

# **East Texas Food Bank**

Independent Auditor's Reports and Financial Statements

June 30, 2021

# East Texas Food Bank

June 30, 2021

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## Independent Auditor's Report

Board of Directors  
East Texas Food Bank  
Tyler, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the East Texas Food Bank (Organization), which comprise the statement of financial position as of June 30, 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.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, 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 Matters***

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, 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 as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021, on our consideration of East Texas 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 East Texas 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 East Texas Food Bank's internal control over financial reporting and compliance.

**BKD, LLP**

Dallas, Texas  
November 9, 2021

# East Texas Food Bank

## Statement of Financial Position

### June 30, 2021

#### Assets

##### Current Assets

Cash and cash equivalents	
Cash	\$ 16,241,931
Board designated	506,765
With donor restrictions	836,764
Total cash and cash equivalents	<u>17,585,460</u>

Receivables	
Trade	44,382
Grants	196,055
Grants - with donor restrictions	664,500
Total receivables	<u>904,937</u>

Inventory	
Purchased	1,325,056
Donated food and commodities - USDA	1,379,808
Donated food and commodities - other	1,045,612
Total inventory	<u>3,750,476</u>

Total current assets	<u>22,240,873</u>
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##### Noncurrent Assets

Receivables	
Pledges receivable - with donor restrictions	15,000
Pledges receivable - restricted for capital campaign	115,750
Total receivables	<u>130,750</u>

Property, plant, and equipment, net	6,524,668
Beneficial interest in ETFB Foundation	<u>3,654,531</u>

Total noncurrent assets	10,309,949
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Total assets	<u>\$ 32,550,822</u>
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#### Liabilities and Net Assets

##### Current Liabilities

Accounts payable	\$ 221,841
Accrued expenses	192,322
Capital lease payable	15,714
Deferred revenue	11,429
Current portion of paycheck protection program (PPP) loan	-
Total current liabilities	<u>441,306</u>

##### Noncurrent Liabilities

Noncurrent portion of PPP loan	-
Total non-current liabilities	-
Total liabilities	<u>441,306</u>

##### Net Assets

Without donor restrictions	30,593,252
With donor restrictions	1,516,264
Total net assets	<u>32,109,516</u>
Total liabilities and net assets	<u>\$ 32,550,822</u>

# East Texas Food Bank

## Statement of Activities

### Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Support			
Donated food and commodities	\$ 27,988,933	\$ -	\$ 27,988,933
USDA commodities	9,076,059	-	9,076,059
Contributions	13,242,080	4,687,459	17,929,539
Total public support	<u>50,307,072</u>	<u>4,687,459</u>	<u>54,994,531</u>
Revenues			
Shared maintenance	704,573	-	704,573
Purchased food recovery	1,324,286	-	1,324,286
Federal grant revenues	4,259,281	-	4,259,281
Other revenue	121,265	-	121,265
Total revenues	<u>6,409,405</u>	<u>-</u>	<u>6,409,405</u>
Total support and revenue	<u>56,716,477</u>	<u>4,687,459</u>	<u>61,403,936</u>
<b>Expenses</b>			
Program	45,121,399	-	45,121,399
Management and general	1,011,148	-	1,011,148
Fundraising	800,532	-	800,532
Total expenses	<u>46,933,079</u>	<u>-</u>	<u>46,933,079</u>
<b>Income from Operations</b>	<u>9,783,398</u>	<u>4,687,459</u>	<u>14,470,857</u>
<b>Non-Operating Revenue and Expense</b>			
Change in beneficial interest in ETFB Foundation	672,069	-	672,069
Gain on debt extinguishment	445,360	-	445,360
Interest income	2,048	86	2,134
Net assets released from restrictions	3,900,511	(3,900,511)	-
Total non-operating revenue (expense)	<u>5,019,988</u>	<u>(3,900,425)</u>	<u>1,119,563</u>
<b>Change in Net Assets</b>	14,803,386	787,034	15,590,420
<b>Net Assets, Beginning of Year</b>	<u>15,789,866</u>	<u>729,230</u>	<u>16,519,096</u>
<b>Net Assets, End of Year</b>	<u>\$ 30,593,252</u>	<u>\$ 1,516,264</u>	<u>\$ 32,109,516</u>

# East Texas Food Bank

## Statement of Functional Expenses

### Year Ended June 30, 2021

	Program Food Distribution	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 1,831,573	\$ 567,685	\$ 245,396	\$ 2,644,654
Payroll taxes	123,179	44,578	18,542	186,299
Employee benefits and 401(k)	310,296	133,396	39,389	483,081
Total salaries and related expenses	<u>2,265,048</u>	<u>745,659</u>	<u>303,327</u>	<u>3,314,034</u>
Food purchases	3,043,179	-	-	3,043,179
Free food purchases	74,255	-	-	74,255
Donated food and commodities	27,526,374	-	-	27,526,374
USDA inventory distributed	9,012,246	-	-	9,012,246
Supplies	151,098	13,443	2,669	167,210
Telephone, answering service	11,914	15,654	445	28,013
Postage	5,777	1,563	9,430	16,770
Occupancy	243,049	10,152	-	253,201
Local transportation	59,832	1,399	298	61,529
Professional development/training & travel	3,623	16,062	2,420	22,105
Marketing and advertising	149,096	-	-	149,096
Fundraising campaigns	-	-	429,085	429,085
Truck	310,800	-	-	310,800
Program services	273,371	-	-	273,371
Board liability, workers' compensation, building and contests insurance	48,430	20,081	1,294	69,805
Membership dues, fees, printing	38,321	4,834	17,708	60,863
Equipment maintenance	159,228	40,598	33,856	233,682
Uniforms	-	19,124	-	19,124
Freight	12,788	-	-	12,788
Contract labor	181,795	20,363	-	202,158
Professional fees	-	94,016	-	94,016
Solid waste disposal	3,765	-	-	3,765
Miscellaneous expense	12,325	-	-	12,325
Restricted grant	967,888	-	-	967,888
Total expenses before depreciation	<u>44,554,202</u>	<u>1,002,948</u>	<u>800,532</u>	<u>46,357,682</u>
Depreciation	<u>567,197</u>	<u>8,200</u>	<u>-</u>	<u>575,397</u>
<b>Total Expenses</b>	<u><b>\$ 45,121,399</b></u>	<u><b>\$ 1,011,148</b></u>	<u><b>\$ 800,532</b></u>	<u><b>\$ 46,933,079</b></u>

# East Texas Food Bank

## Statement of Cash Flows

### Year Ended June 30, 2021

<b>Cash Flows from Operating Activities</b>	
Changes in net assets	\$ 15,590,420
Items not requiring (providing) cash:	
Depreciation expense	575,397
Change in beneficial interest in ETFB Foundation	(713,668)
Gain on debt extinguishment	(445,360)
Contributions of donated food and commodities	(37,064,992)
Distributions of donated food and commodities	36,538,620
Changes in:	
Trade accounts receivable	47,562
Grants receivable	(692,406)
Purchased inventory	(481,780)
Accounts payable	29,110
Deferred revenues	(1,409,814)
Accrued expenses	74,651
Net cash provided by operating activities	<u>12,047,740</u>
<b>Cash Flows from Investing Activities</b>	
Capital expenditures	(1,034,036)
Transfers received from beneficial interest in ETFB Foundation	41,599
Net cash used in investing activities	<u>(992,437)</u>
<b>Cash Flows from Financing Activities</b>	
Principal payments on capital lease payable	-
Funds received for paycheck protection program loan	-
Contributions received for capital campaign	52,750
Net cash provided by financing activities	<u>52,750</u>
<b>Net Increase in Cash and Cash Equivalents</b>	11,108,053
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	<u>6,477,407</u>
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	<u><u>\$ 17,585,460</u></u>



# **East Texas Food Bank**

## **Notes to Financial Statements**

### **June 30, 2021**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Organization and Nature of Operations***

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

The Organization's principal program is to accumulate food from various sources and distribute the accumulated food to charitable organizations throughout the East Texas area for ultimate distribution to the end recipients. Subprograms within food distribution include:

##### 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.

##### 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.

# **East Texas Food Bank**

## **Notes to Financial Statements**

### **June 30, 2021**

#### SNAP/Food Stamps

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

#### 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 afterschool programs. The program follows specific child nutrition guidelines and operates in afterschool programs such as the Boys and Girls Club of 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.

#### ***Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. A significant estimate in the accompanying financial statements is the valuation of its donated food and commodities inventory as described in the inventory policy footnote below. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Organization considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents. The Organization does not consider uninvested cash equivalents held in investment accounts as cash equivalents. At June 30, 2021, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit. At June 30, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$8,751,000.

#### ***Restricted Cash***

Restricted cash represents cash restricted by donor restrictions and board designations. Amounts required to meet current liabilities of the Organization have been classified as current assets in the accompanying statement of financial position at June 30, 2021.

# **East Texas Food Bank**

## **Notes to Financial Statements**

### **June 30, 2021**

#### ***Grant Receivables***

Grant receivables consist primarily of an amount due from a private foundation in accordance with an unconditional contribution. Grant receivables are stated at the amount that management expects to collect. Grant receivables are considered fully collectible by management.

#### ***Property, Plant and Equipment***

Property, plant, and equipment are stated at cost less accumulated depreciation, if purchased, and at fair value if donated. The Organization capitalizes all expenditures for property, plant, and equipment in excess of \$2,500 which have a useful life greater than one year. Expenditures for maintenance and repairs that do not materially extend the useful lives of assets are charged to expense. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property, plant and equipment are as follows:

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

#### ***Long-lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2021.

#### ***Paycheck Protection Program (PPP) Loan***

The Organization received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. During 2021, the loan was forgiven by the SBA and was recognized as a gain in the financial statements. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

# East Texas Food Bank

## Notes to Financial Statements

### June 30, 2021

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor restrictions, and are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

#### **Contributions**

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

# **East Texas Food Bank**

## **Notes to Financial Statements**

### **June 30, 2021**

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

#### ***In-kind Contributions***

- **Food and Commodities** – In addition to receiving cash contributions, the Organization receives in-kind contributions of food and other products from the United States Department of Agriculture (USDA) and various donors. In-kind donations of products, the related inventory and the cost of donated food distributed are valued at an average of the national wholesale prices as determined by Feeding America. The Organization received approximately 5.1 million pounds valued at \$9,076,059 of donated food and household commodities from the USDA during the year ended June 30, 2021. The Organization received approximately 15.6 million pounds valued at \$27,988,933 of donated food and household commodities from individuals, businesses, and organizations other than the USDA, during the year ended June 30, 2021. The average price per pound used was \$1.79 for the year ended June 30, 2021. During the year ended June 30, 2021 the Organization distributed approximately 26.4 million pounds of food and household commodities.
- **Volunteer Time** – A substantial number of volunteers donate significant amounts of their time to enable the Organization to meet its mission. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

#### ***Inventory Pricing***

Inventories consist of donated and purchased products for distribution. Donated products are valued per pound at an average of the national wholesale prices as determined by Feeding America. Purchased products are valued at the lower of cost or net realizable value as determined by the first-in, first-out method.

#### ***Beneficial Interest in ETFB Foundation***

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 accompanying financial statements at the net asset value of the Foundation.

# **East Texas Food Bank**

## **Notes to Financial Statements**

### **June 30, 2021**

#### ***Statement of Activities***

The Organization defines operating activities, as included in the accompanying statement of activities, as the revenue and expenses resulting from its food programs and other core mission activities. Changes in the beneficial interest in East Texas Food Bank Foundation, interest income, and net assets released from restrictions, along with gain on debt extinguishment, are excluded from operating activities and separately reported as non-operating activities in the accompanying statement of activities.

#### ***Government Grants***

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

#### ***Income Taxes***

The Organization is exempt from Federal income tax under Section 501 of the Internal Revenue Code (IRC) and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business income as defined by the IRC. The Organization had no unrelated business income during the year ended June 30, 2021. The Organization files tax returns in the U.S. federal jurisdiction. The Organization believes it is no longer subject to income tax examinations for years prior to fiscal year ended June 30, 2018.

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services based on management estimates. The statement of functional expenses present the natural classification detail of expenses by function for the year ended June 30, 2021. Certain costs have been allocated among the program, management and general and fundraising categories based on relative payroll, headcount or square footage occupied and other methods.

#### ***Marketing and Advertising***

The Organization 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 \$149,096 for the year ended June 30, 2021.

# East Texas Food Bank

## Notes to Financial Statements

### June 30, 2021

#### Note 2: Grant Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. As of June 30, 2021, the Organization did not have any amounts remaining to be drawn.

#### Note 3: Pledges Receivable

Pledges receivable for the year ended June 30, 2021, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions: Capital Campaign	Total
Due within one year	\$ -	\$ 84,250	\$ 84,250
Due in one to five years	15,000	31,500	46,500
	<u>\$ 15,000</u>	<u>\$ 115,750</u>	<u>\$ 130,750</u>

#### Note 4: Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at June 30, 2021:

Buildings and improvements	\$ 8,017,490
Furniture and fixtures	796,007
Equipment	166,494
Warehouse equipment	<u>2,967,463</u>
Total depreciable assets	11,947,454
Land	<u>237,677</u>
	12,185,131
Accumulated depreciation	<u>(5,660,463)</u>
	<u>\$ 6,524,668</u>

Depreciation expense was \$575,397 for the year ended June 30, 2021.

# East Texas Food Bank

## Notes to Financial Statements

### June 30, 2021

#### **Note 5: Beneficial Interest in ETFB Foundation (Quasi-Endowment)**

The Foundation was organized as a Texas nonprofit corporation to be operated exclusively to benefit the Organization. The Organization made an initial grant in the amount of \$1,039,285 to the Foundation. The Foundation has not been granted variance power by the Organization. All property of the Foundation is restricted by the donor to be a quasi-endowment. The bylaws of the Foundation permit it to distribute annually to the Organization up to, but not more than, five percent 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 Organization reports its interest in the assets held by the Foundation in accordance with ASC 958- 605, *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 Organization consisted of the following at June 30, 2021:

Cash and cash equivalents	\$ 225,644
Interest receivable	2,058
Investments, at fair value	3,426,829
	<u>\$ 3,654,531</u>

#### **Note 6: Net Assets**

##### ***Net Assets Without Donor Restrictions***

Net assets without donor restrictions at June 30, 2021 consist of the following:

Undesignated	\$ 26,431,956
Board Designated	4,161,296
	<u>\$ 30,593,252</u>



# East Texas Food Bank

## Notes to Financial Statements

### June 30, 2021

#### ***Net Assets With Donor Restrictions***

Net assets with donor restrictions were restricted for the following purposes at June 30, 2021:

Capital Campaign	\$ 42,940
Outreach	113,669
Fresh produce	27,129
Healthcare partnership	53,221
BackPack program	68,531
Summer Feeding	5,690
Deep ET Resource Center	811,296
Disaster relief	393,788
Net assets with donor restrictions	<u>\$ 1,516,264</u>

#### ***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2021 as follows:

Capital Campaign	\$ 239,288
Outreach	331,372
Fresh produce	134,139
Healthcare partnership	72,270
BackPack program	67,469
Kids Café	13,047
Summer Feeding	4,673
Disaster relief	1,113,972
Deep ET Resource Center	1,924,281
Net assets with donor restrictions	<u>\$ 3,900,511</u>

# **East Texas Food Bank**

## **Notes to Financial Statements**

### **June 30, 2021**

#### **Note 7: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021, is \$16,598,118. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

#### **Note 8: Fundraising**

During the year ended June 30, 2021, the Organization incurred costs of \$497,205 for fundraising activities, which included the cost of appeals and special events. In addition, \$303,327 of salaries and related expenses were allocated to fundraising.

#### **Note 9: Employee Benefit Plan**

The Organization has a defined contribution plan covering substantially all full-time employees. Under the Plan, the Organization 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 year ended June 30, 2021 totaled \$41,763.

#### **Note 10: Disclosures About Fair Value of Assets and Liabilities**

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 measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

#### ***Recurring Measurements***

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities.

# East Texas Food Bank

## Notes to Financial Statements

### June 30, 2021

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held at the East Texas Food Bank Foundation	\$ 3,654,531	\$ -	\$ -	\$ 3,654,531

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021.

#### ***Beneficial Interest in East Texas Food Bank Foundation***

Beneficial interest has been valued at the fair value of the underlying assets as of June 30, 2021. Due to the perpetual nature of the interest, it is classified within Level 3 of the hierarchy. The lack of redeemability and liquidity in the near term are considered unobservable inputs.

The following summarizes the change in fair value measurements:

#### **Beneficial Interest in ETFB Foundation**

Balance, beginning of year	\$ 2,982,462
Investment income	74,506
Net realized and unrealized gain (loss)	672,740
Transfer to East Texas Food Bank	(41,599)
Investment expense	(33,578)
Balance, end of year	<u>\$ 3,654,531</u>

# **East Texas Food Bank**

## **Notes to Financial Statements**

### **June 30, 2021**

#### **Note 11: Significant Estimates, Concentrations, and Other Events**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

##### ***Contributions***

A significant portion of support and revenues is received through grants from the United States Department of Agriculture (administered by the Texas Department of Agriculture), the Texas Department of Agriculture and the Texas Department of Health and Human Services. For the year ended June 30, 2021, approximately 41 percent of total support was received from these grants. For the fiscal year ended June 30, 2021, revenue was also received from the Texas Division of Emergency Management.

The Organization derives its remaining revenue mainly from public contributions and shared maintenance revenue. For the year ended June 30, 2021, approximately 50 percent of the Organization's contributions within the accompanying statement of activities was received from one donor. Continued funding from these sources at current levels is dependent on various factors. Such factors include economic conditions, compliance with grant provisions, government approval, new legislation, donor satisfaction and public perception of mission effectiveness and relative importance.

##### ***Investments***

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

##### ***Current Economic Events***

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**East Texas Food Bank**  
**Notes to Financial Statements**  
**June 30, 2021**

**Note 12: Revenue from Contracts with Customers**

***Shared Maintenance and Purchased Food Recovery Revenue***

Performance obligations are determined based on the nature of the goods or services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers and the Organization does not believe it is required to provide additional goods or services related to that sale. The exchange portion of shared maintenance revenue and purchased food recovery was \$704,573 and \$1,324,286, respectively, during the year ended June 2021.

***Transaction Price & Recognition***

The Organization determines the transaction price on a per pound basis on selected categories of products. There are no explicit or implicit price concessions and the contracts do not contain a significant financing component or variable consideration.

The Organization has not incurred material refunds in the past, and accordingly, has not provided for a refund liability at June 30, 2021.

For the year ended June 30, 2021, the Organization recognized no revenue from goods or services that transfer to the customer over time.

**Note 13: Future Change in Accounting Principle**

***Accounting for Leases***

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating, or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021.

The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

**East Texas Food Bank**  
**Notes to Financial Statements**  
**June 30, 2021**

**Note 14: Subsequent Events**

Subsequent events have been evaluated through November 9, 2021, which is the date the financial statements were available to be issued.

## **Supplementary Information**

# East Texas Food Bank

## Schedule of Expenditures of Federal Awards

### June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Passed through Texas Department of Agriculture				
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	01544	\$ -	\$ 150,423
Child and Adult Care Food Program	10.558	01544	348,337	348,337
Child Nutrition Programs Cluster				
Summer Food Service Program for Children (SFSPC)	10.559	01544	91,246	91,246
Food Distribution Cluster				
Commodity Supplemental Food Program (Administrative Costs)	10.565	01544	-	242,029
Commodity Supplemental Food Program (Food Commodities)	10.565	01544	914,915	914,915
Total Commodity Supplemental Food Program			914,915	1,156,944
Emergency Food Assistance Program (Administrative Costs)	10.568	01544	-	1,456,477
Emergency Food Assistance Program (Food Commodities)	10.569	01544	6,746,138	6,746,138
Total Food Distribution Cluster			7,661,053	9,359,559
Passed through Texas Health & Human Services Commission				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	529-16-0002-00002	-	356,183
Total SNAP Cluster			-	356,183
Total U.S. Department of Agriculture			8,100,636	10,305,748
<b>U.S. Department of Treasury</b>				
Passed through from Texas Department of Emergency Management				
COVID-19 - Coronavirus Relief Fund	21.019	None Provided	-	357,162
Total U.S. Department of Treasury			-	357,162
<b>U.S. Department of Health and Human Services</b>				
Passed through from Feeding Texas				
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	None Provided	-	25,000
Total U.S. Department of Health and Human Services			-	25,000
<b>U.S. Department of Homeland Security</b>				
Passed through from Texas Health & Human Services Commission				
Emergency Food and Shelter National Board Program	97.024	None Provided	-	13,500
Passed through from Texas Department of Emergency Management				
COVID-19- Disaster Grants- Public Assistance (Presidentially Declared Disaster)	97.036	None Provided	-	1,071,486
Total U.S. Department of Homeland Security			-	1,084,986
Total Federal Awards Expended			\$ 8,100,636	\$ 11,772,896

\* Amount represents noncash food commodities



**East Texas Food Bank**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the East Texas Food Bank (Organization) under programs of the federal government for the year ended June 30, 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 Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. 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 or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Organization did not have any federal loan programs during the year ended June 30, 2021.
4. Of the federal expenditures presented in this schedule, the Organization did not provide any cash federal awards to subrecipients.

**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***

**Independent Auditor's Report**

Board of Directors  
East Texas Food Bank  
Tyler, Texas

We have audited, 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, the financial statements of the East Texas Food Bank (Organization), which comprise the statement of financial position as of June 30, 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 November 9, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization'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 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.

**BKD, LLP**

Dallas, Texas  
November 9, 2021

## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

### **Independent Auditor's Report**

Board of Directors  
East Texas Food Bank  
Tyler, Texas

#### **Report on Compliance for Each Major Federal Program**

We have audited the East Texas Food Bank's (Organization) 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 Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Organization'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 Organization'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 Organization's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Organization 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, 2021.

### **Report on Internal Control Over Compliance**

Management of the Organization 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 Organization'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 Organization's internal control over compliance.

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

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

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

**BKD, LLP**

Dallas, Texas  
November 9, 2021

**East Texas Food Bank**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2021**

***Summary of Auditor's Results***

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
  
2. The independent auditor's report on internal control over financial reporting disclosed:  
Significant deficiency(ies)?      ☐ Yes      ☒ None reported  
Material weakness(es)?      ☐ Yes      ☒ No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?  
☐ Yes      ☒ No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:  
Significant deficiency(ies)?      ☐ Yes      ☒ None reported  
Material weakness(es)?      ☐ Yes      ☒ No
  
5. The opinion expressed in the independent auditor's report on compliance for major federal awards programs was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
  
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?  
☐ Yes      ☒ No

**East Texas Food Bank**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2021**

7. The Organization's major federal programs were:

<b>Cluster/Program</b>	<b>Assistance Listing</b>
Food Distribution Cluster	
Commodity Supplemental Food Program	10.565
Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569
COVID-19 - Coronavirus Relief Fund	21.019
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Organization qualified as a low-risk auditee?

☐ Yes      ☒ No

**East Texas Food Bank**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2021**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.



# East Texas Food Bank

## Summary Schedule of Prior Audit Findings

### Year Ended June 30, 2021

Reference Number	Summary of Finding	Status
2020-001	<p><b>Finding:</b> Schedule of Expenditures of Federal Awards Preparation</p> <p>We recommend that management promptly engage a consulting firm to evaluate the needs of the accounting and finance functions at the Food Bank and provide an analysis to the Board regarding the expected additional resources required to effectively manage federal and state programs, develop complete and accurate reports related to federal and state programs, and coordinate the processes of the accounting and finance functions to effectively produce, review, and maintain the documentation necessary to support reports required by relevant standards.</p>	<p>Implemented.</p> <p>See separate auditee document for detail of corrective action taken.</p>
2020-002	<p><b>Finding:</b> Inconsistent documentation which resulted in the identification of two instances of revenue overstatements that were corrected through the audit process. Many of the documentation inconsistencies were related to transactions that were entered into in response to COVID-19.</p> <p>We recommend that management promptly engage a consulting firm to evaluate the needs of the accounting and finance functions at the Food Bank and provide an analysis to the Board regarding the expected additional resources required to effectively manage federal and state programs, develop complete and accurate reports related to federal and state programs, and coordinate the processes of the accounting and finance functions to effectively produce, review, and maintain the documentation necessary to support reports required by relevant standards.</p>	<p>Implemented.</p> <p>See separate auditee document for detail of corrective action taken.</p>



November 9, 2021

In regards to Findings 2020-001 and 2020-02 for the East Texas Food Bank Single Audit, the East Texas Food Bank has implemented the recommendation referenced in the findings.

A handwritten signature in black ink, appearing to read "Tony Farmer", is written over a faint, stylized outline of the East Texas Food Bank logo.

Tony Farmer  
Chief Financial Officer