

Brazos Valley Food Bank, Inc.

Financial Statements and Compliance Reports

For the Year Ended June 30, 2020

BRAZOS VALLEY FOOD BANK, INC.
TABLE OF CONTENTS
June 30, 2020

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES, For the Year Ended June 30, 2020.....	4
STATEMENT OF FUNCTIONAL EXPENSES, For the Year Ended June 30, 2020.....	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20-21
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	22-24
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020.....	25-26
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020	27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020	28-33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020 – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	34-39



Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brazos Valley Food Bank, Inc.
Bryan, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Brazos Valley Food Bank (the "Food Bank") (a nonprofit organization), which comprise the statement of financial position as of June 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021 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 provide an opinion on the effectiveness of the Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

Ingram, Wallis + Company, P.C.

Bryan, Texas
March 29, 2021

BRAZOS VALLEY FOOD BANK, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,741,469
Shared maintenance receivable	30,052
Grants receivable	27,716
Inventory - donated mix	713,805
Inventory - USDA	181,092
Inventory - purchased	109,550
Prepaid expenses	<u>18,806</u>

TOTAL CURRENT ASSETS 2,822,490

NONCURRENT ASSETS

Property, plant and equipment, net of accumulated depreciation of \$990,992 in 2020	5,163,745
Investment held by Community Foundation of Brazos Valley	91,289
Refundable deposits	<u>5,612</u>

TOTAL NONCURRENT ASSETS 5,260,646

TOTAL ASSETS \$ 8,083,136

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 13,277
Accrued expenses	35,513
PPP loan	192,170
Long term debt - current portion	<u>66,189</u>

TOTAL CURRENT LIABILITIES 307,149

NONCURRENT LIABILITIES

Long-term debt	<u>567,864</u>
----------------	----------------

TOTAL LIABILITIES 875,013

NET ASSETS

Without donor restrictions	6,941,750
With donor restrictions	<u>266,373</u>

TOTAL NET ASSETS 7,208,123

TOTAL LIABILITIES AND NET ASSETS \$ 8,083,136

See auditor's report and accompanying notes to financial statements

**BRAZOS VALLEY FOOD BANK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions:			
Donations	\$ 1,595,784	\$ 394,620	\$ 1,990,404
Foundations and trusts	48,696	447,250	495,946
Special events	409,226	6,175	415,401
Total contributions	2,053,706	848,045	2,901,751
Grants:			
Feeding Texas	-	139,473	139,473
Federal Emergency Management Agency	-	15,840	15,840
Texas Division of Emergency Management	-	426,620	426,620
Other	-	58,454	58,454
Total grants	-	640,387	640,387
Other revenue:			
Investment income and other	9,992	-	9,992
Donated assets, food and services	9,053,584	-	9,053,584
Shared maintenance fees	260,190	-	260,190
Loss on disposal of assets	(1,853)	-	(1,853)
Total other revenue	9,321,913	-	9,321,913
Total revenue, gains and other support	11,375,619	1,488,432	12,864,051
NET ASSET RESTRICTION TRANSFERS			
Revenue released from restriction	1,324,059	(1,324,059)	-
Total revenue	12,699,678	164,373	12,864,051
EXPENSES			
Program services	12,171,808	-	12,171,808
Management and general	465,057	-	465,057
Fundraising	252,056	-	252,056
Total expenses	12,888,921	-	12,888,921
CHANGE IN NET ASSETS			
	(189,243)	164,373	(24,870)
NET ASSETS, beginning of year			
	7,130,993	102,000	7,232,993
NET ASSETS, end of year			
	\$ 6,941,750	\$ 266,373	\$ 7,208,123

See auditor's report and accompanying notes to financial statements

BRAZOS VALLEY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services		Total
	Food Distribution	Disaster Relief	Client Assistance	Community Engagement	Management and General	Fundraising	
Personnel	\$ 312,090	\$ 84,637	\$ 338,327	\$ 85,339	\$ 115,463	\$ 997,379	
Contract labor	20,948	3,320	-	1,547	-	25,815	
Occupancy	26,048	12,200	35,562	8,962	5,641	93,071	
Communications	2,422	509	2,254	270	266	5,914	
Supplies	20,192	17,049	19,230	8,614	4,880	83,049	
Rental and maintenance of equipment	80,931	7,110	15,685	2,838	7,055	115,422	
Printing and publications	82,320	1,040	217	2,589	6,831	103,690	
Postage and delivery	-	-	229	49	240	3,364	
Membership dues	7,780	2,150	3,370	259	2,683	18,788	
Travel	2,102	15	5,707	1,176	126	9,399	
Professional fees	20,091	5,051	25,810	4,688	21,406	172,711	
Appreciation	74	-	-	130	1,271	1,475	
Miscellaneous expenses	1,155	3,146	1	-	2,061	7,185	
Depreciation	-	-	-	-	312,317	312,317	
Interest expense	-	-	-	-	33,693	33,693	
Distributed food-donated	9,850,317	-	-	-	-	9,850,317	
Distributed food-donated freight	4,052	-	-	-	-	4,052	
Distributed food-purchased	394,316	484,919	30,354	14,263	-	923,852	
Professional development	20,545	259	5,664	2,676	342	29,532	
Shipping	19,709	-	-	-	-	19,709	
Insurance	21,292	9,365	27,263	11,581	4,722	78,187	
	\$ 10,886,384	\$ 630,770	\$ 509,673	\$ 144,981	\$ 465,057	\$ 12,888,921	
					\$ 252,056	\$ 12,888,921	

See auditor's report and accompanying notes to financial statements

**BRAZOS VALLEY FOOD BANK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (24,870)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	312,317
Donated food commodities received	(8,921,686)
Donated food commodities distributed	9,850,317
Gain on investments	2,309
(Gain)/loss on disposal of assets	1,853
(Increase) decrease in assets:	
Receivables	(3,931)
Inventory	(18,763)
Prepaid expenses and other current assets	(8,717)
Increase (decrease) in liabilities:	
Accounts payable	(2,086)
Accrued expenses	4,993

CASH PROVIDED BY OPERATING ACTIVITIES 1,191,736

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for purchases of fixed assets	(19,418)
Purchase of investments	(10,000)
Proceeds from return on investments	10,510

CASH USED FOR INVESTING ACTIVITIES (18,908)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long term debt	(13,622)
Proceeds from issuance of debt	197,220

CASH PROVIDED BY FINANCING ACTIVITIES 183,598

NET INCREASE IN CASH 1,356,426

CASH AT BEGINNING OF YEAR 385,043

CASH AT END OF YEAR \$ 1,741,469

CASH PAID DURING THE YEAR FOR:

INTEREST PAID \$ 33,693

See auditor's report and accompanying notes to financial statements.

BRAZOS VALLEY FOOD BANK, INC.

Notes to the Financial Statements

For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

Nature of activities

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

The Food Bank distributed a total of 6,704,810 pounds of food for the year ended June 30, 2020.

Financial statement presentation

The financial statements of the Food Bank are presented in accordance with *FASB Accounting Standards Codification (FASB ASC) 958-205, Presentation of Financial Statements*. The Food Bank’s funding sources include donors that have placed specific restrictions on the use of donated assets and, in certain instances, the use of income derived from those assets. Under *ASC 958-205*, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Food Bank and changes therein are classified and reported as follows:

- *Without donor restrictions:* net assets that are not restricted by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Food Bank or at the discretion of the Board of Directors for the Food Bank’s use.
- *With donor restrictions:* net assets that are subject to donor-imposed stipulations, which limit their use by the Food Bank to a specific purpose and/or the passage of time. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Also included in this category are stipulations permanently imposed by the donor. Those net assets are not available for use in operations and limitations neither expire by fulfillment of a specific purpose and/or the passage of time.

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies - Continued

Use of estimates

Management of the Food Bank has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Food Bank considers all restricted and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Food Bank's cash in its deposit accounts with American Momentum Bank exceeded the federally insured limit by \$1,659,626 at June 30, 2020.

Shared Maintenance Receivable

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

Contributions

The Food Bank accounts for contributions in accordance with *FASB ASC 958-605, Revenue Recognition*. In accordance with ASC 958-605, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Property and equipment

The Food Bank records at cost all property and equipment purchases over \$1,000. Donated equipment is recorded as support at the estimated fair value at the date of the gift. Equipment is depreciated using the straight-line method over its estimated useful life. The cost of maintenance and repairs is charged to expense. Significant renewals and betterments are capitalized.

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies - Continued

Inventory of food

The inventory of donated food is valued at an average of the national wholesale prices as determined by Feeding America or at the cost of the products purchased as determined by the first-in, first-out method.

Donated services

Donated services are recognized as contributions in accordance with *FASB ASC 958-605, Revenue Recognition* if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Food Bank. In 2020 the Food Bank received donated services of \$131,897, which included advertising services, legal services, food services, and a subleased truck from the Houston Food Bank. Donated services from volunteers performing food-handling or clerical functions throughout the year are not recognized as contributions in the financial statements because the criteria for *ASC 958-605* are not met.

Federal Income Taxes

The Food Bank is a tax-exempt non-profit organization under Internal Revenue Code 501(c)(3). In addition, the Food Bank has been classified as an organization that is not a private foundation under Section 509(a)(1).

Functional allocation of expenses

Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of payroll expenses that benefit multiple functional areas have been allocated based on employee time records. Costs that are not readily allocable to any program service are allocated entirely to management and general.

Recently issued accounting pronouncements

In February 2016, the FASB issued *ASU No. 2016-02, Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as financing or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statements of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statements of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2021 and early adoption is permitted. The Food Bank is currently evaluating the impact the standard will have on its financial statements.

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 2 – Federal Income Taxes

The Food Bank has adopted the uncertain tax provisions of ASC 740. The Food Bank evaluates its uncertain tax positions using the provisions of *ASC 450, Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax provision or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Interest and penalties associated with uncertain tax positions are recognized as components of federal income tax expense. The Food Bank did not have any interest or penalties with regard to uncertain tax positions during the year ended June 30, 2020. No provision or liability for federal income taxes has been included in the financial statements.

The Food Bank believes that its tax position regarding its status as a tax-exempt organization will remain significantly unchanged within the next twelve months.

Note 3 – Fair Value of Assets and Liabilities

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the inputs and valuation methodologies used for financial assets and liabilities measured at fair value and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 3 – Fair Value of Assets and Liabilities - Continued

Investments

When quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, appraisals or discounted cash flows and are generally classified as Level 2.

In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

The valuation technique used for the Level 3 investment, Investment held by the Community Foundation of the Brazos Valley at June 30, 2020, is based on the cost approach. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost).

As a Level 3 investment, the inputs used in determining the fair value of the investment are generally unobservable and are supported by little or no market activity and are significant to the fair value of the asset.

The following table presents the fair value measurements of financial assets recognized in the accompanying statement of financial position measured at fair value and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at June 30, 2020.

	<u>Fair Value Measurements</u>			
Recurring basis:	<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investment held by the Community Foundation of the Brazos Valley	\$ 91,289	\$ ---	\$ ---	\$ 91,289

The following table presents additional information about assets measured at fair value on a recurring basis that have been measured using significant unobservable inputs (Level 3):

Beginning balance	\$ 94,108
Total net realized and unrealized gains (losses) included in changes in net assets	(2,309)
Additions to investment	10,000
Withdrawals	<u>(10,510)</u>
Ending balance	<u>\$ 91,289</u>

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 3 – Fair Value of Assets and Liabilities – Continued

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

- *Investment held by the Community Foundation of the Brazos Valley* is valued based on the value reported by the Community Foundation of the Brazos Valley.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Food Bank believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Increases and decreases to invested amounts are reported as investment income and other revenue on the statement of activities. The Food Bank investment in the Brazos Valley Community Foundation includes a net unrealized loss in the amount of \$2,309 for the year ended June 30, 2020.

The carrying amounts of cash equivalents, receivables, and current liabilities approximate fair value because of the short maturity of those instruments. The fair value of pledges receivable is estimated at the present value of the future payments expected to be received.

The following table presents estimated fair values of the Food Bank’s financial assets at June 30, 2020:

	June 30, 2020	
	Carrying Amount	Fair Value
Investment held by the Community Foundation of the Brazos Valley	\$ 91,289	\$ 91,289

Note 4 – Liquidity and Availability of Resources

As of June 30, 2020, the Food Bank’s financial assets available within one year for general expenditure are as follows:

Cash and cash equivalents	\$ 1,741,469
Accounts receivable	57,768
Total financial assets available within one year	1,799,237
Less amounts unavailable for general expenditure within one year, due to:	
Cash restricted by donors as to its use	-
Total amounts unavailable for general expenditure within one year	-
Total financial assets available to management for general expenditure within one year	\$ 1,799,237

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 4 – Liquidity and Availability of Resources – Continued

The Food Bank manages its liquidity following three guiding principles:

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

Note 5 – Endowment Funds

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

Funds received from three individual donations totaling \$87,000 have been included in the endowment fund. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The three individual donors have restricted the original corpus to be held and the earnings of the funds to be used for Food Bank operations.

Endowment Net Asset Composition by Type of Fund as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 4,289	\$ 87,000	\$ 91,289

Changes in Endowment Net Assets for the Year Ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 17,108	\$ 77,000	\$ 94,108
Investment return:			
Net appreciation (realized & unrealized)	(2,309)	---	(2,309)
Contributions	---	10,000	10,000
Appropriation of endowment assets for expenditure	<u>(10,510)</u>	<u>---</u>	<u>(10,510)</u>
Endowment net assets, end of year	<u>\$ 4,289</u>	<u>\$ 87,000</u>	<u>\$ 91,289</u>

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 5 – Endowment Funds – Continued

Interpretation of Relevant Law

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

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

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

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 5 – Endowment Funds – Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Note 6 – Related Party Transactions

Related parties consist of all affiliates of an organization, including management, board members, employees, and their families. The Food Bank received contributions from board members' of \$16,318 and from Food Bank staff of \$2,367 in the year ended June 30, 2020.

During fiscal year 2020, the Food Bank received \$102,304 of donated services from the board members and/or their related businesses. It also received a subleased truck from Houston Food Bank for the value of \$23,036.

Note 7 – Property and Equipment

Property and equipment at June 30, 2020 consists of the following:

Furniture and equipment	\$ 873,145
Vehicles	411,798
Buildings and improvements	4,860,304
Construction in progress	9,490
Less: accumulated depreciation	<u>(990,992)</u>
	<u>\$ 5,163,745</u>

Note 8 – Restrictions on Net Assets

In 1993, the Food Bank received Community Development Block Grant (CDBG) funds from the City of College Station totaling \$25,000 to be used for the acquisition of a warehouse and office building to house its administrative and operating activities. The agreement for the CDBG funds contained certain indefinite restrictions on the building including its use to continue to provide aid in eliminating hunger. Another restriction required proceeds from any substantial sale of the property to be returned on a prorated basis to the city. Since the proceeds from the sale of the old building were immediately used as a down payment on the new building, these restrictions continue to be met and no amounts are due back to the City of College Station. Due to the restriction on the building, the \$25,000 from the City of College Station is shown as net assets with donor restrictions.

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 8 – Restrictions on Net Assets- Continued

An individual donated \$67,000 to the Food Bank with the restriction that the principal be invested and only the income is to be used for Food Bank operations. Additionally, in the event of closure of the Food Bank, the full principal is to be transferred to the United Way of the Brazos Valley. Due to the restriction, the \$67,000 is shown as net assets with donor restrictions.

During the year ended June 30, 2013, the Food Bank received a \$10,000 donation from matching funds with the restriction that the principal be invested at the Community Foundation of the Brazos Valley and only the income is to be used for Food Bank operations. Due to the restriction, the \$10,000 is shown as net assets with donor restrictions.

During the year ended June 30, 2020, the Food Bank received a \$10,000 donation with the restriction that the principal be invested at the Community Foundation of the Brazos Valley and only the income is to be used for Food Bank operations. Due to the restriction, the \$10,000 is shown as net assets with donor restrictions.

During the year ended June 30, 2020, realized losses for these investments were \$914. For the year ended June 30, 2020, the Food Bank had a withdrawal of earnings of \$10,510, and paid \$1,395 for administrative and investment fees to the Community Foundation of the Brazos Valley. Increases and decreases to invested amounts are reported as investment income and other revenue on the statement of activities.

At June 30, 2020, the Food Bank’s net assets with donor restrictions were comprised of contributions restricted as follows:

	Restricted Net Assets
Disaster Relief	\$ 135,180
Backpack	10,092
Senior Outreach	706
Mobile Pantry	2,000
Screen & Intervene	6,395
	154,373
Restricted Endowment Principal	112,000
Restricted Net Assets	\$ 266,373

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 9 – Notes Payable

Notes payable consists of the following at June 30, 2020:

4.33% construction note with American Momentum Bank; interest payments due monthly for 24 months after the original date of loan, September 8, 2017; principal and interest payments due monthly beginning, 08/08/19; note matures 09/08/27; collateral: property at 1501 Independence Ave. Bryan, Texas	\$ 587,307
5.05% construction note with American Momentum Bank; interest payments due monthly after the original date of the loan, April 16, 2018; principal and interest payments due monthly beginning 9/08/19; note matures 9/08/27; collateral: property and improvements located at 1501 Independence Avenue, Bryan, Texas	<u>46,746</u> 634,053
Less: current maturities	<u>(66,189)</u>
Total long-term debt	<u>\$ 567,864</u>

Amounts becoming due for the five years ending June 30, 2025, and thereafter are as follows:

2021	\$ 66,189
2022	20,577
2023	21,500
2024	22,400
2025	23,466
Thereafter	<u>479,921</u> <u>\$ 634,053</u>

In July 2020, the Food Bank paid off the note with the 5.05% interest rate in the amount of \$46,746, which would mature in September 2027.

The Food Bank has a revolving line of credit agreement with American Momentum Bank of \$385,000. Interest is payable monthly at prime plus 2% beginning June 2, 2019. The note is secured by a separate deed of trust. The borrowings against the line during fiscal year 2020 were \$324,056, all of which were repaid by June 30, 2020.

Pursuant to the loan agreements with American Momentum Bank the Food Bank must adhere to certain loan covenants. During the year ended June 30, 2020, the Food Bank was not in compliance with the following loan covenants:

Statement and Reports: Borrower agrees to deliver to Lender, during the term of the Loan and until the Loan has been fully paid and satisfied, (i) CPA audited financial statements (which shall

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 9 – Notes Payable - Continued

mean and include a balance sheet and income statement) of Borrower within one hundred twenty (120) days after the end of each fiscal year.

American Momentum Bank has agreed to extend delivery date of the June 30, 2020 audited financials from September 30, 2020 to March 31, 2021.

Note 10 – Paycheck Protection Program Funds

During fiscal year 2020, the Food bank applied for a Paycheck Protection Program (“PPP”) loan from the United States Small Business Administration. This loan program was put into place by the CARES Act to aid businesses in paying their employees during the COVID-19 crisis. The Small Business Administration will forgive these loans if: 1.) the proceeds are used for payroll costs and other operating costs as set forth in the Cares Act over the eight-week period or alternative 24-week period after receiving funding, and 2.) employee and compensation levels are maintained. The Food Bank received \$192,170 for their Paycheck Protection Program loan in May 2020. The Organization recorded the PPP loan as a current liability on the Statement of Financial Position at June 30, 2020.

Note 11 - Donated Food

The Food Bank receives donations of food from various sources including Feeding America, the United States Department of Agriculture (USDA) and reclamation items from area grocery stores. The Food Bank distributed 6,002,383 pounds of donated food (valued at \$9,850,317) during the year ended June 30, 2020.

Note 12 – Retirement Plan

The Food Bank provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. The Food Bank matches the employee contribution up to 3 percent of gross wages. Contributions to the plan were \$10,595 during the year ended June 30, 2020.

Note 13 – Concentrations

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

Note 14 – Supplemental Disclosures of Cash Flow Information

The Food Bank had noncash food contributions of \$8,921,686 and noncash food distributions of \$9,850,317 for the year ended June 30, 2020.

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements - Continued
For the Year Ended June 30, 2020

Note 15 – Subsequent Events

The Food Bank has evaluated subsequent events through March 29, 2021, the date which the financial statements were issued.

In February 2021, the entire amount of the PPP loan was forgiven by the Small Business Administration.

COMPLIANCE REPORTS



Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Brazos Valley Food Bank
Bryan, 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 the Brazos Valley Food Bank (the "Food Bank") (a nonprofit organization), which comprise the statement of financial position as of June 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 March 29, 2021.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the

accompanying schedule of findings and questioned costs as item 2020-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-02 to be a significant deficiency.

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 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*.

Food Bank's Response to Findings

The Food Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Food Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 Food Bank'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 Food Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ingram, Wallis + Company, P.C.

Bryan, Texas
March 29, 2021



Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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
Brazos Valley Food Bank
Bryan, Texas

Report on Compliance for Each Major Federal Program

We have audited Brazos Valley Food Bank's (the "Food Bank") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Food Bank's major federal program for the year ended June 30, 2020. The Food Bank's major federal program is identified in the summary of auditors' 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Food Bank's major federal program 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 the 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 the major federal program. However, our audit does not provide a legal determination of the Food Bank's compliance.

Opinion on Each Major Federal Program

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 its major federal program for the year ended June 30, 2020.

Other Matters

The results of auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-03. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the 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 the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a 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 the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We

did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-04 that we consider to be a significant deficiency.

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

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

Ingram, Wallis + Company, P.C.

Bryan, Texas
March 29, 2021

BRAZOS VALLEY FOOD BANK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor Title	Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Passed Through to Subrecipients	Expenditures
<i>FEDERAL ASSISTANCE</i>				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<u>Passed through the Federal Emergency Management Agency</u>				
Emergency Food & Shelter Program – Phase 37: Brazos County	LRO ID 7902-00-005	97.024		\$ 5,480
TOTAL				<u>5,480</u>
<u>Passed through Texas Department of Emergency Management</u>				
Disaster Grants – Public Assistance	C2020-1701	97.036		298,513
TOTAL				<u>298,513</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>Passed through the Houston Food Bank</u>				
Emergency Food Assistance Program (Food Commodities)	0016 101-042K9	10.569	\$ 789,449	789,449
Emergency Food Assistance Program (Food Commodities)	0016 101-042K9	10.569	<u>2,418,879</u>	<u>2,418,879</u>
TOTAL			<u>3,208,328</u>	<u>3,208,328</u>
<u>Passed through the State of Texas Health and Human Services Commission</u>				
Community Based Outreach and Application Assistance - FY 19	HHSC 529-06-0423-00001F	Various		15,165
Community Based Outreach and Application Assistance - FY 20	HHSC 529-06-0423-00001F	Various		51,410
Community Partner Program: General Match – Community Based Outreach and Assistance – FY 19		Various		341
Community Partner Program: General Match – Community Based Outreach and Assistance – FY 20		Various		3,056
Supplemental Nutrition Assistance Program – Education – FY 19		10.561		21,650
Supplemental Nutrition Assistance Program – Education – FY 20		10.561		<u>54,804</u>
TOTAL				<u>146,426</u>

BRAZOS VALLEY FOOD BANK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2020

U.S. DEPARTMENT OF THE TREASURY

Passed through Texas Department of Emergency Management

Coronavirus Relief Fund	C2020-1701	21.019		<u>\$ 99,504</u>
TOTAL				<u>99,504</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,208,328</u>	<u>\$ 3,758,251</u>

BRAZOS VALLEY FOOD BANK
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

General - The accompanying Schedule of Expenditures of Federal Awards presents all federal expenditures of the Brazos Valley Food Bank (the “Food Bank”).

Basis of Accounting - The expenditures on the accompanying Schedule of Expenditures of Federal Awards are presented on the accrual basis.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the Food Bank’s financial statements on the accrual basis.

Noncash Assistance - Amounts reported in the accompanying Schedule of Expenditures of Federal Awards for the Emergency Food Assistance Program represent noncash assistance in the form of food commodities.

BRAZOS VALLEY FOOD BANK
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? X yes none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? X yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
<u>10.569</u>	<u>Emergency Food Assistance Program(Food Commodities)</u>

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

Auditee qualified as low-risk auditee? yes X no

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

2020-01 Inventory

Condition: During the testing of inventory, it was noted inventory values had not been updated to the new Feeding America rates applicable to FY 2020. As such, both inventory and donated food revenue were understated \$185,679.

Recommendation: We recommend the Food Bank update inventory values to the applicable Feeding America rates on a timely basis.

Management's Response and Corrective Action Planned:

Management's Response:

Feeding America food value rates are reported and available to the Food Bank Network through HungerNet on July 1st of the following year. For example, the 2020 food value rate(s) will be available July 1, 2021.

Corrective Action Plan:

The Brazos Valley Food Bank's (BVFB) Finance Manager has a reminder set on her calendar beginning 6/15/2021 to check HungerNet each day thru 7/1/2021 for the new food value rates. Once received, the Finance Manager will forward the food value rates with a request to the Distribution Manager (or her designee) to update the rates in Primarius, BVFB's computerized inventory software. At the completion of each month and the fiscal year, BVFB's Finance Manager will review inventory values and work with the CPA with our contracted Financial Compilations firm to complete any necessary adjustments.

2020-02 Financial Statement Preparation

Condition: Ingram Wallis & Company, P.C. is currently preparing the financial statements, including footnote disclosures, which are presented in accordance with generally accepted accounting principles by utilizing the financial statements prepared by management in a format appropriate for the Food Bank's internal purposes. Management continues to have full responsibility for the financial statements and is responsible for designating an individual who possesses suitable skill, knowledge or experience to review the statements prepared by us.

Recommendation: We recommend the Food Bank prepare the financial statements, including footnote disclosures.

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-02 Financial Statement Preparation - Continued

Management’s Response and Corrective Action Planned:

Management’s Response:

BVFB’s current Finance Manager has been with the organization for seven months. She has six years’ experience in management at nonprofits with three years of direct responsibility for financials. Her responsibilities include financial reporting, payroll, leave tracking, budgeting, accounts payable, accounts receivable, banking (deposits, payments on loans, reconciliations, transfers), month end journal entries to general ledger, financial support to director and board, restricted fund tracking, food inventory valuation, and financial file maintenance. She works closely with the independent auditors for year-end financial statement preparation and the outside CPA for preparation of monthly financial compilations.

In addition to this dedicated staff person, BVFB employs an independent CPA Firm to compile month-end and annual statements of financial position for BVFB for monthly review by BVFB staff and the Board of Directors.

Annual statements prepared by auditors are reviewed by the Executive Director, the Finance Manager and at minimum, the Treasurer of the Board of Directors.

Corrective Action Planned: None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-03 Noncompliance with Eligibility Requirements

U.S. Department of Agriculture

Passed through the Houston Food Bank

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

Federal Grant Award No. 0016 101-042K9

Grant Period – 10/01/14 – 09/30/20

Criteria: As an Eligible Recipient Agency (“ERA”), the Food Bank must certify that households are eligible to receive USDA foods for household consumption by applying income eligibility criteria established by the State agency.

Condition: During review of this compliance requirement, fifteen instances of noncompliance were noted related to the St. Peters Mobile Pantry in which individuals received distributions but did not appear to have a H1555 application on file with the Food Bank.

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

2020-03 Noncompliance with Eligibility Requirements - Continued

Cause: The noncompliance related to the missing H1555 applications appears to be due to weather conditions in the field on the day of the mobile pantry which resulted in the forms getting damaged and not submitted to the Food Bank.

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

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

Context: We tested 135 individuals who received food through the St. Peters Mobile Pantry during January 2020.

Repeat Finding: Noncompliance with Eligibility Requirements is a repeat finding from FY 2019 (2019-04).

Recommendation: Efforts should be made by staff and volunteers to ensure that forms are secured from the elements so that forms may be properly remitted to the Food Bank.

Management's Response:

As an Eligible Recipient Agency (ERA) of United State Department of Agriculture (USDA) Commodities, BVFB is aware of the importance of the requirement to certify/document households for eligibility to receive The Emergency Food Assistance Program (TEFAP) Commodities. The instances of non-compliance discovered are not an indication of a lack of understanding of this requirement, nor of a BVFB intake process or volunteer training that is inherently flawed. Staff and volunteers are informed of and trained on intake requirements, as well as record retention needs. The noncompliance issues identified (missing H1555 forms) from the St. Peters Mobile Pantry were directly related to providing direct food aid outside, during a storm. The Intake Forms were damaged by the weather and illegible.

Corrective Action Plan:

BVFB staff will add best practices and problem-solving (weather-related and other) to quarterly audits, including reviewing and gathering sign-in sheets (these are the sheets used in the field to record who has visited a Mobile Food Pantry) and intakes quarterly from all Mobile Food Pantries. If damaged paperwork becomes an issue again with a pantry, and if BVFB is made aware of it, staff will consult of Texas Department of Agriculture (TDA) and on the correct course of action.

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

2020-04 Noncompliance with Accountability for USDA Foods

U.S. Department of Agriculture

Passed through the Houston Food Bank

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

Federal Grant Award No. 0016 101-042K9

Grant Period – 10/01/14 – 09/30/20

Criteria: Accurate and complete records must be maintained with respect to receipt, distribution/use, and inventory of USDA Foods.

Condition: During review of this compliance requirement, it was noted that the Food Bank was not using the required separate rate to record donated USDA product in accordance with the Feeding America valuation report.

Cause: The Food Bank determined the cause to be turnover in the position of Finance Associate during the fiscal year.

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

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

Context: We compared the Food Bank rates to the Feeding America valuation report and the Houston Food Bank's most recent financial statement report.

Repeat Finding: Noncompliance with Accountability for USDA Foods is a repeat finding from FY 2019 (2019-06).

Recommendation: We recommend the Food Bank communicate with the Houston Food Bank to remain current with changes in valuation methods.

Management's Response:

BVFB did not receive direction from the Houston Food Bank to apply a separate rate to USDA food until end of August 2019. As soon as BVFB learned from the Houston Food Bank that it expected BVFB to value USDA product at a separate rate, BVFB staff made those changes in BVFB's computerized inventory software, Primarius. Since we received the information during this audit year, BVFB expected to have this finding again this cycle.

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

2020-04 Noncompliance with Accountability for USDA Foods - Continued

Corrective Action Plan:

The Brazos Valley Food Bank's Finance Manager has a reminder set on her calendar beginning 6/15/2021 to check HungerNet each day thru 7/1/2021 for the new food value rates. Once received, the Finance Manager will consult with the Houston Food Bank's CFO to determine at what level of rate detail BVFB is expected to adhere to. The Finance Manager will then forward the food value rates with a request to the Distribution Manager (or her designee) to update the rates in Primarius, BVFB's computerized inventory software. At the completion of each month and the fiscal year, BVFB's Finance Manager will review inventory values and work with the CPA with our contracted Financial Compilations firm to complete any necessary adjustments.

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

2019-01 Inventory

Condition: During the testing of inventory, it was noted inventory values had not been updated to the new Feeding America rates applicable to FY 2019. As such, both inventory and donated food revenue were overstated \$120,604.

Recommendation: We recommend the Food Bank update inventory values to the applicable Feeding America rates on a timely basis.

Current Status:

- BVFB's warehouse staffing was restructured summer of 2020; therefore, some institutional knowledge was lost and the process for issuing correct values when receiving product in Primarius was not always completed correctly, so defaults continued to be used unintentionally.
- BVFB Volunteer Center staff were never informed of the importance of checking product values and therefore assigned the system default value (USDA value) to all donated/salvage product.
- Turnover of BVFB's Finance Associate position meant that monthly end inventory valuation reconciliation did not occur.

Moving forward:

- BVFB's Warehouse Administrator will verify that the correct rate is being used during the receipting process. If not, they will fix it on the receipt and the product.
- BVFB's Distribution Manager will inform Volunteer Center staff of annual rate changes in a timely fashion.
- BVFB's Finance Associate will calculate the value of poundage of USDA and donated/salvage items on a monthly basis.

2019-02 Inventory

Condition: During the testing of inventory, it was noted that distribution dates (confirmation date and pick-up date) were not consistent with each other within the Food Bank's Primarius inventory software. This resulted in incorrect inventory balances being reported. FY 2018 net assets were understated \$195,582, FY 2019 donated distributed food expense was understated \$248,607 and FY 2019 purchased distributed food expense was overstated \$53,025.

Recommendation: We recommend the Food Bank ensure that the confirmation date and pick-up dates used to account for inventory distributions are the same within the Primarius software.

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS – CONTINUED

2019-02 Inventory - Continued

Current Status:

BVFB Finance Manager continues to pull reports will appropriate dates and cross reference totals, with assistance from the Distribution Manager and outside CPA, to ensure that inventory amounts balance and any discrepancies are addressed.

2019-03 Financial Statement Preparation

Condition: Ingram Wallis & Company, P.C. is currently preparing the financial statements, including footnote disclosures, which are presented in accordance with generally accepted accounting principles by utilizing the financial statements prepared by management in a format appropriate for the Food Bank's internal purposes. Management continues to have full responsibility for the financial statements and is responsible for designating an individual who possesses suitable skill, knowledge or experience to review the statements prepared by us.

Recommendation: We recommend the Food Bank prepare the financial statements, including footnote disclosures.

Current Status:

BVFB's current Finance Manager has been with the organization for seven months. She has six years' experience in management at nonprofits with three years of direct responsibility for financials. Her responsibilities include financial reporting, payroll, leave tracking, budgeting, accounts payable, accounts receivable, banking (deposits, payments on loans, reconciliations, transfers), month end journal entries to general ledger, financial support to director and board, restricted fund tracking, food inventory valuation, and financial file maintenance. She works closely with the independent auditors for year-end financial statement preparation and the outside CPA for preparation of monthly financial compilations.

In addition to this dedicated staff person, BVFB employs an independent CPA Firm to compile month-end and annual statements of financial position for BVFB for monthly review by BVFB staff and Board of Directors.

Annual statements prepared by auditors are reviewed by the Executive Director, the Finance Manager and at minimum, the Treasurer of the Board of Directors.

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-04 Noncompliance with Eligibility Requirements

U.S. Department of Agriculture

Passed through the Houston Food Bank

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

Federal Grant Award No. 0016 101-042K9

Grant Period – 10/01/14 – 09/30/19

Criteria: As an Eligible Recipient Agency (“ERA”), the Food Bank must certify that households are eligible to receive USDA foods for household consumption by applying income eligibility criteria established by the State agency.

Condition: During review of this compliance requirement, four instances of noncompliance were noted related to the Grimes County Mobile Pantry and twelve instances of noncompliance were noted related to St. Peters Mobile Pantry in which individuals received distributions but did not appear to have a H1555 application on file with the Food Bank. Two months of distributions tested related to Burton Mobile Pantry did not have any H1555 applications on file with the Food Bank.

Cause: The noncompliance related to the missing H1555 applications and the noncompliance related to the incomplete applications appears to be due to staff and volunteer oversight when completing the eligibility form and the Food Bank’s policy to provide food to all individual’s upon their first visit.

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

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

Context: We tested 73 individuals who received food through the Grimes County Mobile Pantry during November 2018, 83 individuals who received food through the St. Peters Mobile Pantry during January 2019, and 131 individuals who received food through the St. Peters Mobile Pantry during April 2019. There were 220 individuals who received food through the Burton Mobile Pantry during February 2019 and 172 individuals who received food through the Burton Mobile Pantry during June 2019.

Repeat Finding: Noncompliance with Eligibility Requirements is a repeat finding from FY 2018 (2018-02).

Recommendation: We recommend the Food Bank ensure that staff and volunteers are instructed on proper certification, completion of the eligibility forms, and the requirement to obtain the

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

2019-04 Noncompliance with Eligibility Requirements - Continued

eligibility forms and remit them to the Food Bank. We also recommend that the Food Bank prepare family boxes that do not contain USDA food product to distribute to those individual's that exceed the eligibility threshold.

Current Status:

BVFB's current Agency Relations staff person started in March 2020, at the beginning of the COVID 19 pandemic. Since the pandemic started, BVFB Agency Relations staff have supported/helped coordinate/provide technical assistance to its partner agencies and volunteer run Mobile Food Pantries in their efforts distribute more food and implement COVID safety protocols. Same staff also held regular zoom check-in calls with these important partners. New needs emerged because of COVID, and BVFB Agency Relation staff needed to implement and further coordinate a Food Assistance Hotline, home delivery of food and delivery of Quarantine Kits. Despite that, BVFB Agency Relation staff have conducted Mobile Food Pantry paperwork reviews (sometimes coinciding with a distribution visit) every six months since February 2020. Since BVFB had fewer findings in this area this year, these visits seem to be helping.

2019-05 Noncompliance with Accountability for USDA Foods

U.S. Department of Agriculture

Passed through the Houston Food Bank

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

Federal Grant Award No. 0016 101-042K9

Grant Period – 10/01/14 – 09/30/19

Criteria: Accurate and complete records must be maintained with respect to receipt, distribution/use, and inventory of USDA Foods.

Condition: During review of this compliance requirement, it was noted that beginning FY 2019 USDA Food balances did not agree to the ending FY 2018 balances. We also noted that the gross weight of USDA Foods for Orders Picked Up/Delivered, Total Positive Adjustments, Total Transfers/Transforms In/Out and Total Ending Balance did not reconcile between the Food Bank's internal inventory reports.

Cause: The Food Bank determined the cause to be a difference in dates used (confirmation date and pick-up date) resulting in a timing difference on when the distributions were made in the system.

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

2019-05 Noncompliance with Accountability for USDA Foods - Continued

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

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

Context: We compared the Beginning Balance, Total Receipts, Orders Picked Up/Delivered, Total Positive Adjustments, Total Negative Adjustments, Total Transfers/Transforms In/Out and Total Ending Balance of USDA Food per the Warehouse Summary Report to the USDA Food per the Product Category Summary report.

Recommendation: We recommend the Food Bank ensure that staff are fully trained on the inventory software. We also recommend the Food Bank monitor monthly the above-mentioned reports and ensure that any discrepancies related to USDA Foods are addressed in a timely manner.

Current Status:

BVFB Finance Manager continues to pull reports with appropriate dates and to cross reference totals, with assistance from the Distribution Manager and outside CPA, to ensure that inventory amounts balance and any discrepancies are addressed.

2019-06 Noncompliance with Accountability for USDA Foods

U.S. Department of Agriculture

Passed through the Houston Food Bank

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

Federal Grant Award No. 0016 101-042K9

Grant Period – 10/01/14 – 09/30/19

Criteria: Accurate and complete records must be maintained with respect to receipt, distribution/use, and inventory of USDA Foods.

Condition: During review of this compliance requirement, it was noted that the Food Bank was not using the required separate rate to record donated USDA product in accordance with the Feeding America valuation report.

Cause: The Food Bank determined the cause to be miscommunication with Houston Food Bank.

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

BRAZOS VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

2019-06 Noncompliance with Accountability for USDA Foods - Continued

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

Context: We compared the Food Bank rates to the Feeding America valuation report and the Houston Food Bank's most recent financial statement report.

Recommendation: We recommend the Food Bank communicate with the Houston Food Bank to remain current with changes in valuation methods.

Current Status:

Since this issue we discovered in August 2019, BVFBstaff expected to have a current-year finding for FY2020 on this matter. Consequently, turnover in the Finance Associate position meant that this issue was not properly addressed before the end of FY2020. Moving forward, the BVFB's Finance Manager has a reminder set on her calendar beginning 6/15/2021 to check HungerNet each day thru 7/1/2021 for the new food value rates. Once received, the Finance Manager will consult with the Houston Food Bank to determine at what level of rate detail BVFB is expected to adhere. The Finance Manager will then forward the food value rates with a request to the Distribution Manager to update the rates in Primarius, BVFB's computerized inventory software. BVFB's Finance Manager will review the monthly inventory recap reports to test for correct valuation and will work with the Distribution Manager and the outside CPA to correct any discrepancies.