

North Texas Food Bank

Independent Auditor's Reports and Consolidated Financial Statements

June 30, 2021

North Texas Food Bank
June 30, 2021

Contents

Independent Auditor’s Report	1	
 Consolidated Financial Statements		
Statement of Financial Position.....	3	
Statement of Activities	4	
Statement of Functional Expenses.....	5	
Statement of Cash Flows	6	
Notes to Financial Statements	7	
 Supplementary Information		
Consolidating Schedule	27	
Schedule of Expenditures of Federal Awards	28	
Notes to the Schedule of Expenditures of Federal Awards	29	
 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 – Independent Auditor’s Report		30
 Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance – Independent Auditor’s Report.....		32
Schedule of Findings and Questioned Costs.....	34	
Summary Schedule of Prior Audit Findings.....	37	

Independent Auditor's Report

Board of Directors
North Texas Food Bank
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the North Texas Food Bank (Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, including the consolidating schedule and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated 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 November 23, 2021, on our consideration of North Texas Food Bank'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 North Texas Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Texas Food Bank's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas

North Texas Food Bank
Consolidated Statement of Financial Position
June 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$	3,645,886
Cash restricted by New Markets Tax Credit Program notes payable (See <i>Note 8</i>)		170,000
Pledges receivable (net of allowance) (See <i>Note 4</i>)		281,260
Other receivables (See <i>Note 1</i>)		1,320,843
Investments (See <i>Note 3</i>)		90,818,265
Inventory of food and commodities (See <i>Note 1</i>)		19,486,221
Prepaid expenses and other assets		545,843
		116,268,318
Total current assets		116,268,318

Noncurrent Assets

Cash restricted by New Markets Tax Credit Program notes payable (See <i>Note 8</i>)		381,571
Pledges receivable (net of allowance) (See <i>Note 4</i>)		14,340
Pledges receivable – capital campaign (net of allowance and unamortized discount) (See <i>Note 4</i>)		2,547,978
Investments - capital campaign (See <i>Note 3</i>)		16,318,518
New Markets Tax Credit Program note receivable (See <i>Note 5</i>)		16,838,300
Property and equipment, net (See <i>Note 6</i>)		29,392,696
		65,493,403
Total noncurrent assets		65,493,403

		\$ 181,761,721
--	--	----------------

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$	4,156,524
		4,156,524
Total current liabilities		4,156,524

Noncurrent Liabilities

New Markets Tax Credit Program notes payable (See <i>Note 8</i>)		22,770,065
		22,770,065
Total noncurrent liabilities		22,770,065

		26,926,589
--	--	------------

Net Assets (See *Note 9*)

Without donor restrictions		128,872,215
With donor restrictions		25,962,917
		154,835,132
Total net assets		154,835,132

		\$ 181,761,721
--	--	----------------

North Texas Food Bank
Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public Support			
Public contributions	\$ 59,378,206	\$ 11,667,450	\$ 71,045,656
Public support - in-kind	1,008,877	35,085	1,043,962
Donated food and commodities (See Note 1)	-	149,533,971	149,533,971
Total public support	<u>60,387,083</u>	<u>161,236,506</u>	<u>221,623,589</u>
Government grants and cost reimbursements (See Note 2)	<u>18,732,940</u>	<u>-</u>	<u>18,732,940</u>
Revenue			
Convenience fee (See Note 1 and Note 16)	360,845	-	360,845
Investment return (See Note 3)	3,956,423	-	3,956,423
Paycheck Protection Program loan forgiveness	2,045,241	-	2,045,241
Other revenue	932	-	932
Total revenue	<u>6,363,441</u>	<u>-</u>	<u>6,363,441</u>
Total public support and revenue before net assets released from restrictions	85,483,464	161,236,506	246,719,970
Net assets released from restrictions (See Note 9)	<u>166,349,764</u>	<u>(166,349,764)</u>	<u>-</u>
Total support and revenue	<u>251,833,228</u>	<u>(5,113,258)</u>	<u>246,719,970</u>
Expenses and Losses			
Program	193,074,239	-	193,074,239
Management and general	2,622,855	-	2,622,855
Fundraising	7,748,611	-	7,748,611
Loss on disposal of fixed assets	122,910	-	122,910
Total expenses and losses	<u>203,568,615</u>	<u>-</u>	<u>203,568,615</u>
Change in Net Assets	48,264,613	(5,113,258)	43,151,355
Net Assets, Beginning of Year	<u>80,607,602</u>	<u>31,076,175</u>	<u>111,683,777</u>
Net Assets, End of Year	<u>\$ 128,872,215</u>	<u>\$ 25,962,917</u>	<u>\$ 154,835,132</u>

North Texas Food Bank
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and temporary personnel	\$ 8,085,389	\$ 1,353,992	\$ 2,515,929	\$ 11,955,310
Employee benefits and insurance	1,949,553	306,094	498,247	2,753,894
Payroll taxes	521,591	88,964	177,419	787,974
Total salaries and related expenses	<u>10,556,533</u>	<u>1,749,050</u>	<u>3,191,595</u>	<u>15,497,178</u>
Professional fees	137,614	589,125	235,433	962,172
Supplies	1,039,456	12,301	10,687	1,062,444
Postage	13,824	1,098	45,756	60,678
Occupancy	1,321,171	10,350	150,458	1,481,979
Communications	190,734	19,747	34,577	245,058
Equipment maintenance	111,490	121,883	15,532	248,905
Insurance	78,905	3,350	5,518	87,773
Donated food distributed	147,300,920	-	-	147,300,920
Purchased food distributed	27,116,387	-	-	27,116,387
Local transportation	1,684,453	839	1,182	1,686,474
Conference, conventions and meetings	197	206	503	906
Promo, printing and publications	55,432	5,126	3,945,580	4,006,138
Grants to agencies	1,155,506	-	-	1,155,506
Miscellaneous expense	476,552	54,810	29,336	560,698
Total expenses other than salaries and related expenses	<u>180,682,641</u>	<u>818,835</u>	<u>4,474,562</u>	<u>185,976,038</u>
Total expenses before depreciation	191,239,174	2,567,885	7,666,157	201,473,216
Depreciation and amortization	<u>1,835,065</u>	<u>54,970</u>	<u>82,454</u>	<u>1,972,489</u>
Total expenses before loss on disposal of fixed assets	<u>\$ 193,074,239</u>	<u>\$ 2,622,855</u>	<u>\$ 7,748,611</u>	<u>\$ 203,445,705</u>
Loss on disposal of fixed assets				<u>122,910</u>
Total expenses and losses				<u>\$ 203,568,615</u>

North Texas Food Bank
Consolidated Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows from Operating Activities	
Cash received from contributors, grants and cost reimbursements	\$ 91,495,404
Cash received from partner agencies for convenience fees	312,434
Other cash receipts	259,079
Interest and dividends	745,367
Interest paid	(400,089)
Cash paid to employees and suppliers	<u>(55,848,838)</u>
Net cash provided by operating activities	<u>36,563,357</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	(1,221,689)
Proceeds from sale of property and equipment	1,507,000
Proceeds from sale of investments	20,091,077
Purchase of investments	<u>(59,293,419)</u>
Net cash used in investing activities	<u>(38,917,031)</u>
Cash Flows from Financing Activities	
Cash received from capital campaign	<u>1,034,789</u>
Net cash provided by financing activities	<u>1,034,789</u>
Decrease in Cash and Cash Equivalents	(1,318,885)
Cash and Cash Equivalents, Beginning of Year	<u>5,516,342</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,197,457</u></u>
Non-Cash Operating Activities	
Paycheck Protection Program loan forgiveness	\$ 2,045,241
Reconciliation of Cash and Cash Equivalents to the Consolidated Statement of Financial Position	
Cash and cash equivalents, current assets	\$ 3,645,886
Cash restricted by New Markets Tax Credit Program, current assets	170,000
Cash restricted by New Markets Tax Credit Program, noncurrent assets	<u>381,571</u>
Total cash and cash equivalents	<u><u>\$ 4,197,457</u></u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

North Texas Food Bank (Organization) is a hunger relief organization that distributes donated, purchased and prepared foods through a network of more than 200 partner agencies in 13 counties. The Organization supports the nutritional needs of children, families and seniors through education, advocacy and strategic partnerships. The Organization's revenues and other support are derived principally from contributions and federal and state grants and its activities are conducted principally in the North Texas area.

The financial statements are prepared on a consolidated basis and include NTFB – Perot Family Campus (NTFB-PFC) and Feeding North Texas Foundation (FNTF).

NTFB-PFC was organized in June 2017 as a Texas nonprofit corporation to facilitate the New Markets Tax Credit Program, and build a distribution facility for use by the Organization. FNTF serves to raise funds and hold an endowment for the support and benefit of and to carry out the purposes of the Organization. The consolidating statements of financial position and activities of all three entities are presented as additional information in the supplemental consolidating schedule. All significant interorganization balances and transactions have been eliminated in consolidation.

Strategic Plan

- **Nourish North Texas-** In June of 2021, the Organization launched Nourish North Texas - a new strategic plan and fundraising campaign encompassing three fiscal years from July of 2020 to June of 2023. This fundraising campaign is designed to raise a total of \$500,000,000; \$150,000,000 in public support and \$300,000,000 in donated food for operations, and \$50,000,000 in endowment funds. These resources will be purposed to maximize food distribution, collaborate with partners to address the root causes of hunger and to fund the Feeding North Texas Foundation endowment to provide sustainability for the Organization's operations.
- **Other campaigns-** The Organization is continuing to invest the remaining Stop Hunger Build Hope capital campaign funds in Network Expansion. During the year ended June 30, 2021, \$872,000 was funded through 20 grants to approximately 14 partner agencies. These grants helped buy mobile pantries, trucks, pallet jacks, refrigerators, freezers, facility improvements and operating costs. Approximately \$15,000,000 remains available for future grants.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization does not consider uninvested cash equivalents held in investment accounts as cash equivalents. At June 30, 2021, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2021, the Organization's and NTFB-PFC's cash accounts exceeded federally insured limits by approximately \$2,925,000.

Restricted Cash

Restricted cash represents cash restricted by the New Markets Tax Credit Program related to the notes payable (See *Note 8*). Amounts required to meet current liabilities of the Organization have been reclassified to current assets in the accompanying consolidated statement of financial position at June 30, 2021.

Investments and Net Investment Return

Investments are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Investment return is reflected in the consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Convenience Fees Receivable

The Organization historically charged recipient partner agencies a fee per pound on selected categories of products to partially offset the handling and redistribution costs incurred by the Organization. Fees ranged from \$.00 to \$.28 per pound depending on the type of product.

Handling fees to partner agencies were waived for all products from March 2020 through December 2020. Beginning January 2021, the Organization is charging partner agencies convenience fees to help offset the cost for certain services provided by the Organization upon request, including the production of kitted meal boxes, kitted produce bags and expedited orders. Fees range from \$2 to \$250 depending on the item or service provided.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Partner agencies take the donated food and other grocery products, and redistribute them at no cost, to the needy and hungry. The Organization also distributed donated food and other products at no costs to affiliate food bank organizations. These food banks redistribute the products to client organizations which serve the needy in their communities.

Convenience fees receivable are recorded based on the amount of consideration from partner agencies of which the Organization has the unconditional right to receive. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Convenience fees receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are pursued based on individual credit evaluation and specific circumstances of the customer.

Other Receivables

Other receivables consist primarily of amounts due from government agencies and represent amounts due to the Organization in accordance with cost-reimbursement contracts. These receivables are considered fully collectible and therefore, the Organization does not consider an allowance necessary at June 30, 2021.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The Organization capitalizes items in excess of \$2,500 which have a useful life greater than one year. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	39 years
Leasehold improvements	5 – 15 years
Machinery and equipment	5 – 10 years
Software	5 years
Furniture and fixtures	3 – 10 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2021.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of the New Markets Tax Credit Program Notes Payable (See *Note 8*). Such costs are being amortized over the life of the notes payable using the effective interest method.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

North Texas Food Bank

Notes to Consolidated Financial Statements

June 30, 2021

When a donor 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 consolidated statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Paycheck Protection Program (PPP) Loan Forgiveness

In 2020, the Organization received a PPP loan established by the CARES Act and elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which included meeting full-time equivalent and salary reduction requirements and incurring eligible expenditures. As of June 2021, the PPP loan, including accrued interest, was fully forgiven and recognized as revenue. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, the amount recognized could be impacted.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service, and the service would typically need to be purchased if not donated. For the year ended June 30, 2021, revenue recognized from contributed legal services, and pest control was \$321,620.

In-kind Contributions

- **Food and Commodities** – In addition to receiving cash contributions, the Organization receives in-kind contributions of food and other products from various donors. In-kind donations of products, the related inventory and the cost of donated food distributed are valued at an average of the national wholesale prices as determined by Feeding America. The Organization received approximately 89 million pounds valued at \$149,533,971 during the year ended June 30, 2021. The average price per pound used was \$1.70 at June 30, 2021.

North Texas Food Bank

Notes to Consolidated Financial Statements

June 30, 2021

- **Volunteer Time** – Substantial number of volunteers donate significant amounts of their time to enable the Organization to meet its mission. For the year ended June 30, 2021, volunteers donated approximately 68,100 hours of their services. Management estimates the value of volunteer services to be approximately \$1,022,000, none of which was recognized as revenues or expenses during the year ended June 30, 2021. This estimate is based on the fair market value for such services.

The Organization received additional volunteer services from the National Guard (funded through the Texas Department of Emergency Management) and Shiftsmart (funded by donors through an account at the Communities Foundation of Texas).

- **Stock** – During the year ended June 30, 2021, the Organization received \$338,951 in donated stock. The Organization’s investment policy dictates that the stock is liquidated upon receipt. Proceeds from the sale of the stock are used for operations, unless restricted by the donor. Of the stock received, \$35,085 had donor restrictions.
- **Warehouse and Office Space** – During the year ended June 30, 2021, the Organization received the use of two warehouse locations to meet additional storage needs. NTFB employees also occupied donated office space following the sale of the Organization’s Dallas Farmers Market location. Management estimates the value of the donated warehouse locations and office space to be approximately \$150,460 and \$133,280, respectively, based on fair market value per square foot.

Inventory Pricing

Inventories consist of donated and purchased products for distribution. Donated products are valued per pound at an average of the national wholesale prices as determined by Feeding America. Purchased products are valued at the purchase cost of those products as determined by the first-in, first-out method.

Government Grants

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Income Taxes

The Organization, NTFB-PFC and FNTF are exempt from income taxes under Section 501 of the Internal Revenue Code (IRC) and a similar provision of state law. However, the Organization, NTFB-PFC and FNTF are subject to federal income tax on any unrelated business taxable income as defined by the IRC. The Organization, NTFB-PFC and FNTF file tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function for the year ended June 30, 2021. Certain costs have been allocated among the program, management and general and fundraising categories based on relative payroll, headcount or square footage occupied and other methods.

Note 2: Grant Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the consolidated financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2021, have been recorded as receivables. Following are grant commitments as of June 30, 2021, and the amount remaining to be drawn by year-end:

Grant	Term	Grant Amount	Earned As of June 30, 2021	Funding Available
Federal Grants:				
Federal Department of Emergency Management (TDEM 2)	7/31/20 - 8/29/20	\$ 4,500,000	\$ 4,500,000	\$ -
Coronavirus Relief Funds	7/31/20 - 8/29/20	1,500,000	1,500,000	-
Federal Department of Emergency Management (TDEM 3)	4/26/21 - 5/26/21	6,600,000	6,600,000	-
Emergency Food Assistance Program	10/1/20 - 9/30/21	1,213,330	961,660	251,670
Emergency Food Assistance Program - CARES	10/1/20 - 9/30/21	816,077	816,077	-
Emergency Food Assistance Program - FFCRA	10/1/20 - 9/30/21	347,000	347,000	-
Emergency Food Assistance Program - CRRSA	10/1/20 - 9/30/21	300,000	300,000	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10/1/20 - 9/30/21	306,554	306,554	-
Commodity Supplemental Food Program	10/1/20 - 9/30/21	797,559	650,704	146,855
Supplemental Nutrition Assistance Program	10/1/20 - 9/30/21	1,415,404	1,183,707	231,697
Supplemental Nutrition Assistance Program Education	10/1/20 - 9/30/21	242,747	175,597	67,150
Emergency Food & Shelter National Board Program	10/1/20 - 9/30/21	290,000	290,000	-
Total Federal Grants		<u>18,328,671</u>	<u>17,631,299</u>	<u>697,372</u>
State Grants:				
TDA – Texas Feeding Texas Grant	10/1/20 - 9/30/21	1,101,641	1,101,641	-
Total State Grants		<u>1,101,641</u>	<u>1,101,641</u>	<u>-</u>
Total Grant Commitments		<u>\$ 19,430,312</u>	<u>\$ 18,732,940</u>	<u>\$ 697,372</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Note 3: Investments and Net Investment Return

Investments at June 30, 2021, consisted of the following:

Common stocks	\$ 13,039,110
Money market funds	58,218,248
Fixed income	<u>35,879,425</u>
	<u>\$ 107,136,783</u>

Total net investment return is comprised of the following:

Interest and dividend income	\$ 745,367
Net realized and unrealized gains on investments reported at fair value	3,415,119
Management fees	<u>(204,063)</u>
	<u>\$ 3,956,423</u>

Note 4: Pledges Receivable

Pledges receivable for the year ended June 30, 2021, consisted of the following:

	With Donor Restrictions: Time	With Donor Restrictions: Purpose	Total
Due within one year	\$ 237,000	\$ 50,000	\$ 287,000
Less allowance for doubtful accounts	<u>(4,740)</u>	<u>(1,000)</u>	<u>(5,740)</u>
	232,260	49,000	281,260
Due in one to five years	15,000	-	15,000
Less allowance for doubtful accounts	<u>(660)</u>	<u>-</u>	<u>(660)</u>
	14,340	-	14,340
	<u>\$ 246,600</u>	<u>\$ 49,000</u>	<u>\$ 295,600</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Pledges receivable related to the capital campaign for the year ended June 30, 2021, consisted of the following:

	With Donor Restrictions: Purpose
Due within one year	\$ 537,621
Less	
Allowance for doubtful accounts	(10,772)
Unamortized discount	(8,918)
	517,931
Due in one to five years	2,152,500
Less	
Allowance for doubtful accounts	(86,750)
Unamortized discount	(35,703)
	2,030,047
	\$ 2,547,978

Note 5: New Markets Tax Credit Program Note Receivable

In conjunction with the New Markets Tax Credit Program transaction, the Organization entered into an agreement on September 6, 2017, to lend \$16,838,300 to USBCDC Investment Fund 205, LLC (Investment Fund). The note is secured by the Investment Fund’s membership interest in Pacesetter CDE XXXVII, LLC (Pacesetter CDE), TMF Sub-CDE XXVI, LLC (TMF 1 CDE) and TMF Sub-CDE XXVII, LLC (TMF 2 CDE) (collectively the CDEs) and other cash accounts held by a secured party. The interest rate on the note consists of a fixed rate of 1.43%.

Interest is payable quarterly beginning September 2017 until September 2047. All principal and unpaid interest is due and payable in September 2047.

Interest earned on notes receivable in 2021 was approximately \$241,000, which is included in investment return in the accompanying consolidated statement of activities.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Note 6: Property and Equipment

Property and equipment at June 30, 2021, consisted of:

Warehouse equipment	\$ 1,409,454
Building and improvements	26,979,780
Office furniture and fixtures	2,165,274
Transportation equipment	2,459,694
Computer equipment and software	<u>2,588,316</u>
Total depreciable assets	35,602,518
Land	4,451,705
Art work	56,231
Construction in progress	<u>634,659</u>
	40,745,113
Less accumulated depreciation and amortization	<u>(11,352,417)</u>
	<u><u>\$ 29,392,696</u></u>

Note 7: Note Payable to Bank

The Organization had a \$2,500,000 line of credit arrangement with Frost Bank, which expired on June 1, 2021. Terms of the loan agreement required \$2,500,000 of unencumbered liquidity. The interest rate on the line of credit was 3-month LIBOR + 1%. During the year ended June 30, 2021, there were no borrowings against the line of credit.

The Organization entered a \$3,000,000 revolving line of credit with PNC Bank on June 1, 2021. Terms of the loan agreement require liquid assets (cash, marketable securities, etc.) equal to funded debt. The interest rate on the line of credit is the daily LIBOR + .9%. The line of credit expires June 1, 2023.

The Organization's intent is to use the line of credit to finance operations each year during low-income months. As of June 30, 2021, there were no borrowings against the PNC line of credit.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Note 8: New Markets Tax Credit Program Notes Payable

NTFB-PFC executed loan agreements on September 6, 2017, that provides for borrowings of \$9,000,000, \$7,425,000 and \$7,425,000 from Pacesetter CDE, TMF 1 CDE and TMF 2 CDE, respectively. The loans were to finance the build of the Perot Family Campus facility and are intended to be treated as a “qualified low-income community investment” for purposes of generating new market tax credits under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property deed of trust, security agreement, and a guaranty by the Organization.

Pursuant to the issuance of the New Markets Tax Credit Program Financing Commitment, NTFB-PFC is required to maintain certain funds at US Bank. At June 30, 2021, \$551,571 is held at U.S. Bank for this purpose, of which \$170,000 is included in current assets for interest and fees payable due within one year, and \$381,571 is included in noncurrent assets within the accompanying consolidated statement of financial position.

Each loan accrues interest at 1.5967%, payable quarterly beginning in September 2017 until September 30, 2047.

Total New Markets Tax Credit Program notes payable	\$ 23,850,000
Less: Unamortized debt issuance costs	<u>(1,079,935)</u>
New Markets Tax Credit Program notes payable, net	<u>\$ 22,770,065</u>

The balances outstanding on the New Markets Tax Credit Program notes payable, maturity dates and repayment terms at June 30, 2021, are as follows:

Note payable to Pacesetter CDE Loan, matures on September 30, 2047, with principal payments commencing in September 2024.	\$ 9,000,000
Note payable to TMF CDE Loan 1, matures on September 30, 2047, with principal payments commencing in September 2024.	7,425,000
Note payable to TMF CDE Loan 2, matures on September 30, 2047, with principal payments commencing in September 2024.	<u>7,425,000</u>
Total New Markets Tax Credit Program notes payable	<u>\$ 23,850,000</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

At any time after the seventh anniversary and before the eighth anniversary of the note receivable, U.S. Bancorp Community Development Corporation can exercise its “put option” to sell its interest in the USBCDC Investment Fund 205, LLC to the Organization for \$1,000. After exercising its option to purchase the interest in the USBCDC Investment Fund 205, LLC, The Food Bank may cancel the New Markets Tax Credit Program notes payable.

Interest recognized as expense totaled approximately \$381,000 in 2021.

Note 9: Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2021 have been designated for the following purposes:

Undesignated	\$	96,747,410
Board Designated		<u>32,124,805</u>
		<u>\$ 128,872,215</u>

The Board of Directors of the North Texas Food Bank has designated certain net assets without donor restrictions for these specific purposes above and beyond the annual operating budget:

- \$13,224,805 – Feeding North Texas Foundation Endowment; \$724,805 permanent endowment and \$12,500,000 in quasi permanent endowment
- \$8,200,000 – Innovation and Transformation - Facility improvements for increased productivity, technology, new unbudgeted initiative and opportunities
- \$8,200,000 - Partnership and Trust - Network expansion, community partnerships, emergency network funding request, food purchasing
- \$2,500,000 – Dallas Farmers Market Location – to offset the expected higher future cash operating costs of leasing space rather than owning the building

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021, are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Capital Campaign	\$ 13,634,087
Inventory	10,207,952
Feeding Children	919,516
Warehouse Management System	242,695
Peanut Butter Purchases	184,527
Service Insights	170,711
Starbucks Equity	100,000
Feeding America Workforce	80,000
Technology Upgrades	78,933
Walmart Capacity	51,306
Capital Assets	22,648
Child Hunger	17,557
Intern	985
	<u>25,710,917</u>
Subject to the passage of time	
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>252,000</u>
	<u><u>\$ 25,962,917</u></u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, during the year ended June 30, 2021, as follows:

Expiration of time restrictions	\$ 919,000
Satisfaction of purpose restrictions	
Inventory	147,300,920
Disaster Relief	11,702,911
Capital Campaign	1,733,542
Feeding Children	1,318,935
Children Dallas County	918,051
Feeding America Partner Agencies	501,527
Food-4-Kids	464,943
Feeding Families	436,999
Technology Upgrades	421,067
Mobile Pantry Truck	227,969
Feeding America Child Hunger	82,443
Capital Assets	75,000
Feeding Seniors	63,402
Service Insights	32,806
Rural Transportation	31,803
Plano Up	28,825
School Pantry Program	21,189
Feeding America Medicare	19,000
Nudge	17,112
U.S. Census	16,166
Warehouse Management System	5,880
SNAP	5,000
Walmart SNAP	3,694
Intern	775
Food-4-Paws	600
White Fluid Milk	205
	<u>\$ 166,349,764</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Note 10: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021, comprise the following:

Cash and cash equivalents	\$ 3,645,886
Pledges receivable	281,260
Pledges receivable-Capital Campaign	2,547,978
Other receivables	1,320,843
Investments (excluding 457(b) deferred compensation plan and capital campaign)	<u>74,411,259</u>
Total current financial assets	<u>82,207,226</u>
Less donor imposed restrictions not expected to be used in next year	<u>(13,649,087)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 68,558,139</u>

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. As of June 30, 2021, \$2,105,878 of these financial assets available are expected to be used by these programs within one year.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term needs, including operating, capital campaign and strategic plan spending, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Note 11: Operating Leases

Noncancelable operating leases for equipment and vehicles expire in various years through 2025. These leases generally contain renewal options for periods ranging from 5 – 10 years and require the Organization to pay all executory costs (property taxes, maintenance and insurance).

For the year ended June 30, 2021, rent expense for operating leases amounted to \$1,283,329.

Future minimum lease payments under operating leases are as follows for the year ended:

2022	\$ 377,887
2023	264,870
2024	144,702
2025	<u>105,055</u>
	<u>\$ 892,514</u>

Note 12: Compensated Absences

The Organization's employees are entitled to paid personal days off depending on job classification, length of service and other factors. At June 30, 2021, the accrued expenses for compensated absences included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position was \$466,535.

Note 13: Retirement Plans

Beginning the first month following one year of employment during which the employee works a minimum of 1,000 hours, the Organization contributes 5% of eligible employee's salary or wages into a 403(b) individual retirement account. However, employees may begin making pre-tax contributions to the plan through payroll deduction at any time up to the maximum allowed under Internal Revenue Service regulations.

The expense for this plan was \$542,348 for the year ended June 30, 2021.

The Organization also has a 457(b) deferred compensation plan for the chief executive officer, chief operating officer and the chief external affairs officer. The Organization contributes a percentage of these executive's compensation annually, and they may also make contributions. The assets and liabilities of the Plan are recorded at market value as investments and accrued expenses in the accompanying consolidated statement of financial position.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Note 14: Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis, and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 13,039,110	\$ 13,039,110	\$ -	\$ -
Money market funds	58,218,248	58,218,248	-	-
Fixed income	35,879,425	-	35,879,425	-
	<u>\$ 107,136,783</u>	<u>\$ 71,257,358</u>	<u>\$ 35,879,425</u>	<u>\$ -</u>

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no Level 3 investments at June 30, 2021.

Note 15: Significant Estimates, Concentrations, Uncertainties, and Other Events

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

A significant portion of support and revenues is received through grants from the United States Department of Agriculture (administered by the Texas Department of Agriculture), the Texas Department of Agriculture and the Texas Department of Health and Human Services. For the fiscal year ended June 30, 2021, revenue was also received from the Texas Division of Emergency Management. For the year ended June 30, 2021, approximately 34% of total support was received from these grants.

The Organization derives its remaining revenue mainly from public contributions and shared maintenance revenue. Continued funding from these sources at current levels is dependent on various factors. Such factors include economic conditions, compliance with grant provisions, government approval, new legislation, donor satisfaction and public perception of mission effectiveness and relative importance.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such change, could materially affect the amounts reported in the accompanying consolidated statement of financial position.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Litigation

The Organization is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the Organization's financial position, results of operations, or cash flows.

Current Economic Events

During the fiscal year ended June 30, 2021, the Organization received \$71,045,656 in Public Support, a \$22,359,456 increase over the prior year. These increased funds were specifically or generally intended to fund the need as a consequence of the COVID-19 pandemic, and to a lesser extent, to fund the Organization's response to the need caused by the winter storm in February of 2021. Government and private programs (CARES Act, FFRCA Act, Texas Division of Emergency Management, National Guard, ShiftSmart/Communities Foundation) also supported the Organization's pandemic response. This enabled the Organization to save those Public Support funds received to meet the future anticipated ongoing community need. This resulted in an increase in investments of \$41,224,475, enabling the Organization to establish Operating Reserves at a level commensurate with industry best practice (six months of expenses), and providing additional reserves to fund the Restrictions of Net Assets as determined by the Board of Directors (see *Note 9*). All funds specifically restricted for COVID-19 and general disaster funds were expended by June 30, 2021.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 16: Revenue from Contracts with Customers

Convenience Fee Revenue

Performance obligations are determined based on the nature of the goods or services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers and the Organization does not believe it is required to provide additional goods or services related to that sale. The exchange portion of convenience fee revenue was \$360,845 for the year ended June 30, 2021.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2021

Transaction Price & Recognition

The Organization determines the transaction price depending on the item or service provided. Fees during the fiscal year ended June 30, 2021, ranged from \$2 to \$250 per item or service provided. There are no explicit or implicit price concessions, and the contracts do not contain a significant financing component or variable consideration.

The Organization has not incurred material refunds in the past, and accordingly, has not provided for a refund liability at June 30, 2021.

For the year ended June 30, 2021, the Organization recognized no revenue from goods or services that transfer to the customer over time.

Note 17: Future Change in Accounting Principle

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating, or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021. The Organization is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 18: Subsequent Events

Subsequent events have been evaluated through November 23, 2021, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

North Texas Food Bank

Consolidating Schedule

Year Ended June 30, 2021

	North Texas Food Bank	North Texas Food Bank - Perot Family Campus	Feeding North Texas Foundation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 2,920,069	\$ 1,062	\$ 724,755	\$ -	\$ 3,645,886
Cash restricted by New Markets Tax Credit Program notes payable	-	170,000	-	-	170,000
Pledges receivable	281,260	-	-	-	281,260
Other receivables	1,320,843	-	12,500,750	(12,500,750)	1,320,843
Investments	90,818,265	-	-	-	90,818,265
Investment in NTFB-PFC	135,097	-	-	(135,097)	-
Inventory of food and commodities	19,486,221	-	-	-	19,486,221
Prepaid expenses and other assets	545,843	-	-	-	545,843
Total current assets	115,507,598	171,062	13,225,505	(12,635,847)	116,268,318
Noncurrent Assets					
Cash restricted by New Markets Tax Credit Program notes payable	-	381,571	-	-	381,571
Pledges receivable, net	14,340	-	-	-	14,340
Pledges receivable – capital campaign, net	2,547,978	-	-	-	2,547,978
Investments - capital campaign	16,318,518	-	-	-	16,318,518
New Markets Tax Credit Program note receivable	16,838,300	-	-	-	16,838,300
Property and equipment, net	7,040,167	22,352,529	-	-	29,392,696
Total noncurrent assets	42,759,303	22,734,100	-	-	65,493,403
Total assets	\$ 158,266,901	\$ 22,905,162	\$ 13,225,505	\$ (12,635,847)	\$ 181,761,721
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	\$ 16,657,274	\$ -	\$ -	\$ (12,500,750)	\$ 4,156,524
Total current liabilities	16,657,274	-	-	(12,500,750)	4,156,524
Noncurrent Liabilities					
New Markets Tax Credit Program notes payable	-	22,770,065	-	-	22,770,065
Total noncurrent liabilities	-	22,770,065	-	-	22,770,065
Total liabilities	16,657,274	22,770,065	-	(12,500,750)	26,926,589
Net Assets					
Without donor restrictions	115,646,710	135,097	13,225,505	(135,097)	128,872,215
With donor restrictions	25,962,917	-	-	-	25,962,917
Total net assets	141,609,627	135,097	13,225,505	(135,097)	154,835,132
Total liabilities and net assets	\$ 158,266,901	\$ 22,905,162	\$ 13,225,505	\$ (12,635,847)	\$ 181,761,721
Changes in Net Assets Without Donor Restrictions					
Revenues and other support					
Public contributions	\$ 59,370,879	\$ -	\$ 7,327	\$ -	\$ 59,378,206
Public support - in-kind	1,008,877	-	-	-	1,008,877
Government grants and cost reimbursements	18,732,940	-	-	-	18,732,940
Convenience fee	360,845	-	-	-	360,845
Investment return, net	3,146,830	-	-	809,593	3,956,423
Paycheck Protection Program loan forgiveness	2,045,241	-	-	-	2,045,241
Other revenue	932	-	13,208,219	(13,208,219)	932
Released from restrictions	166,349,764	-	-	-	166,349,764
Total revenues and other support	251,016,308	-	13,215,546	(12,398,626)	251,833,228
Expenses					
Program	192,264,646	809,593	-	-	193,074,239
Management and general	15,831,074	-	-	(13,208,219)	2,622,855
Fundraising	7,748,611	-	-	-	7,748,611
Loss on disposal of fixed assets	122,910	-	-	-	122,910
Total expenses	215,967,241	809,593	-	(13,208,219)	203,568,615
Changes in Net Assets Without Donor Restrictions	35,049,067	(809,593)	13,215,546	809,593	48,264,613
Changes in Net Assets With Donor Restrictions					
Public contributions	11,667,450	-	-	-	11,667,450
Public support - in-kind	35,085	-	-	-	35,085
Donated food and commodities	149,533,971	-	-	-	149,533,971
Released from restrictions	(166,349,764)	-	-	-	(166,349,764)
Changes in Net Assets With Donor Restrictions	(5,113,258)	-	-	-	(5,113,258)
Change in Net Assets	29,935,809	(809,593)	13,215,546	809,593	43,151,355
Net Assets, Beginning of Year	111,673,818	944,690	9,959	(944,690)	111,683,777
Net Assets, End of Year	\$ 141,609,627	\$ 135,097	\$ 13,225,505	\$ (135,097)	\$ 154,835,132

North Texas Food Bank

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed through Texas Department of Agriculture				
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	01572	\$ -	\$ 306,554
Food Distribution Cluster				
Commodity Supplemental Food Program (Administrative Costs)	10.565	01572	-	650,704
Commodity Supplemental Food Program (Food Commodities)	10.565	01572	<u>3,180,121</u>	<u>3,180,121</u> *
Total Commodity Supplemental Food Program			3,180,121	3,830,825
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568	01572	-	816,077
Emergency Food Assistance Program (Administrative Costs)	10.568	01572	-	1,608,660
Emergency Food Assistance Program (Food Commodities)	10.569	01572	<u>50,072,592</u>	<u>50,072,592</u> *
Total Food Distribution Cluster			<u>53,252,713</u>	<u>56,328,154</u>
Passed through Texas Health & Human Services Commission				
SNAP Cluster				
Supplemental Nutrition Assistance Program	10.551	None Provided	-	1,183,707
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None Provided	<u>-</u>	<u>175,597</u>
Total SNAP Cluster			<u>-</u>	<u>1,359,304</u>
Total U.S. Department of Agriculture			<u>53,252,713</u>	<u>57,994,012</u>
U.S. Department of Treasury				
Passed through from Texas Department of Emergency Management				
COVID-19 - Coronavirus Relief Fund	21.019	None Provided	<u>-</u>	<u>1,500,000</u>
Total U.S. Department of Treasury			<u>-</u>	<u>1,500,000</u>
U.S. Department of Homeland Security				
Passed through from Texas Department of Emergency Management				
COVID-19- Disaster Grants - Public Assistance (Presidentially Declared D	97.036	None Provided	<u>-</u>	<u>11,100,000</u>
Passed through Texas Health & Human Services Commission				
ARRA - Emergency Food and Shelter National Board Program	97.114	None Provided	<u>-</u>	<u>290,000</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>11,390,000</u>
Total Federal Awards Expended			<u>\$ 53,252,713</u>	<u>\$ 70,884,012</u>

* Amount represents noncash food commodities

North Texas Food Bank
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the North Texas Food Bank (Organization) under programs of the federal government for the year ended June 30, 2021.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Organization did not have any federal loan programs during the year ended June 30, 2021.
4. Of the federal expenditures presented in this schedule, the Organization did not provide any cash federal awards to subrecipients.

**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**

Independent Auditor's Report

Board of Directors
North Texas Food Bank
Plano, Texas

We have audited, 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, the consolidated financial statements of the North Texas Food Bank (Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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*.

Purpose of this Report

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

BKD, LLP

Dallas, Texas
November 23, 2021

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
North Texas Food Bank
Plano, Texas

Report on Compliance for Each Major Federal Program

We have audited the North Texas Food Bank's (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization'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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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. 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.

BKD, LLP

Dallas, Texas
November 23, 2021

North Texas Food Bank
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

7. The Organization's major federal programs were:

Cluster/Program	Federal Assistance Listing Number
Food Distribution Cluster	
Commodity Supplemental Food Program	10.565
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569
COVID-19 - Coronavirus Relief Fund	21.019

8. The threshold used to distinguish between Type A and Type B programs was \$2,126,520.

9. The Organization qualified as a low-risk auditee?

Yes No

North Texas Food Bank
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
No matters are reportable.	

North Texas Food Bank
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Summary of Finding	Status
No matters are reportable.		