

HAYS COUNTY FOOD BANK, INC.

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31,  
2020

# JANSEN AND GREGORCZYK

Certified Public Accountants  
P.O. Box 1778 Kyle, TX 78640

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Hays County Food Bank

We have audited the accompanying financial statements of Hays County Food Bank, Inc. (a nonprofit organization,) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hays County Food Bank, Inc. as of December 31, 2020, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the organization adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended December 31, 2020. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

March 10, 2021

Kyle, Texas

HAYS COUNTY FOOD BANK, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020

|   |                            |
|---|----------------------------|
| <b>TOTAL CURRENT ASSETS</b>             |                            |
| Cash and cash equivalents               | \$ 1,519,496               |
| Investments                             | 129,311                    |
| Property and equipment, net             | <u>81,728</u>              |
| <b>TOTAL ASSETS</b>                     | <u><u>\$ 1,730,535</u></u> |
| <br>                                    |                            |
| <b>LIABILITIES AND NET ASSETS</b>       |                            |
| <b>LIABILITIES</b>                      |                            |
| Accrued Employee Benefits               | <u>8,560</u>               |
| Total liabilities                       | 8,560                      |
| <b>NET ASSETS</b>                       |                            |
| Without donor restrictions              | 1,661,794                  |
| With donor restrictions                 | <u>60,181</u>              |
| Total net assets                        | <u>\$ 1,721,975</u>        |
| <br>                                    |                            |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <u><u>\$ 1,730,535</u></u> |

See notes to financial statements

HAYS COUNTY FOOD BANK, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
|---|-------------------------------|----------------------------|--------------|
| <b>REVENUES AND NET ASSETS</b>                              |                               |                            |              |
| <b>RELEASED FROM RESTRICTIONS:</b>                          |                               |                            |              |
| Contributions:  |                               |                            |              |
| Donated goods and services                                  | \$ 1,964,739                  | \$ -                       | \$ 1,964,739 |
| Organizational contributions                                | 207,200                       | -                          | 207,200      |
| Governmental support  | 128,300                       | -                          | 128,300      |
| Individual contributions                                    | 859,443                       | -                          | 859,443      |
| Fundraising contributions                                   | -                             | -                          | -            |
| Foundation grants   | 228,265                       | -                          | 228,265      |
| Total contributions   | 3,387,947                     | -                          | 3,387,947    |
| Other Income  | -                             | -                          | -            |
| Investment Income   | 6,593                         | -                          | 6,593        |
| Unrealized investment gain (loss)                           | (2,274)                       | -                          | (2,274)      |
| Total revenues  | 4,319                         | -                          | 4,319        |
| Net assets released from restrictions                       | -                             | -                          | -            |
| Total revenues and net assets<br>released from restrictions | 3,392,266                     | -                          | 3,392,266    |
| <b>EXPENSES</b>   |                               |                            |              |
| Program services  | 2,152,477                     | -                          | 2,152,477    |
| Management and general                                      | 104,899                       | -                          | 104,899      |
| Fundraising   | 123,703                       | -                          | 123,703      |
| Total expenses  | 2,381,078                     | -                          | 2,381,078    |
| <b>CHANGE IN NET ASSETS</b>                                 | 1,011,188                     | -                          | 1,011,188    |
| <b>Transfer of Funds</b>                                    | (50,002)                      | 50,002                     | -            |
| <b>NET ASSETS, beginning of year</b>                        | 700,608                       | 10,179                     | 710,787      |
| <b>NET ASSETS, end of year</b>                              | \$ 1,661,794                  | \$ 60,181                  | \$ 1,721,975 |

See notes to financial statements

HAYS COUNTY FOOD BANK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

|  | Program<br>Services | Management<br>and<br>General | Fund<br>Raising   | Total<br>Expenses   |
|--|---------------------|------------------------------|-------------------|---------------------|
| Personnel expenses                                     | \$ 126,614          | \$ 67,724                    | \$ 100,113        | \$ 294,450          |
| Public relations and promotions                        | -                   | 1,352                        | -                 | 1,352               |
| Audit and inspections                                  | -                   | 5,525                        | -                 | 5,525               |
| Training   | -                   | 25                           | -                 | 25                  |
| Copier expense   | 1,262               | 675                          | 998               | 2,935               |
| Memberships/subscriptions                              | -                   | 2,226                        | -                 | 2,226               |
| Facilities/equipment maintenance                       | 8,097               | -                            | -                 | 8,097               |
| Food (including FEMA)                                  | 23,706              | -                            | -                 | 23,706              |
| Food processing  | 885                 | -                            | -                 | 885                 |
| Fundraising  | -                   | -                            | 12,671            | 12,671              |
| Insurance  | -                   | 17,891                       | -                 | 17,891              |
| Janitorial   | -                   | 436                          | -                 | 436                 |
| Postage  | -                   | 447                          | -                 | 447                 |
| Office Supplies  | -                   | 1,887                        | -                 | 1,887               |
| Information Technology                                 | 4,538               | 2,427                        | 3,588             | 10,553              |
| Utilities/Telephone                                    | 4,386               | 2,346                        | 3,468             | 10,199              |
| Vehicle expenses/auto insurance                        | 3,624               | 1,938                        | 2,865             | 8,427               |
| Volunteer appreciation                                 | 584                 | -                            | -                 | 584                 |
|  | <u>173,694</u>      | <u>104,899</u>               | <u>123,703</u>    | <u>402,295</u>      |
| Total expenses before depreciation<br>and amortization |                     |                              |                   |                     |
| Depreciation and amortization                          | <u>14,044</u>       | <u>-</u>                     | <u>-</u>          | <u>14,044</u>       |
|  |                     |                              |                   |                     |
| Total expenses before donated<br>goods and services    | 187,738             | 104,899                      | 123,703           | 416,339             |
| Donated goods and services                             | <u>1,964,739</u>    | <u>-</u>                     | <u>-</u>          | <u>1,964,739</u>    |
|  |                     |                              |                   |                     |
| TOTAL EXPENSES   | <u>\$ 2,152,477</u> | <u>\$ 104,899</u>            | <u>\$ 123,703</u> | <u>\$ 2,381,078</u> |

See notes to financial statements

HAYS COUNTY FOOD BANK, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

|   |                            |
|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                            |
| Change in Net Assets  | \$ 1,011,188               |
| Adjustments to reconcile change in net assets to<br>net cash provided (used) by operating activities: |                            |
| Depreciation and amortization   | 14,044                     |
| Decrease in liabilities   | <u>1,850</u>               |
| Net cash used in operating activities   | 1,027,082                  |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                            |
| Change in value on investment   | <u>(4,092)</u>             |
| Net cash used in investing activities   | (4,092)                    |
| NET CHANGE IN CASH AND CASH EQUIVALENTS   | 1,022,990                  |
| CASH AND CASH EQUIVALENTS, beginning of year  | <u>496,506</u>             |
| CASH AND CASH EQUIVALENTS, end of year  | <u><u>\$ 1,519,496</u></u> |

See notes to financial statements

**HAYS COUNTY FOOD BANK, INC.**  
**NOTES TO THE FINANCIAL**  
**STATEMENTS**

**December 31, 2020**

NOTE A- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The goal of the Hays County Food Bank, Inc. (the Food Bank) is to alleviate hunger within Hays County, Texas. Since its incorporation in 1984, food has been collected from donations and supplemental purchases and then distributed to people through a network of fifty or more churches and other agencies. The completion of the new facility in October, 1996 enabled the Food Bank to significantly increase its amount of food distribution.

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profits. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Investments

Fair Value Measurements - The Food Bank reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Inputs that are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs that are unobservable for the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amount of cash and cash equivalents, receivables, accounts payables and accrued expenses approximates fair market value due to the short-term maturities of these accounts. Investments that are not represented by specific identifiable investment securities such as mutual fund investment pools are not classified as to credit risk.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Income Taxes

The Food Bank is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Form 990 is filed annually for informational purposes but no tax liability exists.

## Property and Equipment

The Food Bank capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over useful lives ranging from five to thirty years.

## Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

## Net Asset Classification

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Food Bank, or at the discretion of the Board of Directors for the organization's use.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. The donor restricted net assets as of December 31, 2020 are \$60,181 which represent the building fund.

## Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increase in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent

restriction. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

### Donated Goods and Services

Contributions of services are recognized at their estimated fair value if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the statements of activities are offset by equal amounts in expenses.

### Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

### Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update ("ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not for profit entity's liquidity, financial performance, and cash flows. The guidance requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the previously required three classes of net assets, unrestricted, temporarily restricted, and permanently restricted. Entities are also required to provide enhanced disclosures about liquidity, Board-designated amounts, and expense by both their nature and functional classification. The standard is effective for fiscal years beginning after December 15, 2017. During the year ended December 31, 2018, management implemented the new standard, the effect of which is reflected in the financial statements and within the footnotes.

### NOTE B- CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Food Bank considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of December 31, 2020, the Food Bank's cash and cash equivalents totaled \$1,519,496. Of this amount all was covered by FDIC insurance except for \$179,288 as one account had a total of \$429,288.

NOTE C- PROPERTY AND EQUIPMENT

Fixed assets as of December 31, 2020 were as follows:

|                               | <u>Balance</u><br><u>12/31/19</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u><br><u>12/31/20</u> |
|-------------------------------|-----------------------------------|------------------|--------------------|-----------------------------------|
| Depreciable Fixed Assets      |                                   |                  |                    |                                   |
| Building and Improvements     | 158,423                           | -                |                    | 158,423                           |
| Vehicles                      | 113,284                           | -                |                    | 113,284                           |
| Furniture and Equipment       | 60,424                            |                  |                    | 60,424                            |
| Less accumulated depreciation | <u>(236,359)</u>                  | -                | <u>(14,044)</u>    | <u>(250,403)</u>                  |
| Total Capital Assets          | <u>\$ 95,772</u>                  | <u>\$ -</u>      | <u>\$ (14,044)</u> | <u>\$ 81,728</u>                  |

NOTE D - INVESTMENTS

Investments are recorded in accordance with ASC 958-320. All investments were valued using the market approach and inputs were considered Level 1 under the fair value hierarchy.

Investments as of December 31, 2020 are summarized as follows:

|                             |                   |
|-----------------------------|-------------------|
| Cash and money market funds | \$ (150)          |
| Mutual funds                | <u>129,461</u>    |
|                             | <u>\$ 129,311</u> |

Investment returns as of December 31, 2020 are summarized below:

|                                |                 |
|--------------------------------|-----------------|
| Interest and dividends         | \$ 6,516        |
| Unrealized loss on investments | <u>(2,274)</u>  |
|                                | <u>\$ 4,242</u> |

NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of December 31, 2020, the Food Bank's financial assets available within one year for general expenditures were as follows:

|  |                     |
|--|---------------------|
| Cash and cash equivalents  | \$ 1,519,496        |
| Contributions receivable due in less than one year                         | -                   |
| Accounts receivable  | -                   |
| Total financial assets available for general expenditure<br>within on year | <u>\$ 1,519,496</u> |

The Food Bank maintains an interest-bearing account to support cash flow requirements and minimize interest rate risk. The Board ensures the Food Bank's financial stability by approving an annual budget prior to the start of each fiscal year. The Food Bank maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the organization.

Donor restricted net assets that are temporarily restricted as to purpose have not been removed from the balance disclosed as available for general expenditure within one year, as those restrictions will be met as part of general operations within the next year.

NOTE F-GOVERNMENTAL SUPPORT

During 2020, the Food Bank received contributions from the following governmental agencies:

| <u>Agency</u>      | <u>Amount</u>    |
|--------------------|------------------|
| City of San Marcos | \$ 39,000        |
| Hays County        | 55,000           |
| City of Buda       | <u>2,825</u>     |
|                    | <u>\$ 96,825</u> |

NOTE G - COMPENSATED ABSENCES

Personal Time Off (PTO) accrues to eligible employees at different rates based on length of employment. Full time employees (40 hours per week) cannot accumulate more than 240 hours of six weeks of PTO at any time. Upon termination of employment, accrued PTO will be paid at the hourly rate up to a maximum of 160 hours or four weeks. At year end the liability was \$8,560 for PTO and accrued payroll.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, temporarily restricted net assets are as follows:

|               |                  |
|---------------|------------------|
| Building Fund | \$ 60,181        |
|               | <u>-</u>         |
|               | <u>\$ 60,181</u> |

NOTE I - DONATED GOODS AND SERVICES

In-kind contributions during 2020 consisted of the following:

|                         |                     |
|-------------------------|---------------------|
| Food Donations          |                     |
| Community Donations     | \$ 201,881          |
| Central Texas Food Bank | 1,487,356           |
| Volunteer Hours         | <u>275,502</u>      |
|                         | <u>\$ 1,964,739</u> |

Food donations received from HEB are actually due to a partnership with the Central Texas Food Bank and they manage the donor relationship for donated food. The change in how the accounts are maintained was updated in 2018 to accurately reflect the donations accepted throughout the Capital Area Food Bank.

NOTE J - SUBSEQUENT EVENTS Subsequent Events

Subsequent events were evaluated through March 10, 2021, which is the date the financial statements were available to be issued.

Due to the ongoing issues with COVID-19, it is not possible to know the potential financial implication on the organization.

NOTE K – OTHE MATTERS

The Food Bank received monetary assistance due to COVID – 19 as follows:

A PPP loan in the amount of \$50,000 which is being paid by the SBA and Frost Bank due to loan forgiveness. Funds received for Operations Assistance and Supplemental Assistance, all to be used for normal operations from FEMA. A significant amount of donations were received from individuals for COVID assistance. All COVID related funds received were not restricted.