Liability	3,000,000
Commercial Property	12,692,150
Commercial Umbrella Liability	10,000,000
Crime and Fidelity	355,000
Directors & Officers	2,000,000
Workers' Compensation	1,000,000
Equipment Breakdown	12,942,150

**REGIONAL EAST TEXAS FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported

Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
---	-------------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
--	----

Identification of major programs:

FEDERAL

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.559	Summer Food Service Program for Children
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
--	-------------------

Auditee qualified as low-risk auditee?	Yes
--	-----

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

**REGIONAL EAST TEXAS FOOD BANK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

None.