

# Montemayor Britton Bender

PC CERTIFIED PUBLIC ACCOUNTANTS

## **HAYS COUNTY FOOD BANK, INC.**

### FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

**Montemayor Britton Bender PC**  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Management  
Hays County Food Bank, Inc.

#### INDEPENDENT AUDITOR'S REPORT

##### Opinion

We have audited the accompanying financial statements of Hays County Food Bank, Inc. (HCFB), which comprise the statement of financial position as of 31 December 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HCFB as of 31 December 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HCFB 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HCFB's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HCFB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HCFB'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

8 May 2023  
Austin, Texas

**HAYS COUNTY FOOD BANK, INC.**

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

ASSETS

CURRENT ASSETS

Cash \$2,531,359 Investments 143,203 Donations receivable 76,283 Contributed food inventory  
26,880 2,777,725

FIXED ASSETS 92,284 \$2,870,009

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities \$7,521

NET ASSETS

Without donor restrictions 2,787,307 With donor restrictions- building fund 75,181 2,862,488

\$2,870,009

The accompanying notes are an integral part of this financial statement presentation.

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**HAYS COUNTY FOOD**      Restrictions

**BANK, INC. STATEMENT OF**

**ACTIVITIES YEAR ENDED**

31 DECEMBER 2022

| REVENUE                  | Without Donor      | With Donor      | <u>Restrictions Total</u> |
|--------------------------|--------------------|-----------------|---------------------------|
| Contributed food         | \$2,231,225        | \$0             | \$2,231,225               |
| Donations                | 697,079            | 5,000           | 702,079                   |
| Government awards        | 164,663            | 0               | 164,663                   |
| Grants                   | 70,748             | 0               | 70,748                    |
| Other, investment income | (3,370)            | 0               | (3,370)                   |
|                          |                    |                 | <u>3,160,345</u>          |
|                          |                    |                 | <u>5,000</u>              |
|                          |                    |                 | <u>3,165,345</u>          |
| <br>                     |                    |                 |                           |
| EXPENSES                 |                    |                 |                           |
| Program                  | 2,511,685          | 0               | 2,511,685                 |
| Administrative           | 130,411            | 0               | 130,411                   |
| Fundraising              |                    |                 | <u>115,744</u>            |
|                          |                    |                 | <u>115,744</u>            |
|                          |                    |                 | <u>2,757,840</u>          |
|                          |                    |                 | <u>0</u>                  |
|                          |                    |                 | <u>2,757,840</u>          |
| <br>                     |                    |                 |                           |
| CHANGE IN NET ASSETS     | 402,505            | 5,000           | 407,505                   |
| BEGINNING NET ASSETS     | <u>2,384,802</u>   | <u>70,181</u>   |                           |
|                          | <u>2,454,983</u>   |                 |                           |
| ENDING NET ASSETS        | <u>\$2,787,307</u> | <u>\$75,181</u> | <u>\$2,862,488</u>        |

The accompanying notes are an integral part of this financial statement presentation.

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**HAYS COUNTY FOOD BANK, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED 31 DECEMBER 2022

Program Administrative Fundraising Total

|                                 |             |        |       |             |                     |               |                  |                  |                    |
|---------------------------------|-------------|--------|-------|-------------|---------------------|---------------|------------------|------------------|--------------------|
| Contributed food                | \$2,255,345 | \$0    | \$0   | \$2,255,345 | Payroll and related | 175,531       | 79,161           | 89,487           | 344,179            |
| Repairs and maintenance         | 20,176      | 2,522  | 2,522 | 25,220      | Program supplies    | 22,994        | 0                | 0                | 22,994             |
| Insurance                       | 0           | 20,250 | 0     | 20,250      | Depreciation        | 14,040        | 1,755            | 1,755            | 17,550             |
| Information technology services | 5,158       | 2,326  | 2,629 | 10,113      | Fundraising         | 0             | 0                | 9,949            | 9,949              |
| Utilities                       | 4,857       | 2,191  | 2,476 | 9,524       | Other               | 13,584        |                  |                  |                    |
|                                 |             |        |       |             |                     | <u>22,206</u> | <u>6,926</u>     | <u>42,716</u>    | <u>\$2,511,685</u> |
|                                 |             |        |       |             |                     |               | <u>\$130,411</u> | <u>\$115,744</u> | <u>\$2,757,840</u> |

The accompanying notes are an integral part of this financial statement presentation.

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**HAYS COUNTY FOOD BANK, INC.**

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$407,505 Depreciation 17,550 Unrealized (gain)/loss 16,277 Change in  
contributed food inventory 24,120 Change in donations receivable 16,417 Change in accounts  
payable and accrued liabilities 18 481,887

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments (7,611) Purchases of fixed assets (9,776) (17,387)

NET CHANGE IN CASH 464,500 BEGINNING CASH 2,066,859 ENDING CASH \$2,531,359

The accompanying notes are an integral part of this financial statement presentation.

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## **HAYS COUNTY FOOD BANK, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: ORGANIZATION**

Hays County Food Bank, Inc. (HCFB) is passionately committed to improving lives through food programs, nutrition education and advocacy. Since its incorporation in 1984, food has been collected from donations and supplemental purchases and distributed to people through a network of charitable organizations and direct distributions. HCFB is primarily funded by donations and grants.

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America 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

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **FINANCIAL STATEMENT PRESENTATION**

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

##### Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

##### Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, which includes when the stipulated time has elapsed, when the stipulated purpose for which the

restricted resource has been fulfilled, or both.

## BASIS OF ACCOUNTING

HCFB uses the accrual basis of accounting. Revenue is recorded when earned and expenses are recognized when incurred.

## INVESTMENTS

Investments consist of mutual funds with readily determinable fair values reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment earnings are reported as an increase in unrestricted net assets in the reporting period in which the income is recognized.

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## **HAYS COUNTY FOOD BANK, INC.**

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### REVENUE

Contributions are recognized as revenue is received or when the donor makes an unconditional promise to give to HCFB. Conditional promises to give are not recognized until all conditions upon which they depend are substantially met. Cost-reimbursement grants are recorded when the related costs are incurred. HCFB considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

##### CONTRIBUTED GOODS AND SERVICES

Contributed food inventory is reflected in the accompanying statements at the estimated fair market value at date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Other volunteer services that do not meet these criteria are not recognized in the financial statements.

##### ESTIMATES

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

##### FIXED ASSETS



Fixed assets are carried at cost or, if donated, at the estimated fair value at the date of donation. HCFB has a policy of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,500. Before 1 January 2021, expenditures for fixed assets in excess of \$500 were capitalized. Depreciation is calculated on a straight-line over the estimated useful lives of the assets ranging from 3 to 30 years.

#### FUNCTIONAL ALLOCATION OF EXPENSES

HCFB incurs some expenses that are applicable to more than one program or supporting function. Therefore, HCFB allocates common expenses between program, administrative, and fundraising. The expense categories that are allocated are payroll and related, utilities and information technology services, which are allocated based on estimates of time spent by staff; depreciation, and repairs and maintenance, which are allocated based on estimates of space usage; and other, which is allocated based on knowledge of specific accounts and transactions.

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### HAYS COUNTY FOOD BANK, INC.

#### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### FEDERAL INCOME TAX STATUS

HCFB is a nonprofit organization exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), except to the extent it has unrelated business activities. Therefore, no provision has been made for Federal income tax in the accompanying financial statements.

##### SUBSEQUENT EVENTS

HCFB has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

#### **NOTE 3: CONCENTRATION**

As of 31 December 2022, HCFB has cash balances of approximately \$1,311,000 in excess of FDIC coverage.

#### **NOTE 4: INVESTMENTS**

Mutual funds \$143,203 **NOTE 5: FAIR VALUE DISCLOSURES**

| <u>Amount</u> | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets ( <u>Level<br/>1</u> ) | Significant<br>Other<br>Observable<br>Inputs<br>( <u>Level 2</u> ) | Significant<br>Unobservable<br>Inputs<br>( <u>Level 3</u> ) |
|---------------|---|--|---|
|---------------|---|--|---|

Investments \$143,203 \$143,203 \$0 \$0 Contributed food inventory \$26,880 \$0  
\$26,880 \$0

The value of contributed food inventory on hand at year-end is based on the estimated fair value of the average price per pound of food as reported by Feeding America.

**NOTE 6: CONTRIBUTED NONFINANCIAL ASSETS**

HCFB recognized \$2,231,225 in contributed nonfinancial assets within revenue for donations of food. Contributed nonfinancial assets did not have donor-imposed restrictions. The contributed food was distributed to people through a network of fifty or more churches and other agencies. The contributed food is valued and reported at the estimated fair value in the financial statements based on Feeding America 2022 annual report.

**HAYS COUNTY FOOD BANK, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 6: CONTRIBUTED NONFINANCIAL ASSETS**

At year-end, HCFB had contributed food inventory on hand of \$26,880, which is reflected on the statement of financial position.

HCFB received 13,829 hours of volunteer services during 2022 in support of its program, with an estimated value of \$412,934. However, these volunteer services do not meet the criteria for recognition in the financial statements and are therefore not included in the financial statements.

HCFB leases land held in trust by the City of San Marcos, Hays County and the San Marcos Independent School District for \$1.00 a year. The fair value of the use of this property cannot be reasonably determined; therefore, no amounts have been recognized for contributed land in the statement of activities.

**NOTE 7: LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash \$2,531,359 Investments 143,203 Donations receivable 76,283 Less: donor  
restricted for specific purposes (75,181) \$2,675,664

As part of HCFB's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the organization's operating accounts.

**NOTE 8: FIXED ASSETS**

Building and improvements \$185,217 Vehicles 125,083 Furniture and equipment 43,406  
Accumulated depreciation (261,422) \$92,284

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**HAYS COUNTY FOOD BANK, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE**

During the year, HCFB adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements for contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

