

Consolidated Financial Statements and Other Supplementary Information

June 30, 2021



of the Rio Grande Valley, Inc.

Feeding the Body, Mind, & Soul



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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, 2021

Food Bank of the Rio Grande Valley, Inc. and Subsidiaries
Independent Auditors' Report and Consolidated Financial Statements
with Supplementary Information
June 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Food Bank of the Rio Grande Valley, Inc. and Subsidiaries (the "Food Bank"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Food Bank as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matter – Summarized Comparative Information

We have previously audited the consolidated financial statements of Food Bank and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2022, on our consideration of 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 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 Food Bank's internal control over financial reporting and compliance.

Cascos & Associates, PC

Cascos & Associates, PC
Brownsville, Texas
May 11, 2022

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

(with summarized financial information at June 30, 2020)

<u>ASSETS</u>	<u>Totals</u>	
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 9,341,088	\$ 4,339,983
Investments	286,516	29,582
Accounts receivable, net	374,378	164,957
Product inventory, net of salvage	<u>5,451,535</u>	<u>5,052,758</u>
Total Current Assets	15,453,517	9,587,280
Property and equipment, net of accumulated depreciation	9,984,384	9,958,782
Intangible assets, net of accumulated amortization	<u>139,195</u>	<u>150,128</u>
Total Assets	<u>\$ 25,577,096</u>	<u>\$ 19,696,190</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,280,981	\$ 147,428
Unearned revenue	<u>30,973</u>	<u>-</u>
Total Current Liabilities	<u>2,311,954</u>	<u>147,428</u>
Noncurrent Liabilities		
Note payable - PPP	<u>-</u>	<u>314,983</u>
Total Noncurrent Liabilities	<u>-</u>	<u>314,983</u>
Total Liabilities	<u>2,311,954</u>	<u>462,411</u>
Net Assets		
Without donor restrictions	18,208,762	16,229,669
With donor restrictions	<u>5,056,380</u>	<u>3,004,110</u>
Total Net Assets	<u>23,265,142</u>	<u>19,233,779</u>
Total Liabilities and Net Assets	<u>\$ 25,577,096</u>	<u>\$ 19,696,190</u>

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, 2021

(with summarized financial information for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Revenues, Gains and Other Support:				
Grants:				
USDA - TEFAP commodities	\$ -	\$ 7,736,731	\$ 7,736,731	\$ 4,448,926
USDA - CSFP commodities	-	2,234,847	2,234,847	2,479,393
USDA - School commodities	-	-	-	5,201,204
USDA - Trade mitigation commodities	-	3,159,502	3,159,502	8,618,303
USDA - CARES commodities	-	2,945,874	2,945,874	253,180
USDA - FFCRA commodities	-	2,298,217	2,298,217	114,934
USDA - TEFAP administration	685,175	-	685,175	898,552
USDA - CSFP administration	704,700	-	704,700	646,469
Emergency Food & Shelter Program	557,182	235,827	793,009	231,176
Supplemental Nutrition Assistance Program	232,905	-	232,905	246,068
Community Based Outreach/Match	209,986	-	209,986	138,808
USDA - Farmer's Market Promotion Program	-	-	-	11,417
Collaborative FP	76,800	-	76,800	392,400
Texas Division of Emergency Management	9,221,978	-	9,221,978	3,084,317
Total grants	11,688,726	18,610,998	30,299,724	26,765,147
Value of donated inventory	20,337,442	-	20,337,442	15,482,892
Shared maintenance	532,456	-	532,456	808,596
Donations and private grants	6,028,926	-	6,028,926	4,001,805
Special events	27,498	-	27,498	249,449
Other	779,273	-	779,273	364,523
Dividend and interest income	32,433	-	32,433	24,976
Net assets released from restrictions	16,558,728	(16,558,728)	-	-
Total Revenues, Gains and Other Support	55,985,482	2,052,270	58,037,752	47,697,388
Functional Expenses:				
Program expenses	52,879,317	-	52,879,317	41,889,060
Supporting services:				
Administrative	1,157,645.00	-	1,157,645	811,835
Fundraising	309,251	-	309,251	387,894
Total Functional Expenses	54,346,213	-	54,346,213	43,088,789
Operating Change in Net Assets	1,639,269	2,052,270	3,691,539	4,608,599
Nonoperating Changes in Net Assets:				
Proceeds from lawsuit settlement	-	-	-	1,124,966
Paycheck protection program loan forgiveness	314,983	-	314,983	-
Total Nonoperating Changes in Net Assets	314,983	-	314,983	1,124,966
Net Assets, Beginning of Year, as previously stated	16,229,669	3,004,110	19,233,779	13,500,214
Prior Period Adjustment	24,841	-	24,841	-
Net Assets, Beginning of Year, restated	16,254,510	3,004,110	19,258,620	13,500,214
Net Assets, End of Year	\$ 18,208,762	\$ 5,056,380	\$ 23,265,142	\$ 19,233,779

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, 2021

(with summarized financial information for the year ended June 30, 2020)

	Totals	
	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net position	\$ 4,031,363	\$ 4,608,599
Adjustments to reconcile net assets to net cash (used)		
provided by operating activities		
Depreciation expense	489,037	400,597
Amortization expense	10,933	10,933
Unrealized (gains) on investments	(256,934)	(5,533)
Non-monetary inventory transactions	1,926,392	(2,282,804)
Proceeds from lawsuit settlement	-	1,124,966
Paycheck protection program loan forgiveness	(314,983)	-
Decrease (increase) in:		
Accounts receivable	(209,421)	354,042
Purchased inventory	(2,325,171)	(242,705)
Other assets	-	20,551
Increase (decrease) in:		
Accounts payable and accrued expenses	2,133,553	(27,765)
Unearned revenue	30,973	-
Net cash (used in) provided by operating activities	<u>5,515,742</u>	<u>3,960,881</u>
Cash flows from investing activities:		
Capital expenditures	<u>(514,637)</u>	<u>(562,463)</u>
Net cash (used in) provided by investing activities	<u>(514,637)</u>	<u>(562,463)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	<u>-</u>	<u>314,983</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>314,983</u>
Net change in cash	5,001,105	3,713,401
Cash at beginning of year	<u>4,339,983</u>	<u>626,582</u>
Cash at end of year	<u>\$ 9,341,088</u>	<u>\$ 4,339,983</u>

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, 2021

(with summarized financial information for the year ended June 30, 2020)

	Program Services	Supporting Services		Totals	
		Administrative	Fundraising	2021	2020
Commodities and in-kind donations distributed	\$ 48,803,357	\$ -	\$ -	\$ 48,803,357	\$ 37,661,738
Leased employees and related expenses	2,646,839	490,871	196,515	3,334,225	3,174,605
Warehouse maintenance and lease	280,639	241	2,695	283,575	269,229
Fuel and mileage allowance	116,425	206	19	116,650	166,221
Depreciation expense	-	489,037	-	489,037	400,597
Professional fees	19,579	35,902	17	55,498	131,919
Office expense	269,664	11,211	13,166	294,041	188,358
Marketing	1,317	-	79,635	80,952	53,373
Equipment maintenance	466,543	9,665	6,930	483,138	562,534
Insurance	98,718	33,315	-	132,033	134,212
Training expense	8,383	3,736	490	12,609	46,080
Utilities	122,118	4,674	4,660	131,452	132,961
State and national association fees	750	59,286	-	60,036	63,615
Other	40,962	5,437	36	46,435	34,897
Amortization expense	-	10,933	-	10,933	10,933
Fundraising	1,646	1,300	4,647	7,593	56,185
Volunteer recognition	2,377	1,831	441	4,649	1,332
	<u>\$ 52,879,317</u>	<u>\$ 1,157,645</u>	<u>\$ 309,251</u>	<u>\$ 54,346,213</u>	<u>\$ 43,088,789</u>

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

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 30, 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, 2021 is \$9,166,682. 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, 2021 and June 30, 2020, 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, 2021 and June 30, 2020, the Food Bank had no unconditional promises to give.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$1.70 per pound for the year ended June 30, 2021. 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.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 32,678 hours of services from approximately 2,095 volunteers for the year ending June 30, 2021. For June 30, 2020, the Food Bank received approximately 36,509 hours of services from approximately 3,841 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 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated Absences

Employees are entitled to paid vacations and personal days off, depending on job classification, length of services and other factors. The accrued balance was \$76,370 as of June 30, 2021 and \$66,487 as of June 30, 2020.

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.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 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 2022 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:

2022	\$	470,487
2023		472,840
2024		475,204
2025		477,580
2026		479,968
Thereafter		<u>3,109,705</u>
Total	\$	<u><u>5,485,784</u></u>

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 and June 30, 2020, there was no lease income for annual base rent. As of June 30, 2021 and June 30, 2020, 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 2022 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:

2022	\$	501,056
2023		503,173
2024		505,302
2025		507,440
2026		509,588
Thereafter		<u>1,243,186</u>
Total	\$	<u>3,769,745</u>

Pursuant to FASB-ASC 840-20, lease expense is required to be recognized on a straight-line basis. For the year ended June 30, 2021 and June 30, 2020, there was no lease expense incurred for annual base rent. As of June 30, 2021 and June 30, 2020, 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.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$19,650 for the 2021 plan year and had 24 participants at the end of June 2021. For the 2020 plan year, the total employer contributions was \$19,875 and the plan had 26 participants at the end of June 2020. 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:

	2021		(For comparative purposes only) 2020	
	Weight (lbs.)	Value	Weight (lbs.)	Value
Donated Inventory:				
Donated food inventory	340,783	\$ 579,279	8,623,900	\$ 2,102,946
USDA - TEFAP commodities	1,088,471	1,344,105	634,951	495,816
USDA - CSFP commodities	697,791	694,066	3,719,062	922,454
USDA - School commodities	-	-	429,422	315,282
USDA - Trade mitigation	10,360	3,452	994,521	1,010,259
USDA - CARES	63,622	48,254	31,536	13,909
USDA - FFCRA	372,550	398,627	510	366
EFSP	-	-	30,184	3,320
Total donated inventory	2,573,577	3,067,783	14,464,086	4,864,352
Purchased inventory:				
TDEM	2,664,634	2,567,876	1,368,334	203,037
Bezo's	-	-	117,151	39,667
Disaster Pro	14,648	21,290	-	-
Total purchased inventory	2,679,282	2,589,166	1,485,485	242,704
Inventory allowance	-	(205,414)	-	(54,298)
Ending inventory	5,252,859	\$ 5,451,535	15,949,571	\$ 5,052,758

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PROPERTY AND EQUIPMENT

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

	(For comparative purposes only)	
	2021	2020
Land	\$ 1,846,305	\$ 1,846,305
Building	7,671,407	7,671,407
Leasehold improvements	922,597	922,597
Building improvements	1,222,738	1,088,041
Furniture & equipment	1,609,236	1,269,207
Vehicles	756,920	717,008
Total property & equipment	14,029,203	13,514,565
Less accumulated depreciation	(4,044,819)	(3,555,783)
Property and equipment - net	<u>\$ 9,984,384</u>	<u>\$ 9,958,782</u>

Depreciation expense for the year ended June 30, 2021 and June 30, 2020 totaled \$489,037 and \$400,597, 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, 2021 and June 30, 2020 the amortization expense was \$10,933.

	(For comparative purposes only)	
	2021	2020
Financing costs	\$ 113,465	\$ 113,465
Leasing costs	127,289	127,289
Total intangible assets	240,754	240,754
Less accumulated ammortization	(101,559)	(90,626)
Intangible assets, net	<u>\$ 139,195</u>	<u>\$ 150,128</u>

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

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

	(For comparative purposes only)	
	2021	2020
Commodities for distribution:		
USDA - TEFAP	1,344,105	\$ 495,816
USDA - CSFP	694,066	922,454
USDA - School commodities	-	315,282
USDA - Trade mitigation commodities	3,452	1,010,259
USDA - CARES	48,254	13,909
USDA - FFCRA	398,627	366
TDEM	2,567,876	203,037
Bezo's	-	39,667
EFSP	-	3,320
Total net assets with donor restrictions	<u>\$ 5,056,380</u>	<u>\$ 3,004,110</u>

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 \$376,176 and \$308,037 for the year ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under operating leases for the equipment that have remaining terms in excess of one year as of June 30, 2021, are:

Year	Scheduled Payments
2022	\$ 217,726
2023	123,781
2024	52,420
2025	28,028
2026	23,280
Thereafter	15,520
Total	<u>\$ 460,755</u>

NOTE 14 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and facilitated by the Small Business Administration (SBA), provides for loans to qualifying entities for amounts up to 2.5 times the average monthly payroll expenses of the qualifying entity. Under the terms of the PPP, certain amounts of the loan may be forgiven if the funds are utilized for allowed expenses.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In April 2020, the Food Bank entered into a loan agreement and received loan proceeds of \$314,983 under the PPP. As of June 30, 2021, the loan was forgiven and was recognized as a gain in the financial statements.

NOTE 15 - 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.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - 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 data 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, 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)
<u>June 30, 2021</u>				
Equity Securities	\$ 286,516	\$ 286,516	\$ -	\$ -
Total	<u>\$ 286,516</u>	<u>\$ 286,516</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value of assets and liabilities measured on a recurring basis at June 30, 2020 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)
<u>June 30, 2020</u>				
Equity Securities	\$ 29,582	\$ 29,582	\$ -	\$ -
Total	<u>\$ 29,582</u>	<u>\$ 29,582</u>	<u>\$ -</u>	<u>\$ -</u>

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - 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, 2021.

NOTE 16 – 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, 2021 and June 30, 2020 was \$11,145,000 and is completely eliminated on the accompanying consolidating statement of financial position as a related party transaction.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

During the audit for fiscal year ending June 30, 2021, it was discovered that in prior year liabilities were overstated by \$24,841. The effect of this adjustment was an increase to the beginning balance of net assets of \$24,841.

(End of Notes)

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(with summarized financial information at June 30, 2020)

	Food Bank of the Rio Grande Valley, Inc.	FBRGV Landlord, LLC	FBRGV Tenant, LLC	Total	Eliminations	Total	
<u>ASSETS</u>						2021 Consolidated	2020 Consolidated
Current Assets							
Cash and cash equivalents	\$ 9,341,088	\$ -	\$ -	\$ 9,341,088	\$ -	\$ 9,341,088	\$ 4,339,983
Investments	286,516	-	-	286,516	-	286,516	29,582
Accounts receivable, net	374,378	302,917	313,393	990,688	(616,310)	374,378	164,957
Product inventory, net of salvage	5,451,535	-	-	5,451,535	-	5,451,535	5,052,758
Total Current Assets	15,453,517	302,917	313,393	16,069,827	(616,310)	15,453,517	9,587,280
Property and equipment, net of accumulated depreciation	1,948,835	8,035,549	-	9,984,384	-	9,984,384	9,958,782
Intangible assets, net of accumulated amortization	-	139,195	-	139,195	-	139,195	150,128
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	\$ 28,898,094	\$ 10,228,611	\$ 1,740,911	\$ 40,867,616	\$ (15,290,520)	\$ 25,577,096	\$ 19,696,190
<u>LIABILITIES AND NET ASSETS</u>							
Current Liabilities							
Accounts payable and accrued expenses	\$ 2,562,949	\$ 31,323	\$ 303,019	\$ 2,897,291	\$ (616,310)	\$ 2,280,981	\$ 147,428
Unearned revenue	30,973	-	-	30,973	-	30,973	-
Total Current Liabilities	2,593,922	31,323	303,019	2,928,264	(616,310)	2,311,954	147,428
Noncurrent Liabilities							
Note payable - PPP	-	-	-	-	-	-	314,983
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)	-	314,983
Net Assets							
Without Donor Restrictions	19,820,274	(1,298,454)	(313,058)	18,208,762	-	18,208,762	16,229,669
With Donor Restrictions	5,056,380	-	-	5,056,380	-	5,056,380	3,004,110
Total Net Assets	24,876,654	(1,298,454)	(313,058)	23,265,142	-	23,265,142	19,233,779
Total Liabilities and Net Assets	\$ 28,898,094	\$ 10,228,611	\$ 1,740,911	\$ 40,867,616	\$ (15,290,520)	\$ 25,577,096	\$ 19,696,190

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized financial information for the year ended June 30, 2020)

	Food Bank of the Rio Grande Valley, Inc.		FBRGV Landlord, LLC	FBRGV Tenant, LLC	Total	Eliminations	Total	
	Without Donor Restrictions	With Donor Restrictions					2021 Consolidated	2020 Consolidated
Revenues, Gains and Other Support:								
Grants:								
USDA - TEFAP commodities	\$ -	\$ 7,736,731	\$ -	\$ -	\$ 7,736,731	\$ -	\$ 7,736,731	\$ 4,448,926
USDA - CSFP commodities	-	2,234,847	-	-	2,234,847	-	2,234,847	2,479,393
USDA - School commodities	-	-	-	-	-	-	-	5,201,204
USDA - Trade mitigation commodities	-	3,159,502	-	-	3,159,502	-	3,159,502	8,618,303
USDA - CARES commodities	-	2,945,874	-	-	2,945,874	-	2,945,874	253,180
USDA - FFCRA commodities	-	2,298,217	-	-	2,298,217	-	2,298,217	114,934
TDEM commodities	-	-	-	-	-	-	-	-
Bezo's commodities	-	-	-	-	-	-	-	-
Emergency Food & Shelter Program commodities	-	235,827	-	-	235,827	-	235,827	3,978
USDA - TEFAP administration	685,175	-	-	-	685,175	-	685,175	898,552
USDA - CSFP administration	704,700	-	-	-	704,700	-	704,700	646,469
Emergency Food & Shelter Program	557,182	-	-	-	557,182	-	557,182	227,198
Supplemental Nutrition Assistance Program	232,905	-	-	-	232,905	-	232,905	246,068
Community Based Outreach/Match	209,986	-	-	-	209,986	-	209,986	138,808
Collaborative FP	76,800	-	-	-	76,800	-	76,800	392,400
Texas Division of Emergency Management	9,221,978	-	-	-	9,221,978	-	9,221,978	3,084,317
Total Grants	11,688,726	18,610,998	-	-	30,299,724	-	30,299,724	26,765,147
Value of donated inventory	20,337,442	-	-	-	20,337,442	-	20,337,442	15,482,892
Shared maintenance	532,456	-	-	-	532,456	-	532,456	808,596
Donations and private grants	6,028,926	-	-	-	6,028,926	-	6,028,926	4,001,805
Special events	27,498	-	-	-	27,498	-	27,498	249,449
Other	779,273	-	-	-	779,273	-	779,273	364,523
Dividend and interest income	32,433	-	-	-	32,433	-	32,433	24,976
Net assets released from restrictions	16,558,728	(16,558,728)	-	-	-	-	-	-
Total Revenues, Gains and Other Support	55,985,482	2,052,270	-	-	58,037,752	-	58,037,752	47,697,388
Functional Expenses:								
Program expenses	52,618,602	-	260,715	-	52,879,317	-	52,879,317	41,889,060
Supporting services:								
Administrative	1,157,645	-	-	-	1,157,645	-	1,157,645	811,835
Fundraising	309,251	-	-	-	309,251	-	309,251	387,894
Total Functional Expenses	54,085,498	-	260,715	-	54,346,213	-	54,346,213	43,088,789
Operating Change in Net Assets	1,899,984	2,052,270	(260,715)	-	3,691,539	-	3,691,539	4,608,599
Nonoperating Changes in Net Assets:								
Proceeds from lawsuit settlement	-	-	-	-	-	-	-	1,124,966
Gain on debt extinguishment	314,983	-	-	-	314,983	-	314,983	-
Total Nonoperating Changes in Net Assets	314,983	-	-	-	314,983	-	314,983	1,124,966
Net Assets, Beginning of Year, as previously stated	17,580,466	3,004,110	(1,037,739)	(313,058)	19,233,779	-	19,233,779	13,500,214
Prior Period Adjustment	24,841	-	-	-	24,841	-	24,841	-
Net Assets, Beginning of Year, restated	17,605,307	3,004,110	(1,037,739)	(313,058)	19,258,620	-	19,258,620	13,500,214
Net Assets, End of Year	\$ 19,820,274	\$ 5,056,380	\$ (1,298,454)	\$ (313,058)	\$ 23,265,142	\$ -	\$ 23,265,142	\$ 19,233,779



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 consolidated statement of financial position as of June 30, 2021, 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 May 11, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Food Bank's internal control over financial reporting (internal control) as a basis for designing the 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 Food Bank's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Cascos & Associates, P.C.".

Cascos & Associates, PC
Brownsville, Texas
May 11, 2022



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

We have audited Food Bank of the Rio Grande Valley, Inc. and Subsidiaries' (the "Food Bank") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Food Bank's major federal programs for the year ended June 30, 2021. Food Bank's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control Over Compliance

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

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

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

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
Brownsville, Texas
May 11, 2022

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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

\$900,388

Auditee qualified as a low risk auditee:

Yes

Identification of major programs:

CFDA Numbers:

10.565, 10.568, 10.569
97.036

Name of Federal Program or Cluster:

Food Distribution Cluster
Disaster Grants-Public Assistance (Presidentially Declared Disasters)

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2021

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, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Pass Through Identifying Number	Federal Expenditures
<u>FEDERAL AWARDS</u>			
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through the Texas Department of Agriculture:</i>			
Commodity Supplemental Food Program (Food Commodities)	10.565	806780706	\$ 2,778,516
Commodity Supplemental Food Program (Administrative Costs)	10.565	806780706	704,700
Emergency Food Assistance Program (Administrative Costs)	10.568	806780706	685,175
Emergency Food Assistance Program (Food Commodities)	10.569	806780706	11,054,752
COVID-19 USDA CARES (Food Commodities)	10.569	806780706	2,911,529
COVID-19 USDA FFCRA (Food Commodities)	10.569	806780706	1,899,956
Total Food Distribution Cluster			<u>20,034,628</u>
Total Passed through the Texas Department of Agriculture			<u>20,034,628</u>
<i>Passed through the Texas Health and Human Services Commission:</i>			
Supplemental Nutrition Assistance Program	10.561	529-16-0002-00002	<u>232,905</u>
Total Passed through the Texas Health and Human Services Commission			<u>232,905</u>
Total U.S. Department of Agriculture			<u>20,267,533</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through United Way of South Texas:</i>			
Emergency Food and Shelter National Board Program - Hidalgo County	97.024	812800-004	462,934
Emergency Food and Shelter National Board Program - Cameron County	97.024	792400-005	54,358
Emergency Food and Shelter National Board Program - Willacy County	97.024	845200-004	39,891
Emergency Food and Shelter National Board Program (Food Commodities)	97.024	36812800-004	<u>235,827</u>
Total Passed through the United Way of South Texas			<u>793,010</u>
<i>Passed through Texas Division of Emergency Management (TDEM):</i>			
COVID-19 Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	<u>9,221,978</u>
Total Passed through Texas Division of Emergency Management (TDEM)			<u>9,221,978</u>
Total U.S. Department of Homeland Security			<u>10,014,988</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 30,282,521</u>

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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	\$ 30,299,724
Non-Federal Grants	(286,785)
(Increase) in USDA Inventories	269,582
	<u>\$ 30,282,521</u>

NOTE 3 – COMMODITIES

The Food Bank received nonmonetary assistance in the form of food commodities totaling \$18,880,580 from CFDA No. 10.565 (Food Commodities), 10.569 (Food Commodities), and 97.024 (Food Commodities) for the year ended June 30, 2021. At June 30, 2021, the Food Bank had food commodities totaling \$2,462,875 in inventory related to federal awards.

Program	CFDA No.	Inventory
Commodity Supplemental Food Program	10.565	\$ 694,066
Emergency Food Assistance Program	10.569	1,347,557
Cares	10.569	48,254
FFCRA	10.569	398,627
		<u>\$ 2,488,504</u>

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.