

CONCHO VALLEY REGIONAL FOOD BANK

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2023

CONCHO VALLEY REGIONAL FOOD BANK

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Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Concho Valley Regional Food Bank

Report on the audit of the financial Statements

Opinion

We have audited the accompanying financial statements of Concho Valley Regional Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concho Valley Regional Food Bank as of December 31, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Concho Valley Regional Food Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Concho Valley Regional 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 Concho Valley Regional 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 Concho Valley Regional 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

August 30, 2024
Abilene, Texas

FINANCIAL STATEMENTS

CONCHO VALLEY REGIONAL FOOD BANK

STATEMENT OF FINANCIAL POSITION

December 31, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 867,483
Cash and cash equivalents - restricted	118,268
Investments	490,955
Accounts receivable	22,712
Grants receivable	44,396
Inventory	67,173
Total current assets	<u>1,610,987</u>

Noncurrent Assets

Property, plant & equipment, net of accumulated depreciation	<u>1,706,955</u>
Total noncurrent assets	<u>1,706,955</u>

TOTAL ASSETS \$ 3,317,942

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 26,156
Accrued expenses	16,341
Due to governments	149,250
Total current liabilities	<u>191,747</u>
Total liabilities	<u>191,747</u>

Net Assets

Net assets without donor restrictions	
Undesignated	2,516,972
Designated by the governing board	490,955
Net assets with donor restrictions	<u>118,268</u>
Total net assets	<u>3,126,195</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,317,942

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

CONCHO VALLEY REGIONAL FOOD BANK

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions:			
Donations	\$ 726,590	\$	\$ 726,590
Donated food and assistance	2,017,329		2,017,329
United way	52,067		52,067
Grants	919,151	250,000	1,169,151
Other Income			
Program revenue	509,171		509,171
Investment income	20,519		20,519
Insurance recovery	25,411		25,411
Unrealized/realized gain (losses)	64,497		64,497
Net assets released from restriction	131,732	(131,732)	
	4,466,467	118,268	4,584,735
Total Operating Revenues, Gains, and Other Support			
Operating Expenses			
Program	4,394,783		4,394,783
General and administrative	75,071		75,071
Fund raising	110,950		110,950
	4,580,804		4,580,804
Total Operating Expenses			
	(114,337)	118,268	3,931
Change in Net Assets			
Net Assets at Beginning of Year	3,146,061		3,146,061
Prior period adjustment	(23,797)		(23,797)
Net Assets at Beginning of Year, As Restated	3,122,264		3,122,264
Net Assets at End of Year	\$ 3,007,927	\$ 118,268	\$ 3,126,195

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

CONCHO VALLEY REGIONAL FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	<u>Food Distribution/ Programs</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Agency inspection	\$ 5,061	\$	\$	\$ 5,061
Childhood hunger	154,742			154,742
Conferences and conventions	11,915			11,915
Depreciation	93,657			93,657
Direct mail			110,950	110,950
Donated food distributed	2,155,741			2,155,741
Food acquired	774,271			774,271
Insurance	35,761			35,761
Investment fees	2,503			2,503
Miscellaneous	33			33
Occupancy	67,271			67,271
Office expenses	41,948			41,948
Operations	121,008			121,008
Other expenses	243,716			243,716
Payroll and related expenses	582,520	64,724		647,244
Professional fees		10,347		10,347
Social services	104,636			104,636
	<u>104,636</u>	<u>64,724</u>	<u>110,950</u>	<u>104,636</u>
Total expenses	\$ <u>4,394,783</u>	\$ <u>75,071</u>	\$ <u>110,950</u>	\$ <u>4,580,804</u>

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

CONCHO VALLEY REGIONAL FOOD BANK

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

Cash flows from operating activities	
Change in net assets	\$ 3,931
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	93,657
Realized/unrealized gain on sale of assets	(64,497)
(Increase) Decrease in operating assets	
Accounts receivable	(1,565)
Grant receivable	(15,635)
Inventory	157,430
Increase (Decrease) in operating liabilities	
Accounts payable	31
Accrued expenses	13,503
Deferred revenue	79,250
	<hr/>
Net cash provided by operating activities	266,105
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Cash flows from investing activities	
Purchase of investments	(3,425)
Purchase of property and equipment	(9,173)
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Net cash used by investing activities	(12,598)
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Net increase in cash and cash equivalents	253,507
Cash and cash equivalents at beginning of year	732,244
	<hr/>
Cash and cash equivalents at end of year	\$ 985,751
	<hr/>
Cash on hand and in banks	867,483
Restricted cash	118,268
Cash and cash equivalents at end of year	\$ 985,751
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*The accompanying notes are an integral
part of the financial statements.*

CONCHO VALLEY REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Concho Valley Regional Food Bank are summarized as follows:

Nature of Activities

Concho Valley Regional Food Bank (Food Bank) is incorporated and operated as a not-for-profit corporation under the laws of the State of Texas. The Food Bank is affiliated with the San Antonio Food Bank (a certified member of the Second Harvest to Feeding America). The Food Bank also actively solicits donations of foods and other necessities from local retailers, wholesalers, and individuals. The purpose of the Organization is to provide a clearing house for salvage and surplus food that otherwise might be wasted.

Basis of Accounting

The financial statements of Concho Valley Regional Food Bank have been prepared on the accrual basis of accounting, which is generally accepted accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

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

Concentrations

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

Use of Estimates

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

Income Taxes

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and has no unrelated business income; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization files an informational return (Form 990) and is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

Cash and Cash Equivalents

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

CONCHO VALLEY REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

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

Inventories

Food acquisition costs are primarily the cost of transportation of bulk food from the San Antonio Food Bank. The organization also purchases food and other items as an expansion of their program. The end of the year inventory of these purchased items are shown on the statement of financial position at cost.

Receivables

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

Grant receivable consist of amounts due the Food Bank from the Texas Department of Agriculture for a capacity grant, changed to a grant for the expansion of cold and dry storage.

Property and Equipment

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

Buildings and improvements	7 - 39 years
Furniture and fixtures	5 - 7 years
Equipment	5 - 39 years
Vehicles	5 - 7 years

Board Designated Funds

The Board has established an endowment at the San Angelo Area Foundation. The balance of the endowment is \$490,955 at December 31, 2023.

Contributed Materials and Services

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

CONCHO VALLEY REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

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

Functional Allocation of Expenses

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

NOTE 2: LIQUIDITY

The Organization has \$1,425,546 of financial assets available within one year of the statement of financial position dates of December 31, 2023, to meet cash needs for general operating expenses, which consist of:

Cash and cash equivalents	\$	985,751
Investments		490,955
Accounts receivable		22,712
Grants receivable		44,396
Less: Net assets restricted by donor		(118,268)
	\$	<u>1,425,546</u>

NOTE 3: FINANCIAL INSTRUMENTS

Fair Value Measurements

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

CONCHO VALLEY REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 3: FINANCIAL INSTRUMENTS - continued

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

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

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

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

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

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

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Investments

On December 31, 2023, the Organization’s investments held by others are classified as Level 1 under the fair value framework.

The investment returns for the year ended December 31, 2023 were unrestricted. The following schedule summarizes the investment return of the year ended December 31, 2023:

Realized/unrealized gain (loss)	64,497
Administrative fees	(2,503)
Total	<u>\$ 61,994</u>

CONCHO VALLEY REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at years ended December 31, 2023:

Land	\$	55,000
Buildings and improvements		1,987,774
Furniture and fixtures		49,697
Equipment		343,118
Vehicles		291,778
		<u>2,727,367</u>
Less: Accumulated depreciation		1,020,412
Net Property & equipment	\$	<u><u>1,706,955</u></u>

Depreciation expense for the year ended December 31, 2023 is \$93,657.

NOTE 5: REVENUE RECOGNITION

The Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2014-019, *Revenue from Contracts with Customers* (Topic 6060. (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services. The exchange contains a single delivery element and revenue is recognized at that single point in time when ownership, risks, and rewards transfer.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023, the Organization had net assets with donor restrictions as follows:

	<u>12/31/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2023</u>
United States Department of Agriculture - Capacity Grant	\$	\$ 250,000	\$ 131,732	\$ 118,268
Total net assets with donor restrictions	\$	<u>\$ 250,000</u>	<u>\$ 131,732</u>	<u>\$ 118,268</u>

NOTE 7: RELEASE OF RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors. During the year ended December 31, 2023, \$131,732 was released from donor restrictions for the capacity grant.

CONCHO VALLEY REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 8: PRIOR PERIOD ADJUSTMENT

During the year, the Food Bank determined that some expenditures were capitalized in the previous year that should have been expensed since there was a change in the grant. The expenses were for a warehouse that was to be built. However, the need has been eliminated and the warehouse will no longer be built. Therefore, the change decreased net assets by \$23,797.

NOTE 9: DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through August 30, 2024, the date the financial statements were available to be issued.