

MONTGOMERY COUNTY FOOD BANK, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Years Ended June 30, 2023 and 2022

MONTGOMERY COUNTY FOOD BANK, INC.
Conroe, Texas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Fiscal Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of Montgomery County Food Bank, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, 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 Montgomery County Food Bank, Inc. as of June 30, 2023 and 2022, 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 Montgomery County Food Bank, Inc. 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.

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 Montgomery County Food Bank, Inc.'s ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

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 Montgomery County Food Bank, Inc.'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 Montgomery County Food Bank, Inc.'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 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 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 other 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 on our consideration of the 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 the 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 the Montgomery County Food Bank, Inc.'s internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

The Woodlands, Texas
March 28, 2024

MONTGOMERY COUNTY FOOD BANK, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 4,278,414	\$ 6,224,927
Investments	2,504,673	-
Accounts receivable	130,477	101,291
Grants receivable	-	381,843
Inventory	2,107,493	2,503,297
Prepaid expenses	5,154	21,391
Property and equipment, net	<u>5,147,511</u>	<u>5,282,302</u>
 Total assets	 <u>\$ 14,173,722</u>	 <u>\$ 14,515,051</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 92,797	\$ 280,347
Deferred revenue	330,004	440,639
Note payable	<u>439,900</u>	<u>631,535</u>
Total liabilities	862,701	1,352,521
Net assets		
Without donor restrictions		
Unrestricted	13,183,366	12,238,893
Board-designated	<u>11,699</u>	<u>131,616</u>
Total without donor restrictions	13,195,065	12,370,509
With donor restrictions	<u>115,956</u>	<u>792,021</u>
Total net assets	<u>13,311,021</u>	<u>13,162,530</u>
 Total liabilities and net assets	 <u>\$ 14,173,722</u>	 <u>\$ 14,515,051</u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 2,617,170	\$ 1,015,590	\$ 3,632,760
Noncash contributions	28,803,256	-	28,803,256
Program service fees	473,560	-	473,560
Special events	2,198,195	-	2,198,195
Interest	89,712	-	89,712
Net assets released from donor restrictions	<u>1,691,655</u>	<u>(1,691,655)</u>	<u>-</u>
Total support and revenue	35,873,548	(676,065)	35,197,483
Expenses			
Program services	33,554,223	-	33,554,223
Supporting services			
Management and general	652,853	-	652,853
Fundraising	841,916	-	841,916
Total expenses	<u>35,048,992</u>	<u>-</u>	<u>35,048,992</u>
Change in net assets	824,556	(676,065)	148,491
Net assets, beginning of fiscal year	<u>12,370,509</u>	<u>792,021</u>	<u>13,162,530</u>
Net assets, end of fiscal year	<u><u>\$ 13,195,065</u></u>	<u><u>\$ 115,956</u></u>	<u><u>\$ 13,311,021</u></u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 2,170,929	\$ 1,370,553	\$ 3,541,482
Noncash contributions	27,890,450	-	27,890,450
Program service fees	361,855	-	361,855
Special events	1,848,621	-	1,848,621
Interest	220	-	220
Net assets released from donor restrictions	<u>1,255,332</u>	<u>(1,255,332)</u>	<u>-</u>
Total support and revenue	33,527,407	115,221	33,642,628
Expenses			
Program services	31,607,997	-	31,607,997
Supporting services			
Management and general	630,307	-	630,307
Fundraising	813,839	-	813,839
Total expenses	<u>33,052,143</u>	<u>-</u>	<u>33,052,143</u>
Change in net assets	475,264	115,221	590,485
Net assets, beginning of fiscal year	<u>11,895,245</u>	<u>676,800</u>	<u>12,572,045</u>
Net assets, end of fiscal year	<u><u>\$ 12,370,509</u></u>	<u><u>\$ 792,021</u></u>	<u><u>\$ 13,162,530</u></u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2023

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 1,417,201	\$ 401,350	\$ 284,526	\$ 2,103,077
Payroll taxes	99,541	32,666	23,436	155,643
Communications and technology	35,637	11,695	8,390	55,722
Depreciation	380,193	-	-	380,193
Event	-	-	482,167	482,167
Fees, dues, and subscriptions	19,560	55,132	455	75,147
Food distributed	30,762,249	-	-	30,762,249
Fuel	74,946	-	-	74,946
Insurance	255,533	56,455	39,965	351,953
Interest	21,392	663	351	22,406
Licenses, permits, and leases	-	15,440	-	15,440
Mileage	15,417	1,976	91	17,484
Office		64,599		64,599
Rental equipment	1,096	-	-	1,096
Repairs and maintenance	235,996	1,576	834	238,406
Supplies	69,418	8,086	-	77,504
Utilities	133,881	3,215	1,701	138,797
Other	32,163	-	-	32,163
Totals	<u>\$ 33,554,223</u>	<u>\$ 652,853</u>	<u>\$ 841,916</u>	<u>\$ 35,048,992</u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2022

	Program <u>Services</u>	Supporting Services		Total <u>Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 1,202,683	\$ 376,493	\$ 251,438	\$ 1,830,614
Payroll taxes	91,189	31,743	22,343	145,275
Communications and technology	38,459	13,387	9,423	61,269
Depreciation	358,154	-	-	358,154
Event	-	-	477,175	477,175
Fees, dues, and subscriptions	14,977	55,902	324	71,203
Food distributed	29,134,998	-	-	29,134,998
Fuel	60,527	-	-	60,527
Insurance	235,954	56,630	39,424	332,008
Interest	28,603	887	469	29,959
Licenses, permits, and leases	-	17,936	-	17,936
Mileage	7,512	1,615	143	9,270
Office	10,434	62,391	10,434	83,259
Rental equipment	20,448	-	-	20,448
Repairs and maintenance	199,746	1,552	821	202,119
Supplies	53,272	8,284	-	61,556
Utilities	144,035	3,487	1,845	149,367
Other	7,006	-	-	7,006
Totals	<u>\$ 31,607,997</u>	<u>\$ 630,307</u>	<u>\$ 813,839</u>	<u>\$ 33,052,143</u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY FOOD BANK, INC.
 STATEMENTS OF CASH FLOWS
 For the fiscal years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 148,491	\$ 590,485
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	380,193	358,154
Changes in operating assets and liabilities:		
Accounts receivable	(29,186)	(46,811)
Grants receivable	381,843	(381,843)
Inventory	395,804	144,577
Prepaid expenses	16,237	(9,224)
Accounts payable and accrued liabilities	(187,550)	207,638
Deferred revenue	(110,635)	(354,514)
Net cash from operating activities	995,197	508,462
Cash flows from investing activities		
Purchases of property and equipment	(245,402)	(207,040)
Purchases of investments	(5,006,145)	-
Proceeds from investment sales	2,501,472	-
Net cash from investing activities	(2,750,075)	(207,040)
Cash flows from financing activities		
Principal payments on note payable	(191,635)	(184,082)
Net cash from financing activities	(191,635)	(184,082)
Net change in cash and cash equivalents	(1,946,513)	117,340
Cash and cash equivalents, beginning of fiscal year	6,224,927	6,107,587
Cash and cash equivalents, end of fiscal year	\$ 4,278,414	\$ 6,224,927
Supplemental disclosure of cash flow information:		
Interest paid	\$ 22,406	\$ 29,959

See accompanying notes to financial statements.

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2023 and 2022

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 80 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 2023, over 7,042 community volunteers working 46,475 hours, a volunteer Board of Directors, and 34 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 Presentation: The financial statements of the Food Bank have been prepared in accordance with accounting principles generally accepted in the United States of America (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.

Fair Value of Financial Instruments: The Food Bank uses fair value to measure financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to observable inputs based on market data from independent sources (Level 1) and the lowest priority to a reporting entity’s internal assumptions based on the best information available when external market data is limited or unavailable (Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item’s fair value in subsequent reporting periods must be recognized in current earnings. The Food Bank did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Food Bank’s financial instruments consist of cash and cash equivalents and U.S. Treasury Securities. Management believes the carrying amounts of these financial instruments approximate their fair values.

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2023 and 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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. Accounts receivable is recorded at the amount that is expected to be collected. The net realizable value is estimated based on historical analysis. There is no interest charges on past due accounts.

Grants Receivable: Grants receivable include grants covering food purchases that have not yet been received.

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.

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, 2023 and 2022.

Revenue Recognition: 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.

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
 STATEMENTS OF CASH FLOWS
 For the fiscal years ended June 30, 2023 and 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

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.

Deferred Revenue: Deferred revenue consists of amounts received for purchasing and distributing food and events that apply to future periods. The Food Bank recognizes the revenue when the expenses are incurred. The following table provides information about significant changes in deferred revenue:

	<u>Grants</u>	<u>Shoot Out Hunger</u>	<u>Children's Programs</u>	<u>Total</u>
Deferred revenue, July 1, 2021	\$ 795,153	\$ -	\$ -	\$ 795,153
Revenue recognized included in deferred revenue at the beginning of the year	(795,153)	-	-	(795,153)
Increases in deferred revenue due to cash received during the period	<u>440,639</u>	<u>-</u>	<u>-</u>	<u>440,639</u>
Deferred revenue, June 30, 2022	440,639	-	-	440,639
Revenue recognized included in deferred revenue at the beginning of the year	(440,639)	-	-	(440,639)
Increases in deferred revenue due to cash received during the period	<u>-</u>	<u>58,200</u>	<u>271,804</u>	<u>330,004</u>
Total deferred revenue, June 30, 2023	<u>\$ -</u>	<u>\$ 58,200</u>	<u>\$ 271,804</u>	<u>\$ 330,004</u>

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.

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2023 and 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 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.

The Food Bank follows guidance with respect to accounting for uncertain tax positions. No provision has been made for income taxes in the accompanying financial statements, as the Food Bank has had no unrelated business income.

Management believes the Food Bank has no material unrecognized income tax matters, including any potential loss of its tax-exempt status. Accordingly, no provision for income taxes has been made in the financial statements. There were no income tax related interest or penalties recognized by the Food Bank for the years ended June 30, 2023 and 2022. The Food Bank has not been examined by any tax jurisdiction. The Food Bank has not yet been subject to examination by taxing authorities for the last three years. The Food Bank recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Food Bank recognized and accrued no amounts for interest and penalties as of and for the years ended June 30, 2023 and 2022. The Food Bank does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
 STATEMENTS OF CASH FLOWS
 For the fiscal years ended June 30, 2023 and 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

	<u>2023</u>	<u>2022</u>
Financial assets at fiscal year-end:		
Cash and cash equivalents	\$ 4,278,414	\$ 6,224,927
Investments	2,504,673	-
Accounts receivable	130,477	101,291
Grants receivable	-	381,843
Total financial assets at fiscal year-end	6,913,564	6,708,061
Less: amounts not available for general expenditure		
Net assets with donor restrictions	(115,956)	(792,021)
Net assets with board designation	(11,699)	(131,616)
Total amounts not available for general expenditure	(127,655)	(923,637)
Total financial assets at fiscal year-end available for general expenditures over the next 12 months	\$ 6,785,909	\$ 5,784,424

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, 2023 and 2022, the net assets with donor restrictions of \$115,956 and \$792,021, respectively, were excluded from financial assets available to meet cash needs for general expenditures within one year. The Food Bank’s Board-designated \$11,699 and \$131,616 towards the payments against the balance of the building note payable in fiscal years 2023 and 2022, respectively, and the amount could be made available for general expenditures, if necessary.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the Organization’s assumptions about the inputs market participants would use in pricing the asset or liability.

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
 STATEMENTS OF CASH FLOWS
 For the fiscal years ended June 30, 2023 and 2022

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments measured at fair value as of June 30, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government agency securities	\$ 2,504,673	\$ -	\$ -	\$ 2,504,673
Total investments	<u>\$ 2,504,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,504,673</u>

There were no investments as of June 30, 2022.

Valuation methods used for assets measured at fair value are as follows:

- Government agency securities are valued at the closing price reported on the active market on which the individual securities are traded (Level 1 inputs).

These valuation methods may produce a fair value 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, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

Investment return includes earnings on cash and cash equivalents and investments and was \$89,712 and \$220 for the years ended June 30, 2023 and 2022, respectively,

NOTE 4 – NONCASH CONTRIBUTIONS

Food Donations: The food distributed by the Food Bank is received primarily from Houston Food Bank (HFB) contributions. 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.

The dollar amount of USDA and Non-USDA food received is calculated using the Feeding America rate. For the fiscal years ended June 30, 2023 and 2022, the average rate used was \$1.92 and \$1.79, respectively, per pound.

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
 STATEMENTS OF CASH FLOWS
 For the fiscal years ended June 30, 2023 and 2022

NOTE 4 – NONCASH CONTRIBUTIONS (Continued)

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

	<u>Pounds</u>	Value Per <u>Pound</u>	<u>Amount</u>
June 30, 2023			
USDA	2,702,388	\$ 1.92	\$ 5,188,585
Non-USDA	<u>12,299,308</u>	\$ 1.92	<u>23,614,671</u>
Totals	<u>15,001,696</u>		<u>\$ 28,803,256</u>
June 30, 2022			
USDA	2,693,492	\$ 1.79	\$ 4,821,351
Non-USDA	<u>12,887,765</u>	\$ 1.79	<u>23,069,099</u>
Totals	<u>15,581,257</u>		<u>\$ 27,890,450</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 4,792,210	\$ 4,724,208
Freezers and refrigeration	304,662	304,662
Furniture and fixtures	70,893	68,588
Equipment	1,382,773	1,366,596
Vehicles	1,104,904	1,100,227
Land	678,998	678,998
Construction-in-progress	<u>154,241</u>	<u>-</u>
	8,488,681	8,243,279
Less: accumulated depreciation	<u>(3,341,170)</u>	<u>(2,960,977)</u>
Total property and equipment, net	<u>\$ 5,147,511</u>	<u>\$ 5,282,302</u>

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$380,193 and \$358,154, respectively.

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2023 and 2022

NOTE 6 – NOTE PAYABLE

In June 2015, the building note payable was refinanced. Beginning on July 5, 2015, 36 monthly interest-only payments were paid at an interest rate of 4%. Thereafter, monthly payments of \$8,806, including both principal and interest, were to begin. The note is secured by 5.5155 acres of land in the South Trade Center subdivision of Montgomery County, Texas. The note payable is due in full on February 5, 2025 in a balloon payment. The balance of the building note payable at June 30, 2023 and 2022 was \$439,900 and \$631,535, respectively.

The principal loan payments are as follows:

<u>For the Fiscal Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 68,037
2025	<u>371,863</u>
Total	<u>\$ 439,900</u>

The Food Bank incurred \$22,406 and \$29,959 in interest expense for the fiscal years ended June 30, 2023 and 2022, respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the Food Bank at June 30, 2023 and 2022 in the amount of \$115,956 and \$792,021, respectively, consist of funds restricted for use to the Food Bank's programs.

NOTE 8 – SUBSEQUENT EVENTS

The Food Bank has evaluated subsequent events through March 28, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY FOOD BANK, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the fiscal year ended -631535.00

Federal Grantor/Pass Thru Grantor/ Program or Cluster Title	Federal ALN	Pass-Through Entity Identifying Number	Total Federal Expenditures
Major program			
U.S. Department of Agriculture			
Passed Through Houston Food Bank			
Food Distribution Cluster			
Emergency Food Assistance Program			
(Food Commodities)	10.569	101-042K9	\$ 5,188,585
Total Food Distribution Cluster and U.S. Department of Agriculture			<u>5,188,585</u>
Other programs			
U.S. Department of the Treasury			
Passed Through Texas Department of Agriculture			
COVID-19 - Food Bank Capacity Building Grant	21.027	N/A	<u>154,241</u>
U.S. Department of Health and Human Services			
COVID-19 - Temporary Assistance for Needy Families	93.558	N/A	89,644
Passed through Feeding Texas			
COVID-19 - Temporary Assistance for Needy Families	93.558	N/A	<u>60,000</u>
Total Temporary Assistance for Needy Families			<u>149,644</u>
Total expenditures of federal awards			<u>\$ 5,492,470</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, 2023

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.

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

To the Board of Directors of
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., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2024.

Report on 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) as a basis for designing 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 may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item #2023-001 and #2023-002 that we consider to be significant deficiencies.

(Continued)

Report on 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 financial statements. 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*.

Montgomery County Food Bank, Inc's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Montgomery County Food Bank, Inc's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Montgomery County Food Bank, Inc's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Crowe LLP

Crowe LLP

The Woodlands, Texas
March 28, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR
FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Montgomery County Food Bank, Inc.'s 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 Montgomery County Food Bank, Inc.'s major federal program for the year ended June 30, 2023. Montgomery County Food Bank, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Montgomery County Food Bank, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on 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 Montgomery County Food Bank, Inc. 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 the major federal program. Our audit does not provide a legal determination of Montgomery County Food Bank, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Montgomery County Food Bank, Inc.'s federal programs.

(Continued)

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 Montgomery County Food Bank, Inc.'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 Montgomery County Food Bank, Inc.'s compliance with the requirements of the 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 Montgomery County Food Bank, Inc.'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 Montgomery County Food Bank, Inc.'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 Montgomery County Food Bank, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

(Continued)

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.

Crowe LLP

Crowe LLP

The Woodlands, Texas
March 28, 2024

MONTGOMERY COUNTY FOOD BANK, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the fiscal year ended June 30, 2023

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

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

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

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.569	Food Distribution Cluster - Emergency Food Assistance Program (Food Commodities)

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

Auditee qualified as low-risk auditee? Yes

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended -631535.00

Section II—Financial Statement Findings

2023-001 SEFA Preparation (Significant Deficiency)

Criteria: Management is responsible for preparing the 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.

Condition: The SEFA did not include federal expenditures of \$154,241 from a Coronavirus State and Local Fiscal Recovery Funds grant and \$149,644 of Temporary Assistance for Needy Families grant incurred by the Organization for the year ended June 30, 2023.

Cause: The Food Bank's policies and procedures were not properly designed to identify the completeness and accuracy of the SEFA.

Context: The SEFA was required to be revised to ensure all federal expenditures were appropriately included.

Effect or potential effect: Federal expenditures of \$154,241 from a Coronavirus State and Local Fiscal Recovery Funds grant and \$149,644 of Temporary Assistance for Needy Families grant were required to be added to the SEFA. Additionally, the Food Bank passed on recording contribution revenue of \$154,241 on the statement of activities for the year ended June 30, 2023.

Recommendation: The Food Bank should update their formal accounting policies and procedures to ensure the SEFA is complete and accurate.

Views of responsible officials and planned corrective actions: Management agrees with the finding.

2023-002 Payroll Expense Accrual (Significant Deficiency)

Criteria: Management is responsible for preparing financial statements in accordance with generally accepted accounting standards.

Condition: The financial statements did not contain the year end payroll accrual which lead to a proposed journal entry to increase liabilities and expenses by approximately \$57,000 as of and for the year ended June 30, 2023.

Cause: The Organization had turnover within the finance department which lead to this oversight.

Context: The financial statements were required to be revised to ensure all expenses were appropriately included.

Effect or potential effect: Crowe proposed a journal entry to increase liabilities and expenses by approximately \$57,000 as of and for the year ended June 30, 2023.

Recommendation: Management should review all liability accounts at year-end to ensure that all accruals have been recorded as necessary.

Views of responsible officials and planned corrective actions: Management agrees with the finding.

(Continued)

MONTGOMERY COUNTY FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended June 30, 2023

Section III—Federal Award Findings and Questioned Costs

No matters were reported.