



FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

MARCH 31, 2020 and 2019

SOUTH PLAINS FOOD BANK, INC.

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Anderson Hill, LLP / 2732 82nd Street, Suite B / Lubbock, TX 79423
main 806.771.4000 fax 806.771.4005

REPORT OF INDEPENDENT AUDITORS

Board of Directors
South Plains Food Bank, Inc.
Lubbock, Texas

We have audited the accompanying financial statements of South Plains Food Bank, Inc. (the Organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General in the United States. Those standards require that we plan and perform the audits 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
South Plains Food Bank, Inc.
Lubbock, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of March 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 2 to the financial statements, the Organization adopted the Financial Accounting and Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606), as amended, that requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Also, the Organization adopted the Financial Accounting and Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 Not-for-Profit Entities (Topic 958) that clarifies the scope and the accounting guidance for contributions received and contributions made. Our opinion on the financial statements is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on page 21 is also presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020, 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 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 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.

Anderson Hill, LLP

Lubbock, Texas
September 8, 2020

SOUTH PLAINS FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents		
Unrestricted		
Undesignated	\$ 1,481,529	\$ 1,206,458
Board designated	939,867	992,426
Restricted	2,009,628	1,639,926
Board designated certificates of deposit	1,237,956	1,152,316
Accounts receivable	23,065	31,325
Grants receivable	192,703	161,715
Current portion of unconditional promises to give	173,067	163,882
Inventories		
Unrestricted	3,287,105	2,811,443
Restricted	685,733	460,477
Prepaid expenses	89,555	80,090
Total current assets	<u>10,120,208</u>	<u>8,700,058</u>
Noncurrent assets		
Unconditional promises to give, net of current portion	403,482	393,293
Beneficial interest in assets held by others	186,706	149,318
Long-lived assets held for sale	815,000	1,125,000
Capital assets, net	<u>10,552,285</u>	<u>10,689,268</u>
Total noncurrent assets	<u>11,957,473</u>	<u>12,356,879</u>
Total assets	<u>\$ 22,077,681</u>	<u>\$ 21,056,937</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 29,031	\$ 65,978
Accrued salaries	50,258	23,284
Other current liabilities	3,637	14,744
Deferred revenue	<u>10,410</u>	<u>6,424</u>
Total current liabilities	93,336	110,430
Net assets		
Without donor restrictions		
Undesignated	16,534,612	16,144,187
Board designated	<u>2,177,823</u>	<u>2,144,742</u>
Total without donor restrictions	18,712,435	18,288,929
With donor restrictions	<u>3,271,910</u>	<u>2,657,578</u>
Total net assets	<u>21,984,345</u>	<u>20,946,507</u>
Total liabilities and net assets	<u>\$ 22,077,681</u>	<u>\$ 21,056,937</u>

See accompanying notes to the financial statements.

SOUTH PLAINS FOOD BANK, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, gains and other support		
Contributions	\$ 3,092,158	\$ 2,676,078
Contributions in-kind	8,695,421	8,475,689
Grant revenue	361,274	341,633
Shared maintenance fees	439,589	417,481
Special events fundraising	41,475	36,839
Meal programs	513,562	576,926
Catering	3,286	5,805
Program and rentals	56,938	63,077
Interest income	45,016	40,672
Impairment loss	(310,000)	(100,000)
Gain on sale of assets	500	500
Other	15,926	23,434
Net assets released from restrictions including		
Satisfaction of program restrictions	5,103,461	4,116,230
Total revenues, gains, and other support	18,058,606	16,674,364
Expenses		
Program services	15,937,713	15,386,990
Fundraising	568,719	560,256
Management and general	1,128,668	830,083
Total unrestricted expenses	17,635,100	16,777,329
Change in net assets without donor restrictions	423,506	(102,965)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
USDA commodities received	4,713,601	2,537,283
Restricted grant for product handling	525,703	303,472
Grant and contribution revenue	478,489	1,532,412
USDA commodities released for distribution	(4,488,346)	(2,430,208)
Net assets released from restrictions	(615,115)	(1,686,022)
Change in net assets with donor restrictions	614,332	256,937
Change in net assets	1,037,838	153,972
Net assets		
Beginning of year	20,946,507	20,792,535
End of year	\$ 21,984,345	\$ 20,946,507

See accompanying notes to the financial statements.

SOUTH PLAINS FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2020

	Supporting Services				Total 2020
	Program Services	Fund- Raising	Management and General	Total Supporting Services	
Expenses					
Salaries and wages	\$ 1,272,252	\$ 223,777	\$ 618,687	\$ 842,464	\$ 2,114,716
Contract labor	3,500	60	-	60	3,560
Payroll taxes	97,859	17,941	47,299	65,240	163,099
Employee insurance and benefits	245,409	27,601	139,167	166,768	412,177
Workers' compensation	5,083	847	2,542	3,389	8,472
Liability insurance	2,732	-	34,699	34,699	37,431
Office expense	15,725	7,433	66,449	73,882	89,607
Dues	22,088	-	-	-	22,088
Postage and freight	5,000	9,000	1,175	10,175	15,175
Telephone	8,086	3,563	11,981	15,544	23,630
Audit and professional fees	-	-	27,732	27,732	27,732
Volunteer / staff expense	7,315	-	-	-	7,315
Conference and travel	14,021	9,000	3,700	12,700	26,721
Food bank promotion	1,321	256,891	-	256,891	258,212
Utilities	190,372	-	19,492	19,492	209,864
Warehouse					
Supplies	153,694	-	-	-	153,694
Repairs and maintenance	73,929	-	-	-	73,929
Insurance	54,646	-	-	-	54,646
Security	26,122	-	-	-	26,122
Cost of food distributed	12,460,441	-	-	-	12,460,441
Food transportation and handling	61,804	-	-	-	61,804
Food purchase	391,864	-	-	-	391,864
Miscellaneous programs	58,388	-	-	-	58,388
Vehicles					
Fuel and oil	38,665	-	-	-	38,665
Repairs and maintenance	67,213	-	-	-	67,213
Insurance / registration	42,158	-	-	-	42,158
Leasing expense	14,660	12,606	12,606	25,212	39,872
Interest expense	-	-	-	-	-
Farm expense	30,812	-	-	-	30,812
Total expenses before					
Depreciation	15,365,159	568,719	985,529	1,554,248	16,919,407
Depreciation	572,554	-	143,139	143,139	715,693
Total expenses	\$ 15,937,713	\$ 568,719	\$ 1,128,668	\$ 1,697,387	\$ 17,635,100

See accompanying notes to the financial statements.

SOUTH PLAINS FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2019

	Supporting Services				Total 2019
	Program Services	Fund- Raising	Management and General	Total Supporting Services	
Expenses					
Salaries and wages	\$ 1,228,441	\$ 259,903	\$ 437,802	\$ 697,705	\$ 1,926,146
Contract labor	6,806	-	-	-	6,806
Payroll taxes	108,190	22,890	38,558	61,448	169,638
Employee insurance and benefits	301,893	21,331	48,103	69,434	371,327
Workers' compensation	6,455	1,366	2,300	3,666	10,121
Liability insurance	7,610	-	-	-	7,610
Office expense	48,350	-	72,524	72,524	120,874
Dues	20,854	-	-	-	20,854
Postage and freight	4,644	9,289	4,644	13,933	18,577
Telephone	20,224	-	3,569	3,569	23,793
Audit and professional fees	-	-	21,974	21,974	21,974
Volunteer / staff expense	12,711	-	-	-	12,711
Conference and travel	9,950	1,990	7,960	9,950	19,900
Food bank promotion	-	237,781	-	237,781	237,781
Utilities	194,882	-	22,210	22,210	217,092
Warehouse					
Supplies	182,885	-	-	-	182,885
Repairs and maintenance	68,249	-	-	-	68,249
Insurance	85,474	-	-	-	85,474
Security	11,852	-	-	-	11,852
Cost of food distributed	11,802,920	-	-	-	11,802,920
Food transportation and handling	48,426	-	-	-	48,426
Food purchases	420,951	-	-	-	420,951
Miscellaneous programs	73,740	-	-	-	73,740
Vehicles					
Fuel and oil	69,721	-	-	-	69,721
Repairs and maintenance	31,291	-	-	-	31,291
Insurance / registration	27,681	-	-	-	27,681
Leasing expense	17,119	5,706	15,217	20,923	38,042
Interest expense	-	-	15,212	15,212	15,212
Farm expense	15,631	-	-	-	15,631
Total expenses before					
Depreciation	14,826,950	560,256	690,073	1,250,329	16,077,279
Depreciation	560,040	-	140,010	140,010	700,050
Total expenses	\$ 15,386,990	\$ 560,256	\$ 830,083	\$ 1,390,339	\$ 16,777,329

See accompanying notes to the financial statements.

SOUTH PLAINS FOOD BANK, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,037,838	\$ 153,972
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	715,693	700,050
Impairment loss	310,000	100,000
Forgiven balance on promissory note	-	(1,073,725)
Gain on sale of assets	(500)	(500)
Realized/unrealized (gain) loss in beneficial interest in assets held by others	8,971	(4,659)
Changes in operating assets and liabilities		
Accounts receivable	8,260	(10,164)
Grants receivable	(30,988)	43,200
Unconditional promises to give	(19,374)	(64,994)
Inventories	(700,918)	789,949
Prepaid expenses	(9,465)	4,897
Accounts payable	(36,947)	22,332
Accrued salaries	26,974	(5,078)
Other current liabilities	(11,107)	(13,849)
Deferred revenue	3,986	2,924
Net cash flows from operating activities	1,302,423	644,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in board designated certificates of deposit	(85,640)	(68,863)
Proceeds from sale of assets	500	500
Proceeds from beneficial interest in assets held by others	3,641	2,760
Contributions to beneficial interest in assets held by others	(50,000)	-
Acquisition of property and equipment	(578,710)	(183,466)
Net cash flows from investing activities	(710,209)	(249,069)
Net change in cash and cash equivalents	592,214	395,286
Cash and cash equivalents at beginning of year		
Beginning of year	3,838,810	3,443,524
End of year	\$ 4,431,024	\$ 3,838,810
Cash flow reconciliation to the statements of financial position		
Unrestricted		
Undesignated	\$ 1,481,529	\$ 1,206,458
Board designated	939,867	992,426
Restricted	2,009,628	1,639,926
Total cash and cash equivalents	\$ 4,431,024	\$ 3,838,810
Supplemental cash flow information:		
In-kind food and service donations	\$ 13,170,280	\$ 11,012,972
Cash paid for interest	\$ -	\$ 15,212

See accompanying notes to the financial statements.

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - South Plains Food Bank, Inc. (hereby referred to as the "Organization"), a non-profit corporation, was established to provide food subsistence to various agencies serving the community. The Organization was incorporated on May 27, 1983, and opened for operation in December of that year.

Method of accounting - The Organization prepares its financial statements on the accrual basis of accounting where revenues are recognized when earned and expenditures when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation - Financial statement presentation follows the requirements of Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) 958, Financial Statements for Not-for-Profit Organizations. As such, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and / or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other 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. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

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

Cash and cash equivalents - The Organization considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents. Included in cash equivalents are money market deposit funds and short-term certificates of deposit, reported at contract value.

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

Restricted cash and cash equivalents - Restricted cash and cash equivalents are comprised of funds restricted for a specific purpose or time period by the donor or granting agency.

Beneficial interest in assets held by others - The Organization transferred assets to a community foundation which hold funds for its benefit. When a non-profit organization transfers assets to a community foundation and when the resource provider names itself as beneficiary, the economic benefit of the transferred asset remains with the resource provider. The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the asset contributed. Changes in the value are recognized in the statements of activities and changes in net assets.

Accounts receivable - Shared maintenance revenue is recognized as a receivable from a participating agency when food is distributed to the agency on account. The Organization provides allowances for doubtful receivables equal to the estimated collection losses that will be included in collection of all receivables. The estimated losses are based on historical collection experience coupled with review of the current status of existing receivables. As of March 31, 2020 and 2019, the gross account receivable balance is representative of the net realizable value of the receivables.

Grants receivable - Receivables for services and goods provided in previous periods are recognized as grants receivable from the various grantors. These receivables are typically collected in full within 60 days. Management does not believe an allowance for uncollectible amounts is necessary as historically losses have been insignificant.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released and reclassified to net assets without donor restrictions.

Inventories - The Organization is a member of Feeding America, which is a national food bank network. Its principal business activity is the collection of food and merchandise from a variety of sources, and distributing them to member agencies. Inventories are valued using a poundage valuation issued annually by Feeding America and are determined on the first-in, first-out method.

The donated food received by the Organization and distributed to charitable beneficiaries is reflected as donations, cost of food distributed and inventory. The value of the donated food including the USDA commodities received during 2020 and 2019 was \$13,110,347 and \$11,012,972, respectively. The amount of food distributed during 2020 and 2019 had an estimated value of \$12,460,441 and \$11,802,920, respectively.

Capital assets - Property and equipment are recorded at cost for purchased items or at fair market value at the date of acquisition for donated items. Items under certain amounts are recorded as expenses rather than as fixed assets. When retired or otherwise disposed of, the related carrying value and allowance for

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

depreciation is cleared from the respective accounts and the net difference, less any amount realized on disposition, is reflected in operations.

Depreciation is provided using the straight-line method based on the estimated useful lives of the assets which range from 3 to 40 years. The cost of maintenance and repairs is expensed as incurred, whereas significant betterments and improvements are capitalized.

Long-lived assets held for sale - The Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. An impairment is evaluated based on the sum of undiscounted future cash flows expected to result from the sale of the asset compared to its carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value. During 2020 and 2019, the Organization recognized an impairment loss of \$310,000 and \$100,000, respectively.

Donated goods and services - The Organization receives a substantial amount of services donated by citizens interested in the Organization's program. Board members, warehouse volunteers, and volunteers for various food drives donate their time. The value of these services is not recognized in the financial statements.

Revenue recognition - Revenue funded by grants and contracts is recognized as the Organization performs the contracted services or incurs eligible expenses under the grant agreements. Activities and expenses allocated to grants and contracts are subject to audit and acceptance by the awarding agency and, as a result of such audit, adjustments could be required.

Restricted and unrestricted revenue - Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Shared maintenance revenue - The Organization charges recipient agencies for the receipt and distribution of donated food. The shared maintenance fee is to offset a portion of the costs associated with the donated food including the receiving, storage, and distribution costs incurred by the Organization.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the methods used were appropriate, other methods could produce different results.

Freight costs - Freight costs, the costs associated with having donated and purchased food delivered to its warehouse, are expensed by the Organization as incurred.

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

Income taxes – The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of March 31, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions. However as of the date of the financial statements, there were no audits for any tax periods in progress. The Organization has filed its income tax returns for the periods through March 31, 2019. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. These reclassifications have no effect on the previously reported net assets or change in net assets.

Going concern evaluation – Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Subsequent events – The financial statements and related disclosures include evaluation of events up through and including September 8, 2020, which is the date the financial statements are available to be issued.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

During the fiscal year, the Organization adopted the Financial Accounting and Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606), as amended, that requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Also, the Organization adopted the Financial Accounting and Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 Not-for-Profit Entities (Topic 958) that clarifies the scope and the accounting guidance for contributions received and contributions made. The adoption of these principles did not impact the Organization's previously reported financial condition, results of operations, or cash flows.

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

NOTE 3 - CASH AND CASH EQUIVALENTS

Included in the cash and cash equivalents are certificates of deposit totaling \$939,867 and \$992,426 as of March 31, 2020 and 2019, respectively, designated by the Board of Directors for emergency funds usage in the event inventory and operations cash flow decrease. The certificates bear various interest rates, with penalties for early withdrawal normally waived due to the Organization's nonprofit status. In addition, these funds are held to meet contractual requirements with Feeding America.

The Organization maintains cash accounts which are restricted in nature, due to restrictions being placed on the funds by external sources. The amount of restricted cash was \$2,009,628 and \$1,639,926 as of March 31, 2020 and 2019, respectively.

Custodial credit risk – The Organization maintains cash balances at several financial institutions located in Lubbock, Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts. The Organization believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 - RESTRICTED NET ASSETS

Restricted cash - Restricted cash relates to donations and funds received that are restricted for various purposes.

Restricted unconditional promises to give - Unconditional promises to give are included in restricted net assets as they are restricted to time.

Restricted inventories - Restricted inventories are food commodities received under an agreement with the U.S. Department of Agriculture. These food items are restricted as to their distribution under the terms of this agreement.

Whenever the Organization incurs an expense for which it may use either restricted or unrestricted assets, restricted assets are used first to satisfy the restrictions of the funds. Generally, restricted cash and non-cash contributions received, including long-lived assets, whose restrictions are met in the same reporting period are classified as unrestricted support in the accompanying financial statements.

NOTE 5 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization began participating in the Lubbock Area Foundation, Inc. Community Endowment Challenge in 2001 (currently The Community Foundation of West Texas, (CFWT)). The Organization invested \$100,000 in cash and readily marketable securities with CFWT to be eligible to receive the earnings from \$50,000 matching grant by CFWT. Any funds contributed to CFWT under the endowment challenge remain restricted, as well as

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

any changes in market value. Earnings generated by the endowment challenge and issued by CFWT are considered unrestricted funds. The market value of the Organization's portion of the endowment was \$136,700 and \$149,318 as of March 31, 2020 and 2019, respectively. The matching contribution from CFWT of \$50,000 is not considered an asset of the Organization. Distributions of income from the challenge endowment are reported as interest income. Gains and losses, which are not distributed by CFWT, are reflected as the change in value of beneficial interest in assets held by others in the statements of activities and changes in net assets. The investment activities of the beneficial interest in assets held by others is determined by CFWT rather than the Organization.

In 2020, the Organization received \$50,000 from an individual and created the Dale Young Endowment. The funds are invested in cash and readily marketable securities. The Organization is eligible to receive funds from the earnings. Distributions of income from the endowment are reported as interest income. Gains and losses, which are not distributed, are reflected as the change in value of beneficial interest in assets held by others in the statements of activities and changes in net assets. The investment activities of the beneficial interest in assets held by others is determined by the donor rather than the Organization.

Activity related to the beneficial interest in assets held by others is shown in the following schedule:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 149,318	\$ 147,419
Contributions	50,000	-
Interest income	3,651	3,858
Realized gain on sale of investments	5,903	3,085
Unrealized gain (loss) on investments	(14,874)	1,994
Fees	(7,292)	(7,038)
Ending balance	<u>\$ 186,706</u>	<u>\$ 149,318</u>

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

The Organization has promises to give from various individuals and organizations. The \$576,549 and \$557,175 in promises to give as of March 31, 2020 and 2019, respectively, are unconditional and due within one to eight years. An allowance against pledges receivable represents management's estimate of expected losses to be realized, and are based on historical experience, current economic conditions, and other relevant factors. Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional pledges are recognized when the conditions on which they depend are

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

substantially met. As of March 31, 2020 and 2019, the allowance and the present value discount related to unconditional promises to give are not significant to the overall financial statements.

The following is a schedule by year of unconditional promises to give for the years following March 31, 2020:

Year Ending March 31,	
2021	\$ 173,067
2022	146,519
2023	117,929
2024	85,322
2025	39,160
Thereafter	14,552
	<u>\$ 576,549</u>

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

methodologies used as of March 31, 2020 and 2019.

Beneficial interest in assets held by others: Valued at fair value as reported by CFWT and Pennington Bass which represents the Organization's *pro rata* interest in the net assets of the fund substantially all of which are valued on a mark-to-mark basis.

	Total	Level 1	Level 2	Level 3
<u>March 31, 2020</u>				
Beneficial interest in assets held by others	\$ 186,706	\$ -	\$ -	\$ 186,706
<u>March 31, 2019</u>				
Beneficial interest in assets held by others	\$ 149,318	\$ -	\$ -	\$ 149,318

Assets measured at fair value on a non-recurring basis consist of property and equipment which were reclassified to long-lived assets held for sale during 2017. The property and equipment are reported as level 3 as of the effective date these assets were deemed impaired which was March 31, 2017. The impairment was evaluated based on the sum of undiscounted future cash flows expected to result from the sale of the assets compared to the carrying value resulting in an impairment loss. The valuation techniques used to determine the fair value of the property and equipment were based on historical sales of similar type property and equipment.

	Total	Level 1	Level 2	Level 3
<u>March 31, 2020</u>				
Property and equipment	\$ 815,000	\$ -	\$ -	\$ 815,000
<u>March 31, 2019</u>				
Property and equipment	\$ 1,125,000	\$ -	\$ -	\$ 1,125,000

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2020 and 2019. See the Beneficial Interest in Assets Held by Others Note for a progression of level 3 assets for 2020 and 2019.

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

NOTE 8 - CAPITAL ASSETS

As of March 31, 2020 and 2019, major classifications of capital assets are summarized below:

	<u>2020</u>	<u>2019</u>
Land and Improvements	\$ 1,735,164	\$ 1,713,916
Farm Buildings	534,467	371,165
Warehouse Buildings	7,750,780	7,744,898
Vehicles	1,572,265	1,266,850
Furniture and Equipment	3,748,912	3,666,049
	<u>15,341,588</u>	<u>14,762,878</u>
Less: Allowance for Depreciation	<u>(4,789,303)</u>	<u>(4,073,610)</u>
Capital Assets, Net	<u>\$ 10,552,285</u>	<u>\$ 10,689,268</u>

Depreciation expense of \$715,693 and \$700,050 was recorded for 2020 and 2019, respectively. In prior years, the Organization listed several properties for sale and reclassified those capital assets to long-lived assets held for sale. Additionally, the Organization recognized an impairment loss of \$310,000 and \$100,000 in 2020 and 2019, respectively, related to the differences between the net book value and estimated fair value of these capital assets.

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS

The Organization has a 403(b) savings plan covering substantially all employees. The Organization matches employee contributions to their 403(b) savings plan up to a maximum of 5% of their eligible compensation based on the following schedule:

0 – 2 years of full time continuous employment:	0%
2 – 3 years of full time continuous employment:	3%
3 – 4 years of full time continuous employment:	4%
4 or more years of full time continuous employment:	5%

All full time employees may begin making voluntary contributions to the Organization's 403(b) plan 90 days after they are hired, and part-time employees may contribute after completing 1,000 hours of service. The plan match expenses incurred by the Organization during 2020 and 2019 were \$40,662 and \$34,555, respectively.

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

NOTE 10 - COMMITMENTS

Leases - The Organization leases equipment under operating lease agreements expiring at various dates through 2023. Total rental expense in 2020 and 2019 for operating leases was \$42,567 and \$56,739, respectively. The following is a schedule by year of future minimum lease payments under operating leases for the years following March 31, 2020 that have initial or remaining terms in excess of one year:

Year Ending		
March 31,		
2021	\$	31,803
2022		18,186
2023		7,125
	\$	<u>57,114</u>

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end	\$	6,461,297
Less those unavailable for general expenditures within one year, due to:		
Purpose and time restrictions		<u>(2,413,110)</u>
Financial assets available to meet cash needs for general expenditures within one year		
	\$	<u>4,048,187</u>

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the "new guidance."

SOUTH PLAINS FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

We adopted the requirements of the new guidance as of April 1, 2019, utilizing the modified retrospective method of transition. We applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of April 1, 2019. Adoption of the new guidance resulted in no changes to our accounting policies for revenue recognition and contract liabilities.

The Organization provides food and social services to the South Plains. Shared maintenance fee revenue consists of fees to partners of the Organization based upon costs to operate the Food Bank. The Organization recognizes the revenues as the Organization satisfies its obligation to the customer as in prior years. The application of the new standard did not change the timing of the recognition for the Organization.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Under this guidance, there were no changes to any of the items included in the 2019 financial statements.

NOTE 13 - RECENTLY ISSUED ACCOUNTING STANDARDS

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Organization is not required to adopt until its year ending March 31, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on the Organization's balance sheet.

The Organization is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

NOTE 14 - SUBSEQUENT EVENTS

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable. An adverse impact is not anticipated.

On April 10, 2020, the Organization executed an agreement with a local bank under the Paycheck Protection Program. The Organization received \$477,300 under the program. Principal and interest will be deferred for six months from the date of the note. As of August 10, 2020, the Organization has not applied for forgiveness, and therefore, the amount to be repaid is not known.

SUPPLEMENTARY INFORMATION

SOUTH PLAINS FOOD BANK, INC.

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – COLUMNAR FORMAT YEAR ENDED MARCH 31, 2020

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues, gains and other support			
Support received directly			
Grants	\$ 361,274	\$ 478,489	\$ 839,763
Commodities handling fees	-	525,703	525,703
Contributions	3,092,158	-	3,092,158
In-kind donations	8,695,421	-	8,695,421
Support received indirectly			
USDA commodities	-	4,713,601	4,713,601
	<u>12,148,853</u>	<u>5,717,793</u>	<u>17,866,646</u>
Total support from the public			
Other Revenue			
Shared maintenance fees	439,589	-	439,589
Meal programs	513,562	-	513,562
Catering	3,286	-	3,286
Programs and rentals	56,938	-	56,938
Investment income	45,016	-	45,016
Special event fundraising	41,475	-	41,475
Impairment loss	(310,000)	-	(310,000)
Gain on sale of assets	500	-	500
Other	15,926	-	15,926
	<u>806,292</u>	<u>-</u>	<u>806,292</u>
Total other revenue			
Net assets released from restrictions			
USDA commodities released for distributor	4,488,346	(4,488,346)	-
Satisfaction of program restrictions	615,115	(615,115)	-
	<u>5,103,461</u>	<u>(5,103,461)</u>	<u>-</u>
Total net assets			
Released from restrictions			
	<u>5,103,461</u>	<u>(5,103,461)</u>	<u>-</u>
Total revenues, gains and other support	18,058,606	614,332	18,672,938
Expenses			
Program services	15,937,713	-	15,937,713
Fundraising	568,719	-	568,719
Management and general	1,128,668	-	1,128,668
	<u>17,635,100</u>	<u>-</u>	<u>17,635,100</u>
Total expenses			
Change in net assets	423,506	614,332	1,037,838
Net assets at beginning of year	<u>18,288,929</u>	<u>2,657,578</u>	<u>20,946,507</u>
Net assets at end of year	<u>\$ 18,712,435</u>	<u>\$ 3,271,910</u>	<u>\$ 21,984,345</u>

See report of independent auditors on pages 1 and 2.

SOUTH PLAINS FOOD BANK, INC.

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – COLUMNAR FORMAT YEAR ENDED MARCH 31, 2019

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues, gains and other support			
Support received directly			
Received directly			
Grants	\$ 341,633	\$ 1,532,412	\$ 1,874,045
Commodities handling fees	-	303,472	303,472
Contributions	2,676,078	-	2,676,078
In-kind donations	8,475,689	-	8,475,689
Received indirectly			
USDA commodities	-	2,537,283	2,537,283
	<u>11,493,400</u>	<u>4,373,167</u>	<u>15,866,567</u>
Total support from the public			
Other Revenue			
Shared maintenance fees	417,481	-	417,481
Meal programs	576,926	-	576,926
Catering	5,805	-	5,805
Programs and rentals	63,077	-	63,077
Investment income	40,672	-	40,672
Special event fundraising	36,839	-	36,839
Impairment loss	(100,000)	-	(100,000)
Gain on sale of assets	500	-	500
Other	23,434	-	23,434
	<u>1,064,734</u>	<u>-</u>	<u>1,064,734</u>
Total other revenue			
Net assets released from restrictions			
USDA commodities shipped	2,430,208	(2,430,208)	-
Satisfaction of program restrictions	1,686,022	(1,686,022)	-
	<u>4,116,230</u>	<u>(4,116,230)</u>	<u>-</u>
Total net assets Released from restrictions			
Total revenues, gains and other support	16,674,364	256,937	16,931,301
Expenses			
Program services	15,386,990	-	15,386,990
Fundraising	560,256	-	560,256
Management and general	830,083	-	830,083
	<u>16,777,329</u>	<u>-</u>	<u>16,777,329</u>
Total expenses			
Change in net assets	(102,965)	256,937	153,972
Net assets at beginning of year	<u>18,391,894</u>	<u>2,400,641</u>	<u>20,792,535</u>
Net assets at end of year	<u>\$ 18,288,929</u>	<u>\$ 2,657,578</u>	<u>\$ 20,946,507</u>

See report of independent auditors on pages 1 and 2.

SOUTH PLAINS FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED MARCH 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
Major program:			
Food Distribution Cluster			
US Department of Agriculture			
Passed through the Texas Department of Agriculture			
The Emergency Food Assistance Program (Commodities)	10.569	01535	\$4,488,346
The Emergency Food Assistance Program (Administrative Costs)	10.568	01535	375,474
Commodity Supplemental Food Program	10.565	01535	<u>148,539</u>
Total Food Distribution Cluster			5,012,359
Non-major programs:			
US Department of Agriculture			
Passed through the Texas Department of Agriculture			
Summer Food Service Program	10.559	01535	181,710
Child and Adult Care Food Program	10.558	01535	267,104
TEFAP Trade Mitigation	10.178	01535	150,228
Farmers Market Nutrition Program	10.572	01535	57,558
Passed through the Texas Department of Health and Human Services			
Nutrition Education Program	10.561	529-006-0002-0003	<u>93,984</u>
Total non-major programs			<u>750,584</u>
Total expenditures of federal awards			<u><u>\$5,762,943</u></u>

See report of independent auditors on pages 1 and 2.
See accompanying notes to schedule of expenditures of federal awards.

SOUTH PLAINS FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS MARCH 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under programs of the federal government for the year ended March 31, 2020. The information in the SEFA 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 SEFA 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

Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Non-Cash Awards

The value of United States Department of Agriculture (USDA) commodities received during 2020 and reported in the accompanying statement of activities and changes in net assets was estimated by the USDA. The value of USDA commodities distributed during 2020, including amounts held in inventory at the beginning of 2020, and reported in the accompanying 2020 statement of functional expenses was from the Commodity Supplemental Food Program and the Emergency Food Assistance Program. As of March 31, 2020, the Organization had an inventory of USDA food commodities of \$685,733 included in the accompanying statement of financial position.

NOTE 3 – SUBRECIPIENT PASS THROUGH

No entities received pass through federal awards from the Organization during 2020.



Anderson Hill, LLP / 2732 82nd Street, Suite B / Lubbock, TX 79423
main 806.771.4000 fax 806.771.4005

**REPORT OF INDEPENDENT AUDITORS 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**

Board of Directors
South Plains Food Bank, Inc.
Lubbock, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Plains Food Bank, Inc. (the Organization), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
South Plains Food Bank, Inc.
Lubbock, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Anderson Hill, LLP

Lubbock, Texas
September 8, 2020



Anderson Hill, LLP

Anderson Hill, LLP / 2732 82nd Street, Suite B / Lubbock, TX 79423
main 806.771.4000 fax 806.771.4005

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
South Plains Food Bank, Inc.
Lubbock, Texas

Report on Compliance for Each Major Federal Program

We have audited South Plains Food Bank, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended March 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Directors
South Plains Food Bank, Inc.
Lubbock, Texas

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Anderson Hill, LLP

Lubbock, Texas
September 8, 2020

SOUTH PLAINS FOOD BANK, INC.

SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2020

Section I - Summary of audit results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)? yes none reported

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

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

Identification of major program (s):

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568 & 10.569	Food Distribution Cluster

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

Auditee qualified as low-risk auditee? yes no

Section II - Findings related to financial statements reported in accordance with Government Auditing Standards:

No matters reported

Section III - Findings and questioned costs relating to Federal awards:

No matters reported

Section IV - Summary schedule of prior audit findings:

Not applicable