




North Texas Food Bank

Independent Auditor's Reports and Consolidated Financial Statements

June 30, 2023



North Texas Food Bank
June 30, 2023

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Independent Auditor's Report

Board of Directors
North Texas Food Bank
Dallas, Texas

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of North Texas Food Bank and Subsidiaries (Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Organization as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule and 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*, are presented for purposes of additional analysis and are 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 consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating schedule and the schedule of expenditures of federal awards 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 29, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 the Organization's internal control over financial reporting and compliance.

FORVIS,LLP

Dallas, Texas
November 29, 2023

North Texas Food Bank
Consolidated Statement of Financial Position
June 30, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 2,716,763
Cash restricted by New Markets Tax Credit Program notes payable (See Note 8)	170,000
Convenience fees receivable (net of allowance) (See Note 1)	31,424
Pledges receivable (net of allowance) (See Note 4)	3,827,390
Other receivables (See Note 1)	4,204,166
Investments (See Note 3)	122,318,293
Inventory of food and commodities (See Note 1)	8,193,400
Prepaid expenses and other assets	<u>1,331,490</u>
Total current assets	<u>142,792,926</u>

Noncurrent Assets

Cash restricted by New Markets Tax Credit Program notes payable (See Note 8)	41,200
Pledges receivable (net of allowance) (See Note 4)	5,581,023
New Markets Tax Credit Program note receivable (See Note 5)	16,838,300
Right of use assets (See Note 11)	410,730
Property and equipment, net (See Note 6)	<u>29,939,699</u>
Total noncurrent assets	<u>52,810,952</u>
Total assets	<u>\$ 195,603,878</u>

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 5,323,317
Current lease liability (See Note 11)	<u>311,076</u>
Total current liabilities	<u>5,634,393</u>

Noncurrent Liabilities

Noncurrent lease liability (See Note 11)	99,654
New Markets Tax Credit Program notes payable (See Note 8)	<u>22,852,346</u>
Total noncurrent liabilities	<u>22,952,000</u>

Total liabilities	<u>28,586,393</u>
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Net Assets (See Note 9)

Without donor restrictions	127,569,469
Without donor restriction – Board designated	18,369,318
With donor restrictions	<u>21,078,698</u>
Total net assets	<u>167,017,485</u>

Total liabilities and net assets	<u>\$ 195,603,878</u>
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North Texas Food Bank
Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public Support			
Public contributions	\$ 43,540,672	\$ 8,993,904	\$ 52,534,576
Public support - in-kind	2,091,828	-	2,091,828
Donated food and commodities (See Note 17)	-	145,550,960	145,550,960
Total public support	<u>45,632,500</u>	<u>154,544,864</u>	<u>200,177,364</u>
Government grants and cost reimbursements (See Note 2)	<u>10,883,993</u>	<u>-</u>	<u>10,883,993</u>
Revenue			
Convenience fee (See Note 1 and Note 16)	444,613	-	444,613
Investment return, net (See Note 3)	6,071,251	-	6,071,251
Other revenue	<u>239,241</u>	<u>-</u>	<u>239,241</u>
Total revenue	<u>6,755,105</u>	<u>-</u>	<u>6,755,105</u>
Total public support and revenue before net assets released from restrictions	63,271,598	154,544,864	217,816,462
Net assets released from restrictions (See Note 9)	<u>162,530,238</u>	<u>(162,530,238)</u>	<u>-</u>
Total support and revenue	<u>225,801,836</u>	<u>(7,985,374)</u>	<u>217,816,462</u>
Expenses			
Program	203,098,267	-	203,098,267
Management and general	3,906,919	-	3,906,919
Fundraising	<u>9,114,849</u>	<u>-</u>	<u>9,114,849</u>
Total expenses	<u>216,120,035</u>	<u>-</u>	<u>216,120,035</u>
Change in Net Assets	9,681,801	(7,985,374)	1,696,427
Net Assets, Beginning of Year	<u>136,256,986</u>	<u>29,064,072</u>	<u>165,321,058</u>
Net Assets, End of Year	<u>\$ 145,938,787</u>	<u>\$ 21,078,698</u>	<u>\$ 167,017,485</u>

North Texas Food Bank
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and temporary personnel	\$ 9,001,793	\$ 1,803,001	\$ 2,995,462	\$ 13,800,256
Employee benefits and insurance	2,317,209	371,710	640,590	3,329,509
Payroll taxes	621,444	127,531	212,436	961,411
Total salaries and related expenses	<u>11,940,446</u>	<u>2,302,242</u>	<u>3,848,488</u>	<u>18,091,176</u>
Professional fees	636,597	1,276,543	263,324	2,176,464
Supplies	788,800	4,263	21,341	814,404
Postage	2,998	422	31,255	34,675
Occupancy	1,147,663	5,581	25,090	1,178,334
Communications	200,014	14,893	28,279	243,186
Equipment maintenance	350,496	189,993	36,156	576,645
Insurance	126,048	6,140	9,855	142,043
Donated food distributed	150,798,006	-	-	150,798,006
Purchased food distributed	27,665,290	-	-	27,665,290
Local transportation	1,881,729	97	119	1,881,945
Conference, conventions and meetings	7,814	6,788	5,946	20,548
Promo, printing and publications	63,891	9,735	4,701,899	4,775,525
Grants to agencies	5,401,572	-	-	5,401,572
Miscellaneous expense	587,281	50,161	83,005	720,447
Total expenses other than salaries and related expenses	<u>189,658,199</u>	<u>1,564,616</u>	<u>5,206,269</u>	<u>196,429,084</u>
Total expenses before depreciation and amortization	201,598,645	3,866,858	9,054,757	214,520,260
Depreciation and amortization	<u>1,499,622</u>	<u>40,061</u>	<u>60,092</u>	<u>1,599,775</u>
Total expenses	<u>\$ 203,098,267</u>	<u>\$ 3,906,919</u>	<u>\$ 9,114,849</u>	<u>\$ 216,120,035</u>

North Texas Food Bank
Consolidated Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows from Operating Activities	
Cash received from contributors, grants, and cost reimbursements	\$ 60,746,046
Cash received from partner agencies for convenience fees	448,270
Other cash payments	(36,308)
Interest and dividends	3,901,813
Interest paid	(380,972)
Cash paid to employees and suppliers	<u>(59,344,005)</u>
Net cash provided by operating activities	<u>5,334,844</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	(3,450,271)
Loss on disposal of property and equipment	(2,098)
Proceeds from sale of investments	32,147,665
Purchase of investments	<u>(36,926,762)</u>
Net cash used in investing activities	<u>(8,231,466)</u>
Decrease in Cash and Cash Equivalents	(2,896,622)
Cash and Cash Equivalents, Beginning of Year	<u>5,824,585</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,927,963</u></u>
Reconciliation of Cash and Cash Equivalents to the Consolidated Statement of Financial Position	
Cash and cash equivalents, current assets	\$ 2,716,763
Cash restricted by New Markets Tax Credit Program, current assets	170,000
Cash restricted by New Markets Tax Credit Program, noncurrent assets	<u>41,200</u>
Total cash and cash equivalents	<u><u>\$ 2,927,963</u></u>
Supplemental Cash Flows Information	
Right of use asset obtained in exchange for new lease liabilities	\$ 675,724

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

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

Nature of Operations and Principles of Consolidation

North Texas Food Bank (Organization or NTFB) is a hunger relief organization that distributes donated, purchased and prepared foods through a network of more nearly 500 partner agencies and organizations 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 financing in the New Markets Tax Credit Program and build a distribution facility for use by the Organization.

FNTF serves to raise funds and hold investments to benefit and support 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 interorganizational 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 was designed to raise a total of \$500,000,000; \$150,000,000 in public support revenue and \$300,000,000 in donated food for operations, and \$50,000,000 in invested funds. These resources are purposed to maximize food distribution, collaborate with partners to address the root causes of hunger, and to fund the Feeding North Texas Foundation investments to provide sustainability for the Organization's operations.

As of June 30, 2023, the North Texas Food Bank had raised approximately \$148,000,000 in public support revenue and \$313,600,000 in donated food for operations, and \$28,000,000 to support the Feeding North Texas Foundation.

- **Other campaigns** - The Organization is continuing to invest the remaining Stop Hunger Build Hope capital campaign toward Network Expansion. During the year ended June 30, 2023, \$3,808,000 was spent toward these efforts, including \$2,970,000 in grants to approximately 36 partner agencies. These grants helped buy mobile pantries, trucks, pallet jacks, refrigerators, freezers, facility improvements, and operating costs. Approximately \$4,800,000 remains available for future grants and related efforts, which are expected to be spent in the next fiscal year.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

Use of Estimates

The preparation of consolidated 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

Cash and cash equivalents consisted primarily of cash held in the Organizations checking accounts. The Organization does not consider uninvested cash equivalents held in investment accounts as cash equivalents.

At June 30, 2023, the Organization's, NTFB-PFC's, and NTFB-FNTF's cash accounts exceeded federally insured limits by approximately \$2,470,000.

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, 2023.

Convenience Fees Receivable

The Organization charges recipient 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 ranged from \$2 to \$250 depending on the item or service provided.

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

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

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 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, 2023.

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 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.

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.

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

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

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, 2023.

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 note's 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

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

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.

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 with donor restrictions and then released from restriction.

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.

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 in the period the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures if any, are reported as refundable advances in the consolidated statement of financial position.

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.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

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, 2023. 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, 2023, have been recorded as receivables. The following are grant commitments as of June 30, 2023, and the amount remaining to be drawn through the remainder of the grant period.

Grant	Term	Grant Amount	Earned As of June 30, 2023	Funding Available
Federal Grants:				
Emergency Food Assistance Program	10/1/22 – 9/30/23	\$ 1,396,280	\$ 1,238,146	\$ 158,134
Commodity Supplemental Food Program	10/1/22 – 9/30/23	693,264	486,115	207,149
Supplemental Nutrition Assistance Program	10/1/22 – 9/30/23	1,484,044	1,035,403	448,641
Supplemental Nutrition Assistance Program Education	10/1/22 – 9/30/23	221,300	176,771	44,529
Local Food Purchase Agreement	10/1/22 – 9/30/23	12,067,659	4,748,333	7,319,326
Coronavirus State and Local Fiscal Recovery Fund (ARPA)	11/8/21 – 11/7/23	<u>9,228,964</u>	<u>555,746</u>	<u>8,673,218</u>
Total Federal Grants		<u>\$ 25,091,511</u>	<u>\$ 8,240,514</u>	<u>\$ 16,850,997</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

Note 3: Investments and Net Investment Return

Investments at June 30, 2023, consisted of the following:

Common stocks	\$ 18,420,661
Money market funds	25,453,852
Fixed income	<u>78,443,780</u>
	<u>\$ 122,318,293</u>

Total net investment return is comprised of the following:

Interest and dividend income	3,661,028
Net realized and unrealized gain on investments reported at fair value	2,699,997
Management fees	<u>(289,774)</u>
	<u>\$ 6,071,251</u>

Note 4: Pledges Receivable

Pledges receivable for the year ended June 30, 2023, for the North Texas Food Bank (NTFB) consisted of the following:

	<u>With Donor Restrictions: Time</u>
Due within one year	\$ 1,318,000
Less allowance for doubtful accounts	<u>(26,360)</u>
	<u>1,291,640</u>
Due in one to five years	1,662,500
Less allowance for doubtful accounts	(57,450)
Less discount	<u>(64,697)</u>
	<u>1,540,353</u>
	<u>\$ 2,831,993</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

Pledges receivable for the year ended June 30, 2023, for the Feeding North Texas Foundation (FNTF) consisted of the following:

	With Donor Restrictions: Time
Due within one year	\$ 2,587,500
Less allowance for doubtful accounts	(51,750)
	2,535,750
Due in one to five years	4,262,500
Less allowance for doubtful accounts	(130,500)
Less discount	(91,330)
	4,040,670
	\$ 6,576,420

Reconciliation of pledges to the statement of financial position at June 30, 2023:

Current pledges receivable	
NTFB pledges due within one year	\$ 1,291,640
FNTF pledges due within one year	2,535,750
	\$ 3,827,390
Noncurrent pledges receivable	
NTFB pledges due within one to five years	\$ 1,540,353
FNTF pledges due within one to five years	4,040,670
	\$ 5,581,023

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 percent.

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 2023 was approximately \$241,000, which is included in other revenue in the accompanying consolidated statement of activities.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

Note 6: Property and Equipment

Property and equipment at June 30, 2023, consisted of:

Warehouse equipment	\$ 1,284,530
Building and improvements	26,354,768
Office furniture and fixtures	2,129,277
Transportation equipment	2,584,962
Computer equipment and software	<u>2,571,432</u>
 Total depreciable assets	 34,924,969
 Land	 4,451,705
Construction in progress	<u>2,841,733</u>
	42,218,407
Less accumulated depreciation and amortization	<u>(12,278,708)</u>
	<u><u>\$ 29,939,699</u></u>

Note 7: Note Payable to Bank

The Organization entered into a two-year, \$3,000,000 revolving line of credit with PNC Bank which expired on June 1, 2023. Terms of the loan agreement required liquid assets (cash, marketable securities, etc.) equal to funded debt. The interest rate on the line of credit was the daily LIBOR + .9 percent.

The Organization’s intent was to use the line of credit to finance operations during low- income months, if needed. For the year ended June 30, 2023, there were no borrowings against the line of credit and it was not renewed due to the unlikelihood of a need to borrow in the near term.

Note 8: New Markets Tax Credit Program Notes Payable

North Texas Food Bank (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 U.S. Bank. At June 30, 2023, \$211,200 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 \$41,200 is included in noncurrent assets within the accompanying consolidated statement of financial position.

North Texas Food Bank
Notes to Consolidated Financial Statements
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Each loan accrues interest at 1.5967 percent, 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>(997,654)</u>
 New Markets Tax Credit Program notes payable, net	 <u><u>\$ 22,852,346</u></u>

The balances outstanding on the New Markets Tax Credit Program notes payable, maturity dates and repayment terms at June 30, 2023, 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><u>\$ 23,850,000</u></u>

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 North Texas Food Bank may cancel the New Markets Tax Credit Program notes payable.

Interest recognized as expense totaled approximately \$381,000 in 2023.

Note 9: Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2023, have been designated for the following purposes:

Undesignated	\$ 127,569,469
Board Designated	<u>18,369,318</u>
	<u><u>\$ 145,938,787</u></u>

North Texas Food Bank
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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:

- \$8,149,418 – Innovation and Transformation – Facility improvements for increased productivity, technology, new unbudgeted initiative and opportunities.
- \$7,719,900 - Partnership and Trust – Network expansion, community partnerships, emergency network funding request, food purchasing.
- \$2,500,000 – Dallas Farmers Market Location – the approximate net present value of 15 years of lease payments for the Dallas Farmers Market location currently under development.

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023, are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:

Inventory	\$ 5,423,417
Capital Campaign	4,769,052
Retail	997,440
Warehouse Management System	238,068
Technology Upgrades	125,000
Disaster Resiliency	77,608
Disaster Relief	56,754
Sandbranch	35,000
Capital Assets	22,644
Service Insights	18,215

11,763,198

Subject to the passage of time

Promises to give that are not restricted by donors but
which are unavailable for expenditure until due

9,315,500

\$ 21,078,698

North Texas Food Bank
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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, 2023, as follows:

Expiration of time restrictions	\$ 3,554,500
Satisfaction of purpose restrictions	
Inventory	150,798,006
Capital Campaign	3,717,415
Feeding Families	2,051,472
Food-4-Kids	714,465
Feeding Children	681,335
Peanut Butter Purchases	594,234
Starbucks Equity	100,000
Service Insights	81,785
Supplemental Nutrition Assistance Program	55,000
Feeding America Workforce	37,118
AARP	31,500
Starbucks Food	30,000
Costco Food Purchase	25,175
Feeding Seniors	10,790
Mobile Pantry Distribution	10,000
Serving Dallas County	10,000
Healthy Eating Research	10,000
School Pantry	7,500
Disaster Relief	6,127
Retail Partnership Strategy	2,560
Jan's Garden	1,000
Warehouse Management System	256
	<u>162,530,238</u>
	<u>\$ 162,530,238</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

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, 2023, comprise the following:

Cash and cash equivalents	\$ 2,716,763
Convenience fee receivable	31,424
Pledges receivable	3,827,390
Other receivables	4,204,166
Investments	<u>122,318,293</u>
 Total current financial assets	 <u>133,098,036</u>
 Less: donor imposed restrictions not expected to be used in next year	 (2,547,259)
 Less: assets held by the Feeding North Texas Foundation	 (22,608,449)
 Less: board designated net assets	 <u>(18,369,318)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 89,573,010</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, 2023, \$6,258,023 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
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Note 11: Leases (ASC 842)

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Organization adopted Topic 842 on July 1, 2022, using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard.

The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with non-lease components that relate to the lease components. The Organization elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. Also, the election was made to keep short-term leases with an initial term of 12 months or less off the consolidated statement of position. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$675,724. There were no existing capital leases (now referred to as finance leases) at the time of adoption. The standard did not significantly affect the Organization's consolidated statements of activities or cash flows.

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and non-lease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its equipment and vehicles.

North Texas Food Bank
Notes to Consolidated Financial Statements
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At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid, or deferred rent, and lease incentives.

The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into the following lease arrangements:

Operating Leases

The Organization has a lease for office space that expires in February 2024. The lease can be continued month-to-month beyond the expiration date. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

In May 2022, the Organization entered into a 10-year lease for office space to commence upon the completion of the premises which is expected in fiscal year 2024. The Organization has an option to extend the lease term for two successive terms of sixty months each. The monthly lease payments (guaranteed rental and common area maintenance) escalate 2.5% annually and are not included in the value of future lease payments noted below.

The Organization also leases tractors and trailers used for food distribution, as well as forklifts and office equipment such as copiers and postage machines.

Subsequent to June 30, 2023, the Organization completed the purchase of new tractors and trailers, replacing similar leased equipment which was returned.

All Leases

NTFB has a related party lease agreement for the food distribution center and volunteer center from NTFB-PFC. The related party right of use asset and related liabilities have been eliminated in consolidation.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

North Texas Food Bank
Notes to Consolidated Financial Statements
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Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2023 are:

Operating Lease Costs	\$ 385,438
Short-Term Lease Costs	<u>557,788</u>
Total Lease Costs	<u><u>\$ 943,226</u></u>

Other Information

Weighted average remaining lease term	
Operating Leases	2.0 years
Weighted average discount rate	
Operating Leases	2.90%

Future minimum lease payments and reconciliation to the consolidated statement of financial position at June 30, 2023, are as follows:

2024	\$ 311,076
2025	101,427
2026	<u>17,287</u>
Total undiscounted cash flows	\$ 429,790
Less: present value discount	<u>(19,060)</u>
Total Lease Liabilities	<u><u>\$ 410,730</u></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, 2023, the accrued expenses for compensated absences included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position was \$590,056.

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 percent 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.

North Texas Food Bank
Notes to Consolidated Financial Statements
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The expense for this plan was \$457,493 for the year ended June 30, 2023.

The Organization also has a 457(b) deferred compensation plan for its five executive officers. 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.

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, 2023:

	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	\$ 18,420,661	\$ 18,420,661	\$ -	\$ -
Money market funds	25,453,852	25,453,852	-	-
Fixed income	78,443,780	-	78,443,780	-
	<u>\$ 122,318,293</u>	<u>\$ 43,874,513</u>	<u>\$ 78,443,780</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, 2023.

North Texas Food Bank
Notes to Consolidated Financial Statements
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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, 2023.

Note 15: Significant Estimate and Concentrations

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 year ended June 30, 2023, approximately 23 percent 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.

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.

North Texas Food Bank
Notes to Consolidated Financial Statements
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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 \$444,613 for the year ended June 30, 2023.

Transaction Price & Recognition

The Organization determines the transaction price depending on the item or service provided. Fees during the fiscal year ended June 30, 2023, 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, 2023.

For the year ended June 30, 2023, the Organization recognized no revenue from goods or services that transfer to the customer over time.

Note 17: Contributed Nonfinancial Assets, Stocks, and Gift Cards

For the year ending June 30, 2023, contributed nonfinancial assets recognized within the consolidated statement of activities included:

Donated food and commodities	
Food	\$ 145,550,960
Public support - in-kind	
Stock	446,139
Gift cards	402,920
Professional services	1,070,742
Event goods and services	<u>172,027</u>
Total public support - in-kind	<u>2,091,828</u>
Total contributed nonfinancial assets, stock and gift cards	<u><u>\$ 147,642,788</u></u>

North Texas Food Bank

Notes to Consolidated Financial Statements

June 30, 2023

- **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 95 million pounds valued at \$145,550,960 during the year ended June 30, 2023. The average price per pound used was \$1.57 at June 30, 2023.
- **Stock** – The Organization received \$446,139 in donated stock. Donated stock is valued based on the average market price on the date received. Stock is liquidated upon receipt in compliance with the Organizations investment policy. Proceeds from the sale of stock are used for operations, unless restricted by the donor. There were no restricted stock donations for the year ended June 30, 2023.
- **Gift Cards** – The Organization also received \$402,920 in gift cards. These cards were given by donors for the purchase of food and other operational expenses. Approximately \$378,000 in gift cards were given by one donor which the Organization is granting to its various partner agencies to assist with food purchases.
- **Professional 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, 2023, revenue recognized from contributed services totaled \$1,070,742. Services included consulting, legal, pest control, and delivery services.
- **Event Goods and Services** – The Organization received \$172,027 in donated goods and services used for fundraising. These include items for auction, as well as services to host donor events. These donated goods and services are valued based on fair market price provided by the donor or another third party used by the Organization to run the auction and assist in organizing the event.

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. It is the Organization’s policy to utilize the food and commodities, gift cards, professional services and event services for programming and administration of those programs. The Organization’s policy is to monetize on donated stock and donated goods for auction resale.

Volunteer Time

A substantial number of volunteers donate significant amounts of their time to enable the Organization to meet its mission. For the year ended June 30, 2023, volunteers donated approximately 92,300 hours of their services. Management estimates the value of volunteer services to be approximately \$1,384,485 based on the fair market value for such services.

The value of volunteer hours was not recognized as revenues or expenses during the year ended June 30, 2023.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2023

Note 18: Subsequent Events

Subsequent events have been evaluated through November 29, 2023, 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, 2023

	North Texas Food Bank	North Texas Food Bank – Perot Family Campus	Feeding North Texas Foundation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	2,270,536	1,062	445,165	-	2,716,763
Cash restricted by New Markets Tax Credit Program notes payable	-	170,000	-	-	170,000
Handling fees receivable, net	31,424	-	-	-	31,424
Pledges receivable, net	1,291,640	-	2,535,750	-	3,827,390
Other receivables, net	4,204,153	-	13	-	4,204,166
Investments	102,690,772	-	19,627,521	-	122,318,293
Investment in NTFB-PFC	(1,311,747)	-	-	1,311,747	-
Inventory of food and commodities	8,193,400	-	-	-	8,193,400
Prepaid expenses and other assets	1,331,490	-	-	-	1,331,490
Total current assets	118,701,668	171,062	22,608,449	1,311,747	142,792,926
Noncurrent Assets					
Cash restricted by New Markets Tax Credit Program notes payable	-	41,200	-	-	41,200
Pledges receivable, net	1,540,353	-	4,040,670	-	5,581,023
New Markets Tax Credit Program note receivable	16,838,300	-	-	-	16,838,300
Right of use asset	24,973,165	-	-	(24,562,435)	410,730
Lease receivable	-	172,303	-	(172,303)	-
Property and equipment, net	8,783,665	21,156,034	-	-	29,939,699
Total noncurrent assets	52,135,483	21,369,537	4,040,670	(24,734,738)	52,810,952
Total assets	\$ 170,837,151	\$ 21,540,599	\$ 26,649,119	\$ (23,422,991)	\$ 195,603,878
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	\$ 5,323,317	\$ -	\$ -	\$ -	\$ 5,323,317
Current lease liability	1,589,876	-	-	(1,278,800)	311,076
Total current liabilities	6,913,193	-	-	(1,278,800)	5,634,393
Noncurrent Liabilities					
Noncurrent Lease liability	23,555,592	-	-	(23,455,938)	99,654
New Markets Tax Credit Program notes payable	-	22,852,346	-	-	22,852,346
Total noncurrent liabilities	23,555,592	22,852,346	-	(23,455,938)	22,952,000
Total liabilities	30,468,785	22,852,346	-	(24,734,738)	28,586,393
Net Assets					
Without donor restrictions	107,770,350	(1,311,747)	19,799,119	1,311,747	127,569,469
Without donor restrictions - Board designated	18,369,318	-	-	-	18,369,318
With donor restrictions	14,228,698	-	6,850,000	-	21,078,698
Total net assets	140,368,366	(1,311,747)	26,649,119	1,311,747	167,017,485
Total liabilities and net assets	\$ 170,837,151	\$ 21,540,599	\$ 26,649,119	\$ (23,422,991)	\$ 195,603,878
Changes in Net Assets Without Donor Restrictions					
Revenues and other support					
Public contributions	\$ 41,710,500	\$ -	\$ 1,830,172	\$ -	\$ 43,540,672
Public support - in-kind	2,091,828	-	-	-	2,091,828
Government grants and cost reimbursements	10,883,993	-	-	-	10,883,993
Convenience fee	444,613	-	-	-	444,613
Investment return, net	4,121,008	-	1,312,948	637,295	6,071,251
Other revenue	239,241	-	445,165	(445,165)	239,241
Released from restrictions	160,355,238	-	2,175,000	-	162,530,238
Total revenues and other support	219,846,421	-	5,763,285	192,130	225,801,836
Expenses					
Program	202,460,972	637,295	-	-	203,098,267
Management and general	4,352,084	-	-	(445,165)	3,906,919
Fundraising	9,114,849	-	-	-	9,114,849
Total expenses	215,927,905	637,295	-	(445,165)	216,120,035
Changes in Net Assets Without Donor Restrictions	3,918,516	(637,295)	5,763,285	637,295	9,681,801
Changes in Net Assets With Donor Restrictions					
Public contributions	7,993,904	-	1,000,000	-	8,993,904
Donated food and commodities	145,550,960	-	-	-	145,550,960
Released from restrictions	(160,355,238)	-	(2,175,000)	-	(162,530,238)
Changes in Net Assets With Donor Restrictions	(6,810,374)	-	(1,175,000)	-	(7,985,374)
Change in Net Assets	(2,891,858)	(637,295)	4,588,285	637,295	1,696,427
Net Assets, Beginning of Year	143,260,224	(674,452)	22,060,834	674,452	165,321,058
Net Assets, End of Year	\$ 140,368,366	\$ (1,311,747)	\$ 26,649,119	\$ 1,311,747	\$ 167,017,485

North Texas Food Bank

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

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				
Food Distribution Cluster				
Commodity Supplemental Food Program (Administrative Costs)	10.565	01572	\$ -	\$ 614,307
Commodity Supplemental Food Program (Food Commodities)	10.565	01572	<u>4,025,530</u>	<u>4,025,530</u> *
Total Commodity Supplemental Food Program			4,025,530	4,639,837
Emergency Food Assistance Program (Administrative Costs)	10.568	01572	-	1,312,015
Emergency Food Assistance Program (BBB - Administrative Costs)	10.568	01572	-	45,688
Emergency Food Assistance Program (Food Commodities)	10.569	01572	<u>31,636,388</u>	<u>31,636,388</u> *
Total Food Distribution Cluster			<u>35,661,918</u>	<u>37,633,928</u>
The Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds (Administrative Costs)	10.187	01572	-	156,159
The Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds (Food Commodities)	10.187	01572	<u>2,962,419</u>	<u>2,962,419</u> *
			<u>2,962,419</u>	<u>3,118,578</u>
COVID-19 - Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182	None Provided	-	555,746
Passed through Texas Health & Human Services Commission				
SNAP Cluster				
Supplemental Nutrition Assistance Program	10.551	None Provided	-	1,400,253
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None Provided	-	241,667
Total SNAP Cluster			-	1,641,920
Total U.S. Department of Agriculture			<u>38,624,337</u>	<u>42,950,172</u>
U.S. Department of Housing and Urban Development				
Passed through Texas Department of Housing and Community Affairs				
COVID-19 - Community Development Block Grant /State's Program and Non-Entitlement Grants in Hawaii	14.228	None Provided	-	372,260
Total U.S. Department of Housing and Urban Development			-	372,260
U.S. Department of Treasury				
Passed through from Texas Department of Agriculture				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	None Provided	-	4,152,514
Total U.S. Department of Treasury			-	4,152,514
U.S. Department of Health and Human Services				
Passed through Texas Health and Human Services				
Temporary Assistance for Needy Families	93.558	None Provided	-	776,190
COVID-19 - Emergency Food and Shelter National Board Program (ARRA)	97.114	None Provided	-	750,000
Total U.S. Department of Health and Human Services			-	1,526,190
Total Federal Awards Expended			<u>\$ 38,624,337</u>	<u>\$ 49,001,136</u>

* Amount represents noncash food commodities

North Texas Food Bank
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1: Basis of Presentation

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, 2023. 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.

Note 2: Summary of Significant Accounting Policies

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.

Note 3: Indirect Cost Rate

The Organization has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance where able.

Note 4: Federal Loan Programs

The Organization did not have any federal loan programs during the year ended June 30, 2023.



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**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 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 (*Government Auditing Standards*), the consolidated financial statements of North Texas Food Bank and Subsidiaries (Organization) which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements 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 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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 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.

FORVIS,LLP

Dallas, Texas
November 29, 2023



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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
North Texas Food Bank
Plano, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the North Texas Food Bank and Subsidiaries (Organization)'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 each of Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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 Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

FORVIS,LLP

Dallas, Texas
November 29, 2023

North Texas Food Bank
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Cluster/Program	Federal Assistance Listing Number
Food Distribution Cluster	
Commodity Supplemental Food Program	10.565
Emergency Food Assistance Program (Food Commodities)	10.569
Emergency Food Assistance Program (Administrative Costs)	10.568
The Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds (Administrative Costs)	10.187
SNAP Cluster	
Supplemental Nutrition Assistance Program	10.551
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
COVID-19 – Coronavirus State and Local Fiscal Recovery Fund	21.027

7. Dollar threshold used to distinguish between Type A and Type B programs: \$1,470,034.

9. Auditee qualified as a low-risk auditee? Yes No

North Texas Food Bank
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

North Texas Food Bank
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Reference Number	Summary of Finding	Status
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No matters are reportable.