Consolidated Financial Statements

and Other Supplementary Information

June 30, 2022

FOOD BANK

of the Rio Grande Valley, Inc.

Feeding the Body, Mind, & Soul

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Governmental Audit Quality Center

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Texas Society of Certified Public Accountants

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Food Bank of the Rio Grande Valley, Inc.
And Subsidiaries

Independent Auditors' Report and
Consolidated Financial Statements with
Supplementary Information

June 30, 2022

Food Bank of the Rio Grande Valley, Inc. and Subsidiaries
Independent Auditors' Report and Consolidated Financial Statements
with Supplementary Information
June 30, 2022

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Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Food Bank of the Rio Grande Valley, Inc. and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Food Bank of the Rio Grande Valley, Inc. and Subsidiaries (the "Food Bank"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Food Bank as of June 30, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 31, 2023 on our consideration of the Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

Cascos & Associates, PC
Brownsville, Texas
March 31, 2023

FINANCIAL STATEMENTS

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

(with summarized financial information at June 30, 2021)

ASSETS	Totals 2022	Totals 2021
Current Assets		
Cash and cash equivalents	$ 6,449,615	$ 9,341,088
Investments	287,548	286,516
Accounts receivable, net	1,557,503	374,378
Product inventory, net of salvage	1,966,613	5,451,535
Other assets	5,546	-
Total Current Assets	10,266,825	15,453,517
Property and equipment, net of accumulated depreciation	10,016,725	9,984,384
Intangible assets, net of accumulated amortization	128,567	139,195
Total Assets	$ 20,412,117	$ 25,577,096
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 206,700	$ 2,280,981
Unearned revenue	489,646	30,973
Total Current Liabilities	696,346	2,311,954
Net Assets		
Without donor restrictions	18,334,835	18,208,762
With donor restrictions	1,380,936	5,056,380
Total Net Assets	19,715,771	23,265,142
Total Liabilities and Net Assets	$ 20,412,117	$ 25,577,096

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

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

(with summarized financial information for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
Revenues, Gains and Other Support:				
Grants:				
USDA - TEFAP commodities	$ -	$ 7,503,139	$ 7,503,139	$ 7,736,731
USDA - CSFP commodities	-	3,482,515	3,482,515	2,234,847
USDA - Trade mitigation commodities	-	(95)	(95)	3,159,502
USDA - CARES commodities	-	265,201	265,201	2,945,874
USDA - FFCRA commodities	-	161,990	161,990	2,298,217
USDA - COSUP commodities	-	2,282,952	2,282,952	-
USDA - BBB commodities	-	1,207,726	1,207,726	-
USDA - TEFAP administration	652,318	-	652,318	685,175
USDA - CSFP administration	652,102	-	652,102	704,700
Emergency Food & Shelter Program	393,385	202,894	596,279	793,009
Supplemental Nutrition Assistance Program	272,737	-	272,737	232,905
Community Based Outreach/Match	263,596	-	263,596	209,986
Community Development Block Grants	1,226,092	-	1,226,092	-
USDA - Farmer's Market Promotion Program	9,260	-	9,260	-
Feeding Texas	788,987	-	788,987	-
Collaborative FP	-	-	-	76,800
Capacity Grant	181,156	-	181,156	-
Texas Division of Emergency Management	(14,031)	-	(14,031)	9,221,978
Total grants	4,425,602	15,106,322	19,531,924	30,299,724
Value of donated inventory	14,633,404	-	14,633,404	20,337,442
Shared maintenance	707,916	-	707,916	532,456
Donations and private grants	2,986,532	-	2,986,532	6,028,926
Special events	208,185	-	208,185	27,498
Other	19,781	-	19,781	779,273
Dividend and interest income	22,423	-	22,423	32,433
Net assets released from restrictions	18,781,766	(18,781,766)	-	-
Total Revenues, Gains and Other Support	41,785,609	(3,675,444)	38,110,165	58,037,752
Functional Expenses:				
Program expenses	37,715,031	-	37,715,031	52,879,317
Supporting services:				
Administrative	1,012,998	-	1,012,998	1,157,645
Fundraising	377,662	-	377,662	309,251
Total Functional Expenses	39,105,691	-	39,105,691	54,346,213
Operating Change in Net Assets	2,679,918	(3,675,444)	(995,526)	3,691,539
Nonoperating Changes in Net Assets:				
Paycheck protection program loan forgiveness	-	-	-	314,983
Total Nonoperating Changes in Net Assets	-	-	-	314,983
Net Assets, Beginning of Year, as previously stated	18,208,762	5,056,380	23,265,142	19,233,779
Prior Period Adjustment	(2,553,845)	-	(2,553,845)	24,841
Net Assets, Beginning of Year, restated	15,654,917	5,056,380	20,711,297	19,258,620
Net Assets, End of Year	$ 18,334,835	$ 1,380,936	$ 19,715,771	$ 23,265,142

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

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

(with summarized financial information for the year ended June 30, 2021)

	Totals	
	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net position	$ (995,526)	$ 4,031,363
Adjustments to reconcile net assets to net cash (used) provided by operating activities		
Depreciation expense	532,658	489,037
Amortization expense	10,628	10,933
Unrealized (gains) on investments	(1,032)	(256,934)
Non-monetary inventory transactions	48,567	1,926,392
Paycheck protection program loan forgiveness	-	(314,983)
Decrease (increase) in:		
Accounts receivable	(1,183,125)	(209,421)
Purchased inventory	882,510	(2,325,171)
Other assets	(5,546)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,074,281)	2,133,553
Unearned revenue	458,673	30,973
Net cash (used in) provided by operating activities	(2,326,474)	5,515,742
Cash flows from investing activities:		
Capital expenditures	(564,999)	(514,637)
Net cash (used in) provided by investing activities	(564,999)	(514,637)
Net change in cash	(2,891,473)	5,001,105
Cash at beginning of year	9,341,088	4,339,983
Cash at end of year	$ 6,449,615	$ 9,341,088

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

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

(with summarized financial information for the year ended June 30, 2021)

	Program Services	Supporting Services		Totals	
		Administrative	Fundraising	2022	2021
Commodities and in-kind donations distributed	$ 33,036,016	$ -	$ -	$ 33,036,016	$ 48,803,357
Leased employees and related expenses	2,699,414	573,077	238,084	3,510,575	3,334,225
Warehouse maintenance and lease	395,498	314	3,213	399,025	283,575
Fuel and mileage allowance	184,934	1,981	1,367	188,282	116,650
Depreciation expense	282,876	249,782	-	532,658	489,037
Professional fees	7,715	51,954	259	59,928	55,498
Office expense	317,977	20,825	14,942	353,744	294,041
Marketing	-	-	76,400	76,400	80,952
Equipment maintenance	478,552	2,393	6,118	487,063	483,138
Insurance	126,413	49,270	-	175,683	132,033
Training expense	17,880	3,359	2,488	23,727	12,609
Utilities	145,396	4,766	5,333	155,495	131,452
State and national association fees	750	40,442	-	41,192	60,036
Other	14,280	3,776	1,620	19,676	46,435
Amortization expense	-	10,628	-	10,628	10,933
Fundraising	4,382	1,017	27,717	33,116	7,593
Volunteer recognition	2,948	(586)	121	2,483	4,649
	$ 37,715,031	$ 1,012,998	$ 377,662	$ 39,105,691	$ 54,346,213

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

NOTE 1 - NATURE OF ACTIVITIES

The Food Bank of the Rio Grande Valley, Inc. and Subsidiaries (the "Food Bank") is a Texas non-profit corporation that began operations in February 1986. The Food Bank's purpose is to collect and warehouse salvageable food and commodities and to distribute those items to various area social agencies which assist the needy within Hidalgo, Willacy, and Cameron Counties. The social agencies receiving the goods are assessed a shared maintenance fee based on the weight of the items transferred to them. Funding is provided through grants from governmental agencies (primarily the U.S. Department of Homeland Security and the U.S. Department of Agriculture) and private foundations, as well as donations from civic and social organizations, businesses, and individuals.

On March 17, 2005, the Food Bank of the Rio Grande Valley, Inc. (FBRGV, Inc.) created a Limited Liability Company (FBRGV, LLC) and became its sole member. In addition, the FBRGV, Inc. created a Texas Limited Partnership (Food RGV, LP) in which FBRGV, LLC became the general partner and the FBRGV, Inc. became the limited partner. Food RGV, LP was organized to acquire, develop, renovate, and own the real property and improvements of the Valley Fruit and Vegetable Company building, (the Pharr building), located at 724 N. Cage Blvd., Pharr, Hidalgo County, Texas. This building is the new location of the current Food Bank operations. The purpose of creating these entities was to receive historical tax credit monies as an additional means of financing the renovation.

The Food Bank conducted a fundraising campaign to refurbish the Pharr building. As part of the rehabilitation effort, the Food Bank received Social Services Block Grant (SSBG) Emergency Disaster Relief funds under a sub-sub grant from the Texas Health and Human Services Commission (HHSC) through the Lower Rio Grande Valley Development Council to construct a large freezer at the Pharr building. The Food Bank filed a Notice of Federal Interest in December 2010 to formally recognize the government's ownership interest in the Pharr building and property.

The Food Bank combined existing funds with new loan proceeds from a financial structure that utilized New Markets Tax Credits available through a Federal tax-credit program established in year 2000 with the passage of the Community Renewal Tax Relief Act of 2000. A portion of existing Food Bank funds and the new loan proceeds paid for the remaining capital improvements to the Pharr building and land. To comply with the requirements of the tax credit programs, the Food Bank established a specified financial structure to complete the series of transactions necessary.

NOTE 1 - NATURE OF ACTIVITIES

Several new entities were formed to facilitate the loan and equity transactions. The following is a brief synopsis of newly-formed entities, their ownership structure, and transactions that took place on December 21, 2011.

- Food Bank will lease the Pharr building and land to FBRGV Landlord, LLC (Landlord) for a term of 55 years.
- FBRGV Manager, LLC (Manager) was formed as the manager and majority owner of profits interest in Landlord, the ground lessor of the Pharr building and property. Manager is a wholly-owned subsidiary of the Food Bank.
- The underlying ownership structure of Landlord is as follows: (a) Manager owns a 90% profits interest as the managing member, and. (b) FBRGV Tenant, LLC (Tenant) as a member owns a 10% interest in Landlord.
- Tenant is owned by Partnerships of Hope II, LLC, a sole member and managed by Manager.
- Partnerships of Hope II, LLC is owned by (a) Raza Development Fund, Inc., with a .01% profits interest as managing member and by (b) Chase NMTC FBRGV Investment Fund, LLC, with a 99.99% profits interest.
- Chase NMTC FBRGV Investment Fund, LLC is owned by (a) RDF Manager, LLC with a .01% profits interest as managing member and by (b) Chase Community Equity, LLC with a 99.99% profits interest.
- Landlord will lease the Pharr building and property to Tenant for a term of 19 years.
- Tenant will sub-lease the property to the Food Bank for a term of 15 years.

Part of the financing of the rehabilitation of the Pharr building facility came from loans from Partnerships of Hope II, LLC, to Landlord, for approximately $11,145,000. The sources of funds for the loan are equity proceeds from Chase Community Equity, LLC, and debt proceeds from the Food Bank, using available funds. The loan is secured by a first leasehold deed of trust in Landlord's leasehold interest in the Pharr building.

In December 2011, Food Bank transferred to Landlord, the cost of the Pharr land and building, including improvements, totaling $5,589,313 for payment of $8,634,936 from Landlord. The remaining $3,048,402 was treated as extraordinary income on the books of the Food Bank.

On February 27, 2019, the Managing Member and Food Bank entered into an Assignment of Member Interests, whereby the Managing Member assigned 90% member interest in the Landlord to Food Bank.

On February 27, 2019, Chase NMTC FBRGV Investment Fund, LLC and Food Bank entered into an Assignment of Member Interest, whereby the FBRGV Investment Fund assigned their 100% interest in the Investor Member to Food Bank. Upon the execution of the assignments, Food Bank became the 100% owner of Landlord.

NOTE 1 - NATURE OF ACTIVITIES

On February 27, 2019, Chase NTMC FBRGV Investment Fund, LLC and Food Bank entered into an Assignment of Member Interest, whereby FBRGV Investment Fund assigned their 100% interest in the Tenant to Food Bank. Upon the execution of the assignments, Food Bank became the 100% owner of Tenant.

On February 28, 2019, Chase Community Equity, LLC, FBRGV Investment Fund, RDF Fund Manager, LLC, the Lender, Raza Development Fund, Inc., Landlord and Food Bank entered into a NMTC Exit Agreement, whereby Chase transferred its 99.99% member interest in FBRGV Investment Fund to Food Bank, upon the exercise of Chase's put option and sale for $1,000 as outlined in the Fund Interest Agreement executed on the same date, and Fund Manager withdrew as the managing member of the FBRGV Investment Fund. Upon the execution of this agreement, Food Bank became the 100% owner of FBRGV Investment Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements
The accompanying consolidated financial statements include the financial statements of the FBRGV Landlord, LLC and FBRGV Tenant, LLC. Significant inter-company transactions have been eliminated in the financial statements. The consolidated entity is referred to as the Food Bank.

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

Financial Statement Presentation
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. In 2019, the Food Bank adopted ASU 2016-14. This change had no impact on previously reported total change in net assets.

Under FASB ASU 2016-14, the Food Bank is required to report information regarding its financial position and activities according to two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Net assets without donor restrictions - Are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Comparative Financial Information
The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 31, 2020, from which the summarized information was derived.

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

Cash and Cash Equivalents
For purposes of cash flows, the Food Bank considers investments available for current use with an initial maturity date of three months or less to be cash equivalents and all certificates of deposit, regardless of maturity, to be cash equivalents. The Food Bank maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits of up to $250,000 under the Federal Deposit Insurance Corporation (FDIC). The uninsured amount at June 30, 2022 is $5,135,852. Management believes it is not exposed to any significant risk on cash accounts.

Shared Maintenance Fees
The Food Bank receives fees, from participating agencies, to assist in the costs of distributing food. These shared maintenance fees are based on a predetermined rate range of $0 to $.19 per pound.

Accounts Receivable
Accounts receivable represent amounts due from agencies and are stated at the amount the Food Bank expects to collect for shared maintenance fees and grants from government agencies. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2022 and June 30, 2021, management has a reserve for losses on receivables in the amount of $13,390.

Promises to Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Food Bank uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of June 30, 2022 and June 30, 2021, the Food Bank had no unconditional promises to give.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The Food Bank carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of donated food and non-food items, purchased food, and commodities received from the United States Department of Agriculture (USDA). Donated food and related items were valued at $1.92 per pound for the year ended June 30, 2022. This valuation is based on cost studies conducted for Feeding America. Donations to the School Tools program have been valued at market value. Purchased food is valued at latest purchase price. USDA commodities are valued based on published USDA fair market values. Inventory is typically written down at the end of the year to provide an allowance for a portion of donated inventory that will be trashed because it is unusable for consumption.

Property and Equipment

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

Contributions

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained. The Food Bank reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as donor restricted and then released from restriction.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as donor restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of donor restricted net assets as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Donated Services
The Food Bank receives services donated from its members in carrying out its operations. The Food Bank received approximately 18,744 hours of services from approximately 6,896 volunteers for the year ending June 30, 2022. For June 30, 2021, the Food Bank received approximately 32,678 hours of services from approximately 2,095 volunteers. Volunteers assisted in sorting food items. However, no amounts have been recognized in the statement of activities since they do not meet the criteria for recognition under FASB ASC 958-605-25.

Allocation of Functional Expenses
The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes
The Food Bank of the Rio Grande Valley, Inc. is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. It does not conduct any activities which are subject to federal income tax. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). FBRGV, LLC, a Texas limited liability company, qualifies and reports as a disregarded entity under federal income tax regulations. FBRGV Landlord, LLC is treated as a partnership for federal income tax purposes.

The Food Bank's Form 990, Return of Organization Exempt from Income Tax for the years ending 2020, 2021, and 2022 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated Absences

Employees are entitled to paid vacations and personal days off, depending on job classification, length or services and other factors. The accrued balance was $103,873 as of June 30, 2022 and $76,370 as of June 30, 2021.

Advertising Costs

The Food Bank expenses advertising costs as incurred.

Subsequent Events

Management of the Food Bank has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

NOTE 3 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Programs - Food distribution

The main programs consist of the emergency food assistance program, product recovery program, and commodity supplemental program. Through member agencies, the Food Bank is able to help families in need of food throughout the counties of Hidalgo, Willacy and Cameron. Member agencies consist of food pantries, on-site feed centers, soup kitchens, and shelters. The product recovery program is responsible for sorting, cleaning, inspecting, and repacking of donated off-the-shelf food and non-food products. The products recovery program utilizes the majority of volunteers. The commodity supplemental food program is operated by the Food Bank and primarily serves the elderly population in the designated services areas. The Food Bank RGV also provides nutrition education, assistance with SNAP applications, and a community garden.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Food Bank's program strategy; and manage the financial and budgetary responsibilities of the Food Bank.

NOTE 4 - LOANS RECEIVABLE

On December 21, 2011, the Food Bank made a loan for the amount of $7,394,157 to Chase NMTC FBRGV Investment Fund, LLC and is classified as a “Leverage Loan”. The Leverage Loan is for a term of 35 years at a rate of .50%, with interest only payments due quarterly through December 21, 2018. Thereafter, payments of $70,790 are due quarterly through December 21, 2046. The loan matures December 21, 2046.

Due to the change of ownership that took place in February 28, 2019, Food Bank acquired the FBRGV Investment Fund loan receivable of $3,750,843 made by Landlord. See NOTE 16 for details of the of the principals and interest payments.

The total amount of loans receivable on June 30, 2022 was $11,145,000 and is completely eliminated on the accompanying consolidating statement of financial position as a related party transaction.

NOTE 5 - RELATED PARTY TRANSACTIONS

Lease Agreement

FBRGV Landlord, LLC (Landlord) entered into a master lease agreement with FBRGV Tenant, LLC (Tenant) on December 21, 2011 for occupying the Pharr building. The lease term ends on December 31, 2030. Annual lease payments from Tenant to Landlord range from $450,000 to $490,000 per year from fiscal 2023 through fiscal 2030.

Pursuant to the Master Lease, future annual lease payments for the next five years and thereafter are as follows for years ending June 30:

2023	$	472,840
2024		475,204
2025		477,580
2026		479,968
2027		482,368
Thereafter		3,097,824
Total	$	5,485,784

NOTE 5 - RELATED PARTY TRANSACTIONS

Pursuant to FASB-ASC 840-20, lease income is required to be recognized on a straight-line basis. For the year ended June 30, 2022 and June 30, 2021, there was no lease income for annual base rent. As of June 30, 2022 and June 30, 2021, there was no cumulative adjustment to record deferred rental income on a straight-line basis. This is classified as "Deferred rent receivable" and is completely eliminated on the accompanying consolidating statement of financial position as a related party transaction.

Lease Agreement

On December 21, 2011, the Food Bank entered into a sublease agreement with Tenant whereby Tenant would sublease the Pharr building to the Food Bank. The lease ends on December 31, 2026. Annual lease payments from the Food Bank to Tenant range from \$450,000 to \$510,000 per year from fiscal 2023 through fiscal 2030.

Pursuant to the sublease, future annual lease payments for the next five years and thereafter are as follows for years ending June 30:

2023	$	503,173
2024		505,302
2025		507,440
2026		509,588
2027		501,056
Thereafter		1,243,186
Total	$	3,769,745

Pursuant to FASB-ASC 840-20, lease expense is required to be recognized on a straight-line basis. For the year ended June 30, 2022 and June 30, 2021, there was no lease expense incurred for annual base rent. As of June 30, 2022 and June 30, 2021, there was no cumulative adjustment to record lease expense on a straight-line basis. This is classified as "Deferred rent payable" and is completely eliminated on the accompanying consolidating statement of financial position as a related party transaction.

NOTE 6 - CONTINGENCIES

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

NOTE 7 - RETIREMENT PLAN

Effective January 2012, the Food Bank entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Currently, the Food Bank agrees to make a 2% contribution match to the plan. Employees may make voluntary contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The total employer contributions for this Plan was $24,830 for the 2022 plan year and had 46 participants at the end of June 2022. For the 2021 plan year, the total employer contributions was $19,650 and the plan had 24 participants at the end of June 2021. The Food Bank no longer maintains a 457 plan. Therefore, no employer contribution was made for the 2021 plan year.

NOTE 8 - FINANCIAL INSTRUMENTS

Concentration of Credit Risk Due to Promises to Give Receivable

Concentrations of credit risk with respect to promises to give receivable are limited due to the large number of contributors comprising the Food Bank's contributor base. As of June 30, 2021, the Food Bank had no significant concentrations of credit risk.

NOTE 9 – INVENTORY

Inventory consisted of the following as of June 30:

	2022		(For comparative purposes only) 2021	
	Weight (lbs.)	Value	Weight (lbs.)	Value
Donated Inventory:				
Donated food inventory	114,212	$ 359,493	340,783	$ 579,279
USDA - TEFAP commodities	702,706	475,277	1,088,471	1,344,105
USDA - CSFP commodities	924,891	905,659	697,791	694,066
USDA - Trade mitigation	-	-	10,360	3,452
USDA - CARES	-	-	63,622	48,254
USDA - FFCRA	-	-	372,550	398,627
COSUP	72,720	51,628	-	-
Total donated inventory	1,814,529	1,792,057	2,573,577	3,067,783
Purchased inventory:				
TDEM	-	-	2,664,634	2,567,876
USDA-BBB	119,740	257,909	-	-
Disaster Pro	-	-	14,648	21,290
Total purchased inventory	119,740	257,909	2,679,282	2,589,166
Inventory allowance	-	(83,352)	-	(205,414)
Ending inventory	1,934,269	$ 1,966,614	5,252,859	$ 5,451,535

NOTE 10 – PROPERTY AND EQUIPMENT

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

	2022	(For comparative purposes only) 2021
Land	$ 1,846,305	$ 1,846,305
Building	7,684,907	7,671,407
Leasehold improvements	922,597	922,597
Building improvements	1,222,738	1,222,738
Furniture & equipment	1,638,987	1,609,236
Vehicles	1,278,669	756,920
Total property & equipment	14,594,203	14,029,203
Less accumulated depreciation	(4,577,477)	(4,044,819)
Property and equipment - net	$ 10,016,726	$ 9,984,384

Depreciation expense for the year ended June 30, 2022 and June 30, 2021 totaled $532,658 and $489,037, respectively.

NOTE 11 – INTANGIBLE ASSETS

Intangible assets include leasing fees of $127,289, which are recorded at cost and amortized ratably over 214 months using the straight-line method and financing costs of $113,465, which are recorded at cost and amortized ratably over 360 months using the straight-line method. For the year ended June 30, 2022 and June 30, 2021 the amortization expense was $10,933.

	2021	(For comparative purposes only) 2020
Financing costs	$ 113,465	$ 113,465
Leasing costs	127,289	127,289
Total intangible assets	240,754	240,754
Less accumulated ammortization	(112,187)	(101,559)
Intangible assets, net	$ 128,567	$ 139,195

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

				(For comparative purposes only)
		2022		2021
Commodities for distribution:				
USDA - TEFAP		475,277	$	495,816
USDA - CSFP		905,659		922,454
USDA - School commodities		-		315,282
USDA - Trade mitigation commodities		-		1,010,259
USDA - CARES		-		13,909
USDA - FFCRA		-		366
TDEM		-		203,037
Bezo's		-		39,667
EFSP		-		3,320
Total net assets with donor restrictions	$	1,380,936	$	3,004,110

NOTE 13 - OPERATING LEASES

The Food Bank has several non-cancelable operating leases, primarily for various types of equipment. Those leases generally contain renewal options for various periods and require the Food Bank to pay all executor costs such as taxes, maintenance, and insurance. Rent expense for the equipment totaled $310,004 and $376,176 for the year ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under operating leases for the equipment that have remaining terms in excess of one year as of June 30, 2022, are:

Year	Scheduled Payments
2023	$ 123,781
2024	52,420
2025	28,028
2026	23,280
2027	15,520
Total	$ 243,029

NOTE 14 - FAIR VALUE MEASUREMENT

The Financial Accounting Standards Board (FASB) ASC 820-10-50 establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC 820-10-50 clarifies the definition of exchange price as the price between market participants in an orderly transaction to sell an asset or liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The changes to current practice resulting from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements.

FASB ASC 820-10-50 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs.

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are: (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

ASB ASC 820-10-50 requires 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 techniques 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 costs). 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.

NOTE 14 - FAIR VALUE MEASUREMENT

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 assets or liability developed based on the best information available in the circumstances. In that regard, FASB ASC 820-10-50 establishes a fair value hierarchy for valuation inputs that gives 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 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability at the measurement date.

- Level 2 Inputs - Inputs other than quoted prices included in Level 1 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 identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liability (for example interest rates, volatilities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market date by correlation or other means.

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

Fair value of assets and liabilities measured on a recurring basis at June 30, 2022 is as follows:

	Fair Value	Quoted Priced in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Equity Securities	$ 287,548	$ 287,548	$ -	$ -
Total	$ 287,548	$ 287,548	$ -	$ -

Fair value of assets and liabilities measured on a recurring basis at June 30, 2021 is as follows:

	Fair Value	Quoted Priced in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
Equity Securities	$ 286,516	$ 286,516	$ -	$ -
Total	$ 286,516	$ 286,516	$ -	$ -

NOTE 14 - FAIR VALUE MEASUREMENT

To estimate their fair value, the Food Bank uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities, in other words the market approach. The Food Bank did not have any significant transfers between levels 1 and 2 for the year ended June 30, 2022.

NOTE 15 – NEW MARKET TAX CREDITS NOTES PAYABLE

FBRGV Landlord, LLC (Landlord) executed two loan agreements on December 21, 2011, entitled QLICI A and QLICI B that provide for borrowings of $7,394,157 and $3,750,843 respectively from Partnerships of Hope II, LLC. FBRGV Manager, LLC (Manager) is directly liable for its 90% profits interest as the managing member. On February 28, 2019, the title and rights of the loan were transferred from Partnerships of Hope, LLC to the FBRGV Investment Fund. See NOTE 1 for additional details regarding the structure of the Food Bank's ownership structure.

Each loan accrues interest at 0.9374% payable quarterly beginning in December 31, 2011 with the principal balance due in its entirety on December 21, 2046. QLICI A and QLICI B are not permitted to prepay any portion of the loans until the seventh anniversary of the loan. Balances outstanding for note payables QLICI A and QLICI B as of June 30, 2021 and June 30, 2020 was $7,394,157 and $3,750,843, respectively. The notes payable hold the Food Bank's property, real or personal, as collateral in the event of a default.

The total amount of loans payable on June 30, 2022 and June 30, 2021 was $11,145,000 and is completely eliminated on the accompanying consolidating statement of financial position as a related party transaction.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

During the audit for fiscal year ending June 30, 2022, it was discovered that in prior year inventories were overstated by $2,553,845. The effect of this adjustment was a decrease to the beginning balance of net assets of $2,553,845.

(End of Notes)

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SUPPLEMENTARY CONSOLIDATING INFORMAITON

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(with summarized financial information at June 30, 2021)

ASSETS	Food Bank of the Rio Grande Valley, Inc.	FBRGV Landlord, LLC	FBRGV Tenant, LLC	Total	Eliminations	Total 2022 Consolidated	Total 2021 Consolidated
Current Assets							
Cash and cash equivalents	$ 6,449,615	$ -	$ -	$ 6,449,615	$ -	$ 6,449,615	$ 9,341,088
Investments	287,548	-	-	287,548	-	287,548	286,516
Accounts receivable, net	1,557,503	302,917	313,393	2,173,813	(616,310)	1,557,503	374,378
Product inventory, net of salvage	1,966,613	-	-	1,966,613	-	1,966,613	5,451,535
Other assets	5,546	-	-	5,546	-	5,546	-
Total Current Assets	10,266,825	302,917	313,393	10,883,135	(616,310)	10,266,825	15,453,517
Property and equipment, net of accumulated depreciation	2,230,958	7,785,767	-	10,016,725	-	10,016,725	9,984,384
Intangible assets, net of accumulated amortization	-	128,567	-	128,567	-	128,567	139,195
Due from related party - FBRGV Landlord, LLC	350,742	-	-	350,742	(350,742)	-	-
Deferred Rent Receivable - FBRGV Tenant, LLC	-	1,750,950	1,427,518	3,178,468	(3,178,468)	-	-
Loans receivable - FBRGV Investment Fund, LLC	11,145,000	-	-	11,145,000	(11,145,000)	-	-
Total Assets	$ 23,993,525	$ 9,968,201	$ 1,740,911	$ 35,702,637	$ (15,290,520)	$ 20,412,117	$ 25,577,096
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts payable and accrued expenses	$ 488,668	$ 31,323	$ 303,019	$ 823,010	$ (616,310)	$ 206,700	$ 2,280,981
Unearned revenue	489,646	-	-	489,646	-	489,646	30,973
Total Current Liabilities	978,314	31,323	303,019	1,312,656	(616,310)	696,346	2,311,954
Noncurrent Liabilities							
Note payable - PPP	-	-	-	-	-	-	-
Due to related party - Food Bank of the Rio Grande Valley	-	350,742	-	350,742	(350,742)	-	-
Deferred rent payable - FBRGV Tenant LLC	1,427,518	-	1,750,950	3,178,468	(3,178,468)	-	-
Note payable - FBRGV Investment Fund, LLC	-	11,145,000	-	11,145,000	(11,145,000)	-	-
Total Noncurrent Liabilities	1,427,518	11,495,742	1,750,950	14,674,210	(14,674,210)	-	-
Net Assets							
Without Donor Restrictions	20,206,757	(1,558,864)	(313,058)	18,334,835	-	18,334,835	18,208,762
With Donor Restrictions	1,380,936	-	-	1,380,936	-	1,380,936	5,056,380
Total Net Assets	21,587,693	(1,558,864)	(313,058)	19,715,771	-	19,715,771	23,265,142
Total Liabilities and Net Assets	$ 23,993,525	$ 9,968,201	$ 1,740,911	$ 35,702,637	$ (15,290,520)	$ 20,412,117	$ 25,577,096

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(with summarized financial information for the year ended June 30, 2021)

	Food Bank of the Rio Grande Valley, Inc.						Total	
	Without Donor Restrictions	With Donor Restrictions	FBRGV Landlord, LLC	FBRGV Tenant, LLC	Total	Eliminations	2022 Consolidated	2021 Consolidated
Revenues, Gains and Other Support:								
Grants:								
USDA - TEFAP commodities	$ -	$ 7,503,139	$ -	$ -	$ 7,503,139	$ -	$ 7,503,139	$ 7,736,731
USDA - CSFP commodities	-	3,482,515	-	-	3,482,515	-	3,482,515	2,234,847
USDA - Trade mitigation commodities	-	(95)	-	-	(95)	-	(95)	3,159,502
USDA - CARES commodities	-	265,201	-	-	265,201	-	265,201	2,945,874
USDA - FFCRA commodities	-	161,990	-	-	161,990	-	161,990	2,298,217
USDA - COSUP commodities		2,282,952			2,282,952	-	2,282,952	-
USDA - BBB commodities		1,207,726			1,207,726	-	1,207,726	-
Emergency Food & Shelter Program commodities	-	202,894	-	-	202,894	-	202,894	235,827
USDA - TEFAP administration	652,318	-	-	-	652,318	-	652,318	685,175
USDA - CSFP administration	652,102	-	-	-	652,102	-	652,102	704,700
Emergency Food & Shelter Program	393,385	-	-	-	393,385	-	393,385	557,182
Supplemental Nutrition Assistance Program	272,737	-	-	-	272,737	-	272,737	232,905
Community Based Outreach/Match	263,596	-	-	-	263,596	-	263,596	209,986
Community Development Block Grants	1,226,092	-	-	-	1,226,092	-	1,226,092	-
USDA - Farmer's Market Promotion Program	9,260	-	-	-	9,260	-	9,260	11,417
Feeding Texas	788,987	-	-	-	788,987	-	788,987	-
Collaborative FP	-	-	-	-	-	-	-	76,800
Capacity Grant	181,156	-	-	-	181,156	-	181,156	-
Texas Division of Emergency Management	(14,031)	-	-	-	(14,031)	-	(14,031)	9,221,978
Total Grants	4,425,602	15,106,322	-	-	19,531,924	-	19,531,924	30,311,141
Value of donated inventory	14,633,404	-	-	-	14,633,404	-	14,633,404	15,482,892
Shared maintenance	707,916	-	-	-	707,916	-	707,916	808,596
Donations and private grants	2,986,532	-	-	-	2,986,532	-	2,986,532	4,001,805
Special events	208,185	-	-	-	208,185	-	208,185	249,449
Other	19,781	-	-	-	19,781	-	19,781	364,523
Dividend and interest income	22,423	-	-	-	22,423	-	22,423	24,976
Net assets released from restrictions	18,781,766	(18,781,766)	-	-	-	-	-	-
Total Revenues, Gains and Other Support	41,785,609	(3,675,444)	-	-	38,110,165	-	38,110,165	51,243,382
Functional Expenses:								
Program expenses	37,454,621	-	260,410	-	37,715,031	-	37,715,031	41,889,060
Supporting services:								
Administrative	1,012,998	-	-	-	1,012,998	-	1,012,998	811,835
Fundraising	377,662	-	-	-	377,662	-	377,662	387,894
Total Functional Expenses	38,845,281	-	260,410	-	39,105,691	-	39,105,691	43,088,789
Operating Change in Net Assets	2,940,328	(3,675,444)	(260,410)	-	(995,526)	-	(995,526)	8,154,593
Nonoperating Changes in Net Assets:								
Proceeds from lawsuit settlement	-	-	-	-	-	-	-	1,124,966
Gain on debt extinguishment	-	-	-	-	-	-	-	-
Total Nonoperating Changes in Net Assets	-	-	-	-	-	-	-	1,124,966
Net Assets, Beginning of Year, as previously stated	19,820,274	5,056,380	(1,298,454)	(313,058)	23,265,142	-	23,265,142	19,233,779
Prior Period Adjustment	(2,553,845)	-	-	-	(2,553,845)	-	(2,553,845)	-
Net Assets, Beginning of Year, restated	17,266,429	5,056,380	(1,298,454)	(313,058)	20,711,297	-	20,711,297	19,233,779
Net Assets, End of Year	$ 20,206,757	$ 1,380,936	$ (1,558,864)	$ (313,058)	$ 19,715,771	$ -	$ 19,715,771	$ 28,513,338

FEDERAL AWARDS SECTION

Cascos & Associates, PC
Certified Public Accountants
Audit/Accounting/Tax/Consulting

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
Food Bank of the Rio Grande Valley, Inc. and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Bank of the Rio Grande Valley, Inc. and Subsidiaries (the "Food Bank"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of This Report

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

Cascos & Associates, PC

Cascos & Associates, PC
Brownsville, Texas
March 31, 2023

Cascos & Associates, PC
Certified Public Accountants
Audit/Accounting/Tax/Consulting

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

To the Board of Directors
Food Bank of the Rio Grande Valley, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Food Bank of the Rio Grande Valley, Inc and Subsidiaries' (the "Food Bank") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Food Bank's major federal programs for the year ended June 30, 2022. Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Food Bank's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Food Bank's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Cascos & Associates, PC

Cascos & Associates, PC
Brownsville, Texas
March 31, 2023

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

I. Summary of Auditors' Results

Financial Statements:	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to the financial statements noted?	No
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Type of auditors' report on compliance for major programs	Unmodified
Any audit findings which are required to be reported in accordance with 2 CFR 200.516(a)?	None
Dollar threshold used to distinguish between Type A and Type B federal programs	$750,000
Auditee qualified as a low risk auditee:	Yes

Identification of major programs:

Assistance Listing Numbers:	Name of Federal Program or Cluster:
10.565, 10.568, 10.569	Food Distribution Cluster
14.228	Community Development Block Grant

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

Reference No.	Finding/Noncompliance
None reported.	

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Grant Pass Through Identifying Number	Federal Expenditures
FEDERAL AWARDS			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Texas Department of Agriculture:			
Farmer's Market Promotion Program	10.168	806780706	$ 9,260
Commodity Supplemental Food Program (Food Commodities)	10.565	806780706	3,499,567
Commodity Supplemental Food Program (Administrative Costs)	10.565	806780706	652,102
Emergency Food Assistance Program (Administrative Costs)	10.568	806780706	652,318
Emergency Food Assistance Program (Food Commodities)	10.569	806780706	10,993,134
COVID-19 USDA CARES (Food Commodities)	10.569	806780706	252,604
COVID-19 USDA FFCRA (Food Commodities)	10.569	806780706	144,026
Total Food Distribution Cluster			16,193,751
Total Passed through the Texas Department of Agriculture			16,203,011
Passed through the Texas Health and Human Services Commission:			
Supplemental Nutrition Assistance Program	10.561	529-16-0002-00002	272,737
Total Passed through the Texas Health and Human Services Commission			272,737
Total U.S. Department of Agriculture			16,475,748
U.S. DEPARTMENT TREASURY			
Passed through Texas Department of Agriculture:			
COVID-19 Capacity Grant	21.027	GFB202218	181,156
Total Passed through Texas Department of Agriculture			181,156
Total U.S. Department of Treasury			181,156
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way of South Texas:			
Emergency Food and Shelter National Board Program - Hidalgo County	97.024	812800-004	69,700
Emergency Food and Shelter National Board Program - Cameron County	97.024	792400-005	311,630
Emergency Food and Shelter National Board Program - Willacy County	97.024	845200-004	12,055
Emergency Food and Shelter National Board Program (Food Commodities)	97.024	36812800-004	202,335
Total Passed through the United Way of South Texas			595,720
Total U.S. Department of Homeland Security			595,720
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Texas Department of Housing and Community Affairs:			
COVID-19 Community Development Block Grant	14.218	074943319	1,226,092
Total U.S. Department of Housing and Urban Development			1,226,092
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 18,478,716

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Food Bank of the Rio Grande Valley, Inc. and Subsidiaries (the "Food Bank") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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), *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

The Food Bank's reporting entity and significant accounting policies are defined in Notes 1 and 2, respectively, of the Notes to the Consolidated Financial Statements.

NOTE 2 - RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

The Food Bank, as a recipient agency in CSFP and TEFAP, considers all USDA donated foods distributed or used in a fiscal year as expended for purposes of the Schedule. Therefore, there are differences in amounts reported on the statement of activities as revenues and amounts reported on the Schedule as expenditures. The following table reconciles these amounts:

Grant revenue per the Statement of Activities	$ 19,531,924
Non-Federal Grants	(1,052,583)
(Increase) in USDA Inventories	(625)
	$ 18,478,716

NOTE 3 – COMMODITIES

The Food Bank received nonmonetary assistance in the form of food commodities totaling $15,091,666 from CFDA No. 10.565 (Food Commodities), 10.569 (Food Commodities), and 97.024 (Food Commodities) for the year ended June 30, 2022. At June 30, 2022, the Food Bank had food commodities totaling $1,380,936 in inventory related to federal awards.

Program	CFDA No.	Inventory
Commodity Supplemental Food Program	10.565	$ 905,659
Emergency Food Assistance Program	10.569	475,277
		$ 1,380,936

NOTE 4 – INDIRECT COST RATE

The Food Bank did not elect to use the de minimis cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.