

FOOD BANK OF ABILENE, INC. dba
FOOD BANK OF WEST CENTRAL TEXAS
Abilene, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

YEARS ENDED DECEMBER 31, 2022 and 2021

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

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Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the financial Statements

Opinion

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, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas as of December 31, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are required to be independent of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'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 Food Bank of Abilene, Inc. dba Food Bank of West Central Texas'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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 April 13, 2023, 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.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
April 13, 2023

FINANCIAL STATEMENTS

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash on hand and in banks	\$ 3,007,440	\$ 2,266,295
Restricted cash	468,270	771
Investments	3,399,555	2,933,390
Accounts receivable	73,616	21,531
Grants receivable	122,116	62,508
Inventory	784,841	806,305
Prepaid and other assets	3,700	12,110
Total current assets	<u>7,859,538</u>	<u>6,102,910</u>
Noncurrent Assets		
Property, plant & equipment, net of accumulated depreciation	<u>1,570,606</u>	<u>1,353,900</u>
Total noncurrent assets	<u>1,570,606</u>	<u>1,353,900</u>
TOTAL ASSETS	<u>\$ 9,430,144</u>	<u>\$ 7,456,810</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 74,302	\$ 13,231
Accrued expenses	21,479	15,795
Deferred revenue	1,060,381	6,866
Total current liabilities	<u>1,156,162</u>	<u>35,892</u>
Total liabilities	<u>1,156,162</u>	<u>35,892</u>
Net Assets		
Net assets without donor restrictions		
Undesignated	7,005,712	6,620,147
Designated by the governing board	800,000	800,000
Net assets with donor restrictions	<u>468,270</u>	<u>771</u>
Total net assets	<u>8,273,982</u>	<u>7,420,918</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,430,144</u>	<u>\$ 7,456,810</u>

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

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

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains, and Other Support			
Shared maintenance fees	\$ 167,309	\$	\$ 167,309
Purchased product	230,889		230,889
USDA - commodities	1,887,089		1,887,089
Acc USDA - federal assistance	413,154		413,154
Other grant revenue	875,907	565,323	1,441,230
Loan forgiveness			
Donated food	3,994,013		3,994,013
Contributions	1,156,459		1,156,459
Other income	1,800		1,800
Net assets released from restriction	97,824	(97,824)	
Total Operating Revenues, Gains, and Other Support	8,824,444	467,499	9,291,943
Operating Expenses			
Food distribution	7,469,381		7,469,381
General and administrative	362,043		362,043
Fund raising	224,392		224,392
Total Operating Expenses	8,055,816		8,055,816
Change in Net Assets from Operating Activities	768,628	467,499	1,236,127
Nonoperating Revenues, Expenses, and Other			
Investment earnings, net	69,010		69,010
Realized and unrealized gain (loss) on investments	(452,073)		(452,073)
Total Nonoperating Revenues, Expenses, and Other	(383,063)		(383,063)
Change in Net Assets	385,565	467,499	853,064
Net Assets at Beginning of Year	7,420,147	771	7,420,918
Net Assets at End of Year	\$ 7,805,712	\$ 468,270	\$ 8,273,982

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

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 207,155	\$	\$ 207,155
193,872		193,872
1,666,181		1,666,181
224,279		224,279
81,048	120,000	201,048
117,726		117,726
3,212,953		3,212,953
1,843,214		1,843,214
2,125		2,125
213,212	(213,212)	
<u>7,761,765</u>	<u>(93,212)</u>	<u>7,668,553</u>
6,413,000		6,413,000
273,153		273,153
188,384		188,384
<u>6,874,537</u>		<u>6,874,537</u>
887,228	(93,212)	794,016
47,058		47,058
267,649		267,649
<u>314,707</u>		<u>314,707</u>
1,201,935	(93,212)	1,108,723
6,218,212	93,983	6,312,195
<u>\$ 7,420,147</u>	<u>\$ 771</u>	<u>\$ 7,420,918</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Food Distribution/ Programs	General and Administrative	Fund Raising	Total
Cost of goods distributed	\$ 6,588,847	\$	\$	\$ 6,588,847
Truck and trailer Accounts receivable	70,656			70,656
Warehouse expense	139,216			139,216
Vehicle expense	24,844	8,281		33,125
Payroll	378,453	151,381	75,691	605,525
Payroll taxes and employee benefits	59,355	23,743	11,872	94,970
Utilities	60,201	20,067		80,268
Office and general expenses		129,187	22,798	151,985
Support services and training		24,009		24,009
Convention and travel expenses	1,126	3,378		4,504
Depreciation	146,683	1,997		148,680
Fund raising			114,031	114,031
	\$ 7,469,381	\$ 362,043	\$ 224,392	\$ 8,055,816
Total expenses	\$ 7,469,381	\$ 362,043	\$ 224,392	\$ 8,055,816

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

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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Food Distribution/ Programs	General and Administrative	Fund Raising	Total
Cost of goods distributed	\$ 5,528,807	\$	\$	\$ 5,528,807
Truck and trailer Accounts receivable	78,623			78,623
Warehouse expense	152,106			152,106
Vehicle expense	27,320	9,107		36,427
Payroll	382,028	152,812	76,406	611,246
Payroll taxes and employee benefits	63,503	25,402	12,701	101,606
Utilities	46,156	15,386		61,542
Office and general expenses		48,118	8,492	56,610
Support services and training		18,417		18,417
Convention and travel expenses	638	1,914		2,552
Depreciation	133,819	1,997		135,816
Fund raising			90,785	90,785
	<u>\$ 6,413,000</u>	<u>\$ 273,153</u>	<u>\$ 188,384</u>	<u>\$ 6,874,537</u>
Total expenses	\$ <u>6,413,000</u>	\$ <u>273,153</u>	\$ <u>188,384</u>	\$ <u>6,874,537</u>

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

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 853,064	\$ 1,108,723
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
A Depreciation	148,680	135,816
Realized gain on sale of assets	(60,883)	(187,662)
Unrealized/realized (gain) loss on investments	512,956	(79,987)
(Increase) Decrease in operating assets		
Accounts receivable	(52,085)	(5,594)
Grants receivable	(59,608)	19,727
Inventory	21,464	(89,386)
Prepaid and other assets	8,410	(2,926)
Increase (Decrease) in operating liabilities		
Deferred revenue	1,053,515	(24,165)
Accrued expense	5,684	
PPP loan payable		(117,726)
Other current liabilities	61,071	26,163
Net cash provided by operating activities	<u>2,492,268</u>	<u>782,983</u>
Cash flows from investing activities		
Purchase of investments	(2,122,929)	(743,903)
Sale of investments	1,204,691	701,527
Purchase of assets	(365,386)	(26,000)
Net cash used by investing activities	<u>(1,283,624)</u>	<u>(68,376)</u>
Cash flows from financing activities		
Distributions from invested funds		<u>73,037</u>
Net cash provided by investing activities		<u>73,037</u>
Net increase in cash and cash equivalents	1,208,644	787,644
Cash and cash equivalents at beginning of year	<u>2,267,066</u>	<u>1,479,422</u>
Cash and cash equivalents at end of year	<u>\$ 3,475,710</u>	<u>\$ 2,267,066</u>
Cash on hand and in banks	3,007,440	2,266,295
Restricted cash	468,270	771
Cash and cash equivalents at end of year	<u>\$ 3,475,710</u>	<u>\$ 2,267,066</u>

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas are summarized as follows:

Nature of Activities

Food Bank of Abilene, Inc. dba Food Bank of West Central Texas is incorporated and operated as a not-for profit corporation under the laws of the State of Texas. During the year, there were 16 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 affected to reflect the broader geographical area served by the Organization and its programs.

Basis of Accounting

The financial statements of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas have been prepared on the accrual basis of accounting, which is generally accepted accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Organization has adopted FASB ASC 958-210-45-1. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Concentrations

A significant portion of the Organization's funding is provided by grants from the U.S. Department of Agriculture that are passed through the Tarrant Area Food Bank.

Use of Estimates

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

Income Taxes

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and has no unrelated business income; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization files an informational return (Form 990) and is generally no longer subject to examination by the Internal Revenue Service for years before 2019.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with an initial maturity of three months or less to be cash equivalents. At times during the year the cash balances may exceed FDIC coverage. The Organization feels the risk of loss is low due to the strength of the financial institution where funds are held.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values (see Note 3) in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions and reclassified to net assets without donor restrictions to reflect the expiration of the restriction.

Inventories

A large amount of the Organization's inventory is donated. As determined by Feeding America, inventory is valued at the fair market value of \$1.92 and \$1.74 per pound for 2022 and 2021. Inventory also includes purchased product and commodities from the USDA, which are valued according to the USDA cost value list. Then inventory held at year end consist of:

	2022	2021
Donated inventory	\$ 231,639	\$ 159,883
Purchased inventory	442,049	536,528
USDA commodity inventory	111,153	109,894
	\$ 784,841	\$ 806,305

Accounts Receivables

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 is not materially different from the allowance method required under generally accepted accounting principles.

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at date of donation. Maintenance, repairs and renewals are expensed as incurred while additions and improvements are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

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

Board Designated Funds

The Board has established an operating reserve of \$500,000 which was increased to \$800,000 during 2021 to be held until or unless the Organization needs the reserve funds to supplement operating expenses.

Contributed Materials and Services

The Organization has a number of volunteers who have donated thousands of hours to the Organization's program and support services. Volunteers and groups of volunteers help to collect food donations and help to sort and organize donations once received. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

Contributions

Contributions received are recorded as support with or without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions with donor restrictions and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities are reflected in the schedule of functional expenses. Salary costs are allocated based on the time spent on various functions and the other costs are allocated based on usage of the facility or service.

NOTE 2: *LIQUIDITY*

The Organization has \$5,802,727 and \$4,483,724 of financial assets available within one year of the statement of financial position dates of December 31, 2022 and 2021, respectively, to meet cash needs for general operating expenses, which consist of:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,475,710	\$ 2,267,066
Investments	3,399,555	2,933,390
Accounts receivable	73,616	21,531
Grants receivable	122,116	62,508
Less: Net assets restricted by donor	(468,270)	(771)
Less: Net assets designated as reserve	(800,000)	(800,000)
	<u>\$ 5,802,727</u>	<u>\$ 4,483,724</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3: FINANCIAL INSTRUMENTS

Fair Value Measurements

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

For accounts receivable, accounts payable, and other current assets, carrying value approximates fair value due to the short-term nature of the assets. Inventory and property, plant and equipment are carried at cost. Investments are carried at market prices as shown below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization's valuation methodologies 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 estimate of fair value at the reporting date.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3: FINANCIAL INSTRUMENTS - continued

Investments

On December 31, 2022 and 2021, the Organization's investments held by others are classified as Level 1 under the fair value framework.

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash Equivalents	\$ 996,847	\$ 996,847	\$ 143,538	\$ 143,538
Fixed Income	1,025,577	935,333	990,432	997,563
Equity	1,150,091	1,467,375	1,065,496	1,792,289
Total investments	\$ 3,172,515	\$ 3,399,555	\$ 2,199,466	\$ 2,933,390

The investment returns for the years ended December 31, 2022 and 2021 were unrestricted. The following schedule summarizes the investment return of the years ended December 31, 2022 and 2021:

	2022	2021
Investment earnings	\$ 82,511	\$ 61,204
Investment fees	(13,501)	(14,146)
Realized gain	60,883	187,662
Unrealized gain	(512,956)	79,987
Total	\$ (383,063)	\$ 314,707

NOTE 4: PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at years ended December 31.

	2022	2021
Buildings and improvements	\$ 1,905,756	\$ 1,901,821
Warehouse equipment	661,207	487,875
Vehicles	910,885	752,723
Office equipment	19,459	19,459
Construction in progress	29,957	
Land	2,215	2,215
	3,529,479	3,164,093
Less: Accumulated depreciation	1,958,873	1,810,193
Net Property & equipment	\$ 1,570,606	\$ 1,353,900

Depreciation expense for the years ended December 31, 2022 and 2021 is \$148,680 and \$135,816, respectively.

NOTE 5: PPP LOAN FORGIVENESS

The organization entered into a note agreement with First Financial Bank in the amount of \$117,726. The loan is payable in 18 monthly installments of \$4,951, including interest at 1%. The loan originally matured in 2022. The loan was forgiven during the year ended December 31, 2021.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6: REVENUE RECOGNITION

The Organization receives grants for support through various claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2022 or 2021 have been recorded as receivables.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022 and 2021, the Organization had net assets with donor restrictions as follows:

	<u>12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2022</u>
Refrigeration on trucks	\$ 771	\$ 25,000	\$ 771	\$ 25,000
Chic Fil-A backpack				
Computer system upgrade		250,000		250,000
Food grant		290,323	97,053	193,270
Total net assets				
with donor restrictions	<u>\$ 771</u>	<u>\$ 565,323</u>	<u>\$ 97,824</u>	<u>\$ 468,270</u>

NOTE 8: RELEASE OF RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, during the year ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Chick Fil-A backpack	\$ 771	\$ 24,229
Atmos Energy backpack		68,983
Childhood hunger		90,000
Purchase of food	97,053	30,000
	<u>\$ 97,824</u>	<u>\$ 213,212</u>

NOTE 9: DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through April 13, 2023, the date the financial statements were available to be issued.

FEDERAL AWARDS SECTION

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

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 of
Food Bank of Abilene, Inc. dba Food Bank of West Central Texas
Abilene, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 April 13, 2023.

Report On 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 the Organization's internal control.

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

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

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

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
April 13, 2023

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on 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 identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas, 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 Food Bank of Abilene, Inc. dba Food Bank of West Central Texas' 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 Food Bank of Abilene, Inc. dba Food Bank of West Central Texas' 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 Food Bank of Abilene, Inc. dba Food Bank of West Central Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Food Bank of Abilene, Inc. dba Food Bank of West Central Texas' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Food Bank of Abilene, Inc. dba Food Bank of West Central Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas' 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
April 13, 2023

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2022

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses?
None

Noncompliance material to financial statements noted? None

Federal Awards

Internal control over major programs:

- Material weakness identified? None
- Significant deficiencies identified that are not considered to be material weaknesses?
None

Type of auditor's report issued on compliance for major programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?
None

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
10.569	USDA Emergency Food Assistance Program - Food Commodities Pass-through: Tarrant Area Food Bank	\$1,885,829
10.568	USDA Emergency Food Assistance Program - Administrative Costs Pass-through: Tarrant Area Food Bank	\$ 413,154

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee under 2 CFR section 200.520? Yes

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

None

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

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

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2022

None

Contact: Ronnie Kidd, Executive Director (325) 695-6311

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Audit Period Disbursement/ Expense
U.S. Department of Agriculture			
Food and Nutrition Service:			
Passed through Tarrant Area Food Bank			
Account The Emergency Food Assistance Program -			
Administrative Costs	10.568	02370	\$ 413,154
Food Commodities	10.569	02370	<u>1,885,829</u>
Total Food Distribution Cluster			<u>2,298,983</u>
Total U.S. Department of Agriculture			<u>2,298,983</u>
U.S. Department of the Treasury			
Coronavirus State & Local Fiscal Recovery Funds			
Passed through Texas Department of Agriculture			
Capacity Grant	21.024	GFB202208	<u>273,554</u>
Total Coronavirus State & Local Fiscal Recovery Funds			<u>273,554</u>
Total U.S. Department of the Treasury			<u>273,554</u>
U.S. Department of Homeland Security			
Passed through Abilene, Jones/Taylor Cos., TX Local Board			
Emergency Food and Shelter National Board Program	97.024	782000-009	<u>51,379</u>
Total Emergency Food and Shelter National Board Program			<u>51,379</u>
Total U.S. Department of Homeland Security			<u>51,379</u>
U.S. Department of Housing and Community Affairs			
Passed through Feeding Texas			
Community Development Block Grant	14.228	70400001001	<u>286,600</u>
Total Community Development Block Grant			<u>286,600</u>
Total U.S. Department of Housing and Community Affairs			<u>286,600</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,910,516</u></u>

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirement 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 Food Bank of Abilene, Inc. dba Food Bank of West Central Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Food Bank of Abilene, Inc. dba Food Bank of West Central Texas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized for commodities when received and included in inventory. Expenses 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.

NOTE 3: INDIRECT COST RATE

Food Bank of Abilene, Inc. dba Food Bank of West Central Texas has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: SUBRECIPIENTS

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