

Montgomery County Food Bank, Inc.
Financial Statements and Supplementary Information
For the Fiscal Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Montgomery County Food Bank, Inc.
Conroe, Texas

We have audited the accompanying financial statements of Montgomery County Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

To the Board of Directors of
Montgomery County Food Bank, Inc.
Re: Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montgomery County Food Bank, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information – Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 October 19, 2021, on our consideration of Montgomery County Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Montgomery County Food Bank, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County Food Bank, Inc.'s internal control over financial reporting and compliance.


Briggs & Veselka Co.
The Woodlands, Texas

October 19, 2021

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 6,107,587 | \$ 3,685,811 |
| Accounts receivable | 54,480 | 67,391 |
| Inventory | 2,647,874 | 2,649,139 |
| Prepaid expenses | 12,167 | 10,716 |
| Property and equipment, net | <u>5,433,416</u> | <u>5,376,041</u> |
| TOTAL ASSETS | <u>\$ 14,255,524</u> | <u>\$ 11,789,098</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 72,709 | \$ 672,966 |
| Deferred revenue | 795,153 | - |
| Notes payable | <u>815,617</u> | <u>1,282,119</u> |
| Total liabilities | 1,683,479 | 1,955,085 |
| Net assets | | |
| Without donor restrictions | | |
| Unrestricted | 11,643,849 | 9,283,404 |
| Board-designated | <u>251,396</u> | <u>131,021</u> |
| Total without donor restrictions | 11,895,245 | 9,414,425 |
| With donor restrictions | <u>676,800</u> | <u>419,588</u> |
| Total net assets | <u>12,572,045</u> | <u>9,834,013</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 14,255,524</u> | <u>\$ 11,789,098</u> |

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

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|----------------------------|----------------------|
| Support and revenue | | | |
| Contributions | \$ 3,251,411 | \$ 1,650,538 | \$ 4,901,949 |
| Noncash contributions | 29,294,033 | - | 29,294,033 |
| Contribution – grant revenue | 287,300 | - | 287,300 |
| Program service fees | 167,964 | - | 167,964 |
| Special events | 1,621,859 | - | 1,621,859 |
| Interest | 375 | - | 375 |
| Net assets released from donor restrictions | <u>1,393,326</u> | <u>(1,393,326)</u> | <u>-</u> |
| Total support and revenue | 36,016,268 | 257,212 | 36,273,480 |
| Expenses | | | |
| Program services | 32,437,793 | - | 32,437,793 |
| Supporting services | | | |
| Management and general | 545,359 | - | 545,359 |
| Fundraising | <u>552,296</u> | <u>-</u> | <u>552,296</u> |
| Total expenses | <u>33,535,448</u> | <u>-</u> | <u>33,535,448</u> |
| Change in net assets | 2,480,820 | 257,212 | 2,738,032 |
| Net assets, beginning of fiscal year | <u>9,414,425</u> | <u>419,588</u> | <u>9,834,013</u> |
| NET ASSETS, END OF FISCAL YEAR | <u>\$ 11,895,245</u> | <u>\$ 676,800</u> | <u>\$ 12,572,045</u> |

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

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|----------------------------|---------------------|
| Support and revenue | | | |
| Contributions | \$ 2,758,809 | \$ 1,010,401 | \$ 3,769,210 |
| Noncash contributions | 27,250,682 | - | 27,250,682 |
| Government grants and fees | - | 29,565 | 29,565 |
| Program service fees | 342,246 | - | 342,246 |
| Special events | 1,245,941 | - | 1,245,941 |
| Interest | 328 | - | 328 |
| Other | 2,193 | - | 2,193 |
| Net assets released from donor restrictions | 898,146 | (898,146) | - |
| Total support and revenue | <u>32,498,345</u> | <u>141,820</u> | <u>32,640,165</u> |
| Expenses | | | |
| Program services | 29,581,153 | - | 29,581,153 |
| Supporting services | | | |
| Management and general | 448,904 | - | 448,904 |
| Fundraising | 588,577 | - | 588,577 |
| Total expenses | <u>30,618,634</u> | <u>-</u> | <u>30,618,634</u> |
| Change in net assets | 1,879,711 | 141,820 | 2,021,531 |
| Net assets, beginning of fiscal year | <u>7,534,714</u> | <u>277,768</u> | <u>7,812,482</u> |
| NET ASSETS, END OF FISCAL YEAR | <u>\$ 9,414,425</u> | <u>\$ 419,588</u> | <u>\$ 9,834,013</u> |

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

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | Program Services | Supporting Services | | Total Expenses |
|-------------------------------|----------------------|---------------------------|-------------------|----------------------|
| | | Management and General | Fundraising | |
| Salaries and wages | \$ 984,932 | \$ 293,384 | \$ 169,699 | \$ 1,448,015 |
| Payroll taxes | 75,277 | 26,859 | 15,533 | 117,669 |
| Communications and technology | 19,089 | 28,797 | 21,799 | 69,685 |
| Depreciation | 309,214 | 9,588 | 5,073 | 323,875 |
| Event | - | - | 305,823 | 305,823 |
| Fees, dues, and subscriptions | 1,546 | 56,193 | 1,971 | 59,710 |
| Food distributed | 30,350,583 | - | - | 30,350,583 |
| Fuel | 41,960 | - | - | 41,960 |
| Insurance | 186,167 | 46,144 | 26,590 | 258,901 |
| Interest | 32,258 | 1,000 | 529 | 33,787 |
| Licenses, permits, and leases | - | 14,722 | - | 14,722 |
| Mileage | 3,746 | 468 | 121 | 4,335 |
| Office | 2,400 | 58,113 | 2,400 | 62,913 |
| Rental equipment | 32,172 | - | - | 32,172 |
| Repairs and maintenance | 218,516 | 1,744 | 923 | 221,183 |
| Supplies | 43,685 | 4,876 | - | 48,561 |
| Utilities | 133,026 | 3,468 | 1,835 | 138,329 |
| Other | 3,222 | 3 | - | 3,225 |
| Totals | <u>\$ 32,437,793</u> | <u>\$ 545,359</u> | <u>\$ 552,296</u> | <u>\$ 33,535,448</u> |

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

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Program Services | Supporting Services | | Total Expenses |
|-------------------------------|----------------------|---------------------------|-------------------|----------------------|
| | | Management and General | Fundraising | |
| Salaries and wages | \$ 956,474 | \$ 210,227 | \$ 264,371 | \$ 1,431,072 |
| Payroll taxes | 78,670 | 16,911 | 21,342 | 116,923 |
| Communications and technology | 14,335 | 28,046 | 19,801 | 62,182 |
| Depreciation | 315,923 | 9,796 | 5,183 | 330,902 |
| Event | - | - | 235,602 | 235,602 |
| Fees, dues, and subscriptions | 3,488 | 56,880 | 1,670 | 62,038 |
| Food distributed | 27,652,767 | - | - | 27,652,767 |
| Fuel | 39,389 | - | - | 39,389 |
| Insurance | 185,642 | 28,606 | 34,706 | 248,954 |
| Interest | 35,680 | 1,106 | 585 | 37,371 |
| Licenses, permits, and leases | - | 17,677 | - | 17,677 |
| Mileage | 9,205 | 299 | 747 | 10,251 |
| Office | 2,400 | 70,668 | 2,400 | 75,468 |
| Repairs and maintenance | 114,763 | 1,057 | 559 | 116,379 |
| Supplies | 39,360 | 4,585 | - | 43,945 |
| Utilities | 118,497 | 3,046 | 1,611 | 123,154 |
| Other | 14,560 | - | - | 14,560 |
| Totals | <u>\$ 29,581,153</u> | <u>\$ 448,904</u> | <u>\$ 588,577</u> | <u>\$ 30,618,634</u> |

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

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 2,738,032 | \$ 2,021,531 |
| Adjustment to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 323,875 | 330,902 |
| Gain on note payable forgiveness – PPP loan | (287,300) | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 12,911 | 5,223 |
| Inventory | 1,265 | (254,724) |
| Prepaid expenses | (1,451) | 569 |
| Accounts payable and accrued liabilities | (600,257) | 553,105 |
| Deferred revenue | 795,153 | (79,557) |
| Net cash from operating activities | <u>2,982,228</u> | <u>2,577,049</u> |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (381,250) | (91,097) |
| Disposal of property and equipment | - | 5,830 |
| Net cash from investing activities | <u>(381,250)</u> | <u>(85,267)</u> |
| Cash flows from financing activities | | |
| Principal payments on notes payable | (179,202) | (171,282) |
| Proceeds from note payable – PPP loan | - | 287,300 |
| Net cash from financing activities | <u>(179,202)</u> | <u>116,018</u> |
| Net change in cash and cash equivalents | 2,421,776 | 2,607,800 |
| Cash and cash equivalents, beginning of fiscal year | <u>3,685,811</u> | <u>1,078,011</u> |
| Cash and cash equivalents, end of fiscal year | <u>\$ 6,107,587</u> | <u>\$ 3,685,811</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 33,788 | \$ 37,372 |

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

MONTGOMERY COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

Montgomery County Food Bank, Inc., (Food Bank or the “Organization”) is a nonprofit organization founded in May 1985. The Food Bank collects, purchases, and delivers food to a network of 70 food pantries and agencies located throughout Montgomery County, Texas, an area that covers over 1,000 square miles. The Food Bank works with additional community partners to furnish food through mobile pantries, safe houses, residential programs, critical care centers, pet rescue agencies, and emergency shelters.

The Food Bank operates from a 72,000 square-foot facility that includes 60,000 square feet of warehouse space. In 2021, over 6,619 community volunteers, a volunteer Board of Directors, and 28 employees operated the facility in addition to administering the Buddy Backpack Program, Senior Care and Share, Food Fairs, Mobile and School Pantries, and Benefit Fairs that assist the poor and victims in crisis.

Basis of Accounting – The Food Bank uses the accrual basis of accounting. Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Basis of Presentation – The financial statements of the Food Bank have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Food Bank to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Food Bank. These net assets may be used at the discretion of the Food Bank’s management and the Board of Directors.
- **Net Assets With Donor Restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Concentration of Credit Risk – The Food Bank maintains its cash and cash equivalent balances in a financial institution, which is insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization believes it is not exposed to any significant risk on its cash balances.

Accounts Receivable – Accounts receivable include receivables from agencies who have purchased food items from the Food Bank.

Donated Food and Inventory – The Food Bank received donations of food consisting primarily of canned goods, produce, and other food items. Donated food supplies are valued at approximate average wholesale value of one pound of donated product based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey. Purchased food is valued at the cost of products as determined by the first-in, first-out method (FIFO). The Food Bank recognizes donated food, commodities, and other goods as inventory and as contributions in these financial statements. Inventories are recognized as an expense when food is distributed.

MONTGOMERY COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Property and Equipment – Fixed assets purchased by the Food Bank are capitalized at cost. Donated fixed assets are recorded at their estimated fair market value on the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated assets to a special purpose. The cost of ordinary maintenance and repairs and expenditures for immaterial fixed assets is charged to expense. The current capitalization threshold is \$1,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| <u>Assets</u> | <u>Estimated Useful Lives</u> |
|----------------------------|-----------------------------------|
| Building and improvements | 5 - 25 years |
| Freezers and refrigeration | 15 years |
| Furniture and fixtures | 5 years |
| Equipment | 5 years |
| Vehicles | 5 - 10 years |

Impairment of Long-Lived Assets – The carrying values of long-lived assets, which include property and equipment, are evaluated periodically for impairment. Impairment losses are recognized when indicators of impairment are present and undiscounted cash flow estimated to be generated by the Organization’s long-lived assets is less than the carrying amount of such assets. The amount of impairment loss, if any, is determined by comparing the carrying amount of the Organization’s long-lived asset to its estimated fair value. No impairment losses were recognized for the fiscal years ended June 30, 2021 and 2020.

Revenue Recognition – Effective July 1, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Revenue From Contracts With Customers (Topic 606)* using the modified retrospective approach. Based on analysis of the new standard, no changes are necessary to conform with the new standard. Rental income from the lease of space, and program income from food pantry maintenance, each contain a single performance obligation. Revenue is recognized at a point in time when the ownership, risks, and rewards transfer.

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Some contributions that are restricted by the donor may be reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contribution – Grant Revenue – On April 15, 2020, the Food Bank received funding of \$287,300 in the form of a two-year loan with an annual interest rate of 1%. The Organization applied for loan forgiveness for \$287,300 of the loan balance under the provisions of Section 1106 of the CARES Act. On February 5, 2021, the requested portion of the loan was forgiven. Upon forgiveness, the full amount of \$287,300 was recognized as contributions – grant revenue in the statements of activities.

Deferred Revenue – On May 25, 2021, the Food Bank was awarded a \$1,170,000 grant from the Federal Emergency Management Agency (FEMA) for the purpose of purchasing and distributing food. Per the grant, FEMA reserves the right to reduce or eliminate the grant at any time if grant specifications are not met. As such, the Food Bank has recorded a portion of this award as deferred revenue. The Food Bank recognizes the revenue when the expenses are incurred. For the fiscal years ended June 30, 2021 and 2020, \$795,153 and \$0- of revenue from this grant remain unrecognized and deferred.

MONTGOMERY COUNTY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Functional Allocation of Expenses – The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following represent indirect allocation methods used by the Food Bank:

| <u>Expenses</u> | <u>Method of Allocation</u> |
|-------------------------|-----------------------------|
| Salaries and wages | Time and effort |
| Payroll taxes | Time and effort |
| Insurance | Square footage |
| Interest | Square footage |
| Repairs and maintenance | Square footage |
| Utilities | Square footage |

Use of Estimates – The presentation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments – The carrying amounts reported in the statements of financial position for cash and cash equivalents, and accounts receivable, approximate their fair value.

Income Taxes – The Food Bank is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

Risks and Uncertainties – Certain impacts from the COVID-19 outbreak may have a significant impact on the Food Bank’s operations and performance. These circumstances may continue for an extended period of time and may have an adverse impact on economic and market conditions. The ultimate fallout from the pandemic, and the long-term impact on economies, markets, industries, and individual organizations, are not known. The extent of the impact to the financial performance and the operations of the Food Bank will depend on future developments, which are highly uncertain and cannot be predicted.

Recently Implemented Accounting Pronouncements – In May 2014, the FASB issued Accounting Standards Updated (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance was implemented effective July 1, 2020. The adoption of the standard using the modified retrospective approach did not have a material impact to the Organization’s financial position, results of operations, or cash flows.

The effect of this pronouncement is presented in the financial statements.

MONTGOMERY COUNTY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for fiscal years beginning after December 15, 2021, for nonpublic entities.

The Food Bank is currently evaluating the impact this pronouncement will have on its financial statements and related disclosures.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The following represents the Food Bank’s financial assets at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------------|-------------------------|
| Financial assets at fiscal year-end: | | |
| Cash and cash equivalents | \$ 6,107,587 | \$ 3,685,811 |
| Accounts receivable | <u>54,480</u> | <u>67,391</u> |
| Total financial assets at fiscal year-end | 6,162,067 | 3,753,202 |
| Less: amounts not available for general expenditure | | |
| Net assets with donor restrictions | (676,800) | (419,588) |
| Net assets with board designation | <u>(251,396)</u> | <u>(131,021)</u> |
| Total amounts not available for general expenditure | <u>(928,196)</u> | <u>(550,609)</u> |
| Total financial assets at fiscal year-end available for general expenditures over the next 12 months | <u>\$ 5,233,871</u> | <u>\$ 3,202,593</u> |

The Food Bank manages its liquidity and reserves following three guiding principles: operating within a range of financial stability, maintaining adequate liquid assets, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In order to determine these reserves, the Board analyzes the current year budgeted to actual amounts and the approved forecast for the upcoming year.

The Food Bank receives contributions restricted by donors, and are not available for general expenditures. For the fiscal years ended June 30, 2021 and 2020, the net assets with donor restrictions of \$676,800 and \$419,588, respectively, were excluded from financial assets available to meet cash needs for general expenditures within one year. The Food Bank’s Board designated \$251,396 and \$131,021 towards the payments against the balance of the building note payable in fiscal years 2021 and 2020, respectively, and the amount could be made available for general expenditures, if necessary.

NOTE 4 – NONCASH CONTRIBUTIONS

Food Donations – The food distributed by the Food Bank is received by contributions primarily from the Houston Food Bank (HFB). The donations that the Food Bank receives from the United States Department of Agriculture (USDA) are received in their entirety from HFB. The food items that are not received from the USDA (Non-USDA) are received from HFB as well as local Montgomery County retailers and the general public. The estimated value of these contributions is recognized in the financial statements as contribution revenue of food and other supplies or program expenses if distributed during the year. The pounds collected are recorded by the Food Bank staff at the time of receipt based on actual weight.

MONTGOMERY COUNTY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

The dollar amount of USDA and Non-USDA food received is calculated using the Feeding America rate. For the fiscal years ended June 30, 2021 and 2020, the average rate used was \$1.74 and \$1.72, respectively, per pound.

The total value of contributed food is as follows for the fiscal years ended:

| | <u>Pounds</u> | <u>Value Per Pound</u> | <u>Amount</u> |
|----------------------|--------------------------|----------------------------|-----------------------------|
| June 30, 2021 | | | |
| USDA | 3,008,487 | \$ 1.74 | \$ 5,234,767 |
| Non-USDA | <u>13,827,164</u> | \$ 1.74 | <u>24,059,266</u> |
| Totals | <u><u>16,835,651</u></u> | | <u><u>\$ 29,294,033</u></u> |
| June 30, 2020 | | | |
| USDA | 2,588,117 | \$ 1.72 | \$ 4,451,562 |
| Non-USDA | <u>13,247,996</u> | \$ 1.72 | <u>22,799,120</u> |
| Totals | <u><u>15,836,113</u></u> | | <u><u>\$ 27,250,682</u></u> |

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|----------------------------|----------------------------|
| Building and improvements | \$ 4,714,826 | \$ 4,714,826 |
| Freezers and refrigeration | 304,662 | 304,662 |
| Furniture and fixtures | 65,729 | 49,433 |
| Equipment | 1,283,860 | 1,163,434 |
| Vehicles | 988,164 | 743,635 |
| Land | <u>678,998</u> | <u>678,998</u> |
| | 8,036,239 | 7,654,988 |
| Less: accumulated depreciation | <u>(2,602,823)</u> | <u>(2,278,947)</u> |
| Total property and equipment, net | <u><u>\$ 5,433,416</u></u> | <u><u>\$ 5,376,041</u></u> |

Depreciation expense for the fiscal years ended June 30, 2021 and 2020 amounted to \$323,875 and \$330,902, respectively.

NOTE 6 – NOTE PAYABLE

In June 2015, the building note payable was refinanced. Beginning on July 5, 2015, interest-only payments are to be paid for 36 months at an interest rate of 4%. The loan has a monthly payment of \$8,806, secured by 5.5155 acres of land in the South Trade Center subdivision of Montgomery County, Texas, and began in July 2018. The note payable is due in full on February 5, 2025. The balance of the building note payable at June 30, 2021 and 2020 was \$815,617 and \$994,819, respectively.

MONTGOMERY COUNTY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

The principal loan payments are as follows:

| For the Fiscal Year Ending June 30, | Amount |
|--|-------------------|
| 2022 | \$ 62,812 |
| 2023 | 65,407 |
| 2024 | 68,037 |
| 2025 | <u>619,361</u> |
| Total | <u>\$ 815,617</u> |

The Food Bank incurred \$33,787 and \$37,371 in interest expense for the fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the Food Bank at June 30, 2021 and 2020 in the amount of \$676,800 and \$419,588, respectively, consist of funds restricted for use to the Food Bank’s programs.

NOTE 8 – LEASE COMMITMENTS

The Food Bank leases a copier under a four-year noncancelable operating lease. Expenses for the lease of the copier for the fiscal years ended June 30, 2021 and 2020 amounted to \$14,702 and \$17,657, respectively.

The following represents future minimum payments under the operating lease:

| For the Fiscal Year Ending June 30, | Amount |
|--|------------------|
| 2022 | \$ 15,360 |
| 2023 | <u>6,400</u> |
| Total | <u>\$ 21,760</u> |

NOTE 9 – SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events through October 19, 2021, the date the financial statements were available to be issued.



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*

To the Board of Directors of
Montgomery County Food Bank, Inc.
Conroe, 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 Montgomery County Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County Food Bank, Inc.'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 Montgomery County Food Bank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Montgomery County Food Bank, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, 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.

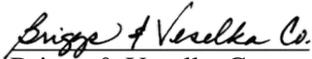
To the Board of Directors of
Montgomery County Food Bank, Inc.
Re: Independent Auditors' Report on Internal Control

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County Food Bank, Inc.'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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Briggs & Veselka Co.
The Woodlands, Texas

October 19, 2021



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

To the Board of Directors of
Montgomery County Food Bank, Inc.
Conroe, Texas

Report on Compliance for Each Major Federal Program

We have audited Montgomery County Food Bank, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Montgomery County Food Bank, Inc.'s major federal programs for the fiscal year ended June 30, 2021. Montgomery County Food Bank, Inc.'s major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Montgomery County Food Bank, Inc.'s major federal 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 program occurred. An audit includes examining, on a test basis, evidence about Montgomery County Food Bank, Inc.'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 program. However, our audit does not provide a legal determination of Montgomery County Food Bank, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Montgomery County Food Bank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2021.

To the Board of Directors of
Montgomery County Food Bank, Inc.
Re: Independent Auditors' Report on Compliance

Report on Internal Control Over Compliance

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

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.


Briggs & Veselka Co.
The Woodlands, Texas

October 19, 2021

SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY FOOD BANK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| Federal Grantor/Pass Thru Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|---------------------------|---|----------------------------------|
| Other programs | | | |
| U.S. Department of Agriculture Passed Through Houston Food Bank Emergency Food Assistance Program (Food Commodities) | 10.569 | 101-042K9 | \$ 5,234,767 |
| Total U.S. Department of Agriculture | | | <u>5,234,767</u> |
| Disaster Grants – Public Assistance (Presidentially Declared Disasters) | 97.036 | | 1,067,233 |
| Total U.S. Department of Homeland Security | | | <u>1,067,233</u> |
| Total other programs | | | <u>6,302,000</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 6,302,000</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

MONTGOMERY COUNTY FOOD BANK, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 – THE ORGANIZATION

Montgomery County Food Bank, Inc., (Food Bank) receives federal grants to carry out its programs and services for low-income families in Montgomery County, Texas.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activities of the Food Bank and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the OMB Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 – NONCASH AND LOANS

The Food Bank expended federal awards in the form of noncash food commodity assistance. There were no federal awards expended in the form of insurance and there were no federal program loans or loan guarantees outstanding at year-end.

NOTE 4 – INDIRECT COST

Expenditures included in the Schedule represent both direct and indirect costs. Instead of using the 10% de minimus indirect cost rate allowed under the Uniform Guidance, the Food Bank's indirect costs are based on an indirect cost allocation plan that has been agreed upon and approved by the applicable grantor.

NOTE 5 – RELATIONSHIP OF THE SCHEDULE TO FINANCIAL REPORTS SUBMITTED TO GRANT AWARDING AGENCIES

Expenditures included in the Schedule may differ from amounts reflected in the financial reports submitted to grant awarding agencies for the following reasons:

- Expenses accrued at the end of the Food Bank's fiscal year may not be included in the financial reports submitted to grant awarding agencies until after year-end; and
- Differences may exist between grant periods and the Food Bank's accounting period.

NOTE 6 – CONTINGENCIES

Grants require the fulfillment of certain conditions set forth in grant agreements and are regularly monitored and reviewed by grantors. Management believes that the Food Bank is in substantial compliance with grant provisions and requirements and that disallowed costs, if any, will not be significant to affect the amounts and disclosures in the financial statements.

MONTGOMERY COUNTY FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial statements

| | |
|--|---------------|
| Type of auditors’ report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weakness(es)? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weakness(es)? | None reported |
| Type of auditors’ report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516 (a)? | No |

Major Programs:

| <u>Award Type</u> | <u>Federal CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------|----------------------------|---|
| Federal | 10.569 | Emergency Food Assistance Program (Food Commodities) |
| Federal | 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish between type A and type B programs:

| | |
|--|------------|
| Federal Awards | \$ 750,000 |
| Auditee qualified as low-risk auditee? | No |

MONTGOMERY COUNTY FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings related to internal controls over financial reporting None reported

Findings related to compliance with laws and regulations in financial reporting None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MONTGOMERY COUNTY FOOD BANK, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Finding 2020-001 – Preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Condition and Context – Montgomery County Food Bank, Inc. (Food Bank) prepared a SEFA, however during our testing of the SEFA we noted that policies and procedures were not in place to ensure federal awards were properly included on the SEFA.

Recommendation – The Food Bank should develop policies and procedures to identify federally funded awards and ensure that the SEFA includes all federal expenditures.

Current Status – The recommendation was adopted during fiscal year ended 2021. No similar findings were noted in the audit report.