

# **SOUTH TEXAS FOOD BANK**

FINANCIAL STATEMENTS &  
INDEPENDENT AUDITOR'S REPORT

**SEPTEMBER 30, 2020**





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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
South Texas Food Bank  
Laredo, Texas

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

We have audited the accompanying financial statements of the South Texas Food Bank (the Organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### *Auditor's Responsibility (Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the Organization as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

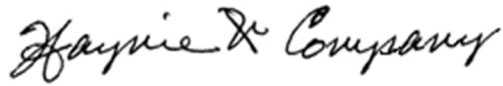
### *Other Matters*

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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Haynie & Company".

San Antonio, Texas  
June 21, 2021

## **Financial Statements**

**South Texas Food Bank**  
**Statement of Financial Position**  
**September 30, 2020**

<b>Current Assets</b>	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Cash and Cash Equivalents	\$ 1,888,847	\$ -	\$ 1,888,847
Agency and Grant Receivables	249,682	-	249,682
Donated Food Inventory	653,962	2,688,904	3,342,866
	<u>2,792,491</u>	<u>2,688,904</u>	<u>5,481,395</u>
Property and Equipment, Net of Accumulated Depreciation	6,082,305	-	6,082,305
	<u>6,082,305</u>	<u>-</u>	<u>6,082,305</u>
<b>Total Assets</b>	<u>\$ 8,874,796</u>	<u>\$ 2,688,904</u>	<u>\$ 11,563,700</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 349,027	\$ -	\$ 349,027
PPP Loan	302,600	-	302,600
Line of Credit	797,857	-	797,857
	<u>1,449,484</u>	<u>-</u>	<u>1,449,484</u>
<b>Total Liabilities</b>	<u>1,449,484</u>	<u>-</u>	<u>1,449,484</u>
<b>Net Assets</b>	<u>7,425,312</u>	<u>2,688,904</u>	<u>10,114,216</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 8,874,796</u>	<u>\$ 2,688,904</u>	<u>\$ 11,563,700</u>

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

**South Texas Food Bank**  
**Statement of Activities**  
**For the Year Ended September 30, 2020**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>			
Federal Grants:			
USDA/CSFP Commodities	\$ -	\$ 6,939,016	\$ 6,939,016
USDA/TEFAP Commodities	-	11,315,228	11,315,228
TDA - CSFP (Administrative Costs)	906,733	-	906,733
TDA - TEXCAP (Administrative Costs)	480,757	-	480,757
TDA - TRDMIT (Administrative Costs)	231,566	-	231,566
TDA - CACFP	62,937	-	62,937
TDA - SFSP	118,657	-	118,657
SNAP	105,469	-	105,469
FEMA	5,414,072	-	5,414,072
Total Federal Grants and Revenue	<u>7,320,191</u>	<u>18,254,244</u>	<u>25,574,435</u>
Value of Donated Food Inventory	24,641,086	-	24,641,086
Service Fees	553,324	-	553,324
Private and State Grants	410,893	-	410,893
Donations	2,658,104	-	2,658,104
Special Events	56,682	-	56,682
Miscellaneous Income	30,404	-	30,404
Dividend and Interest Income	4,460	-	4,460
Net Assets released from Restrictions	19,340,488	(19,340,488)	-
Total Federal Grants and Revenue	<u>55,015,632</u>	<u>(1,086,244)</u>	<u>53,929,388</u>
<b>Expenses</b>			
Program	50,884,551	-	50,884,551
Support Services:			
Administrative	2,094,767	-	2,094,767
Fundraising	138,370	-	138,370
Total Expenses	<u>53,117,688</u>	<u>-</u>	<u>53,117,688</u>
Increase in Net Assets	1,897,944	(1,086,244)	811,700
<b>Net Assets at the Beginning of Year</b>	<u>5,527,368</u>	<u>3,775,148</u>	<u>9,302,516</u>
<b>Net Assets at the Ending of Year</b>	<u>\$ 7,425,312</u>	<u>\$ 2,688,904</u>	<u>\$ 10,114,216</u>

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



**South Texas Food Bank**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2020**

	Program	Supporting Services			Total
	Services	Administrative	Fundraising	Total	Expenses
Distributed Food	\$ 44,263,458	\$ -	\$ -	\$ -	\$ 44,263,458
Salaries	397,297	994,554	53,669	1,048,223	1,445,520
Taxes and Workers' Compensation	6,248	133,850	5,849	139,699	145,947
Communication Expense	2,944	2,925	-	2,925	5,869
Contract Labor	10,802	34,173	840	35,013	45,815
Depreciation	-	261,423	-	261,423	261,423
Equipment Lease	18,968	75,066	-	75,066	94,034
Facilities	99,582	60,046	-	60,046	159,628
Food Purchases	5,671,843	289,086	-	289,086	5,960,929
Insurance	111,793	163,570	5,877	169,447	281,240
Interest Expense	74,729	-	-	-	74,729
Office	39,823	46,335	3,929	50,264	90,087
Payroll Fees	96	14,773	88	14,861	14,957
Professional Fees	-	5,870	-	5,870	5,870
Special Events	-	-	68,118	68,118	68,118
Transportation	186,308	-	-	-	186,308
Travel & Training	660	13,096	-	13,096	13,756
	<u>\$ 50,884,551</u>	<u>\$ 2,094,767</u>	<u>\$ 138,370</u>	<u>\$ 2,233,137</u>	<u>\$ 53,117,688</u>

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

**South Texas Food Bank**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2020**

**Cash Flows From Operating Activities:**

Change in Net Assets	\$	811,700
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation		261,423
(Increase) Decrease in:		
Agency and Grant Receivable		8,624
Inventories		1,284,727
Increase in:		
Accounts Payable and Accrued Expenses		317,242
Net Cash Provided by Operating Activities		2,683,716

**Cash Flows From Investing Activities:**

Cash Paid for Property and Equipment		(876,024)
Net Cash Used by Investing Activities		(876,024)

**Cash Flows From Financing Activities:**

Net Change in Line of Credit		(800,000)
Proceeds from PPP Loan		302,600
Net Cash Used by Financing Activities		(497,400)
Net Increase in Cash and Cash Equivalents		1,310,292
Cash and Cash Equivalents at Beginning of Year		578,555
Cash and Cash Equivalents at End of Year	\$	1,888,847
<u>Supplemental Information:</u>		
Interest Paid	\$	74,729

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

# **South Texas Food Bank**

## **Notes to Financial Statements (continued)**

### **September 30, 2020**

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#### **1. Nature of Activities**

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The South Texas Food Bank (Food Bank) is a Texas non-profit organization that began operations in 1989. The Food Bank's mission is to alleviate hunger in South Texas by collecting and distributing food through partner agencies and programs while creating awareness and educating the community on the realities of hunger. The Food Bank collects and warehouses salvageable food, which has been donated by organizations and business, and distributes it to other non-profit agencies (agencies) which feed and distribute food to low-income families and individuals. The Food Bank services agencies within eight county areas of South Texas. Funding is provided primarily by donated commodities obtained from a nationwide network of sources including supermarket chains, the United States Department of Agriculture and food drives.

#### **2. Summary of Significant Accounting Policies**

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##### **Basis of Accounting**

The Food Bank prepares its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

##### **Financial Statement Presentation**

The Food Bank has adopted FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities Presentation of Financial Statements*. ASC 958 establishes external financial reporting for not-for-profit organizations regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as applicable. Net assets of the Organization and changes therein are classified and reported according to class of net assets as follows:

*Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the organization. Net assets without donor restrictions may be designated for specific purposes by actions of the Food Bank.

*Net Assets with Donor Restrictions* – Net assets that are subject to donor-imposed stipulations imposed by donors and grantors. Donors restrictions are temporary in nature and can be fulfilled by actions of the Food Bank pursuant to those stipulations or the expire by the passage of time.

**South Texas Food Bank**  
**Notes to Financial Statements (continued)**  
**September 30, 2020**

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**2. Summary of Significant Accounting Policies (Continued)**

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**Use of Estimates**

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

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year financial statement presentation.

**Cash and Cash Equivalents**

For purposes of cash flows, the Food Bank considers investments available for current use with an initial maturity date of three months or less to be cash equivalents. The Food Bank maintains its cash in bank deposit accounts. As of year end, deposits in excess of federally insured amounts up to \$250,000 under the Federal Deposit Insurance Corporation (FDIC) totaled \$1,473,134. Management believes it is not exposed to any significant risk on cash accounts and has not experienced any historical losses.

**Shared Maintenance Fees**

The Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based on predetermined rates from \$0.00 to \$0.18 per pound.

**Agency and Grants Receivable**

Agency and grants receivable represent amounts due from agencies and others and are stated at the amount the Food Bank expects to collect for shared maintenance fees and grants from government agencies. Provisions for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Food Bank determines that payments will not be received. Any subsequent receipts are credited to the allowance.

As of September 30, 2020, management estimates that no reserve for losses on receivables is required.

**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**2.Summary of Significant Accounting Policies (Continued)**

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**Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. Depreciation is calculated using the straight-line method over useful lives of the assets, ranging from three to fifteen years for vehicles, office furniture and equipment and seven to thirty-nine years for buildings and building improvements. Maintenance and repairs that do not increase the useful life of the asset are expensed as incurred while major additions and improvements that do increase the useful life of the asset are capitalized. It is in the Food Bank's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of accounts and any gains or losses are reported in the change in net assets.

**Inventory**

Inventory is stated at lower of cost or market determined by the first-in, first-out method. Inventory consists of donated food and non-food items, purchased food, and commodities received from the United States Department of Agriculture (USDA). USDA and donated food and non-food items were valued at \$1.62 and \$1.74 pounds for the year ended September 30, 2020. This valuation is based on published fair market value derived from cost studies conducted by Feeding America. Purchased food is valued at the latest purchase price. USDA commodity inventory amounts as of September 30, 2020 are restricted to distribution programs serving low-income families and individuals. Therefore, the value of these ending inventories is reflected as net assets with donor restrictions in the statement of financial position. Accordingly, the distribution of these commodities is reflected in the statement of activities as assets released from restriction.

**Allocation of Functional Expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. For the year ended September 30, 2020, approximately 96% of costs have been allocated to program services.

**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**2.Summary of Significant Accounting Policies (Continued)**

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**Compensated Absences**

Employees of the Food Bank are entitled to paid time off depending on length of service and other factors. The Food Bank cannot reasonably estimate the amount of compensation for future absences. Accordingly, no liability has been recorded in the accompanying financial statements. The Food Bank's policy is to recognize the cost of compensated absences when paid to employees.

**Contributions**

The Food Bank recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

The Food Bank has adopted Accounting Standards Update ("ASU") No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made* (Topic 605) during 2020, as management believes the standard improves the usefulness and understandability of the Food Bank's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosure of contributions have been enhanced in accordance with the standard.

**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**2. Summary of Significant Accounting Policies (Continued)**

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**Donated Services**

The Food Bank receives services donated from its members in carrying out the Food Bank's operations. However, no amounts have been recognized in the statement of activities since they do not meet the criteria for recognition. The Food Bank received 81,538 hours of service from 6,655 volunteers for the year ending September 30, 2020. Volunteers assisted in sorting food items.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations on how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as unrestricted net assets at that time.

**Income Taxes**

The Food Bank is exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes had been made in the accompanying statements. The Food Bank, generally, is no longer subject to income tax examination authorities for years prior to September 30, 2017.

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**3. Contingencies**

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Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Food Bank for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. The Food Bank expects such amounts, if any, to be immaterial.

**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**4. Property and Equipment**

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Property and equipment consisted of the following:

Description	Balance 09/30/19	Additions	Deletions	Balance 09/30/20
Land	\$ 741,291	\$ -	\$ -	\$ 741,291
Total Non-Depreciable Assets	741,291	-	-	741,291
Building	4,767,657	218,051	-	4,985,708
Furniture & Equipment	241,833	133,176	(144,499)	230,510
Transportation Equipment	526,451	524,797	(137,586)	913,662
Vehicles	302,987	-	(145,316)	157,671
Total Depreciable Assets	5,838,928	876,024	(427,401)	6,287,551
Less Accumulated Depreciation	(1,112,515)	(261,423)	427,401	(946,537)
Total Depreciable Assets, Net	4,726,413	614,601	-	5,341,014
Total	\$ 5,467,704	\$ 614,601	\$ -	\$ 6,082,305

Depreciation expense for the year ended September 30, 2020 totaled \$261,423.

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**5. Concentration**

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The Food Bank receives a large portion of its food supplies from the U.S. Department of Agriculture via the Emergency Food Assistance Programs. For the year ended September 30, 2020, these commodities comprised approximately 51%, of the total value of all donated food received. A grant to reimburse administrative costs with the U.S. Department of Agriculture provided approximately 4% of the assistance necessary to fund the operation activity of the Food Bank for the year ended September 30, 2020.



**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**6. Inventory**

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Inventory consisted of the following as of September 30, 2020:

	Pounds	Dollars
Donated Inventory		
Donated Inventory	\$ 358,277	\$ 623,402
USDA/TEFAP Commodities	619,377	1,077,716
USDA/TRDMIT Commodities	271,313	472,085
USDA/CSFP Commodities	654,657	1,139,103
	1,903,624	3,312,306
Purchased Inventory	17,675	30,560
Total Inventory \$	1,921,299	\$ 3,342,866

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**7. Line of Credit**

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As of September 30, 2020, the Food Bank had a \$3,250,000 line of credit. The line is secured by real estate and bears interest at prime currently at 4.25% per annum as of September 30, 2020. The financial institution considers the loan an installment loan since the line of credit was considered as a multiple advance, non-revolving loan for the construction of the new warehouse. As of August 28, 2020, once the construction of the new facility was completed, there were no more advances on the line of credit. As of September 30, 2020, the Food Bank had an outstanding balance on this line of credit of \$797,857.

In November 2020, the Organization paid off the remaining balance of the loan.

**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**8. Net Assets with Donor Restrictions**

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Net assets with donor restrictions as of September 30, 2020 were available for the following purposes:

Federal Commodities for Distribution:

USDA/CSFP Commodities	\$ 1,077,716
USDA/TEFAP Commodities	472,085
USDA/TEFAP Commodities	1,139,103
	<u>\$ 2,688,904</u>

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**9. Functional Expenses**

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The Organization provides services to alleviate hunger in the South Texas community the Food Bank serves. The methods of allocating expenses related to providing these services are as follows:

Expense	Method of Allocation
Distributed Food	Charged as incurred by program
Salaries	Time & effort by program
Taxes and Workers' Compensation	Time & effort by program
Bad Debt Expense	Charged as incurred by program
Communication Expense	Charged as incurred by program
Contract Labor	Full time equivalent
Depreciation	Charged as incurred by program
Equipment Lease	Charged as incurred by program
Facilities	Charged as incurred by program
Food Purchases	Charged as incurred by program
Fundraising Expense	Charged as incurred by program
Interest Expense	Charged as incurred by program
Insurance	Charged as incurred by program
Office	Charged as incurred by program
Payroll Fees	Charged as incurred by program
Professional Fees	Charged as incurred by program
Special Events	Charged as incurred by program
Transportation	Charged as incurred by program

**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**10. Liquidity and Availability**

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The Food Bank manages liquidity needed for operations primarily through budgeted cash inflows and outflows. Cash inflows can be easily estimated since they are comprised mostly of grant awards, donations, contributions, and fundraising. Cash outflows are planned accordingly so as not to exceed those expected inflows. Excess operating cash is on hand in the event of unexpected outflows.

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**11. Recently Issued Pronouncements**

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In June 2020, the FASB issued ASU 2020-05, Revenues from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities, wherein the Board is issuing an update as a limited deferral of the effective dates to provide immediate, near-term relief for certain entities for whom these updates are either currently effective or imminently effective. This amendment in this update defer, for one year, the required effective date of Revenue and Leases for certain entities that have not yet issued their financial statements (or made financial statements available for issuance). ASU 2020-05 is effective for the Food Bank beginning fiscal year 2021 and the Food Bank is currently evaluating the impact that ASU 2020-05 will have on the financial statements.

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**12. Special Events**

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During the fiscal year, the Food Bank had two main fundraising events. The following is a schedule of revenues, expenses and net profit from these events:

	Empty Bowls	Hunger Games	Wine Tasting	Other	Total
Revenues	\$ 7,500	\$ 13,257	\$ 17,800	\$ 18,125	\$ 56,682
Expenses	-	(1,799)	(5,145)	(61,174)	(68,118)
Net Profit (Loss)	\$ 7,500	\$ 11,458	\$ 12,655	\$ (43,049)	\$ (11,436)

**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**13. Paycheck Protection Program**

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In April 2020, the Organization received a loan in the amount of \$302,600 under the Payroll Protection Program (PPP Loan). The loan accrues interest at a rate of 1% and has a maturity date of one year. Payments are deferred during the Deferral Period. The Deferral Period is the period beginning on the date of this Note and ending 6 months after the last day of the covered period (Deferral Expiration Date). Any amounts not forgiven under the Program will be payable in equal installments of principal plus any interest owed on the payment date from the Deferral Expiration Date through the Maturity Date. Additionally, any accrued interest that is not forgiven under the Program will be due on the First Payment Date, which is the 30<sup>th</sup> of the month following the month in which the Deferral Expiration Date occurs.

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act of 2021, proceeds may only be used for the Organization's eligible payroll costs (with salary capped at \$100,000 on an annualized basis for each employee), or other eligible costs related to rent, mortgage interest utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, in each case paid during the 24-week period following disbursement.

The PPP Loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the 24-week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP Loan would be reduced in accordance with the regulations that were issued by the SBA. All the proceeds of the PPP Loan were used by the Organization to pay eligible payroll costs and the Organization maintained its headcount and otherwise complied with the terms of the PPP Loan.

Effective February 2021, the Organization obtained forgiveness of the loan.

**South Texas Food Bank**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**14. COVID-19 Impact**

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On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The pandemic and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Food Bank operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization.

**15. Evaluation of Subsequent Events**

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Subsequent to year-end, the Food Bank received approximately \$9 million in private, unrestricted grants among other contributions and donations received. These funds are expected to be used to maintain payroll and pay other operational expenses that will allow the Food Bank to continue their daily operations for the foreseeable future.

Subsequent events have been evaluated through June 21, 2021, which is the date these financial statements were available to be issued.

## **Single Audit Compliance Information**

**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 of  
South Texas Food Bank  
Laredo, 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 South Texas Food Bank (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, 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 June 21, 2021.

**Internal Control over Financial Reporting**

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

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

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

**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* (CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Texas Food Bank’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Haynie & Company*

San Antonio, Texas  
June 21, 2021



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

To the Board of Directors of  
the South Texas Food Bank  
Laredo, Texas

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

We have audited South Texas Food Bank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Texas Food Bank's major federal programs for the year ended September 30, 2020. South Texas Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of South Texas Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Texas Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Texas Food Bank's compliance.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)**

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

In our opinion, South Texas Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

**Report on Internal Control Over Compliance**

Management of South Texas Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Texas Food Bank’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Texas Food Bank’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE (CONTINUED)**

**Report on Internal Control Over Compliance (Continued)**

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.

*Haynie & Company*

San Antonio, Texas  
June 21, 2021

**South Texas Food Bank**  
**Single Audit Compliance Information**  
**Federal Schedule of Findings and Questioned Costs**  
**September 30, 2020**

**SECTION I – FEDERAL SUMMARY OF AUDITOR’S RESULTS**

<b>Financial Statements</b>	
Type of Auditor’s Report Issued	Unmodified
Internal Control Over Financial Reporting:	
Material Weaknesses	_____ Yes    ✓ No
Significant Deficiencies Identified not Considered to be Material Weakness(es)?	_____ Yes    ✓ None Reported
Noncompliance Material to Financial Statements Noted?	_____ Yes    ✓ No
<b>Federal Awards</b>	
Internal Control Over Major Programs:	
Material Weakness(es) identified?	_____ Yes    ✓ No
Significant Deficiencies Identified not Considered to be Material Weakness(es)?	_____ Yes    ✓ None Reported
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 the Uniform Guidance?	_____ Yes    ✓ No
<b>Identification of Major Programs:</b>	
<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
21.019	Coronavirus Relief Fund
Federal Dollar Threshold used to Distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as Low-Risk Auditee?	✓ Yes            No

**South Texas Food Bank**  
**Single Audit Compliance Information**  
**Federal Schedule of Findings and Questioned Costs (Continued)**  
**September 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No Matters Were Reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No Matters Were Reported.

**South Texas Food Bank**  
**Single Audit Compliance Information**  
**Federal Summary of Prior Audit Findings**  
**September 30, 2020**

**FEDERAL SUMMARY OF PRIOR AUDIT FINDINGS**

No Prior Year Findings.

## **Supplemental Information**

# South Texas Food Bank

## Schedule of Expenditures of Federal Awards

### September 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Contract Number	Disbursements
<u>U.S. Department of Agriculture</u>			
Passed Through the Texas Department of Agriculture			
<u>The Food Distribution - Cluster</u>			
Commodity Supplemental Food Program (Food Commodities)	10.565	04007	\$ 6,897,319
Commodity Supplemental Food Program (Administrative Costs)	10.565	04007	906,733
Emergency Food Assistance Program (Food Commodities)	10.569	04007	12,839,499
Emergency Food Assistance Program (Administrative Costs)	10.568	04007	277,964
Total U.S. Department of Agriculture			\$ <u>20,921,515</u>
 <u>U.S. Department of Agriculture</u>			
Passed Through the Texas Department of Agriculture			
Summer Food Service Program for Children	10.559		\$ 118,657
Total U.S. Department of Agriculture			\$ <u>118,657</u>
 <u>U.S. Department of Agriculture</u>			
Passed Through the Texas Department of Agriculture			
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178		231,566
Total U.S. Department of Agriculture			\$ <u>231,566</u>
 <u>U.S. Department of Agriculture</u>			
Passed Through the Texas Department of Agriculture			
Child and Adult Care Food Program	10.558		62,937
Total U.S. Department of Agriculture			\$ <u>62,937</u>
 <u>U.S. Department of Homeland Security</u>			
Passed Through the Texas Department of Agriculture			
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		4,050,488
Total U.S. Department of Homeland Security			\$ <u>4,050,488</u>
 <u>Department of the Treasury</u>			
Passed Through the Texas Department of Agriculture			
COVID-19 - Coronavirus Relief Fund	21.019		1,350,163
Total Department of the Treasury			\$ <u>1,350,163</u>
 <u>U.S. Department of Agriculture</u>			
Passed through the Texas Food Bank Network or Feeding Texas			
Supplemental Nutrition Assistance Program SNAP	N/A	N/A	\$ 105,469
Supplemental Nutrition Assistance Program Direct	N/A	N/A	41,087
Total U.S. Department of Agriculture			\$ <u>146,556</u>



**South Texas Food Bank**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**September 30, 2020**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Contract Number	Disbursements
<u>U.S. Department of Homeland Security</u>			
Passed through the United Way of America			
Emergency Food & Shelter Program-Starr County	97.024	836400-006	\$ 54,219
Emergency Food & Shelter Program-Zapata County	97.024	836400-004	6,860
Emergency Food & Shelter Program-Webb County	97.024	836400-009	<u>9,025</u>
Total U.S. Department of Homeland Security			<u>\$ 70,104</u>
Total Federal Awards			<u>\$ 26,951,986</u>

**South Texas Food Bank**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**September 30, 2020**

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**1. General**

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The accompanying Schedule of Expenditures of Federal and Awards presents the federal and grant activity for the Food Bank. The reporting entity is defined in Note 1 to the basic financial statements.

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**2. Basis of Presentation**

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The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, et al Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedules present only a selected portion of the operations of the Food Bank, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general-purpose financial statements.

The Organization did not elect to use the 10% de minimis indirect cost rate.

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**3. Summary of Significant Accounting Policies**

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**Basis of Accounting** – Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or a limited to a reimbursement.

The Food Bank did not elect to use the 10% de minimis indirect cost rate.

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**4. Reconciliation of Federal Awards to the Financial Statements**

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Total Expenditures of Federal Awards:	\$ 26,951,986
Non-Federal Expenditures:	26,165,702
Total Expenditures:	<u>\$ 53,117,688</u>