

**EL PASOANS FIGHTING HUNGER**

**FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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RENE D. PEÑA, CPA  
MARY CARMEN BRIONES, CPA  
TERI A. REINERT, CPA  

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MEMBERS OF AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

4171 N. MESA, SUITE B100  
EL PASO, TEXAS 79902-1498  
PHONE: 915-542-1733  
FAX: 915-544-5440  
E-MAIL: cpa@cpaelpaso.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
El Pasoans Fighting Hunger

### Report on the Financial Statements

We have audited the accompanying financial statements of El Pasoans Fighting Hunger (a nonprofit organization), which comprise of the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, 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 of the United States. 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 El Pasoans Fighting Hunger as of December 31, 2015 and 2014, 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.

### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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, and is 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 May 27, 2016, on our consideration of El Pasoans Fighting Hunger'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 El Pasoans Fighting Hunger's internal control over financial reporting and compliance.

*Peña Briones McDaniel & Co*

El Paso, Texas  
May 27, 2016

EL PASOANS FIGHTING HUNGERSTATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014

	2015	2014
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 509,515	\$ 508,692
Investments	283,312	289,612
Receivables		
Accounts receivable	25,093	24,514
Grants receivable	334,214	288,082
Unconditional promises to give, net	250,056	249,378
Inventory	674,605	436,636
<b>TOTAL CURRENT ASSETS</b>	<b>2,076,795</b>	<b>1,796,914</b>
Unconditional promises to give, net of current portion and discount	157,647	361,344
Property and equipment, net	1,899,604	1,715,942
<b>TOTAL ASSETS</b>	<b>\$ 4,134,046</b>	<b>\$ 3,874,200</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 34,641	\$ 24,680
Deferred revenue	9,581	-
Note payable, net of long term portion	606,328	106,382
<b>TOTAL CURRENT LIABILITIES</b>	<b>650,550</b>	<b>131,062</b>
Note payable, long term	3,190	609,570
<b>TOTAL LIABILITIES</b>	<b>653,740</b>	<b>740,632</b>
<b>NET ASSETS</b>		
Unrestricted net assets	2,365,553	1,996,863
Board designated, unrestricted	227,855	227,855
Temporarily restricted net assets	886,898	908,850
<b>TOTAL NET ASSETS</b>	<b>3,480,306</b>	<b>3,133,568</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,134,046</b>	<b>\$ 3,874,200</b>

See notes to financial statements and independent auditor's report.

EL PASOANS FIGHTING HUNGERSTATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		
Unrestricted revenue gains and other support:		
Donated commodities	\$ 9,207,355	\$ 9,925,246
Government grants	2,180,291	2,003,541
Donations	176,938	346,328
Private grants	487,238	354,972
Direct mail	245,144	275,223
Special events	100,986	54,746
Agency support	440,268	522,692
In-kind revenue	56,549	18,682
Investment income (loss)	(4,811)	1,732
Other income	5,364	13,189
Net assets released from restriction	413,653	379,030
Total unrestricted revenue and other support	<u>13,308,975</u>	<u>13,895,381</u>
<b>EXPENSES</b>		
Program	12,551,593	13,260,091
Fundraising	287,710	220,992
Administrative	100,982	79,689
TOTAL EXPENSES	<u>12,940,285</u>	<u>13,560,772</u>
<b>NET INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>368,690</u>	<u>334,609</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grants	227,991	245,000
Donations-capital campaign	163,710	41,592
Net assets released from restrictions	<u>(413,653)</u>	<u>(379,030)</u>
<b>NET INCREASE (DECREASE) IN TEMPORARILY RESTRICTED</b>	<u>(21,952)</u>	<u>(92,438)</u>
<b>INCREASE IN NET ASSETS</b>	346,738	242,171
<b>NET ASSETS, Beginning of year</b>	<u>3,133,568</u>	<u>2,891,397</u>
<b>NET ASSETS, End of year</b>	<u>\$ 3,480,306</u>	<u>\$ 3,133,568</u>

See notes to financial statements and independent auditor's report.

EL PASOANS FIGHTING HUNGERSTATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015

	<u>Program Expenses</u>	<u>Fundraising Expenses</u>	<u>Administrative Expenses</u>	<u>Total Expenses</u>
Salaries	\$ 485,073	\$ 95,217	\$ 54,179	\$ 634,469
Payroll taxes and benefits	119,222	24,360	23,005	166,587
Professional development/travel	28,378	-	1,494	29,872
Utilities	57,689	-	3,036	60,725
Occupancy expenses	122,547	-	8,013	130,560
Repair and maintenance	26,072	-	1,372	27,444
Equipment lease	15,704	-	827	16,531
Interest expense	29,701	-	-	29,701
Transportation	171,167	-	-	171,167
Food purchase	461,263	-	-	461,263
Commodities distribution	10,793,450	-	-	10,793,450
FEMA expense	61,148	-	-	61,148
Office supplies and postage	24,578	-	1,294	25,872
Professional fees	9,947	-	524	10,471
Investment fee	3,512	-	-	3,512
Professional fees/dues	9,947	-	1,108	11,055
Fundraising		135,402	-	135,402
Depreciation	93,936	-	4,944	98,880
In-kind expense	23,413	32,731	405	56,549
Other expense	<u>14,846</u>	<u>-</u>	<u>781</u>	<u>15,627</u>
Total program expenses	<u>\$ 12,551,593</u>	<u>\$ 287,710</u>	<u>\$ 100,982</u>	<u>\$ 12,940,285</u>

EL PASOANS FIGHTING HUNGERSTATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014

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	<u>Program Expenses</u>	<u>Fundraising Expenses</u>	<u>Administrative Expenses</u>	<u>Total Expenses</u>
Salaries	\$ 492,791	\$ 66,263	\$ 40,759	\$ 599,813
Payroll taxes and benefits	117,587	16,331	17,291	151,209
Professional development/travel	29,208	-	1,537	30,745
Utilities	73,398	-	3,863	77,261
Occupancy expenses	46,696	-	2,458	49,154
Repair and maintenance	117,260	-	5,900	123,160
Equipment lease	-	-	-	-
Interest expense	35,064	-	-	35,064
Transportation	157,831	-	-	157,831
Food purchase	276,915	-	-	276,915
Commodities distribution	11,763,605	-	-	11,763,605
Office supplies and postage	25,202	-	1,326	26,528
Professional fees	32,278	-	1,699	33,977
Professional fees/dues	12,384	-	652	13,036
Fundraising	-	138,398	-	138,398
Depreciation	69,348	-	3,650	72,998
Other expense	<u>10,524</u>	<u>-</u>	<u>554</u>	<u>11,078</u>
Total program expenses	<u>\$ 13,260,091</u>	<u>\$ 220,992</u>	<u>\$ 79,689</u>	<u>\$ 13,560,772</u>



EL PASOANS FIGHTING HUNGER

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 346,738	\$ 242,171
Depreciation	98,880	72,998
Realized and unrealized (gain) loss on investments	12,518	476
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(46,711)	(178,001)
Unconditional pledges	203,019	265,060
Inventory and other assets	(237,969)	85,985
Increase (decrease) in:		
Accounts payable and accrued expenses	9,961	(42,879)
Deferred revenue	9,581	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>396,017</u>	<u>445,810</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	65,982	9,912
Purchase of investments	(72,200)	(300,000)
Acquisition of property and equipment	(282,542)	(229,040)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(288,760)</u>	<u>(519,128)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payment	(106,434)	(106,380)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(106,434)</u>	<u>(106,380)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	823	(179,698)
<b>CASH, Beginning of year</b>	<u>508,692</u>	<u>688,390</u>
<b>CASH, End of year</b>	<u>\$ 509,515</u>	<u>\$ 508,692</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<u>\$ 29,701</u>	<u>\$ 35,064</u>

See notes to financial statements and independent auditor's report.

**EL PASOANS FIGHTING HUNGER**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the El Pasoans Fighting Hunger (the Organization), is presented to assist in understanding these financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Purpose**

El Pasoans Fighting Hunger is a charitable corporation, formed on July 13, 2011. The Organization works to alleviate hunger in the El Paso, Hudspeth and Culberson Counties by securing donations of surplus food and grocery products for distribution through a network of charitable organizations dedicated to feeding the hungry.

The Organization is a partner distribution organization under West Texas Food Bank, a nonprofit corporation, and a sub-recipient of USDA food commodities and administrative costs passed through from the Food Bank. The Organization receives support from donations from individuals, corporations, and organizations. The Organization is dependent on their support in order to carry on its operations.

**Basis of Accounting and Presentation**

The accompanying financial statements are presented on the accrual basis of accounting. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted Net Assets**

Unrestricted net assets represent resources that are not subject to donor-imposed stipulations and over which the Board of Directors has discretionary control. Unrestricted net assets are used to carry out the operations of the Organization in accordance with its bylaws. The principal sources of the unrestricted net assets are donations from individuals and corporations. Net assets received and expended within the reporting period are reported in the Statements of Activities as unrestricted support or revenue.

**EL PASOANS FIGHTING HUNGER**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting and Presentation (Continued)**

**Board Designated Net Assets**

Board designated net assets represents funds that are subject to board sensitive restrictions.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are those net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

**Investments**

The investments in marketable securities with readily determinable fair values are recorded at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

**Accounts Receivable**

Accounts receivable consist primarily of shared maintenance fees billed to agencies for services rendered. Accounts receivable are evaluated by management and amounts deemed to be uncollectible are charged against the allowance for doubtful accounts. The allowance is then adjusted to reflect an estimated reserve for future losses. No allowance for doubtful accounts was considered necessary for 2015 and 2014.

**Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The unconditional promises to give are related to the Organization's capital campaign.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on management's analysis of specific promises made.

EL PASOANS FIGHTING HUNGER

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of donated food, purchased food and USDA commodities. Inventory is stated at the lower of cost or market value. Donated food is reported at an average price of \$1.70 and \$1.72 per pound based on a valuation done by Feeding America at the national level for 2015 and 2014, respectively. Purchased food is valued at cost. USDA commodities are valued based on published USDA fair market values.

Property and Equipment, net

Property and equipment are stated at cost, if purchased, or at fair market value, if donated. Depreciation is computed by using the straight-line basis over the estimated useful lives of assets, which ranges from 3 to 40 years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. The Organization capitalizes property and equipment in excess of \$2,000.

Revenue Recognition

Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period.

Restricted and Unrestricted Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

**EL PASOANS FIGHTING HUNGER**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**In-Kind Contributions**

In-kind contributions, which are donations of goods, services, and materials, are recognized as support and revenue in the Statement of Activities in the applicable year of donation. In-kind contributions are recorded at their estimated fair market value on the date of receipt. The Organization received donated goods, services, and materials of \$56,549 and \$18,682 for 2015 and 2014, respectively. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteer services which do not meet those criteria's are not recognized in the financial statements. Volunteer hours totaled approximately 16,250 and 16,398 hours for 2015 and 2014, respectively. See footnote #4 for the donated food.

**Functional Expense Allocation**

Functional expenses have been allocated between program, fundraising, and administrative expenses in the Statement of Activities and Schedule of Functional Expenses based upon direct charges and expense allocations, using criteria established by management.

**Income Taxes**

El Pasoans Fighting Hunger is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Generally, tax years that remain subject to examination for three years after filed remain open to examination. 2012 through current year remain open to examination.

**Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits**

The Organization maintains cash balances at two financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation's (FDIC) up to \$250,000. The Organization's uninsured balance totaled \$227,469 and \$309,205 for 2015 and 2014, respectively. The Organization has not experienced any loss in such accounts, nor do they anticipate any loss.

**Use of Estimates**

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

**EL PASOANS FIGHTING HUNGER**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reclassification**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**2. INVESTMENTS**

Investments are stated at fair value and consist of the following:

	<b>December 31, 2015</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Mutual funds equity	\$ 51,017	\$ 48,835	\$ (2,182)
Mutual funds fixed taxable	184,718	174,277	(10,441)
Mutual funds alternative	42,400	39,903	(2,497)
Mutual funds real assets	21,500	20,297	(1,203)
<b>Total</b>	<b>\$ 299,635</b>	<b>\$ 283,312</b>	<b>\$ (16,323)</b>

  

	<b>December 31, 2014</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Mutual funds equity	\$ 39,100	\$ 38,723	\$ (377)
Mutual funds fixed taxable	168,000	165,349	(2,651)
Mutual funds alternative	33,000	32,390	(610)
Mutual funds real assets	54,000	53,150	(850)
<b>Total</b>	<b>\$ 294,100</b>	<b>\$ 289,612</b>	<b>\$ (4,488)</b>

**EL PASOANS FIGHTING HUNGER**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**2. INVESTMENTS (Continued)**

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2015 and 2014:

Investment income	\$ <u>7,902</u>	\$ <u>4,668</u>
Unrealized gain (loss)	\$ (11,889)	\$ (4,942)
Realized gain (loss)	<u>(824)</u>	<u>2,006</u>
Gain (loss) on investments	\$ <u>(12,713)</u>	\$ <u>(2,936)</u>

**3. FAIR VALUE MEASUREMENTS**

FASB ASC 820 Fair Value Measurements, establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active market; quoted prices for identical or similar assets in inactive markets; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

The valuation used for the Organization's cash and investments was fair value determined based on the unadjusted quoted price in the active market, Level 1. See footnote 2.

**4. INVENTORY**

Inventory consisted of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Donated food	\$ 144,007	\$ 245,076
USDA commodities	498,620	155,272
Purchased Food	<u>31,978</u>	<u>36,288</u>
	\$ <u>674,605</u>	\$ <u>436,636</u>

**EL PASOANS FIGHTING HUNGER**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**4. INVENTORY (Continued)**

Inventory turnover for the year ended December 31, 2015 and 2014 is as follows:

	<b>2015</b>	
	<b>Pounds Received</b>	<b>Pounds Distributed</b>
Donated food	5,416,091	5,455,833
USDA commodities	2,897,614	2,514,884
Purchased Food	<u>1,367,632</u>	<u>1,322,221</u>
	<u><u>9,681,337</u></u>	<u><u>9,292,938</u></u>

  

	<b>2014</b>	
	<b>Pounds Received</b>	<b>Pounds Distributed</b>
Donated food	5,770,492	5,819,926
USDA commodities	2,838,778	2,781,849
Purchased Food	<u>845,161</u>	<u>825,515</u>
	<u><u>9,454,431</u></u>	<u><u>9,427,290</u></u>

**5. UNCONDITIONAL PROMISES TO GIVE**

Reflected on the Statement of Financial Position are \$407,703 and \$610,722 for unconditional promises to give for the year ending December 31, 2015 and 2014, respectively. This consists of temporarily restricted amounts to be used for purchase of property and equipment. The statement reflects an amount net of a present value discount of 2.3% for December 31, 2015 and 2014.

	<b>2015</b>	<b>2014</b>
Unconditional promises to give	\$ 413,789	\$ 624,198
Less: Present value discount	<u>6,086</u>	<u>13,476</u>
Total promises to give - present value	<u><u>\$ 407,703</u></u>	<u><u>\$ 610,722</u></u>
Receivable in less than one year	\$ 250,056	\$ 249,378
Receivable in one to five years	<u>163,733</u>	<u>374,820</u>
Total unconditional promises to give	413,789	624,198
Less discounts to net present value	<u>6,086</u>	<u>13,476</u>
Net unconditional promises to give	<u><u>\$ 407,703</u></u>	<u><u>\$ 610,722</u></u>



**EL PASOANS FIGHTING HUNGER**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**6. PROPERTY AND EQUIPMENT**

At December 31, 2015 and 2014, property and equipment and accumulated depreciation consisted of the following:

	<u>Useful Life</u>	<u>2015</u>	<u>2014</u>
Land		\$ 200,000	\$ 200,000
Building and improvements	40 years	943,610	943,610
Building renovations	40 years	270,975	192,830
Equipment	3-10 years	350,041	316,073
Vehicle equipment	3-10 years	346,824	178,583
Computer network	3-10 years	<u>53,504</u>	<u>51,316</u>
Total property and equipment		\$ 2,164,954	\$ 1,882,412
Less: accumulated depreciation		<u>265,350</u>	<u>166,470</u>
Property and equipment, net		<u>\$ 1,899,604</u>	<u>\$ 1,715,942</u>

Depreciation expense totaled \$98,880 and \$72,998 for years ended December 31, 2015 and 2014, respectively.

**7. NOTE PAYABLE**

Note payable was a \$900,000 promissory note payable, with an original maturity of April 2013 with a fixed interest rate of 6%. The note was renewed in April 2014 with an interest rate of 4.75% was due October 2016. Interest-only payments of \$2,863 are due monthly, with \$100,000 principal payments made on April 15, 2016. The remaining principal and unpaid interest are due in a balloon payment upon maturity which is October 31, 2016. The note is secured by property located at 9541 Plaza Circle and secured by board members. The balance on the note was \$600,000 and \$700,000 as of December 31, 2015 and 2014, respectively. Interest expense was \$29,701 and \$35,064 for the years ended December 31, 2015 and 2014, respectively. See footnote 13 for subsequent renewal and increase of note.

**8. CAPITAL LEASES**

The Organization has acquired an asset under the provision of long-term leases. For financial reporting purpose, minimum lease payments relating to the assets have been capitalized in equipment. The monthly payment is \$531.71 and expires on July 2017. Depreciation of the leased property is included in depreciation expense.

EL PASOANS FIGHTING HUNGERNOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**9. TEMPORARILY RESTRICTED NET ASSETS**

Substantially all temporarily restricted net assets related to contributions received and pledges for specific programs and purposes will be satisfied after year-end. Temporarily restricted net assets are as follows:

	<u>2015</u>	<u>2014</u>
Capital campaign	\$ 658,907	\$ 703,043
Food pantry program	30,000	-
Backpack program	-	20,000
Purchase commodities	<u>197,991</u>	<u>185,807</u>
Total	<u>\$ 886,898</u>	<u>\$ 908,850</u>

The Capital Campaign was established to raise funds to purchase a new warehouse/office building, improvements to the building and purchase equipment. The Organization acquired the building during 2012 and secured a note payable of \$900,000 (See Note #5). Restrictions are considered to expire when payments are made for improvements to building, purchase of equipment, and payments on the note payable (principal and interest). The building was placed in service in 2013.

**10. RELATED PARTY**

In July 2012, the Organization entered into a Partner Distribution Organization (PDO) agreement with West Texas Food Bank (WTFB) to improve the Organization's capacity to provide solutions to the hunger problem in El Paso and the surrounding region. Effective January 1, 2013, the Organization officially separated from West Texas Food Bank (WTFB), however, the PDO agreement is still in effect. Assets and inventory were transferred and the Organization become financially responsible for all revenues and expenses held by WTFB as of this date.

**11. COMMITMENTS AND CONTINGENCIES**

Through the normal course of operations, the Organization receives contributions and other pledges from various entities. These activities may be subject to audit by donors, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that the liability, if any, for any requirements which may arise as a result of such audits, would not be material.

**EL PASOANS FIGHTING HUNGER**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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**12. DIRECT MAIL**

For the year ended December 31, 2015 and 2014, direct mail produced the following results:

	<u>2015</u>	<u>2014</u>
Direct mail contributions	\$ 245,144	\$ 275,223
Direct mail expense	<u>103,261</u>	<u>122,854</u>
Net direct mail results	<u>\$ 141,883</u>	<u>\$ 152,369</u>

**13. SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 27, 2016 which is the date the financial statements were available to be issued. In May 2016, the Organization renewed and increased the building promissory loan up to an additional \$1,000,000. The additional loan amount is to replace the roof at the property located at 9541 Plaza Circle. Interest only payments are due monthly for a nine month period with minimal annual principal reductions of \$100,000. The note matures in five years.

## **SUPPLEMENTARY INFORMATION**

**EL PASOANS FIGHTING HUNGER**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor/Pass through Grantor Programs</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor's Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
<b>SNAP Cluster</b>			
Pass through Texas Food Bank Network and Texas Health and Human Services Commission Community Partner Program (formerly Social Services Outreach Grant Program)	10.551		\$ 43,408
Pass through Feeding Texas			
SNAP nutrition Education & Obesity Prevention	10.561		9,721
SNAP nutrition Education & Obesity Prevention	10.551		56,923
Supplemental Nutrition Assistance Program Education for Direct Nutrition Education Services	10.551		<u>12,446</u>
<b>Total SNAP Cluster</b>			<u>122,498</u>
<b>Food Distribution Cluster</b>			
Pass through Texas Department of Agriculture and West Texas Food Bank			
Emergency Food Program- Food Commodities #	10.569	**	1,699,705
Emergency Food Program- Administrative Costs	10.568	**	<u>296,940</u>
<b>Total Food Distribution Cluster</b>			<u>1,996,645</u>
<b>Total from U.S. Department of Agriculture</b>			<u>2,119,143</u>
<b>U.S. Department of Homeland Security</b>			
Pass through United Way of El Paso County Emergency Food and Shelter National Board Program	97.024		<u>61,148</u>
<b>Total from U.S. Department of Homeland Security</b>			<u>61,148</u>
<b>Total Federal Awards Expended</b>			<u>\$ 2,180,291</u>

\*\* Denotes a major program.

# Value of food commodities distributed

**EL PASOANS FIGHTING HUNGER**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2015**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of El Pasoans Fighting Hunger (a nonprofit organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Organization has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**3. FOOD DISTRIBUTION**

Non-cash assistance is reported in the schedule at the fair market value of the commodities received and distributed. USDA food commodities inventory on hand total \$498,620 as of December 31, 2015.

**4. CONTINGENCIES**

The Organization had in effect for the fiscal year ended December 31, 2015, the following insurance coverage:

General Liability	\$ 2,000,000
Umbrella	1,000,000
Workers Compensation	500,000

RENE D. PEÑA, CPA  
MARY CARMEN BRIONES, CPA  
TERI A. REINERT, CPA  
MEMBERS OF AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

4171 N. MESA, SUITE 200  
EL PASO, TEXAS 79902-1498  
PHONE: 915-542-1733  
FAX: 915-544-5440  
E-MAIL: cpa@cpaelpaso.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*

To the Board of Directors of  
El Pasoans Fighting Hunger

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 El Pasoans Fighting Hunger (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2016.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Pasoans Fighting Hunger'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 El Pasoans Fighting Hunger's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Pasoans Fighting Hunger'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.

Peter Brines McDaniel + Co

May 27, 2016



RENE D. PEÑA, CPA  
MARY CARMEN BRIONES, CPA  
TERI A. REINERT, CPA  
MEMBERS OF AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

4171 N. MESA, SUITE B100  
EL PASO, TEXAS 79902-1498  
PHONE: 915-542-1733  
FAX: 915-544-5440  
E-MAIL: cpa@cpaelpaso.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

**To the Board of Directors of  
El Pasoans Fighting Hunger**

**Report on Compliance for Each Major Federal Program**

We have audited El Pasoans Fighting Hunger's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Pasoans Fighting Hunger's major federal programs for the year ended December 31, 2015. El Pasoans Fighting Hunger'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of El Pasoans Fighting Hunger'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 El Pasoans Fighting Hunger'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 El Pasoans Fighting Hunger's compliance.

### Opinion on Each Major Federal Program

In our opinion, El Pasoans Fighting Hunger 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 December 31, 2015.

### Report on Internal Control over Compliance

Management of El Pasoans Fighting Hunger 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 El Pasoans Fighting Hunger'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 El Pasoans Fighting Hunger'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.

Peter Briones McDaniell & Co

May 27, 2016

**EL PASOANS FIGHTING HUNGER**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

**Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no  
\_\_\_\_\_ yes   X   none

Significant deficiencies identified?

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Significant deficiencies identified not considered to be  
material weaknesses?

\_\_\_\_\_ yes   X   no

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   X   no

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

Food Distribution Cluster

10.569

Emergency Food Assistance Program - Food Commodities

10.568

Emergency Food Assistance Program – Administrative Costs

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

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes   X   no

**EL PASOANS FIGHTING HUNGER**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

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**Section II - Financial Statement Findings**

**Current Year Findings**

**None**

**Prior Year Findings**

**None**

**Section III- Findings and Questioned Costs – Major Federal Awards Programs Audit**

**Current Year Findings**

**None**

**Prior Year Findings**

**None**