

FOOD BANK OF THE RIO GRANDE VALLEY, INC. &
SUBSIDIARIES
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2023

Food Bank of the Rio Grande Valley, Inc. and Subsidiaries
June 30, 2023

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Independent Auditor's 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 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, 2023, and the related consolidated statements of activities, consolidated statements functional expenses and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Food Bank as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 opinion.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2. to the financial statements, the Food Bank adopted a new accounting guidance FASB ASC 842 Leases. Our opinion is not modified with respect to this matter.

Other Matters

The consolidated financial statements of the Food Bank, as of and for the year ended June 30, 2022, were audited by other auditors, whose report, dated March 31, 2023, expressed an unmodified opinion on those statements.

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

In performing an audit in accordance with GAAS 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 consolidated financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities, and the 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 consolidated 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 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 consolidating statement of financial position, consolidating statement of activities, and the schedule of expenditures of federal awards are 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 March 26, 2024 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.



Luis C. Orozco
Certified Public Accountant
Pharr, Texas
March 26, 2024

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(with summarized financial information at June 30, 2022)

	Totals	
	2023	2022
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 4,626,898	\$ 6,449,615
Investments	3,787,820	287,548
Accounts Receivable, Net	956,256	1,557,503
Product Inventory, Net of Salvage	2,654,999	1,966,613
Other Assets	5,215	5,546
Total Current Assets	12,031,188	10,266,825
Property and Equipment, Net of Accumulated Depreciation	10,069,131	10,016,725
Intangible Assets, Net of Accumulated Amortization	940,048	128,567
Total Assets	\$ 23,040,367	\$ 20,412,117
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	\$ 169,317	\$ 206,700
Accrued Payroll Expenses	117,692	-
Unearned Revenue	2,017,463	489,646
Total Current Liabilities	2,304,472	696,346
Noncurrent Liabilities		
ROU Lease Liability	833,783	-
Total Noncurrent Liabilities	833,783	-
Net Assets		
Without Donor Restrictions	17,980,977	18,334,835
With Donor Restrictions	1,921,135	1,380,936
Total Net Assets	19,902,112	19,715,771
Total Liabilities and Net Assets	\$ 23,040,368	\$ 20,412,117

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
JUNE 30, 2023
(with summarized financial information at June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Revenues, Grants and Other Support				
Grants				
USDA- TEFAP Commodities	-	7,027,794	7,027,794	7,503,139
USDA- CSFP Commodities	-	4,221,437	4,221,437	3,482,515
USDA- CCC Commodities	-	1,449,472	1,449,472	-
USDA- Trade Mitigation Commodities	-	-	-	(95)
USDA- CARES Commodities	-	-	-	265,201
USDA- FFCRA Commodities	-	-	-	161,990
USDA- COSUP Commodities	-	-	-	2,282,952
USDA- BBB Commodities	-	1,079,553	1,079,553	1,207,726
Emergency Food & Shelter Program Commodities	-	-	-	202,894
USDA- TEFAP Administration	-	-	-	652,318
USDA- CSFP Administration	827,017	-	827,017	652,102
USDA- TexCap	562,237	-	562,237	-
Emergency Food & Shelter Program	233,662	-	233,662	393,385
Supplemental Nutrition Assistance Program	226,335	-	226,335	272,737
Community Based Outreach/Match	299,151	-	299,151	263,596
Community Development Block Grants	1,071,708	-	1,071,708	1,226,092
USDA- Farmer's Market Promotion Program	4,921	-	4,921	9,260
Feeding Texas CFP	455,288	-	455,288	788,987
Texas Food Bank Network-TANF	429,687	-	429,687	-
LFPA Cooperative Agreement Program	807,652	-	807,652	-
Capacity Grant	560,332	-	560,332	181,156
Corporate Grants	894,724	-	894,724	-
Foundation Grants	521,979	-	521,979	-
Government Grants	159,489	-	159,489	-
Texas Division of Emergency Management	30,973	-	30,973	(14,031)
Total Grants	7,085,155	13,778,256	20,863,411	19,531,924
Value of Donated Inventory	15,857,669	-	15,857,669	14,633,404
Shared Maintenance	1,019,112	-	1,019,112	707,916
Donations and Private Grants	1,532,382	-	1,532,382	2,986,532
Special Events	370,899	-	370,899	208,185
Other	86,118	-	86,118	19,781
Dividend and Interest Income	98,357	-	98,357	22,423
Net Assets Released from Restrictions	13,238,057	(13,238,057)	-	-
Total Revenues, Gains and Other Support	39,287,749	540,199	39,827,948	38,110,165
Functional Expenses				
Program Expenses	37,889,641	-	37,889,641	37,715,031
Supporting Services:				
Administrative	1,355,172	-	1,355,172	1,012,998
Fundraising	382,122	-	382,122	377,662
Total Functional Expenses	39,626,936	-	39,626,936	39,105,691
Operating Change in Net Assets	(339,186)	540,199	201,013	(995,526)
Net Assets, Beginning of the Year, as Previously Stated	18,334,835	1,380,936	19,715,771	23,265,142
Prior Period Adjustment	(14,672)	-	(14,672)	(2,553,845)
Net Assets, Beginning of the Year, restated	18,320,163	1,380,936	19,701,099	20,711,297
Net Assets, End of the Year	17,980,977	1,921,135	19,902,112	19,715,771

The accompanying notes are 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, 2023
(with summarized financial information at June 30, 2022)

	Total	
	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net position	\$ 201,013	\$ (995,526)
Adjustments to reconcile net assets to net cash (used) provided by operating activities		
Depreciation expense	861,576	532,658
Amortization expense	10,628	10,628
Unrealized (gains) on investments	-	(1,032)
Non-monetary inventory transactions	-	48,567
Decrease (increase) in:		
Accounts receivable	601,247	(1,183,125)
Purchased inventory	(703,058)	882,510
Other assets	331	(5,546)
Increase (decrease) in:		
Accounts payable and accrued expenses	80,309	(2,074,281)
Unearned revenue	1,527,817	458,673
Net cash (used in) provided by operating activities	<u>2,579,862</u>	<u>(2,326,474)</u>
Cash flows from capital & related financing activities:		
Capital receipts	833,783	-
Capital expenditures	<u>(1,736,090)</u>	<u>-</u>
Net cash (used) provided by capital & related financing activities	<u>(902,307)</u>	<u>-</u>
Cash flows from investing activities:		
Purchase of investments	<u>(3,500,272)</u>	<u>(564,999)</u>
Net cash (used in) provided by investing activities	<u>(3,500,272)</u>	<u>(564,999)</u>
Net change in cash	(1,822,717)	(2,891,473)
Cash at beginning of year	<u>6,449,615</u>	<u>9,341,088</u>
Cash at end of year	<u>\$ 4,626,898</u>	<u>\$ 6,449,615</u>

The accompanying notes are integral part of these financial statements.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2023
(with summarized financial information at June 30, 2022)

	Program Services	Supporting Services		Total	
		Administrative	Fundraising	2023	2022
Commodities and In-Kind Donations Distributed	32,957,557	-	-	32,957,557	33,036,016
Leased Employees and Related Expenses	2,779,939	785,323	195,239	3,760,500	3,510,575
Warehouse Maintenance and Lease	284,411	1,765	152	286,327	399,025
Fuel and Mileage Allowance	188,232	3,823	4,299	196,353	188,282
Depreciation Expense	611,794	249,782	-	861,576	532,658
Professional Fees	25,359	61,567	17	86,943	59,928
Office Expense	346,103	36,491	18,981	401,575	353,744
Marketing	-	-	82,047	82,047	76,400
Interest Expense	28,144	-	-	28,144	-
Equipment Maintenance	292,032	2,916	7,499	302,447	487,063
Insurance	152,376	55,562	-	207,937	175,683
Training Expense	39,063	22,861	8,525	70,449	23,727
Utilities	156,506	4,506	4,955	165,967	155,495
State and National Association Fees	-	40,942	-	40,942	41,192
Other	26,486	78,289	3,902	108,677	19,676
Amortization Expense	-	10,628	-	10,628	10,628
Fundraising	189	280	55,907	56,376	33,116
Volunteer Recognition	1,451	438	600	2,489	2,483
	<u>37,889,641</u>	<u>1,355,172</u>	<u>382,122</u>	<u>39,626,936</u>	<u>39,105,691</u>

The accompanying notes are integral part of these financial statements.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, 2023

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, 2023

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, 2022, 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, 2023 is \$6,879,052. 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, 2023 and June 30, 2022, 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, 2023 and June 30, 2022, 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, 2023

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 \$1.93 per pound for the year ended June 30, 2023. 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, 2023

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 23,165 hours of services from approximately 6,191 volunteers for the year ending June 30, 2023. For June 30, 2022, the Food Bank received approximately 18,744 hours of services from approximately 6,896 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 2021, 2022, and 2023 are subject to examination by the IRS, generally for three years after they were filed.

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 \$117,692 as of June 30, 2023 and \$103,873 as of June 30, 2022.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advertising Costs

The Food Bank expenses advertising costs as incurred.

New Accounting Principles

The Food Bank recognizes and measures its leases in accordance with FASB ASC 842, Leases. Food Bank determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Food Bank recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The Food Bank has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term. The risk-free rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term. The Food Bank has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position.

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, 2023

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, 2023 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:

2024	\$	475,204
2025		477,580
2026		479,968
2027		482,368
2028		484,780
Thereafter		<u>2,613,044</u>
Total	\$	<u>5,012,944</u>

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
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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, 2023 and June 30, 2022, there was no lease income for annual base rent. As of June 30, 2023 and June 30, 2022, 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:

2024	\$	505,302
2025		507,440
2026		509,588
2027		511,746
2028		513,914
Thereafter		<u>718,582</u>
Total	\$	<u>3,266,572</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, 2023 and June 30, 2022, there was no lease expense incurred for annual base rent. As of June 30, 2023 and June 30, 2022, 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, 2023

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 \$33,954 for the 2023 plan year and had 47 participants at the end of June 2023. For the 2022 plan year, the total employer contributions was \$24,380 and the plan had 46 participants at the end of June 2022. 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, 2023, the Food Bank had no significant concentrations of credit risk.

NOTE 9 – INVENTORY

Inventory consisted of the following as of June 30:

	2023		(For comparative purposes only) 2022	
	Weight (lbs.)	Value	Weight (lbs.)	Value
Donated Inventory:				
Donated food inventory	388,326	\$ 749,469	114,212	\$ 359,493
USDA - TEFAP commodities	365,116	353,469	702,706	475,277
USDA - CSFP commodities	1,066,468	1,034,479	924,891	905,659
USDA - CCC	317,879	533,187	-	-
LFPA	5,932	11,450	-	-
METHODIST	5,787	11,169	-	-
CAPACITY	54	104	-	-
COSUP	-	-	72,720	51,628
Total donated inventory	2,149,563	2,693,327	1,814,529	1,792,057
Purchased inventory:				
Purchased product	16,381	31,615	-	-
USDA-BBB	-	-	119,740	257,909
Disaster Pro	-	-	-	-
Total purchased inventory	16,381	31,615	119,740	257,909
Inventory allowance	-	(69,944)	-	(83,352)
Ending inventory	2,165,943	\$ 2,654,999	1,934,269	\$ 1,966,614

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
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NOTE10- PROPERTY & EQUIPMENT

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

	(For comparative purposes only)	
	2023	2022
Land	\$ 1,846,305	\$ 1,846,305
Building	7,684,907	7,684,907
Leasehold improvements	922,597	922,597
Building improvements	1,303,779	1,222,738
Furniture & equipment	1,679,376	1,638,987
Vehicles	1,795,957	1,278,669
Total property & equipment	15,232,922	14,594,203
Less accumulated depreciation	(5,163,791)	(4,577,477)
Property and equipment - net	\$ 10,069,131	\$ 10,016,726

	Balance 07/01/22	Changes During Year		Balance 06/30/23
		Additions	Reclassifications/ Adjustments	
Capital assets not being depreciated:				
Land	\$ 1,846,305	\$ -	\$ -	\$ 1,846,305
Buildings	7,684,907	-	-	7,684,907
Leasehold improvements	922,597	-	-	922,597
Buildings & improvements	1,222,738	81,041	-	1,303,779
Furniture & equipment	1,638,987	40,389	-	1,679,376
Vehicles	1,278,669	797,325	(280,036)	1,795,957
Total capital assets cost	\$ 14,594,203	\$ 918,755	\$ (280,036)	\$ 15,232,922
Less accumulated depreciation for:				
Buildings and improvements	\$ (2,893,917)	\$ (305,210)	\$ -	\$ (3,199,127)
Furniture & equipment	(1,154,683)	(104,185)	-	(1,258,868)
Vehicles	(528,877)	(176,919)	-	(705,795)
Total Accum. Dep.	\$ (4,577,477)	\$ (586,314)	\$ -	\$ (5,163,791)
Governmental activities capital assets, net	\$ 10,016,726	\$ 332,441	\$ (280,036)	\$ 10,069,131

Depreciation expense for the year ended June 30, 2023 and June 30, 2022 totaled \$586,314 and \$532,658, 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, 2023 and June 30, 2022 the amortization expense was \$10,628.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
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JUNE 30, 2023

NOTE 11 – INTANGIBLE ASSETS (CONTINUED)

	Balance 07/01/22	Changes During Year		Balance 06/30/23
		Additions	Retirements	
Financing costs	\$ 113,465	-	-	\$ 113,465
Right of Use Lease Assets	-	1,097,371	-	1,097,371
Leasing costs	127,289	-	-	127,289
Total intangible assets	240,754	1,097,371	-	1,338,125
Less accumulated amortization	(112,187)	(285,890)	-	(398,077)
Intangible assets, net	<u>\$ 128,567</u>	<u>\$ 811,481</u>	<u>\$ -</u>	<u>\$ 940,048</u>

NOTE 12- NET ASSETS WITH DONOR RESTRICTIONS

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

	(For Comparative purposes only)	
	2023	2022
Commodities for distribution:		
USDA - CCC	\$ 533,187	\$ 475,277
USDA - CSFP	1,034,479	905,659
USDA- TEFAP	353,469	-
Total net assets with donor restrictions	<u>\$ 1,921,135</u>	<u>\$ 1,380,936</u>

NOTE 13 – RIGHT OF USE LEASES

Right of Use leases payable at June 30, 2023 are as follows:

Capital lease payable to PENSKE for 4 2023 Freightliner Cascadia 126 for 60 months with monthly payments of \$9,540, and with an imputed interest rate of 2.88% (risk-free rate).	\$423,536
Capital lease payable to PENSKE for 4 2018 Reefer Trailer for 32 months with monthly payments of \$6,932, and with an imputed interest rate of 2.88% (risk-free rate).	\$135,207
Capital lease payable to PENSKE for a 2018 Reefer Trailer for 40 months with monthly payments of \$1,690, and with an imputed interest rate of 2.88% (risk-free rate).	\$45,712
Capital lease payable to PENSKE for a 2021 Freightliner Cascadia for 80 months with monthly payments of \$2,024, and with an imputed interest rate of 2.88% (risk-free rate).	\$126,848
Capital lease payable to PENSKE for a 2021 Reefer Trailer for 56 months with monthly payments of \$1,940, and with an imputed interest rate of 2.88% (risk-free rate).	\$80,916
Capital lease payable to PENSKE for a 2019 Freightliner for 22 months with monthly payments of \$2,185, and with an imputed interest rate of 2.88% (risk-free rate).	\$21,564

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 – RIGHT OF USE LEASES (CONTINUED)

Changes in the right of use lease liability for the year end June 30, 2023, are as follows:

	Balance	Changes During Year		Balance	Due Within
	07/01/22	Additions	Deductions	06/30/23	One Year
<u>Governmental activities:</u>					
Right to use lease liability:					
PENSKE (4) 2023 Freightliner Trucks	-	524,240	(100,704)	423,536	103,643
PENSKE (4) 2018 Reefer Trailers	-	213,274	(78,067)	135,207	80,345
PENSKE (1) 2018 Reefer Trailer	-	64,383	(18,671)	45,712	19,216
PENSKE (1) 2021 Freightliner Truck	-	147,164	(20,316)	126,848	20,909
PENSKE (1) 2021 Reefer Trailer	-	101,542	(20,626)	80,916	21,228
PENSKE (1) 2019 Freightliner Truck	-	46,768	(25,204)	21,564	21,564
Total Right of Use Lease Liability	<u>\$ -</u>	<u>\$ 1,097,371</u>	<u>\$ (263,588)</u>	<u>\$ 833,783</u>	<u>\$ 266,905</u>

Principal and interest requirements to maturity:

	ROU Lease Payable		
Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 266,905	\$ 20,457	\$ 287,362
2025	224,675	13,109	237,784
2026	161,133	7,674	168,807
2027	141,593	3,156	144,749
2028	23,459	829	24,288
2029	16,018	173	16,191
Total	<u>\$ 833,783</u>	<u>\$ 45,398</u>	<u>\$ 879,181</u>

Right of Use Assets consisted of the following as of June 30, 2023

	Balance	Changes During Year		Balance
	07/01/22	Additions	Disposals	06/30/23
<u>Governmental activities:</u>				
Intangible right to use lease asset:				
PENSKE (4) 2023 Freightliner Trucks	-	524,240	-	524,240
PENSKE (4) 2018 Reefer Trailers	-	213,274	-	213,274
PENSKE (1) 2018 Reefer Trailer	-	64,383	-	64,383
PENSKE (1) 2021 Freightliner Truck	-	147,164	-	147,164
PENSKE (1) 2021 Reefer Trailer	-	101,542	-	101,542
PENSKE (1) 2019 Freightliner Truck	-	46,768	-	46,768
Total Right of Use Lease Assets	<u>\$ -</u>	<u>\$ 1,097,371</u>	<u>\$ -</u>	<u>\$ 1,097,371</u>
Less accumulated amortization for				
Intangible right to use lease asset:				
PENSKE (4) 2023 Freightliner Trucks	-	(106,625)	-	(106,625)
PENSKE (4) 2018 Reefer Trailers	-	(79,978)	-	(79,978)
PENSKE (1) 2018 Reefer Trailer	-	(19,315)	-	(19,315)
PENSKE (1) 2021 Freightliner Truck	-	(22,075)	-	(22,075)
PENSKE (1) 2021 Reefer Trailer	-	(21,759)	-	(21,759)
PENSKE (1) 2019 Freightliner Truck	-	(25,510)	-	(25,510)
Total Accum. Amortization	<u>\$ -</u>	<u>\$ (275,262)</u>	<u>\$ -</u>	<u>\$ (275,262)</u>
Governmental activities Leases, net	<u>\$ -</u>	<u>\$ 822,109</u>	<u>\$ -</u>	<u>\$ 822,109</u>

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14- FAIR VALUE MEASUREMENT (CONTINUED)

- 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, 2023 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, 2023</u>				
Equity Securities	\$ 3,787,820	\$ 3,787,820	\$ -	\$ -
Total	<u>\$ 3,787,820</u>	<u>\$ 3,787,820</u>	<u>\$ -</u>	<u>\$ -</u>

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)
<u>June 30, 2022</u>				
Equity Securities	\$ 287,548	\$ 287,548	\$ -	\$ -
Total	<u>\$ 287,548</u>	<u>\$ 287,548</u>	<u>\$ -</u>	<u>\$ -</u>

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14- FAIR VALUE MEASUREMENT (CONTINUED)

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, 2023 and 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 16 – LIQUIDITY AND AVAILABILITY

The table below presents financial assets available for general expenditures within one year at June 30, 2023 and 2022.

Financial assets at year end:	2023	2022
Cash and cash equivalents	\$ 4,626,898	\$ 6,449,615
Investments	3,787,820	287,548
Accounts and grants receivable	956,256	1,557,503
	<u>9,370,974</u>	<u>8,294,666</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,921,135</u>	<u>1,380,936</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,449,839</u>	<u>\$ 6,913,730</u>

The Food Bank has financial assets available to meet general expenditures within one year. The Food Bank anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. The Food Bank regularly monitors cash as a measure of liquidity required to meet its operating needs and other contractual commitments. The Food Bank's source of liquidity is cash and cash equivalents. Expenditures for the Food Bank are only made based on available funds.

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 – PRIOR PERIOD ADJUSTMENT

During the audit for fiscal year ending June 30, 2023, it was discovered that in prior year inventories were overstated by \$14,672. The effect of this adjustment was a decrease to the beginning balance of net assets of \$14,672.

(End of Notes)

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(with summarized financial information at June 30, 2022)

	Food Bank of the Rio Grande Valley, Inc.	FBRGV Landlord, LLC	FBRGV Tenant, LLC	Total	Eliminations	Total	
ASSETS						2023 Consolidated	2022 Consolidated
Current Assets							
Cash and Cash Equivalents	4,626,898	-	-	4,626,898	-	4,626,898	6,449,615
Investments	3,787,820	-	-	3,787,820	-	3,787,820	287,548
Accounts Receivable, Net	956,256	302,917	313,393	1,572,567	(616,310)	956,256	1,557,503
Product Inventory, Net of Salvage	2,654,999	-	-	2,654,999	-	2,654,999	1,966,613
Other Assets	5,215	-	-	5,215	-	5,215	5,546
Total Current Assets	12,031,188	302,917	313,393	12,647,498	(616,310)	12,031,188	10,266,825
Property and Equipment, Net of Accumulated Depreciation	2,533,146	7,535,985	-	10,069,131	-	10,069,131	10,016,725
Intangible Assets, Net of Accumulated Amortization	822,109	117,939	-	940,048	-	940,048	128,567
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	26,882,185	9,707,791	1,740,911	38,330,888	(15,290,521)	23,040,367	20,412,117
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts Payable	451,285	31,323	303,019	785,627	(616,310)	169,317	206,700
Accrued Payroll Expenses	117,692	-	-	117,692	-	117,692	-
Unearned Revenue	2,017,463	-	-	2,017,463	-	2,017,463	489,646
Total Current Liabilities	2,586,440	31,323	303,019	2,920,782	(616,310)	2,304,472	696,346
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)	-	-
ROU Lease Liability	833,783	-	-	833,783	-	833,783	-
Note Payable- FBRGV Investment Fund, LLC	-	11,145,000	-	11,145,000	(11,145,000)	-	-
Total Noncurrent Liabilities	2,261,301	11,495,742	1,750,950	15,507,993	(14,674,210)	833,783	-
Net Assets							
Without Donor Restrictions	20,113,309	(1,819,274)	(313,058)	17,980,977	-	17,980,977	18,334,835
With Donor Restrictions	1,921,135	-	-	1,921,135	-	1,921,135	1,380,936
Total Net Assets	22,034,444	(1,819,274)	(313,058)	19,902,112	-	19,902,112	19,715,771
Total Liabilities and Net Assets	26,882,185	9,707,791	1,740,911	38,330,887	(15,290,521)	23,040,367	20,412,117

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2023
(with summarized financial information at June 30, 2022)

	Food Bank of the Rio Grande Valley, Inc.		FBRGV Landlord, LLC	FBRGV Tenant, LLC	Total	Eliminations	Total	
	Without Donor Restrictions	With Donor Restrictions					2023 Consolidated	2022 Consolidated
Revenues, Grants and Other Support								
Grants								
USDA- TEFAP Commodities	-	7,027,794	-	-	7,027,794	-	7,027,794	7,503,139
USDA- CSFP Commodities	-	4,221,437	-	-	4,221,437	-	4,221,437	3,482,515
USDA- CCC Commodities	-	1,449,472	-	-	1,449,472	-	1,449,472	-
USDA- Trade Mitigation Commodities	-	-	-	-	-	-	-	(95)
USDA- CARES Commodities	-	-	-	-	-	-	-	265,201
USDA- FFCRA Commodities	-	-	-	-	-	-	-	161,990
USDA- COSUP Commodities	-	-	-	-	-	-	-	2,282,952
USDA- BBB Commodities	-	1,079,553	-	-	1,079,553	-	1,079,553	1,207,726
Emergency Food & Shelter Program Commodities	-	-	-	-	-	-	-	202,894
USDA- TEFAP Administration	-	-	-	-	-	-	-	652,318
USDA- CSFP Administration	827,017	-	-	-	827,017	-	827,017	652,102
USDA- TexCap	562,237	-	-	-	562,237	-	562,237	-
Emergency Food & Shelter Program	233,662	-	-	-	233,662	-	233,662	393,385
Supplemental Nutrition Assistance Program	226,335	-	-	-	226,335	-	226,335	272,737
Community Based Outreach/Match	299,151	-	-	-	299,151	-	299,151	263,596
Community Development Block Grants	1,071,708	-	-	-	1,071,708	-	1,071,708	1,226,092
USDA- Farmer's Market Promotion Program	4,921	-	-	-	4,921	-	4,921	9,260
Feeding Texas CFP	455,288	-	-	-	455,288	-	455,288	788,987
Texas Food Bank Network-TANF	429,687	-	-	-	429,687	-	429,687	-
LFPA Cooperative Agreement Program	807,652	-	-	-	807,652	-	807,652	-
Capacity Grant	560,332	-	-	-	560,332	-	560,332	181,156
Corporate Grants	894,724	-	-	-	894,724	-	894,724	-
Foundation Grants	521,979	-	-	-	521,979	-	521,979	-
Government Grants	159,489	-	-	-	159,489	-	159,489	-
Texas Division of Emergency Management	30,973	-	-	-	30,973	-	30,973	(14,031)
Total Grants	7,085,155	13,778,256	-	-	20,863,411	-	20,863,411	19,531,924
Value of Donated Inventory	15,857,669	-	-	-	15,857,669	-	15,857,669	14,633,404
Shared Maintenance	1,019,112	-	-	-	1,019,112	-	1,019,112	707,916
Donations and Private Grants	1,532,382	-	-	-	1,532,382	-	1,532,382	2,986,532
Special Events	370,899	-	-	-	370,899	-	370,899	208,185
Other	86,118	-	-	-	86,118	-	86,118	19,781
Dividend and Interest Income	98,357	-	-	-	98,357	-	98,357	22,423
Net Assets Released from Restrictions	13,238,057	(13,238,057)	-	-	-	-	-	-
Total Revenues, Gains and Other Support	39,287,749	540,199	-	-	39,827,948	-	39,827,948	38,110,165
Functional Expenses								
Program Expenses	37,889,641	-	-	-	37,889,641	-	37,889,641	37,715,031
Supporting Services:								
Administrative	1,094,762	-	260,410	-	1,355,172	-	1,355,172	1,012,998
Fundraising	382,122	-	-	-	382,122	-	382,122	377,662
Total Functional Expenses	39,366,526	-	260,410	-	39,626,936	-	39,626,936	39,105,691
Operating Change in Net Assets	(78,777)	540,199	(260,410)	-	201,013	-	201,013	(995,526)
Net Assets, Beginning of the Year, as Previously Stated	20,206,757	1,380,936	(1,558,864)	(313,058)	19,715,771	-	19,715,771	23,265,142
Prior Period Adjustment	(14,672)	-	-	-	(14,672)	-	(14,672)	(2,553,845)
Net Assets, Beginning of the Year, restated	20,192,085	1,380,936	(1,558,864)	(313,058)	19,701,099	-	19,701,099	20,711,297
Net Assets, End of the Year	20,113,309	1,921,135	(1,819,274)	(313,058)	19,902,112	-	19,902,112	19,715,771

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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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*

Independent Auditor's Report

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

We have audited 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, the 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, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated March 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Food Bank's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control.

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

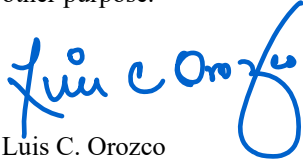
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Luis C. Orozco
Certified Public Accountant
Pharr, Texas
March 26, 2024

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

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 the Food Bank's major federal programs for the year ended June 30, 2023. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Food Bank complied, in all material respects, with the 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, 2023.

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

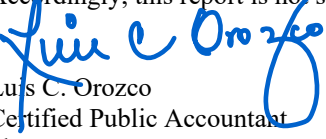
Report on Internal Control Over Compliance

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



Luis C. Orozco
Certified Public Accountant
Pharr, Texas
March 26, 2024

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of report on financial statements	Unmodified
Internal control over financial reporting - material weaknesses identified	None Reported
Reportable conditions identified that are not considered to be material weaknesses	No
Noncompliance material to the financial statements noted	No

FEDERAL AWARDS

Internal control over major programs - material weaknesses identified	No
Reportable conditions identified that are not considered to be material weaknesses	No
Type of auditor’s report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to report in Section .510(a).	
OMB Uniform Guidance	No

Identification of major Federal programs:

Food Distribution Cluster
21.027 COVID 19 Capacity Grant
10.187 USDA CCC
10.182 LFPA Cooperative Agreement

Dollar Threshold considered between Type A and Type B Federal Programs	\$ 750,000
Auditee qualified as low-risk auditee	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION II – FEDERAL AWARDS FINDINGS

None

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

None

FOOD BANK OF THE RIO GRANDE VALLEY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing 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>			
Farmer's Market Promotion Program	10.168	806780706	\$4,921
LFPA Cooperative Agreement Program	10.182	806780706	807,652
Emergency Food Assistance Program Commodity	10.187	806780706	1,449,472
Commodity Supplemental Food Program (Food Commodities)	10.565	806780706	4,221,437
Commodity Supplemental Food Program (Administrative Costs)	10.565	806780706	827,017
Emergency Food Assistance Program (Administrative Costs)	10.568	806780706	562,237
Emergency Food Assistance Program (Food Commodities)	10.569	806780706	8,107,346
Total Food Distribution Cluster			13,718,037
Total Passed through the Texas Department of Agriculture			15,980,082
<i>Passed through the Texas Health and Human Services Commission:</i>			
Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	529-16-0002-00002	226,969
Total Passed through the Texas Health and Human Services Commission			226,969
Total U.S. Department of Agriculture			16,207,051
U.S. DEPARTMENT TREASURY			
<i>Passed through Texas Department of Agriculture:</i>			
COVID-19 Capacity Grant	21.027	GFB202218	560,332
Total Passed through Texas Department of Agriculture			560,332
Total U.S. Department of Treasury			560,332
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)			
<i>Passed through for Feeding Texas:</i>			
Temporary Assistance for Needy Families- PEAFF	93.558	HHS00112020042	429,687
Total 477 Cluster			429,687
Total U.S. Department of Health and Human Services			429,687
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	211,693
Emergency Food and Shelter National Board Program - Cameron County	97.024	792400-005	19,983
Emergency Food and Shelter National Board Program - Willacy County	97.024	845200-004	1,986
Total Passed through the United Way of South Texas			233,662
Total U.S. Department of Homeland Security			233,662
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Texas Department of Housing and Community Affairs:</i>			
COVID-19 Community Development Block Grant	14.228	074943319	1,071,708
Total U.S. Department of Housing and Urban Development			1,071,708
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 18,502,440

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, 2023

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, 2023. 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	\$ 20,863,411
Non-Federal Grants	(2,361,604)
Decrease (Increase) in USDA Inventories	<u>633</u>
	<u><u>\$ 18,502,440</u></u>

NOTE 3 – COMMODITIES

The Food Bank received nonmonetary assistance in the form of food commodities totaling \$ from CFDA No. 10.565 (Food Commodities), 10.569 (Food Commodities), and 97.024 (Food Commodities) for the year ended June 30, 2023. At June 30, 2023, the Food Bank had food commodities totaling \$ in inventory related to federal awards.

Program	CFDA No.	Inventory
Commodity Supplemental Food Program (CSFP)	10.565	\$ 1,034,479
Emergency Food Assistance Program CCC	10.187	533,187
Emergency Food Assistance Program TEFAP	10.569	353,469
		<u><u>\$ 1,921,135</u></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.