



FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 and 2021

HIGH PLAINS FOOD BANK

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
High Plains Food Bank
Lubbock, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of High Plains Food Bank (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 30, 2022.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. 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*, is also presented for purposes of additional analysis and is also 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 September 20, 2023, 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 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 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.

Anderson Hill, LLP
Lubbock, Texas
September 20, 2023

HIGH PLAINS FOOD BANK

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,072,529	\$ 3,543,101
Investments	1,245,419	1,188,844
Accounts receivable	627,259	235,421
Unconditional promises to give	2,678	4,628
Inventories		
Unrestricted	7,185,494	6,579,173
Restricted	130,394	506,330
Prepaid expenses	28,874	86,706
Total current assets	<u>12,292,647</u>	<u>12,144,203</u>
Noncurrent assets		
Investments held for endowment purposes	345,692	300,000
Capital assets, net	5,686,462	3,676,603
Total noncurrent assets	<u>6,032,154</u>	<u>3,976,603</u>
Total assets	<u>\$ 18,324,801</u>	<u>\$ 16,120,806</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 122,817	303,870
Accrued salaries	31,441	26,165
Accrued payroll taxes and benefits	15,334	16,145
Total current liabilities	169,592	346,180
Net assets		
Without donor restrictions	16,812,773	14,101,958
With donor restrictions	1,342,436	1,672,668
Total net assets	<u>18,155,209</u>	<u>15,774,626</u>
Total liabilities and net assets	<u>\$ 18,324,801</u>	<u>\$ 16,120,806</u>

See accompanying notes to the financial statements.

HIGH PLAINS FOOD BANK

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, gains and other support		
Cash contributions	\$ 3,267,093	\$ 2,771,849
Food contributions	10,110,404	9,886,699
Grant revenue	3,599,221	1,762,707
Shared maintenance fees	304,543	274,877
Special events	71,938	135,281
Interest and investment income	56,334	104,601
Unrealized gain (loss) on investment	(324,432)	(27,646)
Other	1,816	164,421
Net assets released from restrictions		
Satisfaction of program restrictions	3,447,639	4,501,230
Total revenues, support, and other support	20,534,556	19,574,019
Expenses		
Program services		
Food distribution	15,456,198	15,110,782
Kid's Cafe	1,261,496	994,361
Total programs services	16,717,694	16,105,143
Management and general	390,147	289,467
Fund-raising	715,900	649,797
Total expenses	17,823,741	17,044,407
Change in net assets without donor restrictions	2,710,815	2,529,612
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Food contributions-USDA	2,494,953	3,468,068
Grants and contributions	627,922	914,258
Interest and investment income	7,157	8,484
Unrealized gain (loss) on investment	(12,625)	21,760
Net assets released from restrictions	(3,447,639)	(4,501,230)
Change in net assets with donor restrictions	(330,232)	(88,660)
Change in net assets	2,380,583	2,440,952
Net assets		
Beginning of year	15,774,626	13,333,674
End of year	\$ 18,155,209	\$ 15,774,626

See accompanying notes to the financial statements.

HIGH PLAINS FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2022

	Program Costs			Mangement & General	Fund- Raising	Total
	Food Distributions	Kid's Cafe	Total Program			
Expenses						
Salaries and wages	\$ 1,158,984	\$ 380,833	\$ 1,539,817	\$ 227,667	\$ 249,003	\$ 2,016,487
Payroll taxes	88,528	29,468	117,996	17,290	18,965	154,251
Employee benefits	135,679	55,353	191,032	33,173	29,133	253,338
	1,383,191	465,654	1,848,845	278,130	297,101	2,424,076
Food distributions	12,107,866	470,993	12,578,859	340	492	12,579,691
Cost of food distributed	841,996	-	841,996	-	-	841,996
Professional fees	10,771	636	11,407	61,492	1,604	74,503
Conference and training	1,027	198	1,225	9,000	1,066	11,291
Occupancy	169,253	58,126	227,379	1,991	996	230,366
Dues and subscriptions	12,393	150	12,543	6,749	15,125	34,417
Insurance	100,455	25,518	125,973	2,648	2,428	131,049
Postage	9,160	-	9,160	24	2,215	11,399
Supplies and food	105,470	105,628	211,098	1,269	11,806	224,173
Printing	(11,100)	-	(11,100)	-	202,718	191,618
Telephone	11,516	1,846	13,362	183	92	13,637
Vehicle and delivery	245,485	10,750	256,235	13	-	256,248
Equipment repair and maintenance	75,403	5,218	80,621	3,599	(22,117)	62,103
Contract labor	10,890	5,690	16,580	-	-	16,580
Other	109,780	43,342	153,122	22,724	201,615	377,461
Agency support	120,803	-	120,803	-	-	120,803
Depreciation and amortization	151,839	67,747	219,586	1,985	759	222,330
Total expenses	\$ 15,456,198	\$ 1,261,496	\$ 16,717,694	\$ 390,147	\$ 715,900	\$ 17,823,741

See accompanying notes to the financial statements.

HIGH PLAINS FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	Program Costs			Mangement & General	Fund- Raising	Total
	Food Distributions	Kid's Cafe	Total Program			
Expenses						
Salaries and wages	\$ 1,128,439	\$ 303,474	\$ 1,431,913	\$ 177,486	\$ 201,614	\$ 1,811,013
Payroll taxes	86,154	23,566	109,720	13,397	15,377	138,494
Employee benefits	143,361	50,097	193,458	25,842	17,141	236,441
	<u>1,357,954</u>	<u>377,137</u>	<u>1,735,091</u>	<u>216,725</u>	<u>234,132</u>	<u>2,185,948</u>
Food distributions	11,705,120	389,541	12,094,661	278	374	12,095,313
Cost of food distributed	1,160,735	-	1,160,735	-	-	1,160,735
Professional fees	15,312	709	16,021	52,350	2,266	70,637
Conference and training	475	462	937	715	655	2,307
Occupancy	134,698	43,521	178,219	1,562	952	180,733
Dues and subscriptions	11,592	45	11,637	5,874	5,687	23,198
Insurance	96,914	22,605	119,519	2,774	2,133	124,426
Postage	11,996	30	12,026	92	5,721	17,839
Supplies and food	104,605	51,309	155,914	1,919	8,250	166,083
Printing	11,100	-	11,100	-	151,337	162,437
Telephone	9,141	1,785	10,926	147	342	11,415
Vehicle and delivery	206,505	11,434	217,939	14	-	217,953
Equipment repair and maintenance	43,974	4,362	48,336	4,885	15,695	68,916
Contract labor	10,190	4,800	14,990	-	-	14,990
Other	43,576	19,383	62,959	134	221,482	284,575
Agency support	54,142	-	54,142	-	-	54,142
Depreciation and amortization	132,753	67,238	199,991	1,998	771	202,760
Total expenses	<u>\$ 15,110,782</u>	<u>\$ 994,361</u>	<u>\$ 16,105,143</u>	<u>\$ 289,467</u>	<u>\$ 649,797</u>	<u>\$ 17,044,407</u>

See accompanying notes to the financial statements.

HIGH PLAINS FOOD BANK

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,380,583	\$ 2,440,952
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	222,330	202,760
Realized/unrealized (gain) loss on investments	337,057	5,886
(Gain) loss on disposal of property and equipment	15,592	-
Contributions restricted for property	-	(185,000)
Non-cash donations of property and equipment	-	(35,000)
Changes in operating assets and liabilities		
Accounts receivable	(391,838)	197,532
Unconditional promises to give	1,950	4,935
Inventories	(230,385)	(1,281,748)
Prepaid expenses	57,832	(5,672)
Accounts payable	(181,053)	76,076
Accrued salaries	5,276	14,882
Accrued payroll taxes and benefits	(811)	-
Net cash flows from operating activities	2,216,533	1,435,603
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	(439,209)	(1,285,631)
Proceeds from sales of investments	-	300,000
Acquisition of property and equipment	(2,247,896)	(311,042)
Net cash flows from investing activities	(2,687,105)	(1,296,673)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for property	-	185,000
Payment on short-term debt	-	(390)
Net cash flows from investing activities	-	184,610
Net change in cash and cash equivalents	(470,572)	323,540
Cash and cash equivalents at beginning of year		
Beginning of year	3,543,101	3,219,561
End of year	\$ 3,072,529	\$ 3,543,101
Supplemental cash flow information:		
In-kind food donations	\$ 12,605,357	\$ 13,354,767

See accompanying notes to the financial statements.

HIGH PLAINS FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - High Plains Food Bank (hereby referred to as 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 Cafe program, the Organization supplies the food, funds, and food preparation to feed needy children. The Organization's support comes primarily from public and governmental contributions and grants, and from shared maintenance fees paid by recipient agencies.

Method of accounting - The Organization prepares its financial statements on the accrual basis of accounting where revenues are recognized when earned and expenditures when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation - Financial statement presentation follows the requirements of Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) 958, Financial Statements for Not-for-Profit Organizations. As such, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and / or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures at the date of the financial statements as

HIGH PLAINS FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

well as the reported amounts of revenues and expenses during the reporting period. Accordingly, actual amounts could differ from those amounts.

Cash and cash equivalents - The Organization considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents. Included in cash equivalents are money market deposit funds and short-term certificates of deposit, reported at contract value.

Accounts receivable - Shared maintenance revenue is recognized as a receivable from a participating agency when food is distributed to the agency on account. The Organization provides allowances for doubtful receivables equal to the estimated collection losses that will be included in collection of all receivables. The estimated losses are based on historical collection experience coupled with review of the current status of existing receivables. As of December 31, 2022 and 2021, the gross account receivable balance is representative of the net realizable value of the receivables.

Grants receivable - Receivables for services and goods provided in previous periods are recognized as grants receivable from the various grantors. These receivables are typically collected in full within 60 days. Management does not believe an allowance for uncollectible amounts is necessary as historically losses have been insignificant.

Promises to give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released and reclassified to net assets without donor restrictions.

Inventories - The Organization is a member of Feeding America, which is a national food bank network. Its principal business activity is the collection of food and merchandise from a variety of sources, and distributing them to member agencies. Inventories are valued using a poundage valuation issued annually by Feeding America and are valued at the lower of cost (determined on the first-in, first-out method) or market.

Capital assets - Property and equipment are recorded at cost for purchased items or at fair market value at the date of acquisition for donated items. Items under certain amounts are recorded as expenses rather than as fixed assets. When retired or otherwise disposed of, the related carrying value and allowance for depreciation is cleared from the respective accounts and the net difference, less any amount realized on disposition, is reflected in operations.

Depreciation is provided using the straight-line method based on the estimated useful lives of the assets which range from 3 to 40 years. All acquisitions of property and equipment in excess of \$5,000 and repairs and improvements in excess of \$5,000 are capitalized if the estimated life expectancy is greater than two years.

HIGH PLAINS FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Donated goods and services - The Organization receives a substantial amount of services donated by citizens interested in the Organization's program. Board members, warehouse volunteers, and volunteers for various food drives donate their time. The value of these services is not recognized in the financial statements.

Recognition of revenue and public support - Revenue funded by grants and contracts is recognized as the Organization performs the contracted services or incurs eligible expenses under the grant agreements. Activities and expenses allocated to grants and contracts are subject to audit and acceptance by the awarding agency and, as a result of such audit, adjustments could be required.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Organization charges recipient agencies for the receipt and distribution of donated food. The shared maintenance fee is to offset a portion of the costs associated with the donated food including the receiving, storage, and distribution costs incurred by the Organization.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the methods used were appropriate, other methods could produce different results.

Freight costs - Freight costs, the costs associated with having donated and purchased food delivered to its warehouse, are expensed by the Organization as incurred.

Income taxes - The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 - Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions. However as of the date of the financial statements, there were

HIGH PLAINS FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

no audits for any tax periods in progress. The Organization has filed its income tax returns for the periods through December 31, 2021. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. These reclassifications have no effect on the previously reported net assets or change in net assets.

Going concern evaluation – Management evaluates whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Subsequent events – The financial statements and related disclosures include evaluation of events up through and including September 30, 2023, which is the date the financial statements are available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization maintains cash balances at several financial institutions located in Amarillo, Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts. The Organization believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3 - INVESTMENTS

Investments are reported on the basis of quoted market prices and consist of cash, equity securities and certificates of deposit as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,218	\$ 1,208
Equity securities	977,341	1,077,281
Certificates of deposit	611,552	410,355
	<u>\$ 1,591,111</u>	<u>\$ 1,488,844</u>

The above investments are reported on the statements of financial position as investments and investments held for endowment purposes.

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NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 4 - 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:

	<u>2022</u>	<u>2021</u>
Accounts receivable - fees	\$ 38,145	\$ 37,438
Cost reimbursement receivable	589,114	197,983
	<u>\$ 627,259</u>	<u>\$ 235,421</u>

NOTE 5 - RESTRICTED NET ASSETS

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

	<u>2022</u>	<u>2021</u>
USDA commodities	\$ 130,394	\$ 498,157
Rural service	217,055	49,190
Kid's Café	104,711	-
Purchased food	40,000	929
Community garden	43,885	44,844
Other	806,391	779,548
	<u>\$ 1,342,436</u>	<u>\$ 1,372,668</u>

Whenever the Organization incurs an expense for which it may use either restricted or unrestricted assets, restricted assets are used first to satisfy the restrictions of the funds. Generally, restricted cash and non-cash contributions received, including long-lived assets, whose restrictions are met in the same reporting period are classified as unrestricted support in the accompanying financial statements.

NOTE 6 - AMARILLO AREA FOUNDATION

In 1992, the Organization entered into an agreement with the Amarillo Area Foundation, Inc. (the 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

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NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 \$8,059 and \$9,385 for 2022 and 2021, respectively. The market values of the endowment funds at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Boyer Endowment	\$ 23,342	\$ 28,335
Wilson Endowment	25,989	31,317
Harrington Endowment	129,501	155,799
	<u>\$ 178,832</u>	<u>\$ 215,451</u>

NOTE 7 - ENDOWMENT FUNDS

The Organization's endowment consists of four funds which includes donor-restricted funds. 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. 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

HIGH PLAINS FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

objective of minimizing risk and volatility while maximizing expected returns. A spending policy had not been finalized as of December 31, 2022.

All of the endowment funds were considered restricted as of December 31, 2022 and 2021. The change in endowment funds for 2022 and 2021 consisted of investment returns and amounts appropriated for expenditures.

NOTE 8 - PROMISES TO GIVE

The Organization has promises to give from various individuals and organizations. The \$2,678 and \$4,628 in promises to give as of December 31, 2022 and 2021, respectively, are unconditional and due within one to five years. An allowance against pledges receivable represents management's estimate of expected losses to be realized, and are based on historical experience, current economic conditions, and other relevant factors. Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional pledges are recognized when the conditions on which they depend are substantially met. As of December 31, 2022 and 2021, the allowance and the present value discount related to unconditional promises to give are not significant to the overall financial statements.

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. Following is a description of the valuation

HIGH PLAINS FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2022 and 2021.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2022</u>				
Equity mutual funds	\$ 977,341	\$ 977,341	\$ -	\$ -
<u>December 31, 2021</u>				
Equity mutual funds	\$ 1,077,281	\$ 1,077,281	\$ -	\$ -

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.

The Organization's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2022 and 2021.

NOTE 10 - FOOD INVENTORY

Food inventory as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Donated food	\$ 7,114,593	\$ 6,457,836
USDA commodities	130,394	498,157
FEMA	-	8,173
Purchased food	70,901	102,882
Disaster food	-	18,455
	<u>\$ 7,315,888</u>	<u>\$ 7,085,503</u>

NOTE 11 - CAPITAL ASSETS

As of December 31, 2022 and 2021, major classifications of capital assets are summarized below:

HIGH PLAINS FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 211,045	\$ 211,045
Buildings and improvements	4,959,723	4,915,477
Warehouse equipment	894,145	868,029
Office furniture and equipment	354,613	334,648
Vehicles	1,509,975	691,064
Software	14,584	14,584
Construction in progress	1,318,160	37,750
	<u>9,262,245</u>	<u>7,072,597</u>
Less: Allowance for Depreciation	<u>(3,575,783)</u>	<u>(3,395,994)</u>
Capital Assets, Net	<u>\$ 5,686,462</u>	<u>\$ 3,676,603</u>

Depreciation expense of \$222,329 and \$202,760 was recorded for 2022 and 2021, respectively.

NOTE 12 - LINE OF CREDIT

The Organization has a \$216,000 line of credit dated September 20, 2022 and matures on September 20, 2023. Interest is payable monthly beginning when money is drawn against the loan. No interest was paid in 2022 and 2021, respectively.

NOTE 13 - 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 \$27,116 and \$18,145 in 2022 and 2021, respectively.

NOTE 14 - COMMITMENTS

The Organization entered into a contract to renovate facilities which was completed in February of 2023. As of December 31, 2022, the Organization incurred and capitalized in construction in progress a total of \$1,318,160. The estimated cost to be incurred in 2023 to complete the project is approximately \$250,000.

HIGH PLAINS FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 15 - RELATED PARTY

The Organization has an investment account with an investment services company in which a member of the Board is a shareholder. The related party transaction was consummated on terms equivalent or at lessor costs than those that would prevail in similar arm's length transactions with non-related parties.

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 5,322,451	\$ 5,271,994
Less those unavailable for general expenditures within one year, due to:		
Purpose and time restrictions	<u>(345,692)</u>	<u>(692,429)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,976,759</u>	<u>\$ 4,579,565</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization regularly monitors liquidity required for operations. The Organization has various sources of liquidity at its disposal, including cash, cash equivalents, investments without restrictions, and board-designated operating reserves.

SUPPLEMENTARY INFORMATION

HIGH PLAINS FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
Major program:			
US Department of Treasury			
Passed through the Texas Department of Agriculture			
Coronavirus State and Local Fiscal Recovery Funds - Food Bank			
Capacity Building Grant	21.027	NT4XL1YGLGC5	\$ 1,480,850
Total major programs			<u>1,480,850</u>
Non-major programs:			
Food Distribution Cluster			
US Department of Agriculture			
Passed through the Texas Department of Agriculture			
The Emergency Food Assistance Program (Commodities)	10.569	1887048	2,862,716
The Emergency Food Assistance Program (Administrative Costs)	10.568	1887048	294,919
Commodity Supplemental Food Program	10.565	1887048	162,638
Total Food Distribution Cluster			<u>3,320,273</u>
Passed through the Texas Department of Agriculture			
Summer Food Service Program for Children	10.559	TX188-1005	67,873
Child and Adult Care Food Program	10.558	TX188-0032	157,784
SNAP Cluster			
US Department of Agriculture			
Passed through the Texas Health and Human Services Commission			
Supplemental Nutrition Assistance Program	10.551	529-16-0067-00001	126,440
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	529-16-0002-00002	127,710
Total SNAP Cluster			<u>254,150</u>
477 Cluster			
US Department of Health and Human Services			
Passed through the Texas of Health and Human Services Commission			
Temporary Assistance for Needy Families	93.558	529-16-0002-00002	72,160
Total 477 Cluster			<u>72,160</u>
US Department of Housing and Urban Development			
Passed through the Texas Department of Housing and Community Affairs			
Community Development Block Grant	14.228	74943319	386,678
Total non-major programs			<u>4,258,918</u>
Total expenditures of federal awards			<u>\$ 5,739,768</u>

See report of independent auditors on pages 1 and 2.

See accompanying notes to schedule of expenditures of federal awards.

HIGH PLAINS FOOD BANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2022. The information in the SEFA 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 SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the SEFA 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. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Non-Cash Awards

The value of United States Department of Agriculture (USDA) commodities received during 2022 and reported in the accompanying statement of activities and changes in net assets was estimated by the USDA. The value of USDA commodities distributed during 2022, including amounts held in inventory at the beginning of 2022, and reported in the accompanying 2022 statement of functional expenses was from the Commodity Supplemental Food Program and the Emergency Food Assistance Program. As of December 31, 2022, the Organization had an inventory of USDA food commodities of \$130,394 included in the accompanying statement of financial position.

NOTE 3 – SUBRECIPIENT PASS THROUGH

No entities received pass through federal awards from the Organization during 2022.



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**REPORT OF INDEPENDENT AUDITORS 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
High Plains Food Bank
Lubbock, Texas

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 High Plains Food Bank (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2023.

Report on Internal Control Over Financial Reporting

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

Board of Directors
High Plains Food Bank
Lubbock, Texas

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson Hill, LLP

Lubbock, Texas
September 20, 2023



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

Board of Directors
High Plains Food Bank
Lubbock, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited High Plains 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 December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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 December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the 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.

Board of Directors
High Plains Food Bank
Lubbock, Texas

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.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 Organization'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.

Board of Directors
High Plains Food Bank
Lubbock, Texas

Report on Internal Control Over Compliance

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

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

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

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

Anderson Hill, LLP

Lubbock, Texas
September 20, 2023

HIGH PLAINS FOOD BANK

SCHEDULES OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2022

Section I - Summary of audit results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)? yes 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 2 CFR section 200.516(a)? yes no

Identification of major program (s):

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recover Funds - Food Bank Capacity Building Grant

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

Auditee qualified as low-risk auditee? yes no

Section II - Findings related to financial statements reported in accordance with Government Auditing Standards:

No matters reported

Section III - Findings and questioned costs relating to Federal awards:

No matters reported

Section IV - Summary schedule of prior audit findings:

2021-001 - Monitoring of Agency Files - Corrected in FY2022