

**BRAZOS VALLEY FOOD BANK
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2023

BRAZOS VALLEY FOOD BANK

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Brazos Valley Food Bank

Opinion

We have audited the accompanying financial statements of Brazos Valley Food Bank (the Food Bank), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibility for the Audit of the financial statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

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

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 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 (Uniform Guidance)*, 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 February 1, 2024, on our consideration of the Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

Atchley & Associates LLP

Austin, Texas
February 1, 2024

BRAZOS VALLEY FOOD BANK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,523,453
Shared maintenance receivable	64,883
Grants receivable	399,219
Inventory - donated mix	676,690
Inventory - USDA	170,878
Inventory - purchased	390,173
Prepaid expenses	13,260
Total current assets	4,238,556
Noncurrent assets	
Property and equipment, net	5,030,380
Cash and cash equivalents - operating reserve	1,042,324
Investments	109,721
Refundable deposits	5,612
Total noncurrent assets	6,188,037
Total assets	\$ 10,426,593

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 179,213
Accrued expenses	16,386
Unearned revenue	40,000
Total current liabilities	235,599
Total liabilities	235,599
Net assets	
Without donor restrictions	
Undesignated	8,995,804
Board designated - operating reserve	1,042,324
	10,038,128
With donor restrictions	152,866
Total net assets	10,190,994
Total liabilities and net assets	\$ 10,426,593

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

BRAZOS VALLEY FOOD BANK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	In Perpetuity	
Revenues				
Contributions				
Contributed nonfinancial assets	\$ 9,552,617	\$ -	\$ -	\$ 9,552,617
Donations	1,690,975	68,199	-	1,759,174
Foundations and trusts	327,674	304,799	-	632,473
Special events	466,784	-	-	466,784
Total contributions	<u>12,038,050</u>	<u>372,998</u>	<u>-</u>	<u>12,411,048</u>
Grants				
Community Development Block Grant	203,157	-	-	203,157
Feeding Texas	507,414	-	-	507,414
Federal Emergency Management Agency	37,980	-	-	37,980
Other	48,500	-	-	48,500
Texas Division of Emergency Management	566,564	-	-	566,564
Total grants	<u>1,363,615</u>	<u>-</u>	<u>-</u>	<u>1,363,615</u>
Other revenue				
Investment return, net	38,595	-	-	38,595
Miscellaneous revenue	302,883	-	-	302,883
Shared maintenance fees	358,029	-	-	358,029
Total other revenue	<u>699,507</u>	<u>-</u>	<u>-</u>	<u>699,507</u>
 Total revenues	 14,101,172	 372,998	 -	 14,474,170
Assets released from restrictions	<u>395,249</u>	<u>(395,249)</u>	<u>-</u>	<u>-</u>
 Total revenues and assets released from restrictions	 <u>14,496,421</u>	 <u>(22,251)</u>	 <u>-</u>	 <u>14,474,170</u>
 Expenses				
Program services	14,126,539	-	-	14,126,539
Management and general	231,755	-	-	231,755
Fundraising	404,268	-	-	404,268
Total expenses	<u>14,762,562</u>	<u>-</u>	<u>-</u>	<u>14,762,562</u>
 Change in net assets	 (266,141)	 (22,251)	 -	 (288,392)
 Net assets at beginning of year	 <u>10,304,269</u>	 <u>62,867</u>	 <u>112,250</u>	 <u>10,479,386</u>
 Net assets at end of year	 <u>\$10,038,128</u>	 <u>\$ 40,616</u>	 <u>\$ 112,250</u>	 <u>\$10,190,994</u>

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

BRAZOS VALLEY FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Services		Total
	Food Distribution	Disaster Relief	Client Assistance	Management and General	Fundraising	
Appreciation	\$ 2,016	\$ 6	\$ 333	\$ 2,355	\$ 246	\$ 3,848
Communications	3,145	47	2,891	6,083	405	6,861
Contract labor	149,145	1,278	2,783	153,206	2,548	161,959
Depreciation	138,214	2,910	101,292	242,416	41,787	319,332
Distributed food-donated	10,386,926	-	-	10,386,926	-	10,386,926
Distributed food-purchased	1,499,700	-	28,365	1,528,065	2,268	1,530,333
Insurance	57,675	1,083	31,419	90,177	9,751	107,867
Membership dues	30,461	376	5,611	36,448	2,210	40,627
Miscellaneous expenses	8,345	175,307	5,065	188,717	1,572	201,809
Occupancy	103,098	20,437	54,442	177,977	12,907	207,769
Personnel	561,910	11,831	411,804	985,545	169,884	1,298,248
Postage and delivery	279	-	14	293	4,320	4,977
Printing and publications	9,820	171	10,071	20,062	2,683	24,019
Professional development	519	7	3,648	4,174	4	4,545
Professional fees	45,585	840	26,920	73,345	6,757	221,877
Rental and maintenance of equipment	92,189	5,316	1,381	98,886	141,775	99,176
Shipping	68,441	711	625	69,777	153	69,782
Supplies	28,921	2,568	15,821	47,310	2,445	57,125
Travel	3,872	33	10,872	14,777	402	15,482
	<u>\$ 13,190,261</u>	<u>\$ 222,921</u>	<u>\$ 713,357</u>	<u>\$ 14,126,539</u>	<u>\$ 404,268</u>	<u>\$ 14,762,562</u>

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

**BRAZOS VALLEY FOOD BANK
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

Cash flows from operating activities:

Change in net assets	\$ (288,392)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:	
Depreciation expense	319,332
Net realized and unrealized losses (gains) on investments	(6,833)
Changes in operating assets and liabilities:	
Shared maintenance receivable	47,950
Grants receivable	(224,538)
Inventory - donated mix	479,194
Inventory - USDA	298,773
Inventory - purchased	57,039
Prepaid expenses	3,697
Accounts payable	(216,263)
Accrued expenses	(54,876)
Unearned revenue	<u>(167,360)</u>
Net cash provided (used) by operating activities	<u>247,723</u>

Cash flows from investing activities:

Purchase of property and equipment	<u>(460,621)</u>
Net cash provided (used) by investing activities	<u>(460,621)</u>

Cash flows from financing activities:

Net cash provided (used) by financing activities	<u>-</u>
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Net increase (decrease) in cash and cash equivalents	(212,898)
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Beginning cash and cash equivalents	<u>-</u>
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Ending cash and cash equivalents	<u><u>\$ (212,898)</u></u>
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Cash paid for interest and taxes:

Interest	<u><u>\$ -</u></u>
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Taxes	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. ORGANIZATION

Brazos Valley Food Bank (the Food Bank) is a not-for-profit corporation chartered by the State of Texas. The Food Bank was organized to acquire, equip, operate, and maintain food storage and distribution facilities for receiving, storing, and distributing food to the needy through other non-profit agencies. The Food Bank is funded through contributions, federal awards, and private foundations.

The Food Bank distributed a total of 6,395,387 pounds of food for the year ended June 30, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Classification of Net Assets - The financial statements report information regarding the Food Bank's financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, 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 as follows:

Net assets without donor restrictions - net assets that are not restricted by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Food Bank or at the discretion of the Board of Directors for the Food Bank's use.

Net assets with donor restrictions - net assets that are subject to donor-imposed stipulations, which limit their use by the Food Bank to a specific purpose and/or the passage of time. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Also included in this category are stipulations permanently imposed by the donor. Those net assets are not available for use in operations and limitations neither expire by fulfillment of a specific purpose and/or the passage of time.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents - Cash equivalents are considered to be investments purchased with original maturities of three months or less, unless designated for investment purposes.

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Shared Maintenance Receivable - The shared maintenance receivable is reported at the amount management expects to collect from outstanding balances. Uncollectible receivables are charged to bad debt expense in the year they become uncollectible. No allowance for uncollectible accounts has been recorded as management believes the remaining shared maintenance receivable will be fully collectible in the following fiscal year.

Investments - Investments in equity and debt securities are reported at their fair values based on quoted market prices in the statements of financial position. Realized gains or losses on the sale of securities are based on specific identification of the cost of securities sold. Unrealized and realized gains and losses are included in the statement of activities.

Functional Allocation of Expenses - The costs of providing the various program services and supporting services have been summarized on a functional basis in the statements of activities. Expenses that can be identified directly are charged as incurred. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringes are allocated based on time and effort. All other non-direct expenses are calculated based on the percentage of total salaries and benefits.

Fair Value Measurements - ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as 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. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements (Continued) - The valuation technique used for the Level 3 investment, Investment held by the Community Foundation of the Brazos Valley at June 30, 2023, is based on the cost approach. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Food Bank believes its 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.

Grants Receivable - Grants receivable are recognized as grant revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Grants receivable are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year, unless otherwise noted. Conditional promises to give are recognized when the condition on which they depend is substantially met.

Property and Equipment - Purchases of property and equipment are capitalized at cost, if purchased, and at fair market value at the date of the receipt, if donated. The Food Bank capitalizes all acquisitions in excess of \$1,000 with a useful life greater than one year. Depreciation is computed using the straight-line method and the following estimated useful lives:

Buildings	33 years
Property improvements	10-15 years
Vehicles	5 years
Furniture and equipment	3-5 years

Grant Revenue Recognition - Revenue from grants received from federal, state, and local governments are earned based on the Food Bank incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided. Revenue from grants received from private donors is recognized as earned based on grant specifications or as unconditional contributions if no grant specifications exist.

Contribution Revenue - All contributions are recorded at their fair value and are considered to be available for operations of the Food Bank unless specifically restricted by the donor. Unconditional pledges to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related net assets with donor restrictions are reclassified to net assets without donor restrictions. This is reported in the statement of activities as assets released from restrictions. Conditional pledges to give are recognized only when the conditions on which they depend are substantially met and pledges become unconditional.

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Services - Donated services are recognized as contributions in accordance with FASB ASC 958-605, *Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Food Bank. Donated services from volunteers performing food-handling or clerical functions throughout the year are not recognized as contributions in the financial statements because the criteria for ASC 958-605 are not met.

Federal Income Tax Status - The Food Bank is a tax-exempt non-profit organization under Internal Revenue Code 501(c)(3). In addition, the Food Bank has been classified as an organization that is not a private foundation under Section 509(a)(1). The Food Bank is subject to routine examinations of its returns; however, there are no examinations currently in progress. The June 30, 2020, and subsequent tax years remain subject to examination by the Internal Revenue Service.

The Food Bank has adopted ASC 740-10, *Accounting for Uncertainty in Income Taxes*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provided guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Change in Not-for-Profit Accounting Standards - Effective July 1, 2022, the Food Bank adopted the new lease accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The Food Bank has elected the package of practical expedients permitted in FASB Accounting Standards Codification (ASC) Topic 842. As of June 30, 2023, the Food Bank has no operating leases that qualify for implementation.

Subsequent Events - Management of the Food Bank has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

3. CONCENTRATIONS

Financial instruments that potentially subject the Food Bank to credit risk consist of cash and cash equivalents and receivables. The Food Bank places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. At June 30, 2023, the Food Bank held \$3,515,491 in deposits in excess of Federal Deposit Insurance Corporation insurance coverage.

The Houston Food Bank is the Food Bank's one major supplier of donated food. The Food Bank expects to maintain its relationship with the supplier.

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2023:

Furniture and equipment	\$ 1,380,356
Vehicles	657,841
Buildings and improvements	4,920,689
	6,958,886
Less accumulated depreciation	(1,928,506)
	\$ 5,030,380

Depreciation expense for property and equipment was \$319,332 for the year ended June 30, 2023.

5. INVESTMENTS

Investments consisted of the following at June 30, 2023

	Fair Value Measurements Using:			
	Fair Value	Active markets for	Significant other	Significant
		Level 1	observable	unobservable
		inputs	inputs	
		Level 2	Level 3	
Funds held at the Community				
Foundation of Brazos Valley	\$ 109,721	\$ -	\$ -	\$ 109,721

Investment return, net, consisted of the following for the year ended June 30, 2023:

Interest and dividends	\$ 30,490
Net realized (losses) gains	1,272
Net unrealized (losses) gains	8,378
Investment fees	(1,545)
	\$ 38,595

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

6. ENDOWMENT FUNDS

The Food Bank endowment is a sustaining nonprofit endowment fund that is held by the Community Foundation of the Brazos Valley (the “Foundation”). The return objectives and risk parameters and strategies employed for achieving objectives of the Foundation have been adopted by the Food Bank.

Endowment Net Asset Composition by Type of Fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 22,471	\$ 87,250	\$ 109,721

Changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at July 1, 2022	\$ 15,638	\$ 87,250	\$ 102,888
Contributions	-	-	-
Investment return, net	6,833	-	6,833
Appropriated for expense	-	-	-
Endowment net assets at June 30, 2023	\$ 22,471	\$ 87,250	\$ 109,721

Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions made from the Foundation are made in accordance with a payout rate established by the Trustees of the Foundation from time to time. Distributions will be made at least annually or more frequently as the parties may from time to time agree. A sustaining endowment fund is intended to be for the long-term support of a nonprofit. Therefore, extraordinary distributions to the nonprofit may be made from the Foundation at any time in any amount in accordance with the Foundation agreement.

Interpretation of Relevant Law

The Board of Directors of the Food Bank has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Food Bank classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Spending from underwater endowment funds is not allowed as the donor restricted endowment funds are being held as a permanent endowment.

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

6. ENDOWMENT FUNDS - CONTINUED

In accordance with TUPMIFA, the Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Return Objectives and Risk Parameters

As noted above, the rate of return, risk parameters and strategies employed for achieving objectives of the Foundation have been adopted by the Food Bank. Investment objectives for the Foundation are defined in terms of risk and return. Portfolio risk comes primarily from the choice of allowable asset classes within the portfolio, the basic mix of asset classes chosen for investment allocation, and the risk level of individual securities selected within each asset class. The portfolio is managed with a moderate amount of risk and within the target allocations anticipated; the objective annual return for the portfolio is a 7-9% nominal rate of return. This objective return recognizes that the prior return experiences in the capital markets may reflect abnormal conditions and realizes that past performance of asset returns in no way guarantees or implies future performance in any asset class.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the portfolio is actively managed and the investment committee of the Foundation will prefer a value bias in equity securities and a maximum equity component of 70% of the portfolio. The portfolio is reviewed and rebalanced as necessary; however, no less than annually.

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

7. DONATED NON-FINANCIAL ASSETS

For the year ended June 30, 2023, contributed non-financial assets recognized within the statement of activities included.

Donated Food	\$ 9,552,090
Services	527
	<u>\$ 9,552,617</u>

The Food Bank received donations of food from various sources including Feeding America, the United States Department of Agriculture (USDA), and reclamation items from area grocery stores. The Food Bank received 4,949,269 pounds and distributed 5,381,827 pounds of donated food (valued at \$1.93 per pound) during the year ended June 30, 2023. Donated food is reported at fair value using the weighted-average wholesale value per pound of food, as determined in an annual study performed by Feeding America. Donated services included video production and food services which were related program services and were valued based on what the service provider would have charged for the same services.

8. RETIREMENT PLAN

The Food Bank provides retirement benefits to its employees through a defined contribution plan covering all employees with over 1,000 hours of service and one year of eligible experience. The Food Bank matches the employee contribution up to 3 percent of gross wages. Contributions to the plan were \$15,392 during the year ended June 30, 2023.

9. RELATED PARTY TRANSACTIONS

Related parties consist of all affiliates of an organization, including management, board members, employees, and their families. The Food Bank received \$10,739 in contributions from board members.

10. RESTRICTED NET ASSETS

Net assets with donor restrictions were restricted for the following purposes at June 30, 2023:

Time or Purpose	
Disaster relief	36,616
MP	4,000
	<u>40,616</u>
In Perpetuity	
CDBG - City of College Station - Building Fund	25,000
Endowment	87,250
	<u>112,250</u>
	<u>\$ 152,866</u>

BRAZOS VALLEY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

11. NET ASSETS WITHOUT DONOR RESTRICTION - BOARD DESIGNATIONS

Designations are voluntary board of director approved segregations of net assets without restrictions for specific purposes, projects, or investments. Since designations are voluntary, they may be reversed by future board action. During 2021, the board set up an operating reserve fund used for future operations, these funds are considered board designated. The board designated operating reserve is \$1,042,324 as of June 30, 2023.

12. AVAILABILITY AND LIQUIDITY

The following represents the Food Bank's financial assets at June 30, 2023:

Financial assets at year-end	
Cash and cash equivalents	\$ 2,523,453
Shared maintenance accounts and grants receivable	464,102
Investments	109,721
Total financial assets at year-end	3,097,276
Less amounts not available to be used within one year:	
Board designated operating reserve	1,042,324
Net assets with donor restrictions - time or purpose	65,616
Donor restricted endowments	87,250
	1,195,190
Financial assets available to meet cash needs for general expenditures over the next year	\$ 1,902,086

The Food Bank manages its liquidity following three guiding principles:

- Operate within a prudent range of financial soundness and stability;
- Maintain adequate liquid assets; and
- Maintain sufficient reserves to provide reasonable assurance that ongoing operational expenditures can be met for the foreseeable future.

SUPPLEMENTARY INFORMATION



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
Brazos Valley Food Bank

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 Brazos Valley Food Bank (the Food Bank), which comprise the statement of financial position as of June 30, 2023, 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 February 1, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Food Bank's internal controls over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free of 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 matter that is 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Atchley & Associates LLP

Austin, Texas

February 1, 2024



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors of
Brazos Valley Food Bank

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brazos Valley Food Bank's (the Food Bank) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended June 30, 2023. 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.

In our opinion, the Food Bank complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Food Bank's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Food Bank's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Atchley & Associates LLP

Austin, Texas
February 1, 2024

BRAZOS VALLEY FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor Program Title	Assistance Listing Number	Grant/ Contract Number	Federal Expenditures	Pass-through to Subrecipients
<u>US Department of Agriculture</u>				
Passed through Feeding Texas				
Pandemic Relief Activities:: LPFA	10.182	GDF2022073	\$ 217,387	\$ -
Community Based Outreach and Application Assistance: FY 22	10.561	HHS000275600001	286	-
Community Based Outreach and Application Assistance: FY 23	10.561	HHS000275600001	102,410	-
Community Partner Program: General Match –				
Community Based Outreach and Assistance – FY 23	10.561	HHS000275600001	4,353	-
Supplemental Nutrition Assistance Program – Education – FY 23	10.561	216TX176Q3903	88,435	-
			<u>195,484</u>	<u>-</u>
Passed Through the Houston Food Bank				
Emergency Food Assistance Program	10.569	228TX10011003	3,576	-
Emergency Food Assistance Program (Food Commodities) (Note A)	10.569	0016 101-042K9	3,592,748	3,485,151
			<u>3,596,324</u>	<u>3,485,151</u>
Total US Department of Agriculture			<u>4,009,195</u>	<u>3,485,151</u>
<u>US Department of Housing & Urban Development</u>				
Community Development Block Grant				
Passed through City of Bryan				
Project GotEM contract	14.218.119	B-20-MW-48-0006	106,802	-
Passed through City of College Station				
Project GotEM contract	14.218.119	21300186	96,355	-

BRAZOS VALLEY FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing	Grant/Contract Number	Federal Expenditures	Pass-through to Subrecipients
<u>US Department of Housing & Urban Development - Continued</u>				
Community Development Block Grant Passed through Feeding Texas	14.218.119	2201TXTANF	\$ 93,543	\$ -
Total US Department of Housing & Urban Development			296,700	-
<u>US Department of the Treasury</u>				
Passed Through Texas Department of Agriculture Coronavirus State and Local Fiscal Recovery Funds: Food Bank Capacity Building Grant (ARPA)	21.027.119	GFB202212	412,988	-
Total US Department of the Treasury			412,988	-
<u>US Department of Health & Human Services</u>				
Passed Through Feeding Texas Cancer Prevention and Control Programs for State Territorial and Tribal Organizations	93.898	HHS000081600001	1,000	-
Total US Department of Health & Human Services			1,000	-
<u>US Department of Homeland Security</u>				
Passed through the United Way of Brazos Valley Emergency Food & Shelter Program - Phase 39 Emergency Food & Shelter Program - Phase 40 Emergency Food and Shelter National Board Program ARPA-R	97.024 97.024 97.024.119	LRO ID: 790200-005 LRO ID: 790200-005 LRO ID: 790200-005	6,418 11,728 19,834	- - -
			37,980	-

BRAZOS VALLEY FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing	Grant/Contract Number	Federal Expenditures	Pass-through to Subrecipients
Total US Department of Homeland Security			\$ 37,980	\$ -
		Total Federal Expenditures	<u>\$ 4,757,863</u>	<u>\$ 3,485,151</u>

Note A - This program represents food with a value of \$3,592,748 which was distributed under the TEFAP program.

BRAZOS VALLEY FOOD BANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Brazos Valley Food Bank (the Food Bank) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATES

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

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for Federal Awards

No matters were reported

**BRAZOS VALLEY FOOD BANK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

III. Findings and Questioned Costs for Federal Awards

Audit Finding: 2022-01 Inventory Management

U.S. Department of Agriculture

Passed through the Houston Food Bank

FAL No. 10.569 – Emergency Food Assistance Program (Food Commodities)

Federal Grant Award No. 0016 101-042K9

Grant Period – 7/1/2021 - 6/30/2022

Type: Significant Deficiency

Criteria: Inventory records were not accurate during the year end inventory observations. Special Test and Provision is to insure physical inventory of USDA products are reconciled to the inventory records at year end.

Condition: During the year end inventory observation, we noted five of five of the USDA products we counted had discrepancies.

Cause: Accurate inventory counts were not reflective of the physical inventory, this is due to the reconciliation of the inventory counts to the count sheets during the inventory counting process that did not occur.

Effect: Failure to comply with the applicable grant requirements could result in termination of the agreement with the Houston Food Bank.

Questioned Costs: This finding did not result in any reportable questioned costs.

Context: USDA and other inventory products were not accurately reflected in the inventory records.

Recommendation: We recommend that management reconcile the inventory records to the physical count and notate if there are differences and update the records after a recount and reconciliation to the inventory records. This process should be performed and documented on an at least annual basis if not more often.

This finding is considered to be resolved.