

**HIGH PLAINS FOOD BANK  
FINANCIAL STATEMENTS  
(Single Audit)  
Years Ended December 31, 2019 and 2018**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
High Plains Food Bank

**Report on the Financial Statements**

I have audited the accompanying financial statements of High Plains Food Bank (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility 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.

***Auditor's Responsibility***

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Plains Food Bank as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated September 30, 2020, on my consideration of High Plains Food Bank's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 High Plains 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 High Plains Food Bank's internal control over financial reporting and compliance.

### ***Emphasis-of-Matter***

As discussed in Note 19 to the financial statements, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, Financial Accounting Standards Update 2016-18, *Restricted Cash*, and Financial Accounting Standards Update 2018-08, *Accounting guidance for Contributions Received and Made*.

*Victor B. Glenn*

Amarillo, Texas  
September 30, 2020

HIGH PLAINS FOOD BANK  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 359,367	\$ 187,634
Cash restricted for long-term purposes	207,429	207,429
Accounts receivable	274,109	151,992
Promises to give	11,462	-
Food inventory	4,765,794	3,249,420
Prepaid insurance	18,860	15,147
Investments	158,864	123,860
Investments held for endowment purposes	300,000	292,760
Property and equipment (net)	<u>3,479,519</u>	<u>3,620,566</u>
 Total assets	 <u>\$ 9,575,404</u>	 <u>\$ 7,848,808</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 97,329	\$ 207,467
Accrued liabilities	21,356	7,275
Line of credit	<u>175,851</u>	<u>100,000</u>
 Total liabilities	 294,536	 314,742
 <b>NET ASSETS</b>		
Without donor restrictions		
Unrestricted	<u>8,081,373</u>	<u>6,838,589</u>
With donor restrictions		
Perpetual in nature	300,000	300,000
Purpose restrictions	899,495	402,717
Underwater endowments	<u>-</u>	<u>(7,240)</u>
	<u>1,199,495</u>	<u>695,477</u>
 Total net assets	 <u>9,280,868</u>	 <u>7,534,066</u>
 Total liabilities and net assets	 <u>\$ 9,575,404</u>	 <u>\$ 7,848,808</u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support		
Food contributions	\$ 12,387,644	\$ 12,829,824
Cash contributions	1,171,154	1,246,781
Grants	228,032	236,717
Other non-cash contributions	233,017	243,020
	<hr/>	<hr/>
Total unrestricted support	14,019,847	14,556,342
Revenue		
Purchased product sales	24,078	93,731
Cost of purchased product	(116,682)	(89,934)
	<hr/>	<hr/>
	(92,604)	3,797
Share maintenance fees	452,715	416,884
Third-party reimbursement	812,637	741,977
Special events	116,301	145,028
Interest and investment income	26,258	25,490
Net gain (loss) on investments	40,737	(24,190)
Other	98,176	75,385
	<hr/>	<hr/>
Total unrestricted revenue	1,454,220	1,384,371
Net assets released from restrictions	<hr/>	<hr/>
	2,491,999	1,260,728
	<hr/>	<hr/>
Total revenue and support without donor restrictions	17,966,066	17,201,441
Expenses		
Program services		
Food distribution	15,111,396	15,154,292
Kid's Café	841,892	964,465
Management and general	254,779	246,850
Cost of benefits to donors	24,623	28,142
Fund-raising	483,348	479,696
	<hr/>	<hr/>
Total expenses	16,716,038	16,873,445
	<hr/>	<hr/>
Increase in net assets without donor restrictions	1,250,028	327,996

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
 STATEMENTS OF ACTIVITIES  
 Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Food contributions-USDA	2,259,049	935,452
Grants and contributions	729,724	325,400
Net assets released from restrictions	<u>(2,491,999)</u>	<u>(1,260,728)</u>
Increase in net assets with donor restrictions	<u>496,774</u>	<u>124</u>
 Increase in net assets	 1,746,802	 328,120
 Net assets at beginning of year	 <u>7,534,066</u>	 <u>7,205,946</u>
 Net assets at end of year	 <u>\$ 9,280,868</u>	 <u>\$ 7,534,066</u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from contributors and grants	\$ 2,117,448	\$ 1,808,898
Cash received from service recipients	1,283,614	1,385,115
Investment income	26,258	27,402
Other	98,176	75,385
Cash paid to employees and suppliers	<u>(3,394,361)</u>	<u>(3,443,211)</u>
Net cash provided (used) by operating activities	131,135	(146,411)
<b>Cash Flows From Investing Activities</b>		
Payments for property and equipment	(33,769)	(21,860)
Purchase of long-term investments	(327,681)	(318,331)
Sale of short-term investments	26,197	29,986
Sale of long-term investment	<u>300,000</u>	<u>300,000</u>
Net cash used by investing activities	<u>(35,253)</u>	<u>(10,205)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds on short-term debt	76,153	-
Payments on short-term debt	<u>(302)</u>	<u>(244)</u>
Net cash provided (used) by financing activities	<u>75,851</u>	<u>(244)</u>
Net increase (decrease) in cash	171,733	(156,860)
Beginning cash	<u>395,063</u>	<u>551,923</u>
Ending cash	<u>\$ 566,796</u>	<u>\$ 395,063</u>

See accompanying notes and accountant's report



HIGH PLAINS FOOD BANK  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Changes in Net Assets to Net Cash Used		
by Operating Activities		
Increase in net assets	\$ 1,746,802	\$ 328,120
Adjustments to reconcile change in net assets to net cash		
Depreciation	174,816	180,873
Unrealized (gain)/loss on investments	(40,760)	24,190
(Increase) decrease in operating assets		
Accounts receivable	(122,117)	(10,593)
Promises to give	(11,462)	-
Food inventory	(1,516,374)	(729,493)
Prepaid expenses	(3,713)	15,877
Increase (decrease) in operating liabilities		
Accounts payable	(110,138)	70,452
Accrued liabilities	14,081	(25,837)
	<u>14,081</u>	<u>(25,837)</u>
Net cash provided (used) by operating activities	<u>\$ 131,135</u>	<u>\$ (146,411)</u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2019

	Program Costs					Benefit to Donors	Fund-Raising	Total
	Food Distribution	Kid's Café	Total Program	Management & General				
Salaries	\$ 967,405	\$ 304,686	\$ 1,272,091	\$ 152,175	\$ -	\$ 147,880	\$ 1,572,146	
Payroll taxes	73,506	23,551	97,057	11,554	-	11,178	119,789	
Employee benefits	111,319	40,501	151,820	16,953	-	13,682	182,455	
	<u>1,152,230</u>	<u>368,738</u>	<u>1,520,968</u>	<u>180,682</u>	<u>-</u>	<u>172,740</u>	<u>1,874,390</u>	
Food distribution	13,184,627	268,321	13,452,948	224	-	157	13,453,329	
Cost of goods sold	116,682	-	116,682	-	-	-	116,682	
Professional fees	12,295	436	12,731	49,130	-	-	61,861	
Conferences and training	2,065	64	2,129	8,706	-	6,449	17,284	
Occupancy	100,400	34,762	135,162	1,532	-	811	137,505	
Dues and subscriptions	11,467	275	11,742	5,048	-	1,908	18,698	
Insurance	83,400	23,342	106,742	3,260	-	2,707	112,709	
Postage	7,310	-	7,310	26	-	2,703	10,039	
Supplies and food	156,183	19,921	176,104	762	5,011	1,432	183,309	
Printing	-	-	-	-	-	81,581	81,581	
Telephone	7,674	1,779	9,453	128	-	296	9,877	
Vehicle and delivery	186,326	19,764	206,090	1,477	-	40	207,607	
Equipment repair and maintenance	35,596	8,058	43,654	1,388	-	1,773	46,815	
Contract labor	8,414	3,285	11,699	-	-	-	11,699	
Other	56,343	17,199	73,542	149	19,612	209,865	303,168	
Agency support	11,374	-	11,374	-	-	-	11,374	
Depreciation and amortization	95,692	75,948	171,640	2,267	-	886	174,793	
Total expenses	<u>15,228,078</u>	<u>841,892</u>	<u>16,069,970</u>	<u>254,779</u>	<u>24,623</u>	<u>483,348</u>	<u>16,832,720</u>	
Less expenses netted with revenue on the statement of activities	<u>116,682</u>	<u>-</u>	<u>116,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,682</u>	
Total expenses reported by function	<u>\$ 15,111,396</u>	<u>\$ 841,892</u>	<u>\$ 15,953,288</u>	<u>\$ 254,779</u>	<u>\$ 24,623</u>	<u>\$ 483,348</u>	<u>\$ 16,716,038</u>	

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2018

	Program Costs							Total
	Food Distribution	Kid's Café	Total Program	Management & General	Benefit to Donors	Fund-Raising	Total	
Salaries	\$ 965,133	\$ 373,224	\$ 1,338,357	\$ 148,232	\$ -	\$ 121,364	\$ 1,607,953	
Payroll taxes	73,774	29,040	102,814	11,105	-	9,326	123,245	
Employee benefits	115,808	54,649	170,457	19,419	-	11,728	201,604	
	1,154,715	456,913	1,611,628	178,756	-	142,418	1,932,802	
Food distribution	13,155,447	281,213	13,436,660	254	-	1,494	13,438,408	
Cost of goods sold	89,934	-	89,934	-	-	-	89,934	
Professional fees	10,846	1,004	11,850	43,950	-	-	55,800	
Conferences and training	7,231	-	7,231	9,083	-	2,250	18,564	
Occupancy	95,863	27,245	123,108	1,736	-	796	125,640	
Dues and subscriptions	13,539	80	13,619	4,195	-	3,654	21,468	
Insurance	93,088	28,641	121,729	3,937	-	3,478	129,144	
Postage	6,895	-	6,895	14	-	2,616	9,525	
Supplies and food	172,751	29,005	201,756	611	4,521	1,006	207,894	
Printing	-	-	-	-	-	127,867	127,867	
Telephone	7,332	1,764	9,096	126	-	225	9,447	
Vehicle and delivery	211,738	15,915	227,653	93	-	799	228,545	
Equipment repair and maintenance	41,831	2,954	44,785	1,979	-	42	46,806	
Contract labor	7,800	2,600	10,400	-	-	-	10,400	
Other	39,661	40,796	80,457	86	23,621	192,102	296,266	
Agency support	33,997	-	33,997	-	-	-	33,997	
Depreciation and amortization	101,558	76,335	177,893	2,030	-	949	180,872	
Total expenses	15,244,226	964,465	16,208,691	246,850	28,142	479,696	16,963,379	
Less expenses netted with revenue on the statement of activities	89,934	-	89,934	-	-	-	89,934	
Total expenses reported by function	\$ 15,154,292	\$ 964,465	\$ 16,118,757	\$ 246,850	\$ 28,142	\$ 479,696	\$ 16,873,445	

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

Nature of Activities

High Plains Food Bank (the Organization) is a Texas non-profit corporation chartered on September 27, 1982 to serve the Texas Panhandle area. Its purpose is to collect, store and preserve surplus food and to distribute the food among the indigent and needy and among charitable organizations, agencies and governmental units for use by the indigent and needy. Under the Kids Café program, the Food Bank supplies the food, funds, and food preparation to feed needy children. The Food Bank's support comes primarily from public and governmental contributions and grants, and from shared maintenance fees paid by recipient agencies.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Cash and cash equivalents as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Cash and cash equivalents	\$ 359,367	\$ 187,634
Cash restricted for acquisition of property	207,429	207,429
Cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 566,796</u>	<u>\$ 395,063</u>

Food Inventories

The inventory of publicly donated food items is valued at \$1.68 and \$1.62 per pound at December 31, 2019 and 2018 respectively, as recommended by the Feeding America Organization. Inventories of purchased food items are stated at the lower of cost or market, using the first-in, first-out method. USDA donated food items are valued at the USDA stated value, using the first-in, first-out method.

Donated property and equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions

HIGH PLAINS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Food, Materials, and Services

Significant food items are donated to the Organization by various individuals and organizations. A food item donated by the public for which the donor has not placed a value on the food donated is recorded at the Feeding America Organization recommended per pound rate which averaged \$1.66 and \$1.71 a pound for 2019 and 2018, respectively. Food items donated under a contract agreement with the Texas Department of Human Services for USDA commodities are recorded at their stated value for the food item. Any non-food donated materials and services are recorded at fair market value at date of donation.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows;

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Revenue Recognition

*Contributions and Grants*

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

HIGH PLAINS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

*Shared Contributions and Purchased Product Sales*

Revenue from food distribution and purchased product sales are recognized when the performance obligations of transferring the products and providing the services are met.

*Special Event Revenues*

Special event revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The portion of special event revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met. The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

*Third-party Reimbursements*

A portion of revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. No amounts have been received in advance of our federal contracts and grants.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Directly identifiable expenses are charged to the program and supporting services of management and general, and fundraising. Expenses related to more than one function are charged to programs and supporting services on the basis of time and expense studies. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, salaries, payroll taxes, insurance, and office expenses.

Property and Equipment

Property and equipment are carried at cost, or if donated, at the approximate fair value at date of donation. Depreciation on property and equipment was calculated using the straight-line method. All acquisitions of property and equipment in excess of \$1,000 and repairs and improvements in excess of \$1,000 are capitalized if the estimated life expectancy is greater than two years.

Concentration of Contributions

The Organization receives approximately 10% to 15% of food and 21% to 25% of its budgeted revenue and support under the United States Department of Agriculture food commodity program.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

The Organization maintains its cash balances at several financial institutions located in the Texas Panhandle. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, the Organization's unsecured cash balances totaled \$204,646. The Board of Directors believes that the Organization has no significant risk of loss on these accounts due to the failure of the institution.

HIGH PLAINS FOOD BANK  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

Reclassifications

Certain accounts in the prior-year financial statements have been classified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassifications had no impact on the previously reported net assets.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable are stated at unpaid balances. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Accounts receivable are considered to be fully collectible and consist of the following:

	2019	2018
Accounts receivable - fees	\$ 47,852	\$ 31,021
Cost reimbursement receivable	226,257	120,971
	\$ 274,109	\$ 151,992

NOTE 3 – PROMISES TO GIVE

Promises to give as of December 31, 2019 are unconditional and are considered to be fully collectible.

The contributions receivable for general operating purposes is as follows:

General unconditional promise to give	\$ 11,900
Less: unamortized discount to present value	438
Net unconditional promise to give	\$ 11,462

Amounts due in:

One to five years	11,462
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NOTE 4 – FEDERAL INCOME TAX

No provision is made for federal income tax as the Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code

NOTE 5 – FOOD INVENTORY

Food inventory as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Donated food	\$ 4,352,408	\$ 3,122,631
Purchased food program	3,000	449
USDA commodities	410,386	126,340
	\$ 4,765,794	\$ 3,249,420

HIGH PLAINS FOOD BANK  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 6 – DISCLOSURE ON LIQUIDITY AND AVAILABILITY

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions with one year of the balance sheet date.

	2019	2018
• Financial assets, at year end	\$ 1,311,231	\$ 945,992
• Less those unavailable for general expenditures within one year		
○ Contractual or donor-imposed restrictions		
▪ Restricted by donor with time or purpose restriction	(300,000)	(300,000)
▪ Amounts set aside for expansion	(207,429)	(207,429)
• Financial assets available to meet cash needs for general expenditures within one year	\$ 803,802	\$ 438,563

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Land	\$ 211,045	\$ 211,045
Building and improvements	4,904,199	4,907,013
Warehouse equipment	613,487	598,476
Office furniture and equipment	247,391	239,102
Vehicles	530,955	552,282
Software	14,584	14,584
	6,521,661	6,522,502
Accumulated depreciation	(3,042,142)	(2,901,936)
	\$ 3,479,519	\$ 3,620,566

For building and facility expansion in 2000 and 2001, the Organization had obtained partial funding from the City of Amarillo. The new facility is subject to a lien and encumbrance to the City of Amarillo, in the initial amount of \$270,000, to be amortized over a period of 20 years from October 1, 1999. Should the Organization cease to occupy or use the structure for which the funds were given, the Organization is required to repay the unamortized balance to the City of Amarillo. There was no unamortized balance as of December 31, 2019.



HIGH PLAINS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 8 – INVESTMENTS

Investments are reported on the basis of quoted market prices and consist of equity securities, bonds and certificate of deposits as follows:

	2019	2018
Cash	\$ 263	\$ 107
Equity mutual funds	258,865	216,619
Certificates of deposit	204,736	200,851
	<u>\$ 463,864</u>	<u>\$ 417,577</u>

Investment returns were \$12,643 and \$17,504 and net realized/unrealized gains (losses) were \$40,760 and \$(24,242) for 2019 and 2018 respectively.

NOTE 9 – TAX-DEFERRED ANNUITY PLAN

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan is voluntary and covers full-time employees of the Organization. The Organization matches participant contributions up to five percent of the individual compensation. The Organization's contributions to the plan were \$11,975 and \$15,728 in 2019 and 2018 respectively.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	2019	2018
Subject to expenditure for specific purpose:		
USDA Commodities	\$ 410,388	\$ 126,340
Rural Service	35,339	28,520
Kid's Café	94,959	-
Purchased Food	736	-
Community Garden	21,844	20,885
Acquisition of Property	207,429	207,429
Miscellaneous Program	128,800	19,543
	<u>\$ 899,495</u>	<u>\$ 402,717</u>
Subject to the Organization's spending policy and appropriation;		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	300,000	300,000
Underwater endowments	-	(7,240)
	<u>300,000</u>	<u>292,760</u>
Total endowments	<u>\$ 1,199,495</u>	<u>\$ 695,477</u>

HIGH PLAINS FOOD BANK  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 11 – DONATED MATERIALS AND SERVICES

Non-food donated materials were \$243,020 and \$262,631 in 2019 and 2018 respectively and were included in revenue and expenses. Only those services that meet the criteria for recognition are included in revenue and expenses. Volunteer services for 2019 and 2018 with an estimated value of \$473,417 and \$513,808 respectively, were not recognized in the financial statements because they did not meet the criteria for recognition. Donated services recognized in the financial statements are as follows:

	2019	2018
Professional	\$ 6,720	\$ 2,200

NOTE 12 – ADVERTISING

The Organization uses advertising to promote its programs. The costs of advertising are expensed as incurred.

NOTE 13 – AMARILLO AREA FOUNDATION, INC. AGREEMENT

In 1992, the Organization entered in to an agreement with the Amarillo Area Foundation, Inc. (Foundation), a community charitable organization. Under this agreement, the Organization transferred the Mr. and Mrs. Tom Boyer Endowment, the Katherine Wilson Endowment, and the Harrington Endowment to the Foundation. The income of the endowments will from time to time be distributed for one or more exempt purposes within the Amarillo Area with the primary consideration given to the Organization. The endowments are a component fund of the Foundation and therefore the Foundation has the absolute right to make the final decision as to any and all distributions from these endowments. Distributions to the Organization were \$7,682 and \$7,522 for 2019 and 2018, respectively. The market values of the endowment funds at December 31 are as follows:

	2019	2018
Boyer Endowment	\$ 23,630	\$ 21,245
Wilson Endowment	26,051	23,400
Harrington Endowment	129,135	115,677
	\$ 178,816	\$ 160,322

NOTE 14 – ENDOWMENT FUNDS

The Organization's endowment consists of four funds which includes donor-restricted funds, and the funds described in Note 10. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

HIGH PLAINS FOOD BANK  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund(s), (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix and include equity and debt securities with the objective of minimizing risk and volatility while maximizing expected returns. A spending policy had not been finalized as of December 31, 2019.

Endowment Net Asset Composition by Type of Fund as of December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment funds	\$ -	\$ 491,040	\$ 491,040

Changes in endowment net assets as of December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 453,946	\$ 453,946
Investment returns, net	-	50,564	50,564
Amounts appropriated for expenditure	-	(13,470)	(13,470)
Endowment net assets, end of year	\$ -	\$ 491,040	\$ 491,040

HIGH PLAINS FOOD BANK  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

Endowment Net Asset Composition by Type of Fund as of December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment funds	\$ -	\$ 453,946	\$ 453,946

Changes in endowment net assets as of December 31, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 484,794	\$ 484,794
Investment returns, net	-	(11,482)	(11,482)
Amounts appropriated for expenditure	-	(19,366)	(19,366)
Endowment net assets, end of year	\$ -	\$ 453,946	\$ 453,946

NOTE 15 – FAIR VALUE MEASUREMENT

The carrying amount of cash and cash equivalents, certificates of deposit, accounts receivable, and accounts payable approximate their fair value due to the short-term nature of such instruments.

The Food Bank uses the following hierarchical disclosures framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets, 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 – Measurement based on the Food Bank’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

HIGH PLAINS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Fair values of assets measure on a recurring basis at December 31, 2019 and 2018 were as follows:

	2019			
	Fair Value	Level 1	Level 2	Level 3
Equity Mutual Funds	\$ 259,128	\$ 259,128	\$ -	\$ -
	2018			
Equity Mutual Funds	\$ 216,726	\$ 216,726	\$ -	\$ -

NOTE 16 – LINE OF CREDIT

The Organization has a \$216,000 line of credit dated September 20, 2019 and maturing September 20, 2020 of which \$ 175,698 and \$100,000 was outstanding as of December 31, 2019 and 2018, respectively. Interest is payable monthly at 2.85% per annum beginning when money is drawn against the loan. Interest of \$4,437 and \$2,308 was paid in 2019 and 2018, respectively.

NOTE 17 – CAPITAL LEASES

The Organization has several operating leases for equipment that expire in the year ended December 31, 2024. Those leases contain a monthly renewal option, and require the Organization to pay all executory costs such as taxes, maintenance, and insurance. Rental expenses for those leases consisted of \$42,709 and \$33,191 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2019 are:

2020	\$ 36,483
2021	34,458
2022	34,458
2023	34,458
2024	8,589
Thereafter	585
	\$ 149,031

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 30, 2020, which is the date the financial statements were available to be issued.

HIGH PLAINS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

In August, 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230); Classification of Certain Cash Receipts and Cash Payments*. This ASU required cash restricted to long-term purposes to now be included in the cash and cash equivalents amounts shown in the Statement of Cash Flows. Previously, cash restricted to long-term purposes was excluded. The Organization's Statement of Cash Flows reflects the adoption of ASU 2016-15 applied retrospectively.

Additionally, in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

HIGH PLAINS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 20 – RECENT ACCOUNTING PRONOUCEMENTS

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2020. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

HIGH PLAINS FOOD BANK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Number	Federal Disbursements Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through Texas Health and Human Services Commission			
<b>Food Distribution Cluster</b>			
Emergency Food Assistance Program (Administrative Costs)	10.568	1887048	\$ 129,189
Emergency Food Assistance Program (Food Commodities)	10.569	1887048	1,975,003
Commodity Supplemental Food Program	10.565	1887048	<u>118,352</u>
<b>Total Food Distribution Cluster</b>			<u>2,222,544</u>
<b>Child Nutrition Cluster</b>			
Summer Food Service Program for Children	10.559	TX188-1005	41,086
<b>SNAP Cluster</b>			
Supplemental Nutrition Assistance Program Education	10.551	529-16-0067-00001	117,106
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	529-16-0002-00002	<u>61,502</u>
<b>Total SNAP Cluster</b>			<u>178,608</u>
<b>Other Programs</b>			
Child and Adult Care Food Program	10.558	TX188-0032	233,822
Food Purchase Distribution Program-Trade Mitigation	10.178	806780706	<u>97,449</u>
<b>Total Other Programs</b>			<u>331,271</u>
			<u><u>\$ 2,773,509</u></u>

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of High Plains Food Bank under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation 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 High Plains Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of High Plains Food Bank.

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

(1) 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.

(2) Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2019 the organization had food commodities totaling \$410,386.

**NOTE C - INDIRECT COST RATE**

High Plains Food Bank has elected not to use the 10% de-minimus indirect cost rate as allowed under the Uniform Guidance.



**VICTOR B. GLENN**  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
High Plains Food Bank

I 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 High Plains Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated September 30, 2020.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered High Plains Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of High Plains Food Bank's internal control. Accordingly, I do not express an opinion on the effectiveness of High Plains 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that I consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether High Plains Food Bank's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government*

*Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004.

### **High Plains Food Bank's Response to Findings**

High Plains Food Bank's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. High Plains Food Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

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

*Victor B. Glenn*

Amarillo, TX  
September 30, 2020

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
High Plains Food Bank

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

I have audited High Plains Food Bank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of High Plains Food Bank's major federal programs for the year ended December 31, 2019. High Plains 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In my opinion, High Plains Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

High Plains Food Bank's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. High Plains Food Bank's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of High Plains Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my

audit of compliance, I considered High Plains Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of High Plains Food Bank's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, I did identify certain deficiencies in internal control over compliance that I consider to be significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*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. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004.

High Plains Food Bank's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. High Plains Food Bank's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

*Victor B. Glenn*

Amarillo, TX  
September 30, 2020

HIGH PLAINS FOOD BANK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on whether the financial statements of High Plains Food Bank were prepared in accordance with GAAP.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of High Plains Food Bank were disclosed during the audit.
4. Two significant deficiencies in internal control over major federal award programs were disclosed during the audit and are reported. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award program for High Plains Food Bank expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs included: Food Distribution Cluster; CFDA 10.565, 10.568 and 10.569.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. High Plains Food Bank was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Significant Deficiencies

2019-001. Receivables of Third-Party Reimbursements

*Criteria:* Receivables should reflect the amounts to be collected and subsequently adjusted for collections and the related income should be properly recorded.

*Condition:* It was observed that the recording of receivables and collections was not always recorded and adjusted in a timely manner. Receivables are not reconciled to the underlying activity.

*Effect:* The receivables balance at year-end had to be adjusted to reflect the actual receivable balance and related income for the year.

*Recommendation:* Improvement is needed in internal communication for recording receivables and subsequent collections. Requests for reimbursement should be made in a timely manner to improve cash flow and allow monitoring of the receivables.

*View of Responsible Officials and Planned Corrective Action:*  
Chris House, Finance Director and Glenda McCrary PC CPA

Planned Corrective Action: Chris House the Director of Finance will take careful steps to review the proper amount that needs to be recorded as a receivable for each third-party reimbursement from each department that receives reimbursements. He will then report this amount to Glenda McCrary CPA to record the receivable to the books. Chris House will verify amounts when the funds arrive and post them to the proper account in the books. This will ensure that receivables reflect the amounts to be collected and subsequently adjusted collections and that the related income is properly recorded.

#### 2019-002. Employee Personnel Files

*Criteria:* Allowed costs must be adequately documented. Charges to Federal Awards for salaries and wages must be based on records that accurately reflect the work performed and comply with the established accounting policies and procedures of the Organization.

*Condition:* It was observed that personnel files were not being kept current and in some instances were incomplete. The most current payrate authorization was sometimes missing. Documentation of the employee's awareness of the Organization's employee policies regarding conflicts of interest and code of conduct that contribute to the control environment were not always present.

*Effect:* There is risk that improper payroll disbursements could be made due to the lack of documentation. Employees may not behave in a manner consistent with the Organization's policies.

*Recommendation:* It is recommended that a payroll checklist of required items in employee personnel files be used to monitor and ensure the files are complete and up-to-date by an individual who does not have payroll preparation responsibilities.

*View of Responsible Officials and Planned Corrective Action:*  
Zack Wilson, Executive Director and Andrea Johnson, Assistant Director

Planned Corrective Action: HPFB has a checklist that is being utilized upon a new employee hire to assist in documenting the necessary payroll file items. This list will be reviewed, updated and implemented Oct 9, 2020. In addition, HPFB will consolidate the start dates of new hires to a single day of the week to help with the timeframe of setting up a new employee orientation. Andrea Johnson (Assistant Director) will then submit the file to Zack Wilson (Executive Director) for secondary review and confirmation to ensure its completion. In addition, on a monthly basis, Zack Wilson (Executive Director) and Andrea Johnson (Assistant Director) will conduct a monthly review of a rotating sample of employee personnel files to ensure documentation is present.

In addition, Zack Wilson (Executive Director) will conduct a monthly payroll audit review of the pay rate of a current employee and match it with their latest merit evaluation (which determines if there is a new rate of increase that is conducted annually). A portion of employee files will be sampled each month by the 25<sup>th</sup> of each month and the list of personnel files reviewed will be signed and saved by Zack Wilson (Executive Director) as documentation of completion.

## C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

### U.S. DEPARTMENT OF AGRICULTURE

2019-003. Food Distribution Cluster - Emergency Food Assistance Program (Administrative Costs); CFDA 10.568.

*Significant Deficiency.* As discussed at Finding 2019-002, employee personnel file documentation was not always current and were sometimes incomplete. Because of this, there is a risk that improper payroll disbursements would be charged to Federal Awards. Existing policies and procedures should be followed to ensure the employee personnel files are up-to-date and complete as to required documentation.

*View of Responsible Officials and Planned Corrective Action:* Zack Wilson, Executive Director and Andrea Johnson, Assistant Director Planned Corrective Action:

HPFB has a checklist that is being utilized upon a new employee hire to assist in documenting the necessary payroll file items. This list will be reviewed, updated and implemented Oct 9, 2020. In addition, HPFB will consolidate the start dates of new hires to a single day of the week to help with the timeframe of setting up a new employee orientation. Andrea Johnson (Assistant Director) will then submit the file to Zack Wilson (Executive Director) for secondary review and confirmation to ensure its completion. In addition, on a monthly basis, Zack Wilson (Executive Director) and Andrea Johnson (Assistant Director) will conduct a monthly review of a rotating sample of employee personnel files to ensure documentation is present.

In addition, Zack Wilson (Executive Director) will conduct a monthly payroll audit review of the pay rate of a current employee and match it with their latest merit evaluation (which determines if there is a new rate of increase that is conducted annually). Each employee that this submitted for a reimbursement claim request will be cross referenced in the payroll system with the latest merit evaluation to ensure accuracy before submission. Since this will be complete before a claim is submitted, this will help ensure accuracy of pay rates and thus help verify the total payroll submitted on a claim is correct. However, it is important to note that this process already does exist and is verified on a sample basis before a claim is submitted to help ensure accuracy.

2019-004. Food Distribution Cluster – Emergency Food Assistance Program (Food Commodities), CFDA 10.569; Commodity Supplemental Food Program, CFDA 10.565.

*Criteria:* Eligible organizations that receive Federal Award commodities from the High Plains Food Bank must serve predominately needy persons, have tax-exempt status and are distributed the commodities in accordance with the requirements of 7 CFR 251.5.

*Condition:* Agencies receiving Federal Award commodities are not being monitored in a timely manner consistent the Organization's policies and procedures. It was observed that agency files were in some instances incomplete and not current.

*Effect:* Agencies may longer be considered and eligible organization and this may not be determined in a timely manner. As a result, these agencies would have continued to receive benefits from the Federal Award.

*Recommendation:* Agencies should be reviewed and monitored in a timely manner and observations and inquiries properly documented.

*View of Responsible Officials and Planned Corrective Action:*

Whitney Wade, Agency Relations Coordinator and an additional Agency Relations Coordinator (TBD)

Planned Corrective Action: agency records/files are reviewed regularly. However, due to a lack of capacity and the rise in work load, additional help is needed to review the files on a regular basis. To assist with the regular review, HPFB will hire an additional agency relations coordinator by November 2020 to help with monitoring and review of agencies as stated in our Agency policies. In addition, the new agency relations coordinator will conduct a monthly review of agencies on a sample basis to ensure accuracy.



HIGH PLAINS FOOD BANK  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2019

U.S. DEPARTMENT OF AGRICULTURE

Food Distribution Cluster

Emergency Food Assistance Program (Commodities), CFDA 10.569

Emergency Food Assistance Program (Administrative Costs), CFDA 10.568

Commodity Supplemental Food Program, CFDA 10.565

FINDING 2018-004

*Condition:* Approvals for payment of vendor invoices are not always being indicated. Allowed costs were not always adequately documented.

*Recommendation:* Invoices and bills should be approved by management prior to entry in the accounting system for payment.

*Current Status:* The following additional process was put in place and adopted in November 2018: approval for purchases or for a service rendered is approved by the department head of each HPFB department with a stamp, signature, or signature initial. The approval for purchase or rendering of service invoice is then approved by the Executive Director before payment is made to vendor for service or purchase with a stamp, signature, or signature initial. This approval is also again double-checked by the Director of Finance after the payable check is signed by the Executive Director. It is important to note that all purchases in 2018 were being approved by department heads and Executive Director prior to the payable check being signed; however, the official signature or stamp on some invoices/statements were missing prior to November 2018. As stated above, this had been corrected and an additional policy put in place and enacted. Approval for purchases or a rendering of a service is signed off by 1) Executive Director and if applicable, 2) department heads for approval with an official stamp, signature or signature initial. Payables and transactions from November 2018 to present day reflect this policy and have with a stamp, signature, or signature initial for approval.