

SOUTH TEXAS FOOD BANK
FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION
September 30, 2024 and 2023

SOUTH TEXAS FOOD BANK

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of the South Texas Food Bank (the Food Bank), a Texas nonprofit organization, which comprise the statements of financial position as of September 30, 2024 and 2023, 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 present fairly, in all material respects, the financial position of the Food Bank as of September 30, 2024 and 2023, 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 the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Food Bank's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 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 the Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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.

GF Valdez, P.C.

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The financial statements and the schedule of expenditures of federal awards are 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 audits 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2025, on our consideration of the Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Texas Food Bank's internal control over financial reporting and compliance.

GF Valdez, P.C.

Corpus Christi, Texas
May 7, 2025

SOUTH TEXAS FOOD BANK
STATEMENTS OF FINANCIAL POSITION
September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 4,323,292	\$ 4,512,237
Investments	9,617,280	7,920,295
Accounts receivable - government grants	663,376	924,100
Accounts receivable - agencies	74,441	46,423
Donated food inventory, net of food waste	4,814,509	3,559,982
Purchased food inventory	324,862	581,808
Prepaid lease - Penske truck	184,500	-
Prepaid deposits	-	36,355
Pledges receivable	6,100	300
Total Current Assets	20,008,360	17,581,500
Property and equipment, net of accumulated depreciation	12,957,326	10,669,019
Total Assets	<u>\$ 32,965,686</u>	<u>\$ 28,250,519</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 14,663	\$ 21,140
Accrued expenses	29,092	7,055
Deferred revenue	71,669	71,669
Total Liabilities	115,424	99,864
Net Assets		
Without donor restrictions	27,326,753	23,732,028
With donor restrictions	5,523,509	4,418,627
Total Liabilities and Net Assets	<u>\$ 32,965,686</u>	<u>\$ 28,250,519</u>

See accompanying notes.

SOUTH TEXAS FOOD BANK
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Federal Grants:			
USDA/CSFP commodities	\$ -	\$ 10,308,344	\$ 10,308,344
USDA/TEFAP commodities	-	9,052,821	9,052,821
TDA - CSFP (administrative cost reimbursements)	1,364,729	-	1,364,729
TDA - other administrative cost reimbursements	897,826	-	897,826
TDA - LFPA grant	849,397	-	849,397
TDA - TEFAP (administrative cost reimbursements)	793,924	-	793,924
Supplemental Nutrition Assistance Program	139,207	-	139,207
Emergency management assistance	92,269	-	92,269
Feeding Texas - direct match	45,408	-	45,408
TDA - RGC	4,167	-	4,167
Total federal grants and revenue	4,186,927	19,361,165	23,548,092
Value of donated food inventory	16,125,070	-	16,125,070
Food purchases	4,148,212	-	4,148,212
Donations	3,385,123	351,800	3,736,923
Realized and unrealized gains on investments	1,696,984	-	1,696,984
Shared maintenance fees	680,781	-	680,781
Private and state grants	585,349	-	585,349
Special events, net of expenses of \$149,693	243,204	-	243,204
Service fees	146,705	-	146,705
Dividend and interest income	132,781	-	132,781
Other income	17,687	-	17,687
Sale of assets	8,455	-	8,455
Net assets released from restrictions	18,608,083	(18,608,083)	-
Total revenues, gains and other support	49,965,361	1,104,882	51,070,243
Expenses:			
Program expenses	44,667,746	-	44,667,746
Supporting services:			
Administrative	1,383,687	-	1,383,687
Fundraising	319,203	-	319,203
Total expenses	46,370,636	-	46,370,636
Increase in Net Assets	3,594,725	1,104,882	4,699,607
Net Assets, September 30, 2023	23,732,028	4,418,627	28,150,655
Net Assets, September 30, 2024	\$ 27,326,753	\$ 5,523,509	\$ 32,850,262

See accompanying notes.

SOUTH TEXAS FOOD BANK
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Federal grants:			
USDA/CSFP commodities	\$ -	\$ 9,999,197	\$ 9,999,197
USDA/TEFAP commodities	-	6,956,224	6,956,224
TDA - other administrative cost reimbursements	-	1,430,024	1,430,024
TDA - CSFP (administrative cost reimbursements)	-	1,268,597	1,268,597
TDA - TEFAP (administrative cost reimbursements)	-	730,505	730,505
TDA - LFPA grant	-	493,774	493,774
Supplemental Nutrition Assistance Program	-	155,964	155,964
Emergency management assistance	-	114,036	114,036
Federal grants and contracts	-	44,046	44,046
Total federal grants	-	21,192,367	21,192,367
Value of donated food inventory	16,906,561	-	16,906,561
Food purchases	5,258,497	-	5,258,497
Donations	1,784,412	1,032,870	2,817,282
Realized and unrealized gains on investments	643,601	-	643,601
Shared maintenance fees	529,464	-	529,464
Special events, net of expenses of \$119,526	206,563	-	206,563
Private and state grants	180,445	-	180,445
Service fees	138,609	-	138,609
Other income	66,116	-	66,116
Dividend and interest income	30,259	-	30,259
Sale of assets	3,720	-	3,720
Net assets released from restrictions	21,399,812	(21,399,812)	-
Total revenues, gains and other support	47,148,059	825,425	47,973,484
Expenses:			
Program expenses	42,905,991	-	42,905,991
Supporting services:			
Administrative	1,087,903	-	1,087,903
Fundraising	301,014	-	301,014
Total expenses	44,294,908	-	44,294,908
Increase in Net Assets	2,853,151	825,425	3,678,576
Net Assets, September 30, 2022	20,878,877	3,484,871	24,363,748
Prior period adjustment	-	108,331	108,331
Net Assets, September 30, 2023	\$ 23,732,028	\$ 4,418,627	\$ 28,150,655

See accompanying notes.

SOUTH TEXAS FOOD BANK

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See accompanying notes.

SOUTH TEXAS FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2023

	Food Distribution	Child Hunger Initiatives	Program Services Client Assistance Programs	Other Programs	Total Program Services	Administrative	Fundraising	Total	Total Expenses
Food distributed	\$ 33,632,510	\$ -	\$ -	\$ -	\$ 33,632,510	\$ -	\$ -	\$ -	\$ 33,632,510
Food purchases	4,334,595	487,233	1,168,054	224,050	6,213,932	-	-	-	6,213,932
Salaries	407,815	407,815	407,815	407,815	1,631,260	203,908	203,908	407,816	2,039,076
Depreciation	129,682	129,682	129,682	129,682	518,728	74,104	-	74,104	592,832
Compensation and other benefits	115,111	115,113	115,113	115,113	460,450	57,556	57,556	115,112	575,562
Office	17,409	17,409	17,408	17,408	69,634	402,882	24,869	427,751	497,385
Facilities	-	-	-	-	-	264,748	-	264,748	264,748
Transportation	53,901	53,901	53,901	53,901	215,604	-	-	-	215,604
Equipment repair expense	17,324	17,324	17,324	17,324	69,296	1,823	1,824	3,647	72,943
Insurance	12,885	12,885	12,885	12,885	51,540	12,886	-	12,886	64,426
Professional fees	-	-	-	-	-	49,649	-	49,649	49,649
Travel and training	5,047	5,048	5,048	5,048	20,191	20,191	-	20,191	40,382
Contract labor	-	-	16,297	-	16,297	-	-	-	16,297
Fundraising	-	-	-	-	-	-	12,857	12,857	12,857
Miscellaneous expenses	-	117	5,925	507	6,549	156	-	156	6,705
	<u>\$ 38,726,279</u>	<u>\$ 1,246,527</u>	<u>\$ 1,949,452</u>	<u>\$ 983,733</u>	<u>\$ 42,905,991</u>	<u>\$ 1,087,903</u>	<u>\$ 301,014</u>	<u>\$ 1,388,917</u>	<u>\$ 44,294,908</u>

See accompanying notes.

SOUTH TEXAS FOOD BANK
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Increase in net assets	\$ 4,699,607	\$ 3,678,576
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	777,606	592,832
Unrealized/Realized gain on investments	(1,696,984)	(643,601)
Prior period adjustment	-	108,331
Gain on sale of property and equipment	(8,000)	(3,720)
In-kind contribution of food and non-food items	(35,407,972)	(33,861,981)
Distributions of in-kind food and non-food items	34,153,445	33,638,460
Decrease (increase) in:		
Agency and grants receivable	232,706	(387,012)
Pledges receivable	(5,800)	(300)
Prepaid deposits	36,355	(36,355)
Prepaid lease - Penske truck	(184,500)	-
Purchased inventory	256,946	(567,197)
Increase (decrease) in:		
Accounts payable	(6,477)	(629,574)
Accrued expenses	22,037	(192,271)
Deferred revenue	-	71,669
Net cash provided by operating activities	<u>2,868,969</u>	<u>1,767,857</u>
Cash flows from investing activities:		
Purchases of investments	(2,714,579)	(1,815,331)
Proceeds from disposition of investments	2,714,578	-
Proceeds from sale of property and equipment	8,000	35,146
Additions to construction in progress	(2,773,786)	(1,446,923)
Purchases of property and equipment	<u>(292,127)</u>	<u>(153,439)</u>
Net cash used in investing activities	<u>(3,057,914)</u>	<u>(3,380,547)</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net change in cash	(188,945)	(1,612,690)
Cash at beginning of year	<u>4,512,237</u>	<u>6,124,927</u>
Cash at end of year	<u><u>\$ 4,323,292</u></u>	<u><u>\$ 4,512,237</u></u>

See accompanying notes.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 1 – NATURE OF ACTIVITIES

The South Texas Food Bank (Food Bank) is a Texas non-profit Corporation 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 businesses, 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.

Below is a summary of the principal programs administered by the Food Bank:

1. *Adopt-A-Family Program* – The Adopt-A-Family Program allows the community to become part of the solution to help alleviate the hunger problem in the eight counties the Food Bank serves. Persons in any of these communities can adopt a local family for \$150 per year. Those adopted families receive a box per month of supplemental food, including fresh produce, canned/dry goods, meat, bread, water and juice.
2. *Commodity Supplemental Food Program (CSFP)* – CSFP is a federally funded program by the U.S. Department of Agriculture and is administered by the Food and Nutrition Service and the Texas Department of Agriculture. Program recipients receive a grocery bag of supplemental food every month of the year. The Food Bank gives out health information, nutrition issues, food demonstrations and recipes through the CSF Program.
3. *Child & Adult Care Food Program (CACFP)* – CACFP is a nationally-ran afterschool meal program created by USDA that provides warm and nutritionally-dense and approved meals to children up to age of 18.
4. *Texas Emergency Food Assistance Program (TEFAP)* – The TEFAP of South Texas Food Bank assists individuals and families in need by delivering surplus commodities from the USDA and TDA to those individuals.
5. *Backpack Program* – The program provides hungry children with nutritious and easy to prepare food at times when other resources are not available such as weekends and holidays when school campuses are closed.
6. *Paws Hunger* – The Paws Hunger program provides pet food to struggling families to enable them to keep their loving pets.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 1 – NATURE OF ACTIVITIES (Continued)

7. *Supplemental Nutrition Assistance Program (SNAP)* – SNAP offers nutrition assistance to millions of eligible, low-income individuals and families and provides economic benefits to communities.
8. *Mobile Food Pantry* – The Mobile Food Pantry offers convenience to those who do not live close to the Food Bank, a food pantry, or in rural areas to get access to food.
9. *Disaster Relief Program* – The Food Bank works directly with local and state authorities in emergency management operations to provide immediate food, water, and other items to those directly affected by a disaster.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Food Bank prepares its financial statements under the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. The Food Bank is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Food Bank's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents

For purposes of cash flows, the Food Bank considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Food Bank maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits of up to \$250,000 under the Federal Deposit Insurance Corporation (FDIC). Management believes it is not exposed to any significant risk on cash and cash equivalents.

Investments and Net Investment Returns

Investments are reported at fair value. Investment return is reported in the statement of activities as a decrease in net assets without donor restrictions unless the use of income is limited by donor-imposed restrictions. Investment returns whose use is restricted by the donor is reported as a decrease in net assets with donor restrictions. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Accounts Receivable

Accounts receivable represent amounts due from agencies and are stated at the amount the Food Bank expects to collect for shared maintenance fees. Accounts receivable from agencies are due 30 days after the issuance of the invoice. Accounts past-due more than 120 days are considered delinquent. Delinquent receivable are pursued based on specific circumstances of the agency. As of September 30, 2024 and 2023, management estimates that no reserve for losses on receivables is required.

Grants Receivable

Grants receivable consists primarily of amounts due from government agencies and represent amounts due to the Food Bank in accordance with cost-reimbursement contracts. These receivables are considered fully collectible and therefore, the Food Bank does not consider an allowance necessary as of September 30, 2024 and 2023.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. The Food Bank accounts for pledges receivable to be made in future years as unconditional promises to give in the year the promise is made. Contributions to be received after one year are presented at their discounted present value at a risk-adjusted rate.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. The fair value amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that may not be collected. All pledges deemed to be uncollectible are written off. As of September 30, 2024, management considered all pledges receivable to be collectible, therefore, no allowance for uncollectible promises has been provided.

Shared Maintenance Fees

Shared maintenance fees represent shared fees charged to agencies for handling of distributed food and are recognized at a point in time when goods are provided to an agency and the Food Bank is not required to provide additional goods or services. These shared maintenance fees range from \$0.03 to \$0.19 per pound and the Food Bank determines the transaction price concessions, and the contracts do not contain a significant financing component or variable consideration.

Inventory and Food Pricing

Inventory is stated at the 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 \$1.97 and \$1.92 per pound for the years ended September 30, 2024 and 2023, respectively. This valuation is based on published fair market value derived from a cost survey conducted for America's Second Harvest. Purchased food is valued at the latest purchase price. USDA commodities are valued based on published USDA fair market values.

USDA commodities as of September 30, 2024 are restricted to distribution programs serving low-income families and individuals. The receipt of these commodities is reflected in the statement of activities as revenues with donor restrictions. Accordingly, the distribution of these commodities is reflected in the statement of activities as assets released from restriction.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. Absent donor stipulations regarding 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. The Food Bank reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. It is the Food Bank's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed as incurred.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to seven years for vehicles, office furniture and equipment, and seven to thirty-nine years for buildings and building improvements. Gains and losses on dispositions, if applicable, are included in current operations.

Long-lived Asset Impairment

The Food Bank evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ending September 30, 2024 and 2023.

Donated Property and Equipment

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 net assets without donor restrictions 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 regarding 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. The Food Bank reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Contributed Services

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

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restrictions</i>	
<ul style="list-style-type: none"> • Gifts that depend on the Food Bank overcoming a donor-imposed barrier to be entitled to the funds 	<ul style="list-style-type: none"> • Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
<ul style="list-style-type: none"> • Received at the date of gift – cash and other assets • Received at the date of gift – property, equipment, and long-lived assets • Expected to be collected within one year • Collect in future years 	<ul style="list-style-type: none"> • Fair Value • Estimated fair value • Net realizable value • Initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction. Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received, and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

The Food Bank receives a significant amount of donated services from unpaid volunteers who assist in their warehouse. However, the value of these services has not been recognized in the statement of activities since they do not meet the criteria for recognition as contributed services. The Food Bank received 47,771 hours of services from 8,192 volunteers for the year ending September 30, 2024. The Food Bank received 56,289 hours of services from 8,725 volunteers for the year ending September 30, 2023.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition

The Food Bank follows ASU 606, Revenue from Contracts with Customers, which established a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. Management has undertaken a review of contracts and revenue streams for all net revenues. In the context of ASU 606 as it applies to the Food Bank, customers and responsible parties include partner agencies and the lessee/lessor arrangement between the Food Bank.

Government Grants and Contracts

Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when incurred expenditures comply with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. No amounts have been received in advance under federal and state contracts and grants. None of the grants or contracts involve an exchange portion. Disallowed costs due to oversight agency audits are recognized in the period the funds are repaid after the oversight agency has made its determination and issued a final correction action plan requiring repayment of such cost.

Valuation methods used for assets measured at fair value on a recurring basis are as follows:

- Mutual funds and US government money market funds: Shares of mutual funds are valued at quoted market prices which represent the net asset value of shares held by the Food Bank at year end.
- Exchange Traded Funds: Shares of exchange traded funds are valued at quoted market prices which represent the purchases or redemptions at the end of each trading day as its net asset value per share held by the Food Bank at year end.
- Bonds: Shares of debt securities are valued at quoted market prices which represent the net asset value of shares held by the Food Bank at year end.
- Equities: Shares of stocks are valued at quoted market prices which represent the net asset value of shares held by the Food Bank at year end.

Advertising Costs

Advertising is used to promote the Food Bank and is expensed in the period incurred. No amounts were donated for the years ended September 30, 2024 and 2023.

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.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 years ended September 30, 2024 and 2023, approximately 100% and 96% of costs have been allocated to program services, respectively.

To enhance food distribution program activity, the Food Bank also offers several programs that are designed to aid in distributing food and services to the most at-risk in our communities. The statement of functional expenses has been segregated by specific program initiatives, food distribution, child hunger initiative, client assistance and other program initiatives.

The methods of allocating expenses for each of these programs are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Distributed food	Charged as incurred by program
Salaries	Time and effort by program
Taxes and worker's compensation	Time and effort by program
Bad debt expense	Charged as incurred by program
Communication expense	Charged as incurred by program
Contract labor	Charged as incurred by program
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	Time and effort by program
Professional fees	Charged as incurred by program
Special events	Charged as incurred by program
Transportation	Charged as incurred by program

Income Taxes

The South Texas Food Bank is a not-for-profit organization that is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as a private foundation. Accordingly, no provision for income taxes had been made in the accompanying statements. The Food Bank's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2021, 2022, and 2023 are subject to examination by the IRS, generally for three years after they were filed.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

Management of the Food Bank has evaluated subsequent events for disclosure through May 7, 2025, the date the consolidated financial statements were available to be issued.

NOTE 3 – CONTINGENCIES

The Food Bank receives funding or reimbursement from governmental agencies that are subject to specific compliance requirements and review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement by the grantor agency for expenses disallowed under the terms and conditions specified in the grant agreements. The net effect of any disallowances or adjustments resulting from these activities could have a material effect on the Food Bank's financial position.

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Food Bank's financial assets available for general expenditures within one year at September 30, 2024. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 4,323,292	\$ 4,512,237
Investments	9,617,280	7,920,295
Pledge receivables	6,100	300
Accounts receivable	<u>737,817</u>	<u>970,523</u>
Total financial assets at year-end	14,684,489	13,403,355
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to specific program	<u>(5,523,509)</u>	<u>(4,418,627)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 9,160,980</u>	<u>\$ 8,894,728</u>

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.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 5 – INVESTMENT RETURN

Investments consisted of the following as of September 30, 2024 and 2023, respectively. Net interest and dividend income for the years ending September 30, 2024 and 2023 was \$132,781 and \$30,259, respectively. Net realized and unrealized gains of \$1,696,984 and \$643,601 were recorded on the books of the Food Bank for the years ending September 30, 2024 and 2023. Total investment return was \$1,829,765 and \$673,860 for the years ending September 30, 2024 and 2023, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30:

	<u>2024</u>	<u>2023</u>
Building	\$ 12,888,609	\$ 6,008,522
Transportation Equipment	1,162,206	1,137,206
Furniture and equipment	808,400	760,387
Land	741,290	741,291
Vehicles	465,967	271,831
Construction-in-progress	<u>-</u>	<u>4,106,299</u>
	16,066,472	13,025,536
Less: Accumulated depreciation	<u>(3,109,146)</u>	<u>(2,356,517)</u>
Property and equipment, net	<u>\$ 12,957,326</u>	<u>\$ 10,669,019</u>

Depreciation expense for the years ended September 30, 2024 and 2023 totaled \$777,606 and \$592,832, respectively.

NOTE 7 – INVENTORY

The majority of food distributed by the Food Bank is received by contributions from the general public and from the U. S. Department of Agriculture (USDA). The estimated value of these contributions is recognized in the financial statements as contribution revenue and food and other supplies or program expenses if distributed during the year. The pounds collected are recorded by the Food Bank staff at the time of receipt based on actual weight.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 7 – INVENTORY (Continued)

The total value of contributed food for the years ended September 30, 2024 and 2023 is as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	138,196	\$ 272,246	210,658	\$ 406,571
USDA/CSFP commodities	1,518,101	2,990,659	1,107,824	2,138,100
USDA/TEFAP commodities	<u>787,616</u>	<u>1,551,603</u>	<u>526,068</u>	<u>1,015,311</u>
Total donated inventory	<u>2,443,913</u>	<u>\$4,814,509</u>	<u>1,844,550</u>	<u>\$ 3,559,982</u>
Purchased food inventory:				
Purchased inventory	<u>164,905</u>	<u>\$ 324,862</u>	<u>301,455</u>	<u>\$ 581,808</u>
Total inventory	<u>2,608,818</u>	<u>\$5,139,371</u>	<u>2,146,005</u>	<u>\$ 4,141,790</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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

<u>Specific Purpose</u>	<u>2024</u>	<u>2023</u>
USDA/CSFP commodities	\$ 2,990,659	\$ 2,138,100
USDA/TEFAP commodities	1,551,603	1,015,311
Personnel	915,765	1,167,416
Software	42,800	42,800
Operations/training	<u>22,682</u>	<u>55,000</u>
Total net assets with donor restrictions	<u>\$ 5,523,509</u>	<u>\$ 4,418,627</u>

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

<u>Specific Purpose</u>	<u>2024</u>	<u>2023</u>
USDA-CSFP commodities distributions	\$ 9,455,785	\$ 9,376,553
USDA-TEFAP commodities distributions	8,516,529	7,062,453
Personnel	251,651	135,529
Penske truck	196,800	--
Food & produce	120,000	923,774
Backpack – Jim Hogg County	35,000	25,000
Operations/Training	32,318	--
Program administrator costs	--	2,693,760
Building capacity grant	--	735,366
Nutrition assistance	--	200,010
Disaster relief	--	114,036
Backpack – all counties	--	25,000
Total net assets released from restriction	<u>\$ 18,608,083</u>	<u>\$ 21,399,812</u>

NOTE 9 – SPECIAL EVENTS

During the year ended September 30, 2024, the Food Bank held two main fundraising events. During the year ended September 30, 2023, the Food Bank held one main fundraising event. The following is a schedule of revenues, expenses, and net profit from these events:

<u>Empty Bowls and Hope for the Hungry</u>	<u>2024</u>	<u>2023</u>
Revenue	\$ 384,610	\$ 326,089
Expense	<u>(149,693)</u>	<u>(119,526)</u>
Net Profit (Loss)	234,916	206,563

NOTE 10 – RETIREMENT PLAN

The South Texas Food Bank 401(k) Plan (the Plan) is a defined contribution Plan with an effective date of October 1, 2020, and period ending September 30th. The Plan covers all employees meeting the eligibility requirements of the Plan. Under the terms of the Plan, employees are entitled to contribute within the limits established by the Internal Revenue Code. The Food Bank matches employee contributions. Participants are fully vested after five years of services in employer-matching contributions. The Company makes contribution equal to 7% of the first 4% deferrals and 3 % discretionary profit sharing. The Food Bank contributed to the Plan \$123,459 and \$107,288 during the years ending September 30, 2024 and 2023, respectively.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 11 – FAIR VALUE MEASUREMENTS

The Food Bank's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Food Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The Food Bank recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended September 30, 2024 and 2023.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Food Bank has the ability to access.
- Level 2 – Inputs are other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

The fair value measurements and levels within the fair value hierarchy of those measurements for assets and liabilities reported at fair value on a recurring basis at September 30, 2024 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
		Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<u>September 30, 2024</u>				
Mutual funds	\$ 6,046,163	\$ 6,046,163	\$ --	\$ --
Exchange traded funds	1,734,985	1,734,985	--	--
US government money market	1,665,812	1,665,812	--	--
Bonds	170,320	170,320	--	--
Total	<u>\$ 9,617,280</u>	<u>\$ 9,617,280</u>	<u>\$ --</u>	<u>\$ --</u>
<u>September 30, 2023</u>				
Mutual funds	\$ 4,367,361	\$ 4,367,361	\$ --	\$ --
US government money market	1,833,006	1,833,006	--	--
Exchange traded funds	1,129,871	1,129,871	--	--
Bonds	582,023	582,023	--	--
Equities and options	8,034	8,034	--	--
Total	<u>\$ 7,920,295</u>	<u>\$ 7,920,295</u>	<u>\$ --</u>	<u>\$ --</u>

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Shared Maintenance Revenue

Performance obligations are determined based on the nature of the goods or services provided by the Food Bank in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers and the Food Bank does not believe it is required to provide additional goods or services related to that sale.

Transaction Price and Recognition

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

SOUTH TEXAS FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

The Food Bank has not incurred material refunds in the past, and accordingly, has not provided for a refund liability on September 30, 2024. The exchange portion of the shared maintenance fee was \$680,781 and \$529,464 for the years ending September 30, 2024 and 2023, respectively. For the years ended September 30, 2024 and 2023, the Food Bank recognized revenue from goods or services that transfer to the customer at a point in time.

NOTE 13 – CONCENTRATIONS

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 years ending September 30, 2024 and 2023, these commodities comprised approximately 49% and 43%, respectively, of the total value of all donated food received.

A grant to reimburse administrative costs with the U.S. Department of Agriculture provided all of the assistance necessary to fund the administrative operations of the Food Bank for the years ending September 30, 2024 and 2023.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events for disclosure through May 7, 2025, the date the financial statements were available to be issued.

SOUTH TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 31, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Living Number	Passed Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Passed Through the:				
<u>The Food Distribution - Cluster</u>				
Texas Department of Agriculture				
Emergency Food Assistance Program (Food Commodities)	10.569	04007	-	\$ 5,383,614
Texas Department of Agriculture				
Emergency Food Assistance Program (Administrative Costs) - Reach & Resiliency	10.568	04007	-	462,916
Texas Department of Agriculture				
Emergency Food Assistance Program (Administrative Costs)	10.568	04007	-	377,377
Texas Department of Agriculture				
Commodity Supplemental Food Program (Food Commodities)	10.565	04007	-	9,500,098
Texas Department of Agriculture				
Commodity Supplemental Food Program (Administrative Costs)	10.565	04007	-	1,391,944
Total passed-through Texas Department of Agriculture - The Food Distribution Cluster				<u>17,115,949</u>
Passed Through the:				
Texas Department of Agriculture				
Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds (Administrative Costs)	10.187	04007	-	156,678
Texas Department of Agriculture				
Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds (Food Commodities)	10.187	04007	-	3,153,958
Total passed-through Texas Department of Agriculture				<u>3,310,636</u>
Passed Through the:				
Texas Department of Agriculture				
Child and Adult Care Program	10.558	04007	-	496,948
Total passed-through Texas Department of Agriculture				<u>496,948</u>
Passed Through the:				
Texas Department of Agriculture				
Local Food Purchase Assistance Funds Program	10.182	-	-	849,397
Total passed-through Texas Department of Agriculture				<u>849,397</u>
Passed Through the:				
Texas Department of Agriculture				
Supplemental Nutrition Assistance Program SNAP - Direct Match	10.551	-		45,408
Supplemental Nutrition Assistance Program SNAP RGC	10.551	-		9,983
Supplemental Nutrition Assistance Program SNAP -Str 4	10.551	-	-	139,207
Total passed-through Texas Department of Agriculture				<u>194,598</u>
Passed Through the:				
Texas Department of Agriculture				
Summer Feeding Service Program	10.559	04007	-	134,471
Total passed-through Texas Department of Agriculture				<u>134,471</u>
Total U.S. Department of Agriculture				<u>22,101,999</u>
<u>U.S. Department of Homeland Security</u>				
Passed Through the:				
United Way of America				
Emergency Food and Shelter Program - Starr County	97.024	41-836400-006	-	37,913
Emergency Food and Shelter Program - Zapata County	97.024	41-847000-004	-	11,704
Emergency Food and Shelter Program - Weber County	97.024	41-843800-009	-	20,000
Total Passed-through United Way of America				<u>69,617</u>
Total U.S. Department of Homeland Security				<u>69,617</u>
Total Federal Awards				<u>\$ 22,171,616</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

SOUTH TEXAS FOOD BANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the South Texas Food Bank (the Food Bank) under programs of the federal government for the year ended September 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity indentifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. As of September 30, 2024, the Food Bank had \$4,542,262 of USDA TEFAP and CSFP commodities in inventory.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENTAL 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 (the Food Bank), which comprise the statements of financial position as of September 30, 2024, 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 May 7, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

GF Valdez, P.C.

A Public Accounting Firm

5430 Holly Road, Suite 1
Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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.

GF Valdez, P.C.

Corpus Christi, Texas
May 7, 2025

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Texas Food Bank's (the Food Bank) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended September 30, 2024. The 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.

In our opinion, the 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, 2024.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Food Bank's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Food Bank's 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 risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

GF Valdez, P.C.

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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.

GF Valdez, P.C.

Corpus Christi, Texas
May 7, 2025

SOUTH TEXAS FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024

A

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? None reported
- Noncompliance material to the financial statements? No

Federal Awards

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

Unmodified

Internal control over major programs:

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? No
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identificaiton of major federal programs:

<u>CFDA #</u>	<u>Federal Program Title</u>
	The Food Distribution Cluster -
10.569	Texas Department of Agriculture Emergency Food Assistance Program (Food Commodities)
10.568	Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)
10.565	Commodity Supplemental Food Program (Food Commodities and Administrative Costs)
10.187	Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds (Food & Administrative Costs)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 1,000,000

Auditee qualified as low-risk auditee?

Yes

B

FINDINGS RELATED TO FINANCIAL STATEMENTS

None

C

FINDINGS RELATED TO FEDERAL AWARDS

None

SOUTH TEXAS FOOD BANK
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024

- A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT
- None
- B PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL
AWARD PROGRAMS AUDIT
- None