

**REGIONAL EAST TEXAS FOOD BANK  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2024**

# REGIONAL EAST TEXAS FOOD BANK

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Regional East Texas Food Bank

### Opinion

We have audited the accompanying financial statements of Regional East Texas Food Bank (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued.

## **Auditors' Responsibility 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 auditors' 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 Organization'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 Organization's ability to continue as a going concern for a reasonable period of time.

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

## Supplementary Information

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

*Atchley & Associates LLP*

Austin, Texas  
December 19, 2024

**REGIONAL EAST TEXAS FOOD BANK  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2024**

ASSETS

Current assets	
Cash and cash equivalents	
Cash	\$ 2,097,965
Board designated	6,007,233
Total cash and cash equivalents	<u>8,105,198</u>
Receivables	
Trade	110,941
Grants, net	1,246,403
Pledges receivable - restricted for capital campaign	20,000
Total receivables	<u>1,377,344</u>
Inventory	
Purchased	865,435
Donated food and commodities - USDA	2,067,738
Donated food and commodities - other	896,705
Total inventory	<u>3,829,878</u>
Prepays	
Insurance	7,583
Expense	14,004
Total prepaids	<u>21,587</u>
Total current assets	<u>13,334,007</u>
Noncurrent assets	
Investments - Board designated	5,481,638
Property, plant, and equipment, net	17,165,971
Beneficial interest in ETFB Foundation	3,870,775
Total noncurrent assets	<u>26,518,384</u>
Total assets	<u><u>\$ 39,852,391</u></u>

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

**REGIONAL EAST TEXAS FOOD BANK**  
**STATEMENT OF FINANCIAL POSITION - CONTINUED**  
**JUNE 30, 2024**

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 704,568
Grants payable	100,000
Accrued expenses	572,859
Advanced conditional contributions	559,749
Total current liabilities	<u>1,937,176</u>
Total liabilities	<u>1,937,176</u>
Net assets	
Without donor restrictions	37,459,328
With donor restrictions	455,887
Total net assets	<u>37,915,215</u>
Total liabilities and net assets	<u><u>\$ 39,852,391</u></u>

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

**REGIONAL EAST TEXAS FOOD BANK**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Public Support			
Donated food and commodities	\$ 44,354,448	\$ -	\$ 44,354,448
USDA commodities	13,083,827	-	13,083,827
Contributions	6,223,157	1,384,852	7,608,009
Contributed non-financial assets	550,000	-	550,000
Total public support	<u>64,211,432</u>	<u>1,384,852</u>	<u>65,596,284</u>
Revenue			
Shared maintenance	998,237	-	998,237
Purchased food recovery	2,512,735	-	2,512,735
Federal grant revenues	5,759,743	-	5,759,743
Other revenue	42,890	-	42,890
Total revenue	<u>9,313,605</u>	<u>-</u>	<u>9,313,605</u>
Net assets released from restrictions	<u>2,170,084</u>	<u>(2,170,084)</u>	<u>-</u>
Total support and revenue	<u>75,695,121</u>	<u>(785,232)</u>	<u>74,909,889</u>
<b>Expenses</b>			
Program	69,065,764	-	69,065,764
Management and general	2,358,039	-	2,358,039
Fundraising	1,090,037	-	1,090,037
Total expenses	<u>72,513,840</u>	<u>-</u>	<u>72,513,840</u>
<b>Income from Operations</b>	<u>3,181,281</u>	<u>(785,232)</u>	<u>2,396,049</u>
<b>Non-Operating Revenue and Expense</b>			
Change in beneficial interest in ETFB Foundation	379,099	-	379,099
Net investment return	971,065	501	971,566
Gain on sale of property and equipment	8,000	-	8,000
Total non-operating revenue (expense)	<u>1,358,164</u>	<u>501</u>	<u>1,358,665</u>
<b>Change in Net Assets</b>	4,539,445	(784,731)	3,754,714
<b>Net Assets, Beginning of Year</b>	<u>32,919,883</u>	<u>1,240,618</u>	<u>34,160,501</u>
<b>Net Assets, End of Year</b>	<u>\$ 37,459,328</u>	<u>\$ 455,887</u>	<u>\$ 37,915,215</u>

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



**REGIONAL EAST TEXAS FOOD BANK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	Program Food Distribution	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 3,120,299	\$ 761,697	\$ 443,680	\$ 4,325,676
Payroll taxes	229,441	64,513	32,837	326,791
Employee benefits and 401(k)	613,562	449,101	68,880	1,131,543
Total salaries and related expenses	3,963,302	1,275,311	545,397	5,784,010
Contract labor	368,402	4,725	-	373,127
Donated food and commodities	44,208,913	-	-	44,208,913
Equipment maintenance	74,329	-	-	74,329
Food purchases	6,738,499	-	-	6,738,499
Freight	1,100	-	-	1,100
Fundraising campaigns	27,806	2,099	416,378	446,283
Grants to agencies	59,958	-	-	59,958
Information technology	68,069	92,357	49,888	210,314
Insurance, board, property	78,513	23,362	-	101,875
Marketing and advertising	255,690	-	29,973	285,663
Meeting expenses	168	5,449	-	5,617
Membership dues, fees, and printing	2,884	47,599	3,230	53,713
Minor equipment	984	1,359	-	2,343
Miscellaneous expenses	-	30,876	-	30,876
Occupancy	347,235	11,609	209	359,053
Printing and postage	19,836	4,193	15,151	39,180
Produce for agencies	76,903	-	-	76,903
Professional fees	-	112,746	-	112,746
Program services	27,154	-	-	27,154
Staff support, travel, and recognition	165,533	121,597	27,762	314,892
Supplies	202,050	6,814	2,021	210,885
Telephone and answering service	14,360	9,943	-	24,303
Transportation	360,912	-	-	360,912
USDA inventory distributed	11,803,694	-	-	11,803,694
Total expenses before depreciation	68,866,294	1,750,039	1,090,009	71,706,342
Depreciation	199,470	608,000	28	807,498
Total Expenses	<u>\$ 69,065,764</u>	<u>\$ 2,358,039</u>	<u>\$ 1,090,037</u>	<u>\$ 72,513,840</u>

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

**REGIONAL EAST TEXAS FOOD BANK  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2024**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 3,754,714
Items not requiring (providing) cash:	
Depreciation expense	807,498
Change in beneficial interest in ETFB Foundation	(379,099)
Net realized and unrealized gain on investments	(1,305,987)
Contributed non-financial assets	(550,000)
Gain on sale of property and equipment	(8,000)
Change in:	
Trade accounts receivable	75,437
Grants receivable	983,999
Purchased inventory	177,422
Donated USDA inventory	(1,280,133)
Donated other inventory	(145,535)
Prepays	11,218
Accounts payable	(466,998)
Grants payable	100,000
Advanced conditional contributions	(323,073)
Accrued expenses	316,346
	<hr/>
Net cash provided by operating activities	1,767,809
	<hr/>
<b>Cash Flows from Investing Activities</b>	
Purchases of property, plant, and equipment	(4,784,650)
Proceed from disposal of property, plant, and equipment	8,000
Purchases of investments	(1,244,412)
Sale of investments	2,219,169
	<hr/>
Net cash used in investing activities	(3,801,893)
	<hr/>
<b>Cash Flows from Financing Activities</b>	
Net cash provided by financing activities	-
	<hr/>
<b>Net Decrease in Cash and Cash Equivalents</b>	(2,034,084)
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	<hr/> 10,139,282
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	<hr/> <hr/> \$ 8,105,198

The accompanying notes are an integral part of these financial statements

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS**

**Organization and Nature of Operations**

The Regional East Texas Food Bank (the Organization) is a Texas nonprofit corporation whose mission is to fight hunger and feed hope in East Texas.

The Organization's principal program is to accumulate food from various sources and distribute the accumulated food to charitable organizations throughout the East Texas area for ultimate distribution to the end recipients. Subprograms within food distribution include:

*BackPack Program* - The BackPack Program helps to alleviate child hunger by providing hungry children with nutritious and easy to prepare food at times when other resources are not available, such as weekends and school vacations.

*Kids Cafe/Snack Program* - The Kids Cafe and Afterschool Snack Program helps alleviate child hunger by providing hungry children with nutritious meals at times when other resources are not available, such as afterschool.

*Summer Food Program* - The Summer Food Program serves children in low-income communities who participate in free and reduced feeding programs during the school year.

*Mobile Pantry* - The Mobile Pantry program reaches out to feed hungry East Texans who live in isolated, rural communities without access to emergency food assistance.

*Fresh Produce Program* - The Fresh Produce Program distributes fresh fruits and vegetables to clients through partner agencies.

*East Texas Food Bank Garden* - The East Texas Food Bank Garden program provides an additional source of fresh produce for hungry East Texans through partnership with the Smith County Sheriff's Office and the Smith County Agricultural Extension Office.

*Nutrition Education* - The Nutrition Education program offers nutrition education classes and information to low-income community members by partnering with community organizations and social service agencies serving limited-resource clients.

*SNAP/Food Stamps* - The SNAP (Supplemental Nutritional Assistance Program) program works to ensure that all eligible East Texans have the knowledge and benefits of the SNAP program, formerly known as the Food Stamp Program.

*Child and Adult Care Food Program* - The Child and Adult Care Food Program (CACFP) is a federal child nutrition program that provides reimbursement for meals and snacks served at at-risk afterschool programs. The program follows specific child nutrition guidelines and operates in afterschool programs such as the Boys and Girls Club of East Texas.

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED**

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

**Use of Estimates**

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Organization considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents. The Organization does not consider uninvested cash equivalents held in investment accounts as cash equivalents. At June 30, 2024, the Organization's cash accounts exceeded federally insured limits by \$1,273,124.

**Restricted Cash**

Restricted cash represents cash restricted by donor restrictions and board designations.

**Grant Receivables**

Grant receivables consist primarily of reimbursements from federal and state contracts and grants. Grant receivables are stated at the amount that management expects to collect. Grant receivables are considered fully collectible by management.

**Employee Retention Credit (ERC)**

In 2023, the Organization filed for refundable Employee Retention Credits authorized by The Taxpayer Certainty and Disaster Tax Relief Act of 2020 for certain payroll periods in 2020 and 2021. At June 30, 2024, the Organization's ERC refundable credit receivable was \$246,706, which this amount has been reflected as grant receivable in the accompanying statement of financial position.

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED**

**Investments and Net Investment Return**

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

**Beneficial Interest in ETFB Foundation**

The beneficial interest in ETFB Foundation represents investments held by the East Texas Food Bank Foundation (Foundation) and consists primarily of government securities and publicly traded funds. The beneficial interest is reflected in the accompanying financial statements at the net asset value of the Foundation.

**Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1    Quoted prices in active markets for identical assets or liabilities
- Level 2    Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3    Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED**

**Fair Value Measurement - Continued**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024.

Investment fair values are based on quoted market prices in the statement of financial position.

Beneficial interest has been valued at the fair value of the underlying assets. Due to the perpetual nature of the interest, it is classified within Level 3 of the hierarchy. The lack of redeemability and liquidity in the near term are considered unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation, if purchased, and at fair value if donated. The Organization capitalizes all expenditures for property, plant, and equipment in excess of \$2,500 which have a useful life greater than one year. Expenditures for maintenance and repairs that do not materially extend the useful lives of assets are charged to expense. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property, plant and equipment are as follows:

Buildings	7 - 39 years
Property improvements	3 - 7 years
Vehicles	5 - 7 years
Furniture and equipment	5 - 7 years

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED**

**Long-Lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2024.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets to be utilized for future expansion and an operating reserve in accordance with the Organization's strategic plan. Net assets with donor restrictions are subject to donor restrictions, and are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

**Contributions**

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded at fair value at the time of the contribution and net realizable value for pledges for future periods.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those 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 the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED**

**Inventory Pricing**

Inventories consist of donated and purchased products for distribution. Donated products are valued per pound at an average of the national wholesale prices as determined by Feeding America. Products donated by USDA are valued utilizing a cost-per-pound price as determined by USDA donated foods catalog, found in the FNS electronic USDA donated foods ordering system, Web-Based Supply Chain Management (WBSCM). Purchased products are valued at the lower of cost or net realizable value as determined by the first-in, first-out method.

**Government Grants**

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**Income Taxes**

The Organization is exempt from Federal income tax under Section 501 of the Internal Revenue Code (IRC) and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business income as defined by the IRC. The Organization had no unrelated business income during the year ended June 30, 2024. The Organization files tax returns in the U.S. federal jurisdiction.

**Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services based on management estimates. The statement of functional expenses present the natural classification detail of expenses by function for the year ended June 30, 2024. Certain costs have been allocated among the program, management and general and fundraising categories based on relative payroll, headcount or square footage occupied and other methods.

**Marketing and Advertising**

The Organization uses marketing and advertising to promote its programs and services among the audience it serves, increase hunger awareness, spread nutrition education, and conduct social marketing campaigns. The costs of marketing and advertising are expensed as incurred. Marketing and advertising costs totaled \$285,663 for the year ended June 30, 2024.



**REGIONAL EAST TEXAS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED**

**Accounting Pronouncement Adopted**

Effective July 1, 2023, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 326, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). This update establishes the current expected credit loss (CECL) model established by ASU 2016-13, which requires the immediate recognition of estimated expected credit losses over the life of a financial instrument, including trade receivables, net investments in leases (for lessors with sales-type or direct financing leases), and certain off-balance sheet credit exposures. The estimate of expected credit losses considers historical information as well as current and future economic conditions and events. There was no significant impact on the financial statements upon adoption of the update.

**Subsequent Events**

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

**2. PLEDGES RECEIVABLE**

Pledges receivable for the year ended June 30, 2024, consisted of \$20,000 restricted for capital campaign. The Organization expects to receive the June 30, 2024, pledge balance during 2024 therefore has provided no discount on the pledge balance and no allowance for uncollectible accounts.

**3. CONDITIONAL GIFTS**

The Organization has received the following conditional promises to give at June 30, 2024, that are not recognized in the financial statements:

	Advanced Contribution	Conditional Promise to Give Remaining	Total
Conditional promise to give to expand programs and services while meeting outcomes stated in the agreement	\$ 890,089	\$ 1,546,069	\$ 2,436,158
Conditional promise to give to staff support for the multi-service resource centers in Longview, Texas and Tyler, Texas	\$ 125,000	\$ 1,542	\$ 126,542

**REGIONAL EAST TEXAS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**4. PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment consisted of the following as of June 30, 2024:

Buildings and improvements		\$ 18,605,885
Furniture and fixtures		1,376,310
Warehouse equipment		3,102,156
Total depreciable assets		23,084,351
Land		394,487
Construction in progress		15,996
		410,483
Accumulated depreciation		(6,328,863)
		\$ 17,165,971

Depreciation expense was \$807,498 for the year ended June 30, 2024.

**5. BENEFICIAL INTEREST IN NET ASSETS OF ETFB FOUNDATION (QUASI-ENDOWMENT)**

The Foundation was organized as a Texas nonprofit corporation to be operated exclusively to benefit the Organization. The Organization made an initial grant in the amount of \$1,039,285 to the Foundation. The Foundation has not been granted variance power by the Organization. All property of the Foundation is restricted by the donor to be a quasi-endowment. The bylaws of the Foundation permit it to distribute annually to the Organization up to, but not more than, five percent of the average of the fair market value of the endowment assets as of the end of the most recent twelve calendar quarters immediately preceding such year, or if greater, the minimum amount required to be distributed by law.

The Organization's interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in the change in net assets. Transfers of assets between the Foundation and the Organization are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on the change in net assets.

At June 30, 2024, the Foundation had no net assets to be held and invested in perpetuity.

**REGIONAL EAST TEXAS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**5. BENEFICIAL INTEREST IN NET ASSETS OF ETFB FOUNDATIOIN  
(QUASI-ENDOWMENT) - CONTINUED**

The Foundation has no liabilities and only distributes assets to the Organization. Assets held by the Foundation for the benefit of the Organization consisted of the following at June 30, 2024:

Cash and cash equivalents	\$	563,592
Interest receivable		2,857
Investments, at fair value		3,304,326
		3,304,326
	\$	3,870,775

**6. NET ASSETS**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions at June 30, 2024, consist of the following:

Undesignated	\$	24,141,113
Board designated - agency support fund		202,362
Board designated - Capital expenditure reserve		1,626,982
Board designated - operating reserve		11,488,871
		11,488,871
	\$	37,459,328

**Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30, 2024, consist of the following:

BackPack program	\$	11,455
Equipment		67,570
Healthcare partnership		51,705
Resource centers - Deep East Texas, Longview, Tyler, Texarkana		251,200
Senior box program		48,957
Summer feeding		25,000
		25,000
	\$	455,887

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**6. NET ASSETS - CONTINUED**

**Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2024, as follows:

BackPack program	\$ 208,989
Disaster relief	9,000
Healthcare partnership	35,984
Mobile pantry	70,891
Onsite	1,250
Outreach/agency pantry	1,058,970
Resource centers - Deep East Texas, Longview, Tyler, Texarkana	699,988
Senior box program	52,550
Summer feeding	32,462
	<u>2,170,084</u>
	<u><u>\$ 2,170,084</u></u>

**7. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	\$ 8,105,198
Trade receivable	110,941
Grants receivable	1,246,403
Pledges receivable	20,000
Investments	5,481,638
Beneficial interest in ETFB Foundation	3,870,775
Total financial assets at year-end	<u>18,834,955</u>
Less: Donor-imposed restrictions	
Funds subject to purpose restrictions	\$ 435,887
Beneficial interest in ETFB Foundation	3,870,775
Pledges receivable - restricted for capital campaign	20,000
Total donor-imposed restrictions	<u>4,326,662</u>
Net financial assets after donor-imposed restrictions	<u>14,508,293</u>

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**7. LIQUIDITY AND AVAILABILITY - CONTINUED**

Less: Internal designations	
Cash	\$ 6,007,233
Investments	5,481,638
Board designated net assets	11,488,871
Financial assets available to meet general expenditures within one year	\$ 3,019,422

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

**8. FUNDRAISING**

During the year ended June 30, 2024, the Organization incurred costs of \$544,640 for fundraising activities, which included the cost of appeals and development support. In addition, \$545,397 of salaries and related expenses were allocated to fundraising.

**9. EMPLOYEE BENEFIT PLAN**

The Organization has a defined contribution plan covering substantially all full-time employees. Under the Plan, the Organization provides a matching component to the employees' contributions on a discretionary basis. Additional year-end contributions may be made at the Board of Directors' discretion. Plan expenses incurred during the year ended June 30, 2024, totaled \$64,003.

**10. INVESTMENTS**

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024:

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**10. INVESTMENTS - CONTINUED**

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 5,481,638	\$ 5,481,638	\$ -	\$ -
Beneficial interest in assets held at the East Texas Food Bank Foundation	\$ 3,870,775	\$ -	\$ -	\$ 3,870,775

**11. CONCENTRATIONS**

A significant portion of support and revenues is received through grants from the United States Department of Agriculture (administered by the Texas Department of Agriculture), and the Texas Department of Agriculture. For the year ended June 30, 2024, approximately 20 percent of total support was received from these grants.

**12. REVENUE FROM CONTRACTS WITH CUSTOMERS**

**Shared Maintenance and Purchased Food Recovery Revenue**

Performance obligations are determined based on the nature of the goods or services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers and the Organization does not believe it is required to provide additional goods or services related to that sale.

**Transaction Price and Recognition**

The Organization determines the transaction price on a per pound basis on selected categories of products. There are no explicit or implicit price concession, and the contracts do not contain a significant financing component or variable consideration.

The Organization has not incurred material refunds in the past, and accordingly, has not provided for a refund liability at June 30, 2024.

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**12. REVENUE FROM CONTRACTS WITH CUSTOMERS - CONTINUED**

**Transaction Price and Recognition - Continued**

The exchange portion of shared maintenance revenue and purchased food recovery was \$998,237 and \$2,512,735, respectively, during the year ended June 30, 2024. For the year ended June 30, 2024, the Organization recognized revenue from goods or services that transfer to the customer at a point in time.

**Contract Balances**

The Organization's receivables, contract assets at the beginning of the year was \$186,378 and \$110,941 at the end of the year.

**13. CONTRIBUTED NONFINANCIAL ASSETS**

For the year ended June 30, 2024, contributed nonfinancial assets recognized within the statement of activities included:

**Food and Commodities**

In addition to receiving cash contributions, the Organization receives in-kind contributions of food and other products from the United States Department of Agriculture (USDA) and various donors. In-kind contributions donated by individuals, businesses, and organizations are valued per pound at an average of the national wholesale prices as determined by Feeding America. In-kind contributions donated by USDA are valued utilizing a cost-per-pound price as determined by USDA donated foods catalog, found in the FNS electronic USDA donated foods ordering system, Web-Based Supply Chain Management (WBSCM).

The Organization received approximately 10.5 million unrestricted pounds valued at \$20,596,225 of donated food and household commodities from the USDA during the year ended June 30, 2024. The Organization received approximately 22.5 million valued at \$44,361,737 of donated food and household commodities from individuals, businesses, and organizations other than the USDA, during the year ended June 30, 2024.

It is the Organization's policy to distribute the food and household commodities received through partnership agencies located in areas of need and through the use of mobile food pantries. During the year ended June 30, 2024, the Organization distributed approximately 34.8 million pounds unrestricted of food and household commodities to benefit the food distribution and nutrition education programs.

**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**13. CONTRIBUTED NONFINANCIAL ASSETS - CONTINUED**

**Volunteer Time**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate.

A substantial number of volunteers donate significant amounts of their time to enable the Organization to meet its mission. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

**Property and Equipment**

During the year ended June 30, 2024, a donor donated land and building at 105 Loftin Street with a combined fair market value of \$550,000. Prior to the donation, this property was previously used for Lufkin Resource Center operations of the Food Bank. The donation was not considered to be restricted.



SUPPLEMENTARY INFORMATION



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*

Board of Directors  
Regional East Texas Food Bank

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 Regional East Texas Food Bank (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal controls over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization's financial statements are free of 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 matter that is 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.

*Atchley & Associates LLP*

Austin, Texas  
December 19, 2024



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

To the Board of Directors of  
Regional East Texas Food Bank

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Regional East Texas Food Bank's (the Organization) 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 Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2024.

***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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 Organization'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 Organization's federal programs.

### ***Auditors' 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 Organization'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 Organization'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 Organization'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 Organization'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 Auditors' 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

*Atchley & Associates LLP*

Austin, Texas  
December 19, 2024

**REGIONAL EAST TEXAS FOOD BANK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Agency/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipient	Total Federal Expenditures
<b>US Department of Agriculture</b>				
<b>Passed through Texas Department of Agriculture</b>				
Child and Adult Care Food Program	10.558	01544	\$ 511,963	\$ 511,963
Child Nutrition Programs Cluster				
Summer Food Service Program for Children (SFSP)	10.559	01544	223,792	223,792
Food Distribution Cluster				
Commodity Supplemental Food Program (Administrative Costs)	10.565	01544	-	379,892
Commodity Supplemental Food Program (Food Commodities)*	10.565	01544	1,760,400	1,760,400
Total Commodity Supplemental Food Program			1,760,400	2,140,292
Emergency Food Assistance Program (Administrative Costs)				
Emergency Food Assistance Program (Administrative Costs)	10.568	01544	-	458,539
Emergency Food Assistance Program (Food Commodities)*	10.569	01544	6,541,141	6,541,474
Total Emergency Food Assistance Program			6,541,141	7,000,013
Total Food Distribution Cluster			8,301,541	9,140,305
Emergency Food Assistance Program Commodity Credit				
Corporation Eligible Recipient Funds (Administrative Commodities)	10.187	01544	-	202,788
Corporation Eligible Recipient Funds (Food Commodities)*	10.187	01544	3,501,819	3,501,819
Total Emergency Food Assistance Program Commodity Credit			3,501,819	3,704,607
COVID-19 Pandemic Relief Activities: Local Food				
Purchase Agreements with State, Tribes, and Local Governments	10.182	None Provided	-	1,922,141
<b>Passed through Texas Health &amp; Human Services Commission</b>				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	529-16-0002-00002	-	358,004
Total U.S. Department of Agriculture			\$ 12,539,115	\$ 15,860,812

\* Amount represents noncash food commodities

**REGIONAL EAST TEXAS FOOD BANK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Federal Agency/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
<b>U.S Department of Treasury</b>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	None Provided	\$ -	\$ 1,524,103
Total U.S. Department of Treasury			<u>-</u>	<u>1,524,103</u>
<b>U.S Department of Health and Human Services</b>				
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	None Provided	-	55,500
Total U.S. Department of Health and Human Services			<u>-</u>	<u>55,500</u>
<b>U.S. Department of Homeland Security</b>				
Emergency Food and Shelter National Board Program	97.024	None Provided	-	9,000
Total U.S. Department of Homeland Security			<u>-</u>	<u>9,000</u>
Total Federal Awards Expended			<u>\$ 12,539,115</u>	<u>\$ 17,449,415</u>

\* Amount represents noncash food commodities



**REGIONAL EAST TEXAS FOOD BANK**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Regional East Texas Food Bank (Organization) under programs of the federal government for the year ended June 30, 2024. 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). Because the Schedule presents only a selected portion of the operations of the Organizations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE C - INDIRECT COST RATES**

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE D - FEDERAL LOAN PROGRAMS**

The Organization did not have any federal loan programs during the year ended June 30, 2024.

**REGIONAL EAST TEXAS FOOD BANK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified?      Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?      Yes   X   None Reported

Noncompliance material to financial statements noted?      Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?      Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?      Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>FAL No.</u>	<u>Name of Federal Program</u>
	Food Distribution Cluster
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
10.182	COVID-19 Pandemic Relief Activities: LFPA

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

Auditee qualified as low-risk auditee?   X   Yes      No

**REGIONAL EAST TEXAS FOOD BANK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2024**

**II. Financial Statement Findings**

No matters were reported

**III. Findings and Questioned Costs for Federal Awards**

No matters were reported

**REGIONAL EAST TEXAS FOOD BANK  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2024**

**III. Findings and Questioned Costs for Federal Awards**

**Audit Finding:** 2023-01 Procurement, Suspension and Debarment

U.S Department of Treasury

Passed through Texas Department of Agriculture

FAL No. 21.027 – COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Federal Grant Award No. GFB202203

Program year November 8, 2021 – April 30, 2025

**Condition:** Federal regulations prohibit the cost plus a percentage of cost and percentage of construction costs methods of contracting.

**Context:** Out of a population of 8 vendors, 2 vendors were selected for testing. Our sampling method was not, and is not intended to be, statistically valid. Of the vendors tested, one vendor contract was structured as a fee based upon the percentage of construction costs.

**Management's Response and Corrective Action Taken:**

ETFB procurement policy to be reviewed and updated to include internal controls for compliance with contract costs and price guidelines as outlined in the Uniform Guidance.

- Add CEO or Officer review of contract costs and price guidelines for federal contracting agreements to ensure accordance with the Uniform Guidance for General Procurement Standards.
- Add obtaining and reacting to suspension and debarment certifications.

This finding is considered to be resolved.