

**FOOD BANK OF ABILENE, INC.  
dba  
FOOD BANK OF WEST CENTRAL TEXAS**

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FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S  
REPORT

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DECEMBER 31, 2020 AND 2019



**Roberts & McGee CPA**

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of  
**Food Bank of Abilene, Inc. dba**  
**Food Bank of West Central Texas**  
Abilene, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

We believe that the audit evidence we 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 **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas** as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic 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, Costs 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.

The accompanying schedule of expenditures of federal awards 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 July 28, 2021, on our consideration of **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'** internal control over financial reporting and compliance.

*Roberts + McGee, CPA*

Roberts & McGee, CPA

Abilene, Texas  
July 28, 2021

FINANCIAL STATEMENTS

**FOOD BANK OF ABILENE, INC. dba**  
**FOOD BANK OF WEST CENTRAL TEXAS**  
Statements of Financial Position  
December 31, 2020 and 2019

<b>Assets</b>	2020	2019
Cash and cash equivalents	\$ 1,479,422	\$ 167,279
Investments	2,696,402	2,440,216
Accounts receivable	15,937	29,146
Grants receivable	82,235	57,932
Pledge receivable		3,000
Inventory	716,919	357,714
Prepaid and other assets	9,184	7,748
Property and equipment, net of accumulated depreciation	1,463,716	1,081,177
Total Assets	\$ 6,463,815	\$ 4,144,212
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 2,999	\$ 20,981
Deferred revenue	31,031	3,536
PPP SBA Loan	117,590	
Total Liabilities	151,620	24,517
Net assets:		
Without donor restrictions		
Undesignated	5,718,212	3,606,199
Board designated for operating reserve	500,000	500,000
With donor restrictions	93,983	13,496
Total Net Assets	6,312,195	4,119,695
Total Liabilities and Net Assets	\$ 6,463,815	\$ 4,144,212

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

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**

Statements of Activities

For the Years Ended December 31, 2020 and 2019

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Operating Revenues, Gains, and Other Support</b>			
Shared maintenance fees	\$ 154,629	\$	\$ 154,629
Purchased product	127,195		127,195
USDA - Commodities	2,056,963		2,056,963
USDA - Federal assistance	298,905		298,905
Other grant revenue	116,301	30,000	146,301
Donated food	3,227,891		3,227,891
Contributions	2,170,886	887,559	3,058,445
Other income	3,960		3,960
Net assets released from restrictions			
Satisfaction of program restrictions	837,072	(837,072)	
<b>Total Operating Revenues, Gains, and Other Support</b>	<b>8,993,802</b>	<b>80,487</b>	<b>9,074,289</b>
<b>Operating Expenses</b>			
Food distribution	6,758,483		6,758,483
General and administrative	273,648		273,648
Fund raising	172,308		172,308
<b>Total Operating Expenses</b>	<b>7,204,439</b>		<b>7,204,439</b>
<b>Change in Net Assets from Operating Activities</b>	<b>1,789,363</b>	<b>80,487</b>	<b>1,869,850</b>
<b>Nonoperating Revenues, Expenses, and Other</b>			
Investment earnings, net	50,830		50,830
Realized and unrealized gain (loss) on investments	271,820		271,820
<b>Total Nonoperating Revenues, Expenses, and Other</b>	<b>322,650</b>		<b>322,650</b>
<b>Total Change In Net Assets</b>	<b>2,112,013</b>	<b>80,487</b>	<b>2,192,500</b>
<b>Net Assets at Beginning of Year</b>	<b>4,106,199</b>	<b>13,496</b>	<b>4,119,695</b>
<b>Net Assets at End of Year</b>	<b>\$ 6,218,212</b>	<b>\$ 93,983</b>	<b>\$ 6,312,195</b>

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

2019

Without Donor Restrictions	With Donor Restrictions	Total
\$ 223,982	\$	\$ 223,982
301,719		301,719
1,582,933		1,582,933
229,234		229,234
61,254	30,000	91,254
3,024,298		3,024,298
568,404	31,000	599,404
4,582		4,582
<u>525,848</u>	<u>(525,848)</u>	
<u>6,522,254</u>	<u>(464,848)</u>	<u>6,057,406</u>
5,617,404		5,617,404
221,039		221,039
158,859		158,859
<u>5,997,302</u>		<u>5,997,302</u>
524,952	(464,848)	60,104
50,111		50,111
321,380		321,380
<u>371,491</u>		<u>371,491</u>
896,443	(464,848)	431,595
<u>3,209,756</u>	<u>478,344</u>	<u>3,688,100</u>
<u>\$ 4,106,199</u>	<u>\$ 13,496</u>	<u>\$ 4,119,695</u>



**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**

Statement of Functional Expenses  
For the Year Ended December 31, 2020

	2020			
	Food Distribution\ Programs	General and Administrative	Fund Raising	Total
<b>Expenses</b>				
Cost of goods distributed	\$ 5,887,846	\$	\$	\$ 5,887,846
Truck and trailer expense	100,072			100,072
Warehouse expense	154,870			154,870
Vehicle expense	15,126	4,567		19,693
Payroll	382,929	154,480	75,388	612,797
Payroll taxes and employee benefits	61,540	24,886	12,145	98,571
Utilities	47,011	15,670		62,681
Office and general expenses		34,638	5,990	40,628
Support services and training		33,809		33,809
Convention and travel expenses	1,201	3,601		4,802
Depreciation	107,888	1,997		109,885
Fund raising			78,785	78,785
Total expenses	\$ 6,758,483	\$ 273,648	\$ 172,308	\$ 7,204,439

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

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**

Statement of Functional Expenses  
For the Year Ended December 31, 2019

	2019			
	Food Distribution\ Programs	General and Administrative	Fund Raising	Total
<b>Expenses</b>				
Cost of goods distributed	\$ 4,941,986	\$	\$	\$ 4,941,986
Truck and trailer expense	57,188			57,188
Warehouse expense	95,320			95,320
Vehicle expense	18,820	7,988		26,808
Payroll	332,059	121,948	66,956	520,963
Payroll taxes and employee benefits	60,440	22,196	12,187	94,823
Utilities	42,100	14,033		56,133
Office and general expenses		37,522	6,362	43,884
Support services and training		13,586		13,586
Convention and travel expenses	923	2,768		3,691
Depreciation	68,568	998		69,566
Fund raising			73,354	73,354
Total expenses	\$ 5,617,404	\$ 221,039	\$ 158,859	\$ 5,997,302

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

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,192,500	\$ 431,595
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	109,885	69,566
Change in beneficial interest in assets held by others		
Unrealized (gain) loss on investments	(230,438)	(321,380)
(Increase) decrease in:		
Accounts receivable	13,209	9,524
Grants receivable	(24,303)	(7,129)
Pledge receivable	3,000	3,500
Inventory	(359,205)	28,761
Prepaid and other assets	(1,436)	(4,445)
Increase (decrease) in:		
Accounts payable	(17,982)	9,733
Deferred revenue	27,495	(3,249)
	1,712,725	216,476
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(492,424)	(676,183)
Purchase of securities	(1,155,378)	(1,646,828)
Proceeds from sale of securities	1,067,818	1,602,199
	(579,984)	(720,812)
<b>Cash flows from financing activities</b>		
Proceeds from PPP SBA loan	117,590	
Distributions from invested funds	61,812	216,327
	179,402	216,327
<b>Net change in cash and cash equivalents</b>	1,312,143	(288,009)
<b>Cash and cash equivalents at beginning of year</b>	167,279	455,288
<b>Cash and cash equivalents at end of year</b>	\$ 1,479,422	\$ 167,279

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

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

A summary of **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'** (the "Organization") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Organization

**Food Bank of Abilene, Inc. dba Food Bank of West Central Texas** is incorporated and operated as a non-profit organization under the laws of the State of Texas. It has also been accorded recognition as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code by the Commissioner of Internal Revenue and is not considered a private foundation. Accordingly, there is no provision for federal income tax or related items. During the year, there were 15 members serving as the board of directors. While major decisions are made by the Board, the Executive Director is a paid employee, whose duties include all of the necessary daily decisions. The purpose of the Organization is to function as a member of Feeding America and Feeding Texas, and through these organizations obtain donated and purchased food to be redistributed to churches and non-profit 501(c)(3) agencies in the Organization's service area. In January 2005, Food Bank of Abilene, Inc. filed an assumed name certificate in Taylor County, Texas, and began operating as Food Bank of West Central Texas. The name change was effected to reflect the broader geographical area served by the Organization and its programs.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under this basis of accounting, revenue and support are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The focus of the financial statements is to present the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Income and net gains on investments of endowments and similar funds are reported as increases in net asset with donor restrictions if the terms of the gift require that they be added to the principal of the endowment fund. The gains on investments that are available for current use by the Organization are reported as increases in net assets without donor restrictions.

With respect to net assets with donor restrictions, the Organization has adopted the following policies:

Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net asset with donor restriction class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions. The Organization will use net assets with donor restrictions first for contributions received for which both net assets with and without donor restrictions are available.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all cash and cash investments with original maturities of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. The estimated fair value of debt and equity securities is based on quoted market prices.

Accounts Receivable

Accounts receivable consist of handling fees charged to the agencies when food is picked up. The Organization does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible, it is deducted from the accounts receivable and charged back to the appropriate revenue account. The direct write off method used is not materially different from the allowance method required under generally accepted accounting principles.

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

Inventory

A large amount of the Organization's inventory is donated. As determined by Feeding America, inventory is valued at the fair market value of \$1.74 and \$1.62 per pound for 2020 and 2019, respectively. Inventory also includes purchased product and commodities from the USDA, which are valued according to the USDA cost value list. The inventory held at year end consist of:

	2020	2019
Donated inventory	\$ 253,948	\$ 155,041
Purchased inventory	231,509	73,581
USDA commodity inventory	231,462	129,092
Total inventory	\$ 716,919	\$ 357,714

Property and Equipment

Property and equipment additions are recorded at cost. Donated fixed assets are capitalized at estimated fair value and recorded as contributions in the year received. Maintenance, repairs and renewals are expensed as incurred while additions and improvements are capitalized. Depreciation is computed using the straight-line method in amounts sufficient to amortize the cost of property and equipment over their estimated useful lives, which are as follows:

Buildings	30 years
Building improvements	10 to 20 years
Warehouse and office equipment	3 to 10 years
Vehicles	5 to 7 years

Functional Allocation of Expenses

The expenses of providing various programs and services have been categorized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salary and related taxes and benefits are allocated based on time and effort. Occupancy costs are allocated based on space utilized.

Tax Status

The Organization is a tax-exempt institution under section 501(c)(3) of the Internal Revenue Code and is not a private foundation under the Tax Reform Act of 1969; accordingly, no provision for taxes has been made in the financial statements. The Organization is not liable for any federal income taxes resulting from any unrelated business income. For 2020 and 2019, there were no liabilities for any federal income tax resulting from unrelated business income.

Subsequent Events

Management has evaluated subsequent events through July 28, 2021, the date the financial statements were available to be issued.

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

*NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS*

The Organization has \$3,680,013 and \$2,184,077 of financial assets available within one year of the statement of financial position dates of December 31, 2020 and 2019, respectively, to meet cash needs for general operating expenditures, which consist of:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,479,422	\$ 167,279
Investments	2,696,402	2,440,216
Accounts receivable	15,937	29,146
Grants receivable	82,235	57,932
Pledges receivable		3,000
Less: Net assets restricted by donor	(93,983)	(13,496)
Less: Net assets designated for operating reserve	<u>(500,000)</u>	<u>(500,000)</u>
	<u>\$ 3,680,013</u>	<u>\$ 2,184,077</u>

*NOTE 3: INVESTMENTS*

Estimated fair values have been determined by the fund custodian using the best available data. Financial instruments actively traded in a secondary market have been valued using quoted market prices. The Organization records all investments at their fair market value. Investments as of December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investments:				
Cash Equivalents	\$ 102,140	\$ 102,140	\$ 222,255	\$ 222,255
Fixed Income	878,354	925,821	819,439	823,475
Equity	<u>1,067,689</u>	<u>1,668,441</u>	<u>989,721</u>	<u>1,394,486</u>
Totals	<u>\$ 2,048,183</u>	<u>\$ 2,696,402</u>	<u>\$ 2,031,415</u>	<u>\$ 2,440,216</u>

The investment returns for the years ended December 31, 2020 and 2019 were unrestricted. The following schedule summarizes the investment return for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investment earnings	\$ 62,732	\$ 62,319
Investment fees	(11,902)	(12,208)
Realized gains (losses)	41,382	50,011
Unrealized gains (losses)	<u>230,438</u>	<u>271,369</u>
Total investment return	<u>\$ 322,650</u>	<u>\$ 371,491</u>

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

*NOTE 3: INVESTMENTS – continued*

In November 2015, the Organization was named beneficiary of the Roberta Watters Trust FBO Food Bank of West Central Texas. The investment, held by First Financial Trust and Asset Management Company, was established when the Organization was named as a 20% remainder beneficiary of the Roberta Watters Revocable Trust. The funds have no donor restrictions. At December 31, 2019, investments were held as cash equivalents, and the fair market value was \$104,135. The remaining funds were transferred to operations for the cooler expansion project in April 2020.

*NOTE 4: FAIR VALUE DISCLOSURE*

Authoritative guidance provides a framework for measuring the fair value of assets and liabilities and requires the Organization to classify its assets and liabilities based on valuation methods using three levels. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Organization’s determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. As of December 31, 2020 and 2019, the Organization’s investments and beneficial interest in assets held by others are classified as Level 1 under the fair value framework.

*NOTE 5: PROPERTY AND EQUIPMENT*

	2020	2019
Buildings and improvements	\$ 1,901,821	\$ 1,787,969
Warehouse equipment	461,875	280,788
Vehicles	752,723	555,238
Office equipment	19,459	19,459
Land	2,215	2,215
Accumulated depreciation	(1,674,377)	(1,564,492)
Net property and equipment	\$ 1,463,716	\$ 1,081,177

Depreciation expense for the years ended December 31, 2020 and 2019 was \$109,885 and \$69,566, respectively.

*NOTE 6: NET ASSETS*

The Board of Directors designated a portion of the net asset without donor restrictions to be set aside for an operating reserve. The designated net assets without donor restrictions for the operating reserves were \$500,000 at December 31, 2020 and 2019.



**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

*NOTE 6: NET ASSETS – continued*

Net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	2020	2019
Feeding Programs	\$ <u>93,983</u>	\$ <u>13,496</u>

*NOTE 7: RELATED PARTY TRANSACTIONS*

The Organization purchased services and other items from various businesses whose management serves on the Food Bank’s Board of Directors. All of the transactions were consummated at arm’s length equivalent. For the years ended December 31, 2020 and 2019, the related party transactions aggregated approximately \$175,106 and \$197,513 respectively.

*NOTE 8: CONCENTRATION OF CREDIT RISK*

The Organization maintains cash accounts at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, the Organization participates in a repurchase agreement with First Financial Bank, which is fully collateralized by government securities. At December 31, 2020, the Organization’s cash held at financial institutions was fully secured.

A substantial portion of the Organization’s revenues is in the form of commodities and federal assistance received from the U.S. Department of Agriculture. As a result, the Organization’s overall exposure to credit risk is contingent upon future funding by federal agencies. The Organization also receives a significant amount of donated food and grants from Feeding America.

*NOTE 9: ENDOWMENT AND TRUST FUNDS*

Food Bank of West Central Texas is a beneficiary of the Robert, Elsie & Roberta Watters Endowment Fund. The Organization receives 25% of the payout from the fund, which is received on a quarterly basis based on the earnings of the fund. The fair market value of the fund at December 31, 2020 and 2019 was \$706,126 and \$633,561, respectively. The Community Foundation of Abilene, Inc. retains the variance power for the endowment fund; therefore, an asset is not recorded in the financial statements of the Food Bank.

During 2013, the Organization was named as a beneficiary of the LeRoy Edward Pietzsch Trust whereby the Organization receives \$1,000 each year for 25 years, at which time the trust will terminate and the assets of the trust will be distributed to the beneficiaries. The Food Bank of West Central Texas is to be distributed 3% of the trust assets at that time. The fair market value of the fund at December 31, 2020 and 2019 was \$1,961,525 and \$1,777,804, respectively. The trustee, First Financial Trust & Asset Management Company, retains the variance power for the trust; therefore, an asset is not recorded in the financial statements of the Food Bank.

**SINGLE AUDIT SECTION**

# ROBERTS & MCGEE, CPA

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Management of  
**Food Bank of Abilene, Inc. dba**  
**Food Bank of West Central Texas**  
Abilene, 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 statement of financial position of **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas** as of and for the year ended December 31, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, which collectively comprise **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'** basic financial statements, and have issued our report thereon dated July 28, 2021.

### **Internal Control Over Financial Reporting**

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

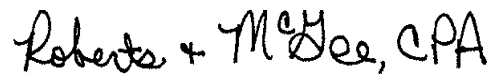
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas**' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

Handwritten signature in black ink that reads "Roberts & McGee, CPA". The signature is written in a cursive, slightly slanted style.

ROBERTS & MCGEE, CPA

Abilene, Texas  
July 28, 2021

# ROBERTS & MCGEE, CPA

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors and Management of  
**Food Bank of Abilene, Inc. dba**  
**Food Bank of West Central Texas**  
Abilene, Texas

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

We have audited **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas**' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas**' major federal programs for the year ended December 31, 2020. **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas**' 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 each of **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas**' 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 **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas**' 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 **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas**' compliance.

## Opinion on Each Major Federal Program

In our opinion, **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## Report on Internal Control Over Compliance

Management of **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas** 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 **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'** 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 **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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. We did not identify any deficiencies in internal control over compliance that we consider to be a significant deficiency in internal control over compliance.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

  
ROBERTS & MCGEE, CPA

Abilene, Texas  
July 28, 2021

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>FEDERAL AWARDS</b>			
<b><u>U.S. Department of Agriculture</u></b>			
Food and Nutrition Service:			
Passed through Tarrant Area Food Bank			
The Emergency Food Assistance Program- Administrative Costs	10.568	02370	\$ 298,905
The Emergency Food Assistance Program- Food Commodities	10.569	02370	<u>1,954,593</u>
Total Food Distribution Cluster			<u>2,253,498</u>
<b>Total U.S. Department of Agriculture</b>			<u>2,253,498</u>
 <b><u>U.S. Department of Homeland Security</u></b>			
Passed through Abilene/Jones, Taylor Cos., Tx Local Board			
Emergency Food and Shelter National Board Program	97.024	782000-009	<u>12,118</u>
<b>Total Federal Awards</b>			<u>\$ 2,265,616</u>

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

NOTE A: GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas**. **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'** reporting entity is defined in Note 1 of the financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards.

NOTE B: BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The accrual basis of accounting is described in Note 1 of the financial statements. Cost reimbursement federal grants are considered to be earned to the extent of expenditures made under the provision of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned. Revenue is recognized for commodities when received and included in inventory. Expenditures are recorded when the inventory is distributed to third parties. The Schedule includes revenue recognized in **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'** financial statements.

The format for the Schedule of Expenditures of Federal Awards has been prescribed by the Uniform Guidance. **Food Bank of Abilene, Inc. dba Food Bank of West Central Texas** did not elect to use the 10 percent de minimis indirect cost rate.

NOTE C: RECONCILIATION OF FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for The Emergency Food Assistance Program - Food Commodities. The following reconciles the commodities received to the commodities expended and reflected in the schedule:

Federal commodities received	\$2,056,963
Increase in commodities inventory	<u>( 102,370)</u>
Federal expenditures per schedule	<u>\$1,954,593</u>

NOTE D: SUBRECIPIENTS

There were no subrecipients of the federal expenditures presented in the accompanying schedule of expenditures of federal awards.



**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

**A. Summary of Auditor's Results**

1. Type of auditor's report issued on the financial statements: Unmodified
2. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. A material weakness in internal control over compliance of the major program is reported in this schedule.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major Programs are:  
  
The Emergency Food Assistance Program - Food Commodities  
CFDA #10.569  
Federal Grantor: U.S. Department of Agriculture  
Pass-through: Tarrant Area Food Bank  
  
The Emergency Food Assistance Program - Administrative Costs  
CFDA #10.568  
Federal Grantor: U.S. Department of Agriculture  
Pass-through: Tarrant Area Food Bank
8. Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000
9. Low-Risk Auditee: Yes

**B. Findings Related to the Financial Statements**

None

**C. Findings and Questioned Costs Related to the Federal Award Programs**

**Finding 2020-001 – Material weakness in internal control over the USDA food commodity inventory**

- a. **Condition:** The year-end physical inventory that was performed by the Organization was not performed accurately and thoroughly, and the results of the reconciliation of the physical inventory count to the USDA food records resulted in numerous discrepancies.
- b. **Criteria:** The Organization is required by the USDA to maintain appropriate accounting for USDA foods, to perform an annual physical inventory, and to reconcile the physical inventory with the inventory records.

- c. **Cause:** A new warehouse manager was hired at the beginning of the fiscal year, and he was not properly trained on the Organization's internal controls in the performance of accurate and timely physical inventory counts. Supervisory oversight was also not appropriate to ensure that the Organization's procedures were followed. These weaknesses in the Organization's internal controls over its USDA food inventory during the year caused the discrepancies noted between the annual physical inventory count and the inventory subsidiary records. In previous years in accordance with the Organization's policies, the Organization performed quarterly physical inventory counts of all inventory and weekly spot checks on USDA food inventory to help ensure that inventory records were accurate and that abuse and fraud were prevented.

Also, due to the COVID-19 pandemic during the 2020 year, the amount of food the Organization received increased 15-20%, there was higher demand for food distribution, and the Organization's employee workforce was affected due to pandemic shut-downs and work at home requirements. The Organization's normal policies and procedures were not always able to be followed, as providing food to the needy through-out the year was the focus of the Organization.

- d. **Effect:** Accurate inventory records were not maintained through-out the year, and the physical inventory was not properly maintained in order to prevent potential abuse or fraud. There were no material questioned costs to report.
- e. **Recommendation:** The Organization should ensure that its internal control procedures over the USDA food commodity inventory are followed, that the warehouse manager and staff are properly trained to follow established inventory procedures, and that management provide adequate oversight to ensure adherence to internal control procedures.
- f. **Response:** The Organization has accomplished the following procedural corrections since identification of the inventory control issues. Staff have been retrained on proper inventory counting and documentation procedures. Inventory was conducted on a monthly basis during the second quarter of the year to re-emphasize and retrain on all procedures. Inventory results were within tolerance each time. Inventory will be conducted on a monthly basis for the remainder of calendar year 2021 beginning September 30 to further emphasize correct procedures, cross train existing staff and onboard new staff.

**FOOD BANK OF ABILENE, INC. dba  
FOOD BANK OF WEST CENTRAL TEXAS**

Summary Schedule of Prior Year Findings and Questioned Costs

For the Year Ended December 31, 2020

No Findings or Questioned Costs in the Prior Year.