

FEEDING TEXAS
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

FEEDING TEXAS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Feeding Texas
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding Texas, which comprise the statements of financial position as of September 30, 2020 and 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feeding Texas as of September 30, 2020 and 2019, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal and State Awards, as required by the audit requirements of Subpart F Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*, 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 audits 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 January 20, 2021, on our consideration of Feeding Texas' 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 Feeding Texas' internal control over financial reporting and compliance.



Austin, Texas
January 20, 2021

FEEDING TEXAS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,688,649	\$ 828,807
Accounts and grants receivable	5,919,965	2,813,773
Total current assets	7,608,614	3,642,580
PROPERTY AND EQUIPMENT, net	56,500	53,367
OTHER ASSETS		
Deposits	9,183	9,183
TOTAL ASSETS	<u>\$ 7,674,297</u>	<u>\$ 3,705,130</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 4,878,370	\$ 2,591,754
Refundable advance	900,000	46,541
Accrued compensated absences	91,837	51,773
Accrued expenses - other	11,143	7,632
Current portion of long-term debt	196,642	-
Total current liabilities	6,077,992	2,697,700
LONG-TERM DEBT		
Note payable - long-term	127,058	-
TOTAL LIABILITIES	6,205,050	2,697,700
NET ASSETS		
Net assets without donor restrictions	777,350	779,730
Net assets with donor restrictions	691,897	227,700
Total net assets	1,469,247	1,007,430
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,674,297</u>	<u>\$ 3,705,130</u>

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

FEEDING TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants and contracts	\$ 15,844,974	\$ -	\$ 15,844,974
Cash contributions	158,348	3,435,321	3,593,669
Membership dues	390,300	-	390,300
CFP Fees	148,764	-	148,764
VISTA cost share	32,200	-	32,200
Net assets released from restrictions	2,971,124	(2,971,124)	-
Total revenues and other support	19,545,710	464,197	20,009,907
EXPENSES			
Program services	18,936,199	-	18,936,199
Management and general	447,174	-	447,174
Fundraising	164,717	-	164,717
Total expenses	19,548,090	-	19,548,090
CHANGE IN NET ASSETS	(2,380)	464,197	461,817
NET ASSETS - BEGINNING OF YEAR	779,730	227,700	1,007,430
NET ASSETS - END OF YEAR	\$ 777,350	\$ 691,897	\$ 1,469,247

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

FEEDING TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants and contracts	\$ 15,720,169	\$ -	\$ 15,720,169
Cash contributions	369,655	579,314	948,969
Membership dues	371,700	-	371,700
CFP Fees	-	-	-
VISTA cost share	50,250	-	50,250
Net assets released from restrictions	559,935	(559,935)	-
Total revenues and other support	17,071,709	19,379	17,091,088
EXPENSES			
Program services	16,738,941	-	16,738,941
Management and general	499,894	-	499,894
Fundraising	101,737	-	101,737
Total expenses	17,340,572	-	17,340,572
CHANGE IN NET ASSETS	(268,863)	19,379	(249,484)
NET ASSETS - BEGINNING OF YEAR	1,048,593	208,321	1,256,914
NET ASSETS - END OF YEAR	\$ 779,730	\$ 227,700	\$ 1,007,430

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

FEEDING TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services	Management and General	Fund- Raising	Total
Grants to US organizations	\$16,838,340	\$ -	\$ -	\$ 16,838,340
Staff compensation	1,495,463	328,886	142,297	1,966,646
Fees for services	204,629	21,525	937	227,091
Occupancy	176,223	28,122	9,672	214,017
Information technology	115,399	29,591	7,971	152,961
Travel	42,665	1,408	913	44,986
Other food bank expenses	22,850	12,643	416	35,909
Office expense	15,544	14,558	734	30,836
Conferences and meetings	10,411	6,014	728	17,153
Depreciation	10,642	2,802	673	14,117
Insurance expense	3,670	827	223	4,720
Advertising	363	798	153	1,314
Total functional expenses	\$18,936,199	\$ 447,174	\$ 164,717	\$ 19,548,090

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

FEEDING TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Services	Management and General	Fund- Raising	Total
Grants to US organizations	\$14,880,557	\$ -	\$ -	\$ 14,880,557
Staff compensation	1,256,028	358,695	83,942	1,698,665
Fees for services	252,806	20,239	54	273,099
Occupancy	110,152	28,310	5,593	144,055
Information technology	72,647	23,151	3,015	98,813
Travel	107,442	14,366	5,581	127,389
Other food bank expenses	4,083	14,107	1,427	19,617
Office expense	19,005	10,499	545	30,049
Conferences and meetings	16,830	25,753	829	43,412
Depreciation	11,250	2,387	480	14,117
Insurance expense	3,545	752	226	4,523
Advertising	4,596	1,635	45	6,276
Total functional expenses	\$16,738,941	\$ 499,894	\$ 101,737	\$ 17,340,572

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

FEEDING TEXAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 461,817	\$ (249,484)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	14,117	14,117
(Increase) decrease in operating assets		
Accounts and grants receivable	(3,106,192)	221,501
Increase (decrease) in operating liabilities		
Accounts payable	2,286,616	5,410
Refundable advance	853,459	(853,459)
Accrued expenses and compensated absences	43,575	7,758
Net Cash Provided by (Used in) Operating Activities	553,392	(854,157)
INVESTING ACTIVITIES		
Purchases of property and equipment	(17,250)	(22,000)
Net Cash Provided by (Used in) Investing Activities	(17,250)	(22,000)
FINANCING ACTIVITIES		
Proceeds from note payable	323,700	-
Net Cash Provided by (Used in) Financing Activities	323,700	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	859,842	(876,157)
CASH AND CASH EQUIVALENTS - Beginning of year	828,807	1,704,964
CASH AND CASH EQUIVALENTS - End of year	\$ 1,688,649	\$ 828,807
Cash paid for interest and taxes:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

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

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Feeding Texas is a non-profit organization formed to provide a unified voice among and in support of our common mission to end hunger in Texas. Feeding Texas is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Feeding Texas places major emphasis on facilitating coordination of statewide resources to benefit food banks, promoting communication and interaction among members, acting as a liaison with state agencies on issues that impact food banking, providing education and training programs on issues of hunger and food banking, developing and creating new resources for food and funds, and assisting with community-based outreach and application assistance in connection with state sponsored assistance programs.

Feeding Texas contracts with the Texas Health and Human Services Commission (HHSC) to provide application assistance to individuals that are potentially eligible for HHSC social service programs and for supplemental nutrition assistance program education.

Feeding Texas contracts with the Texas Department of Agriculture (TDA) for the distribution of surplus agricultural products through member food banks to serve needy or low-income individuals.

Basis of Presentation. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Feeding Texas and changes therein are classified and reported as follows:

Net assets without donor restrictions — Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions — Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Feeding Texas or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions in perpetuity stipulations are also included in this class. Generally, the donors of assets in perpetuity stipulations permit Feeding Texas to use all or part of the income earned on any related investments for general or specific purposes. Feeding Texas had no net assets restricted in perpetuity at September 30, 2020 and 2019.

Cash Equivalents. Feeding Texas considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable. Feeding Texas considers all recorded accounts and grants to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

Property and Equipment. Feeding Texas capitalizes all expenditures for property and equipment in excess of \$5,000 having a useful life of more than one year. Depreciation on property and equipment is provided using the straight-line method over estimated useful lives of the respective assets, ranging from 3 to 5 years. Repairs and maintenance are charged to expense as incurred. Assets retired from service during the year are charged against their accumulated depreciation account and removed from the fixed asset records. If the asset is not fully depreciated the residual asset balance is charged to depreciation expense for the current year. Upon sale or other disposition of assets, the costs and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as an increase or decrease in net assets without donor restrictions.

Revenue Recognition. In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, *Revenue Recognition*, funds received from federal, state, and local governments for grants that are conditioned upon Feeding Texas incurring certain qualifying costs are considered to be exchange transactions and therefore are recognized as revenue as those costs are incurred. Contract revenues are recognized as services are performed. Revenue is deferred for funds received from grantor agencies which have not been spent on qualifying purposes.

Membership dues are calculated and prorated based upon the total pounds of food distributed in the member's area for the previous year. These dues are used to supplement the budget needs of Feeding Texas during any given year.

Recognition of Donor Restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions without donor restrictions are recorded as an increase in net assets without donor restrictions in the period in which the notice of unconditional promise to give is received.

Contributions or grants, which contain a donor-imposed restriction or a stipulation that the contribution cannot be used until a future period, are recorded as contributions with donor restrictions. Contributions, which are restricted with respect to the expenditure of the funds, are recorded as increases in net assets with donor restrictions available in the period in which the notice of the contribution is received. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period in which the use restriction has been met or the time restriction lapses.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

Concentration of Risk. Revenue to support Feeding Texas' programs is derived primarily from contracts, grants, donations and membership dues. During the year ended September 30, 2020, Feeding Texas earned revenues from grants and contracts totaling \$15,844,974, or approximately 79% of total revenues, for the year from state governmental agencies. During the year ended September 30, 2019, Feeding Texas earned grants and contracts totaling \$15,720,169, or approximately 92% of total revenues, for the year from state governmental agencies.

During the years ended September 30, 2020 and 2019, Feeding Texas' deposits at its bank occasionally exceeded federal deposit insurance limits (FDIC). The FDIC insures deposits up to \$250,000 per financial institution. The excess above \$250,000 is only backed by the soundness of the financial institution. Management believes the risk of incurring material losses related to this credit risk is remote. The uninsured balance was \$1,438,328 as of September 30, 2020.

Federal Income Taxes. Feeding Texas is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is classified as a nonprofit organization. Accordingly, no provision for income taxes has been made in the financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business income for the years ended September 30, 2020 and 2019.

Feeding Texas has adopted FASB ASC 740, *Accounting for Uncertainty in Income Tax*. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of September 30, 2020, Feeding Texas has not recognized liabilities for uncertain tax positions or associated interest and penalties.

Feeding Texas' tax returns are subject to review and examination by federal and state authorities. Tax returns are open for examination by these authorities for three years from the due date of the return or the date actually filed. As of September 30, 2020, the tax return years open for examination include tax years ended September 30, 2017, and after.

Functional Allocation of Expenses. The costs of providing program, fundraising and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses - Continued. Occupancy costs are calculated on the basis of square footage and time and effort of employees. Staff compensation, fees for service, office expense, and information technology are allocated based on the time and effort of employees. Advertising, travel, conferences and meetings, and all other expenses are directly allocated based on the specific purchases.

Use of Estimates and Assumptions. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements. Feeding Texas adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update assists entities in evaluating whether transactions should be accounting for as contributions as an exchange transactions, and determining whether a contribution is conditional. Feeding Texas adopted FASB ASU No. 2018-08 as of October 1, 2019, using the modified prospective basis. Feeding Texas did not make any significant changes to the financial statements as a result of the adoption.

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

NOTE 2 - PROPERTY AND EQUIPMENT

The major classes of property and equipment held as of September 30, were:

	2020	2019
Furniture & Equipment	\$ 94,720	\$ 77,470
	94,720	77,470
Accumulated Depreciation	(38,220)	(24,103)
	\$ 56,500	\$ 53,367

Depreciation expense for the years ended September 30, 2020 and 2019, was \$14,117 and \$14,117, respectively.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 3 - LINE OF CREDIT

Feeding Texas has a \$300,000 line of credit with its primary banking institution. The line bears interest at 1.63% above the bank's prime rate. The line matures March 1, 2021. There were no outstanding balances on the line at September 30, 2020 or 2019.

NOTE 4 - REFUNDABLE ADVANCE

Feeding Texas received a Texas Department of Agriculture grant which included \$900,000 refundable grant provisions for the bi-annual grant period September 1, 2019 through September 30, 2021. The advances are made against future allowable expenses incurred by Feeding Texas and is to be used by Feeding Texas to meet its working capital needs for daily operations. At September 30, 2020 and 2019, the balance of the refundable advance was \$900,000 and \$46,541, respectively.

NOTE 5 - EMPLOYEE BENEFIT PLAN

Feeding Texas has a 403(b) contributory benefit plan, which covers all employees. Feeding Texas makes discretionary contributions of 5% of the employee's eligible base salary. In addition, Feeding Texas matches employee contributions up to 2.5% of salary. Feeding Texas made contributions to the plan of \$101,576 and \$89,097 for the years ended September 30, 2020 and 2019, respectively.

NOTE 6 - OPERATING LEASE

Feeding Texas leases its office facilities under a non-cancelable operating lease. The lease was amended on February 1, 2018, to expand the rented square feet and expires on July 31, 2022. Lease expense for the years ended September 30, 2020 and 2019, was \$214,017 and \$144,055 respectively, and is allocated among program services, management and general, and fundraising expenses.

The following is a schedule by year of minimum future rentals on this noncancelable operating lease:

Years ending September 30:	
2021	\$ 156,811
2022	132,650
	<u>\$ 289,461</u>

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at September 30:

<u>Nature of Restriction</u>	<u>2019</u>	<u>New Donations</u>	<u>Releases from Restriction</u>	<u>2020</u>
Hunters for the Hungry	\$ 66,546	\$ 252,143	\$ (175,218)	\$ 143,471
Produce Program	149,713	350,000	(499,715)	(2)
SNAP Outreach	11,441	-	(8,625)	2,816
Healthy Pantry	-	25,000	-	25,000
Census	-	48,025	(48,025)	-
Civic Engagement	-	35,000	(14,061)	20,939
Anthem Food Insecurity Initiative	-	10,000	-	10,000
Communications	-	189,000	(189,000)	-
Census	-	73,850	(73,850)	-
Disaster Relief	-	2,412,303	(1,956,618)	455,685
SNAP Policy	-	40,000	(6,012)	33,988
	<u>\$ 227,700</u>	<u>\$3,435,321</u>	<u>\$ (2,971,124)</u>	<u>\$ 691,897</u>

<u>Nature of Restriction</u>	<u>2018</u>	<u>New Donations</u>	<u>Releases from Restriction</u>	<u>2019</u>
Hunters for the Hungry	\$ 41,824	\$ 149,314	\$ (124,592)	\$ 66,546
Produce Program	-	350,000	(200,287)	149,713
SNAP Outreach	98,048	80,000	(166,607)	11,441
SNAP Policy	65,556	-	(65,556)	-
Food for Health	2,893	-	(2,893)	-
	<u>\$ 208,321</u>	<u>\$ 579,314</u>	<u>\$ (559,935)</u>	<u>\$ 227,700</u>

NOTE 8 - NOTE PAYABLE

In early 2020, the emergence of the Covid-19 Coronavirus pandemic led to significant volatility and declines in the local markets. Feeding Texas is monitoring the evolving situation closely and evaluating its potential exposure. Feeding Texas was granted funds under the Paycheck Protection Program in the amount of \$323,700 in April 2020 to cover certain costs as outlined by the program. Monthly payments of \$18,220 begin November 9, 2020, with a fixed interest rate of 1% and a maturity date of April 9, 2022. The first six months of interest owed are deferred until the maturity date. The full amount of the loan is expected to be forgiven.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 8 - NOTE PAYABLE - CONTINUED

Future maturities of long-term debt are as follows:

Years ending September 30:	
2021	\$ 196,642
2022	<u>127,058</u>
	<u><u>\$ 323,700</u></u>

NOTE 9 - RELATED PARTY TRANSACTIONS

During the years ended September 30, 2020 and 2019, Feeding Texas provided \$4,147,541 and \$4,667,695, respectively, in pass-through grant funding and contributions to a related party, Collaborative for Fresh Produce, of which the CEO of Feeding Texas serves on the board.

NOTE 10 - LIQUIDITY AND AVAILABILITY

The table below presents financial assets available for general expenditures within one year at September 30, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 1,688,649	\$ 828,807
Accounts and grants receivable	<u>5,919,965</u>	<u>2,813,773</u>
	<u>7,608,614</u>	<u>3,642,580</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>691,897</u>	<u>227,700</u>
	<u>691,897</u>	<u>227,700</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 6,916,717</u></u>	<u><u>\$ 3,414,880</u></u>

Feeding Texas has financial assets available to meet general expenditures within one year. Feeding Texas anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Feeding Texas regularly monitors cash as a measure of liquidity required to meet its operating needs and other contractual commitments. Feeding Texas' source of liquidity is cash and cash equivalents. Expenditures for Feeding Texas are only made based on available funds. Feeding Texas also has a line of credit available if needed.

FEDERAL AND STATE COMPLIANCE SECTION



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND
*UNIFORM GRANT MANAGEMENT STANDARDS***

To the Board of Directors
Feeding Texas
Austin, 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 and *Uniform Grant Management Standard* issued by the Governor's Office of Budget and Planning, the financial statements of Feeding Texas, (the Organization) which comprise the statement of financial position as of September 30, 2020, 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 January 20, 2021.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 over financial reporting that we consider to be material weaknesses.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Planning in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Austin, Texas

January 20, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE
AND THE *STATE OF TEXAS SINGLE AUDIT CIRCULAR***

To the Board of Directors
Feeding Texas
Austin, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Feeding Texas' (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended September 30, 2020. The Organization's federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Organization 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 and state programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state 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 or state program and to test and report on internal control over compliance in accordance with Subpart F Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of this Report

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 Uniform Guidance and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Austin, Texas
January 20, 2021

FEEDING TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2020

<u>FEDERAL</u>	<u>Grant Numbers</u>	<u>Expenditures</u>	<u>Pass-Through To Subrecipients</u>
Health and Human Services Commission			
Supplemental Nutrition Assistance Program Education	CFDA 10.561	<u>\$ 4,984,052</u>	<u>\$ 4,718,083</u>
Corporation for National and Community Service			
VISTA	CFDA 94.013	<u>221,701</u>	<u>-</u>
Total Federal Awards		<u>5,205,753</u>	<u>4,718,083</u>
 <u>STATE</u>			
Texas Department of Agriculture			
Texas Feeding Texans: Produce	AS-2021-01	4,289,835	-
Texas Department of State Health Services			
Healthy Pantry	CDC-RFA-DP17-1701	<u>57,249</u>	<u>32,500</u>
Total State Awards		<u>4,347,084</u>	<u>32,500</u>
Total Awards		<u><u>\$ 9,552,837</u></u>	<u><u>\$ 4,750,583</u></u>

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal and State Awards.

FEEDING TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the grant activity of Feeding Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 - NON-CASH ASSISTANCE

Feeding Texas did not receive non-cash assistance from federal or state awards for the year ended September 30, 2020.

NOTE 3 - LOANS

As of September 30, 2020, Feeding Texas had no loans or loan guarantees outstanding with federal and state awarding agencies.

NOTE 4 - INDIRECT COST RATE

Feeding Texas has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance for the following programs: Supplemental Nutrition Assistance Program Education and Brighter Bites.

NOTE 5 - FEDERAL AND STATE AWARDS PASSED-THROUGH TO SUBRECIPIENTS

Feeding Texas passed-through state awards to the following subrecipients:

	DSHS
	Healthy
	Pantry
	<hr/>
East Texas Food Bank	\$ 32,500
	<hr/> <hr/>

FEEDING TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2020

NOTE 5 - FEDERAL AND STATE AWARDS PASSED-THROUGH TO SUBRECIPIENTS
- CONTINUED

Feeding Texas passed-through federal awards to the following subrecipients:

	SNAP ED CFDA 10.561
Brazos Valley Food Bank	\$ 76,770
Brighter Bites	2,076,004
Central Texas Food Bank	320,515
Coastal Bend Food Bank	151,883
East Texas Food Bank	323,126
El Pasoans Fighting Hunger FB	51,842
FB of the Golden Crescent	73,749
FB of the Rio Grande Valley	238,328
Galveston County Food Bank	41,995
High Plains Food Bank	98,464
Houston Food Bank	419,510
Montgomery County Food Bank	98,633
North Texas Food Bank	173,233
South East Texas Food Bank	40,065
South Plains Food Bank	88,859
Tarrant Area Food Bank	272,991
West Texas Food Bank	81,081
Wichita Falls Area Food Bank	91,035
Program Totals	<u>\$ 4,718,083</u>

**FEEDING TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? None Reported

Noncompliance material to financial statements noted? None Reported

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 2000.516 (a)? Yes X No

Identification of major programs:

<u>CFDA No. / Contract No.</u>	<u>Name of Federal / State Program</u>
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Federal:	
10.561	Supplemental Nutrition Assistance Program Education

State:	
AS-2021-01	Texas Feeding Texans: Surplus Agricultural Products Grant Program

FEEDING TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

I. Summary of Auditors' Results - Continued

Federal and State Awards - Continued

Dollar threshold used to distinguish between

type A and type B programs - *Federal and State Awards*

\$ 750,000

Auditee qualified as low-risk auditee?

 X

Yes

 No

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

**FEEDING TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

There were no current year findings. As such, a corrective action plan is not needed.