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EL PASOANS FIGHTING HUNGER FOOD BANK

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

EL PASOANS FIGHTING HUNGER FOOD BANK

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EL PASOANS FIGHTING HUNGER FOOD BANK

BOARD OF DIRECTORS
December 31, 2021 and 2020

OFFICERS

Stuart R. Schwartz, Board Chair

Brad Dubow, Board Vice-Chair

Richard Dayoub, Board Vice-Chair

Cyndi Maestas-Henry, Treasurer

Penny Nevarez, Secretary

Jose "Abe" Gonzalez, Parliamentarian

Mark Matthys, Immediate Past Chair

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Bradley V. Byers

Jorge Caballero

Kassi Foster

Eddie Gutierrez

Demetrio Jimenez

Christine Jones

Kristi Marcum

Robert Moore

Scott Simon

Marise Lada Textor



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
El Pasoans Fighting Hunger Food Bank
El Paso, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of El Pasoans Fighting Hunger Food Bank (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of El Pasoans Fighting Hunger Food Bank as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of El Pasoans Fighting Hunger Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 schedule of expenditures of federal awards 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 July 25, 2022, on our consideration of El Pasoans Fighting Hunger Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Pasoans Fighting Hunger Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Pasoans Fighting Hunger Food Bank's internal control over financial reporting and compliance.



El Paso, TX
July 25, 2022

EL PASOANS FIGHTING HUNGER FOOD BANK
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,543,043	\$ 23,733,155
Accounts receivable	105,867	596,092
Grants receivable	1,078,684	1,222,915
Prepaid expenses	34,347	24,629
Unconditional promises to give, current portion	158,257	273,114
Inventory	11,313,761	18,236,660
Total current assets	<u>22,233,959</u>	<u>44,086,565</u>
 Property and Equipment, net of depreciation	 <u>9,117,338</u>	 <u>9,077,289</u>
 Other Asset		
Investments-long term	9,190,208	-
Unconditional promises to give, net of current portion and discount	342,648	509,796
Total other assets	<u>9,532,856</u>	<u>509,796</u>
 TOTAL ASSETS	 <u><u>\$ 40,884,153</u></u>	 <u><u>\$ 53,673,650</u></u>
 LIABILITIES and NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 495,752	\$ 2,727,404
Deferred revenue	6,634,789	10,529,919
Paycheck Protection Program loan	-	389,800
Notes payable, current portion	45,297	42,897
Total current liabilities	<u>7,175,838</u>	<u>13,690,020</u>
 Long-Term Notes Payable, net of current portion	 361,653	 406,749
 Total liabilities	 <u>7,537,491</u>	 <u>14,096,769</u>
 Net Assets		
Without donor restrictions		
Without donor restrictions	33,095,163	39,066,874
Total without donor restrictions	<u>33,095,163</u>	<u>39,066,874</u>
 With donor restrictions		
With donor restrictions	251,499	510,007
Total with donor restrictions	<u>251,499</u>	<u>510,007</u>
 Total net assets	 <u>33,346,662</u>	 <u>39,576,881</u>
 TOTAL LIABILITIES and NET ASSETS	 <u><u>\$ 40,884,153</u></u>	 <u><u>\$ 53,673,650</u></u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK
Statements of Activities
For the Years Ended December 31, 2021 and 2020

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS

	2021	2020
<u>UNRESTRICTED REVENUE GAINS AND OTHER SUPPORT</u>		
Donated commodities	\$ 238,734,556	\$ 231,999,428
Government grants	44,545,394	25,588,251
Individual donations	977,553	2,692,677
State, private grants, corporate, and organization donations	1,746,563	7,067,333
Direct mail	928,293	638,868
Special events	54,593	11,528
Agency support	1,075,580	2,428,792
In-kind revenue	191,169	4,705,202
Investment income (loss)	247,750	34,193
Other income	163,733	99,834
Foundation donations	922,115	11,618,992
Net assets released from restriction	824,574	3,274,766
Total unrestricted revenue, gains and other support:	<u>290,411,873</u>	<u>290,159,864</u>

EXPENSES

Program	295,219,743	259,383,761
Fundraising	482,597	317,006
Administrative	681,244	405,727
Total Expenses	<u>296,383,584</u>	<u>260,106,494</u>

**NET INCREASE IN NET ASSETS WITHOUT
DONOR RESTRICTIONS**

<u>(5,971,711)</u>	<u>30,053,370</u>
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WITH DONOR RESTRICTION NET ASSETS

Donations-restricted	314,567	2,636,414
Donations-capital campaign	251,499	260,725
Net assets released from restriction	<u>(824,574)</u>	<u>(3,274,766)</u>

NET INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS

<u>(258,508)</u>	<u>(377,627)</u>
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INCREASE IN NET ASSETS

(6,230,219)	29,675,743
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NET ASSETS, BEGINNING OF YEAR

<u>39,576,881</u>	<u>9,901,138</u>
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NET ASSETS, END OF YEAR

<u>\$ 33,346,662</u>	<u>\$ 39,576,881</u>
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See accompanying notes to financial statements and independent auditor's report.

EL PASOANS FIGHTING HUNGER
Statements of Changes in Net Assets
For the Years Ended December 31, 2021 and 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Net Assets, December 31, 2019	\$ 9,013,504	\$ 887,634	\$ 9,901,138
Increase (decrease) in net assets	<u>30,053,370</u>	<u>(377,627)</u>	<u>29,675,743</u>
Net Assets, December 31, 2020	39,066,874	510,007	39,576,881
Increase (decrease) in net assets	<u>(5,971,711)</u>	<u>(258,508)</u>	<u>(6,230,219)</u>
Net Assets, December 31, 2021	<u><u>\$ 33,095,163</u></u>	<u><u>\$ 251,499</u></u>	<u><u>\$ 33,346,662</u></u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK
Statements of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
Salaries	\$ 2,816,056	\$ 331,301	\$ 165,650	\$ 3,313,007
Payroll taxes and benefits	590,212	69,437	34,718	694,367
Professional development/travel	-	9,395	-	9,395
Utilities	223,783	26,327	13,164	263,274
Occupancy expenses	108,690	12,787	6,394	127,870
Interest expense	-	8,214	-	8,214
Repair and maintenance	298,795	35,152	17,576	351,524
Transportation	1,053,762	-	-	1,053,762
Food purchase and freight	42,507,796	-	-	42,507,796
Commodities distribution	245,754,509	-	-	245,754,509
Supplies	113,277	-	-	113,277
Office supplies and postage	110,639	13,016	6,508	130,164
Professional fees	-	175,614	-	175,614
Organizational fees/dues	-	-	18,753	18,753
Promotion/marketing	-	-	77,329	77,329
Printing	-	-	18,367	18,367
Special events	-	-	2,872	2,872
Direct mail	-	-	121,267	121,267
Depreciation	855,265	-	-	855,265
In-kind expense	191,169	-	-	191,169
Other expenses	595,789	-	-	595,789
TOTAL PROGRAM EXPENSES	\$ 295,219,743	\$ 681,244	\$ 482,597	\$ 296,383,584

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

EL PASOANS FIGHTING HUNGER FOOD BANK
Statements of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Salaries	\$ 2,354,999	\$ 277,059	\$ 138,529	\$ 2,770,587
Payroll taxes and benefits	404,369	47,573	23,786	475,728
Professional development/travel	10,839	-	-	10,839
Utilities	163,543	19,240	9,620	192,403
Occupancy expenses	126,339	14,863	7,432	148,634
Interest expense	108,192	-	-	108,192
Repair and maintenance	317,967	37,408	18,704	374,079
Transportation	691,526	-	-	691,526
Food purchase and freight	27,201,576	-	-	27,201,576
Commodities distribution	221,490,694	-	-	221,490,694
Office supplies and postage	81,468	9,584	4,792	95,844
Professional fees	332,932	-	-	332,932
Organizational fees/dues	46,685	-	-	46,685
Promotion/marketing	119,995	-	-	119,995
Printing	13,465	-	709	14,174
Special events	-	-	1,648	1,648
Direct mail	-	-	111,786	111,786
Depreciation	484,914	-	-	484,914
In-kind expense	4,705,202	-	-	4,705,202
Other expenses	729,057	-	-	729,057
TOTAL PROGRAM EXPENSES	<u><u>\$ 259,383,761</u></u>	<u><u>\$ 405,727</u></u>	<u><u>\$ 317,006</u></u>	<u><u>\$ 260,106,494</u></u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ (6,230,219)	\$ 29,675,743
Depreciation	855,265	484,914
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	634,456	(1,076,936)
Unconditional pledges	282,006	188,191
Prepaid expenses	(9,718)	(24,629)
Inventory and other assets	6,922,899	(14,136,020)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,231,654)	2,612,188
Deferred revenue	(3,895,130)	10,529,919
Net cash provided by operating activities	<u>(3,672,095)</u>	<u>28,253,370</u>
Cash flows from investing activities		
Purchase from the sale of investments	(9,190,208)	-
Acquisition of property and equipment	(895,313)	(4,545,788)
Net cash used in investing activities	<u>(10,085,521)</u>	<u>(4,545,788)</u>
Cash flows from financing activities		
Proceeds from loan	-	842,800
Principal payment	(432,496)	(2,303,354)
Net cash provided by financing activities	<u>(432,496)</u>	<u>(1,460,554)</u>
Net increase (decrease) in cash	(14,190,112)	22,247,028
Cash, beginning of year	<u>23,733,155</u>	<u>1,486,127</u>
Cash, end of year	<u><u>\$ 9,543,043</u></u>	<u><u>\$ 23,733,155</u></u>
Supplemental disclosures		
Interest paid	<u><u>\$ 8,214</u></u>	<u><u>\$ 108,192</u></u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

El Pasoans Fighting Hunger Food Bank (the Organization) is a charitable organization approved by the Internal Revenue Service as a Code Section 501(c)3 organization and was established on July 13, 2011 to combat the hunger crisis in our region by strategically procuring and distributing nutritious food through community partners. Six years ago, El Pasoans Fighting Hunger Food Bank separated from Odessa and became the youngest food bank in the country. The Organization is El Paso's only food bank and is a member of Feeding America. The food bank fulfills its mission through the following programs:

SNAP: The Organization is a collaborative hub for hunger initiatives that assists in Supplemental Nutrition Assistance (SNAP) applications and nutrition education. Social Services Coordinators assist not only with the SNAP program formerly known as Food Stamps, but also with all state benefits such as Medicaid and Temporary Assistance to Needy Families (TANF).

MERCADO: In 2021 El Pasoans Fighting Hunger transitioned the Mega Pantry model located at the main food bank location to a self-service outdoor Mercado where clients are able to shop for the groceries they need in a client choice model store. The model gives clients a choice over which available foods that they want to take and utilizes 1/3 the staff required with the previous Mega Pantry model of operation. The Mercado operates currently operates five days per week.

FOOD FARMACY: 2021 also saw the opening of the El Pasoans Fighting Hunger Food Farmacy. This store operates Monday thru Friday at the main food bank location and currently serves those 60 and over as a client-choice grocery store. When fully operational as a Food Farmacy, it will also provide nutritionally targeted foods for those who have been diagnosed with common health issues such as diabetes and heart disease.

HOME DELIVERY: Also launched in 2020 was an emergency home delivery for low-income elderly or disabled neighbors who could not access food at a distribution site. In 2021, there were 1,800 households served weekly through home delivery, and up to 100 households served weekly through our emergency delivery program for people who were quarantined due to COVID-19.

AGENCY PARTNERS: El Pasoans Fighting Hunger partners with 132 partner agencies to distribute food throughout El Paso, Culberson and Hudspeth counties. The partners include churches, schools, community organizations, soup kitchens and shelters to continue the mission of making sure no one goes hungry.

MOBILE PANTRIES: The Organization uses its refrigerated trucks in collaboration with partner agencies to distribute nutritious foods to families in underserved or unserved neighborhoods by providing drive-through food distribution for clients' safety during the pandemic. In 2021, this program distributed healthy and nutritious food through 993 client choice mobile pantries, which provide food to underserved/unserved communities. The Organization serves low-income families, children, single parent households, veterans, senior citizens, including those who are employed with extremely limited income.

SCHOOL PANTRIES: El Pasoans Fighting Hunger Food Bank partners with 17 area schools for distributions within El Paso, Dell City, Tornillo, Clint, Ysleta, San Elizario and Socorro Independent School Districts. These partnerships provide emergency food to students and their families and the surrounding communities.

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Organization (continued)

NSLP: The National School Lunch Program (NSLP) was continued in 2021 ensuring food commodities for the free breakfast and lunch programs for low income children. Through this program, the Organization provided 1,312,416 pounds of food to schools for low income children across 218 schools in 7 West Texas counties including El Paso, Culberson, Hudspeth, Brewster, Jeff Davis, Reeves and Presidio Counties.

CSFP: As of December 31, 2021, the Organization has provided healthy food to 4,800 low-income senior citizens in their community on a monthly basis. Through the Commodity Supplement Food Program (CSFP), senior citizens access nutritious foods that help maintain their health.

Cash and Cash Equivalents

Cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of fees billed to agencies for services rendered. Accounts receivable are evaluated by management and typically amounts deemed to be uncollectible are charged against an allowance for doubtful accounts. The allowance is then adjusted to reflect an estimated reserve for future losses. For the years ended 2021 and 2020, management determined that an allowances for doubtful accounts in the amount of \$409,461.28 was necessary.

Promises to Give

Contributions are recognized when donors make promises to donate to the Organization. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When restrictions expire, they are released from restricted net assets and recognized as increases in net assets without donor restrictions.

Promises to give are initially recorded and subsequently carried at fair value using the present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

The promises to give are related to the Organization's capital campaign. Promises to give are written off when deemed uncollectable. As of December 31, 2021, and 2020, management determined that no allowance was necessary for 2021 and 2020.

Inventory

Inventory consists of donated food, purchased food and USDA commodities. Based on a valuation done by Feeding America at the national level, donated food is reported at an average price of \$1.79 per pound in 2021 and \$1.74 per point in 2020. Purchased food is valued at cost. USDA commodities are valued based on published USDA fair market values by RMS LLP Accounting Firm.

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment, net

Property and equipment additions costing more than \$2,000 or donated property and equipment having a fair market value over \$2,000 are capitalized. Depreciation is computed by using the straight-line method over the estimated useful lives of assets, which range from 3 to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Investments and related income, gains and losses

Investments in equity and debt securities are reported at fair value. All investment related income, expense, gains and losses are included in the statement of activities. Fair values are primarily determined based on quoted market prices or other market inputs. Interest and dividends are included in operating revenue and reported as investment income. All other, investment returns, including realized and unrealized gains and losses, are also reported as investment income (loss) on the statements of activities.

Net Assets

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

Net Assets Without Donor Restrictions- Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

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. Volunteers contribute significant amounts of time to our program services, administration, and fund raising and development activities; however, the financial statements do not reflect the value of those contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Volunteer hours totaled approximately 40,559 and 46,169 hours for 2021 and 2020, respectively. Numbers of volunteers dropped in 2021 due to the pandemic and personal safety concerns of traditional volunteers. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services and In-Kind Contributions (continued)

The Organization received donated goods, services, and materials of \$2,926,371 and \$4,705,202 for 2021 and 2020, respectively, and is included in donated commodities in the statements of activities and functional expenses..

Advertising Cost

Advertising costs are expensed as incurred. Advertising expense was \$77,329 and \$119,995 during the years ended December 31, 2021 and 2020, respectively, and are included as promotion/marketing and printing on the statement of Functional Expenses.

Functional Expense Allocation

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Income Taxes

El Pasoans Fighting Hunger Food Bank 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. The Organization's federal income tax returns for the tax years 2021, 2020 and 2019 remain subject to examination by the Internal Revenue Service. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes (tractor revenue). We have determined that the entity's tractor expenses associated with the tractor revenues were greater and did not require a 990T for 2021 and 2020, therefore did not file Form 990-T.

Use of Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. The Organization maintains cash balances at WestStar Bank financial institution. Accounts are insured by the Federal Deposit Insurance Corporation's (FDIC) up to \$250,000. The Organization's uninsured balance totaled \$8,346,740 and \$25,525,350 for the years 2021 and 2020, respectively.

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Accrued Compensated Absences

Employees of the Organization are entitled to paid time off, depending on length of service and other factors. It is impractical to estimate the amount of compensation for future absences and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to the employees.

Subsequent Events

The Organization has evaluated subsequent events through July 25, 2022, the date the financial statements were available to be issued.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,543,043	\$23,733,155
Accounts receivable	105,867	596,092
Grants receivable	1,078,684	1,222,915
Current liabilities	<u>(7,175,837)</u>	<u>(13,257,323)</u>
Total	\$ <u>3,551,757</u>	\$ <u>12,294,839</u>

NOTE 3. FAIR VALUE MEASUREMENT DISCLOSURES

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1—Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2—Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 3. FAIR VALUE MEASUREMENT DISCLOSURES (continued)

Level 3—Measurement based on the Organization’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

On December 31, 2021, the Organization’s investments consist of cash, cash equivalents, and savings account. The valuations of the Organization’s investments according to the fair value hierarchy are all Level 1.

The cost and fair value of short and long-term investments at December 31, 2021, were as follows:

	<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,020,566	\$ 1,020,566
Fixed Income-U.S. Treasuries	598,220	623,840
Equities	2	1,108
Bond Funds-Mutual Funds	1,625,559	1,593,102
Equity Funds-Mutual Funds	6,303,384	6,188,633
Exchange Traded Funds	800,293	781,023
	<u>\$10,348,024</u>	<u>\$10,208,272</u>

Investment returns for the years ended December 31, 2021, are as follows:

	<u>2021</u>	<u>2020</u>
Income from investments:		
Interest and dividends, net of fees	\$398,465	\$ 34,193
Gains and losses on investments:		
Net realized and unrealized gains(losses) on investments	(150,715)	-0-
Total return on investments	<u>\$247,750</u>	<u>\$ 34,193</u>

Interest and dividends along with investment return are included in the statement of activities under Investment income as income without donor restrictions. Interest in 2020 was earned from a savings account.

NOTE 4. INVENTORY

Inventory consisted of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donated food	\$ 2,926,371	\$11,598,465
CSFP	1,070,441	610,343
NSLP	457,442	514,007
USDA commodities	2,587,237	1,302,354
Purchased food	<u>4,272,270</u>	<u>4,211,491</u>
Total	<u>\$11,313,761</u>	<u>\$18,236,660</u>

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 4. INVENTORY (continued)

Inventory turnover for the year ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Pounds Received</u>	<u>Pounds Distributed</u>	<u>Pounds Received</u>	<u>Pounds Distributed</u>
Donated food	78,172,007	85,074,190	101,251,762	92,383,695
USDA commodities	28,657,711	27,536,283	40,175,903	41,184,068
NSLP	810,719	1,224,444	1,406,402	1,037,155
Purchased food	25,730,830	25,785,459	5,174,207	5,045,347
Total	133,371,267	139,620,376	148,008,274	139,650,265

NOTE 5. PROMISES TO GIVE

Reflected on the Statement of Financial Position are \$500,905 and \$782,910 for unconditional promises to give for the year ending December 31, 2021 and 2020, respectively. This consists of donor restricted amounts to be used for purchase of property and equipment. the statement reflects an amount net of a present value discount of 3% for both December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Unconditional promise to give	\$ 539,601	\$ 821,691
Less: Present value discount	<u>38,696</u>	<u>38,781</u>
Total promises to give – present value	<u>500,905</u>	<u>782,910</u>
Receivable in less than one year	158,257	281,300
Receivable in one to five years	<u>381,134</u>	<u>540,391</u>
Total unconditional promises to give	<u>539,601</u>	<u>821,691</u>
Less discounts to net present value	<u>38,696</u>	<u>38,781</u>
Net unconditional promises to give	\$ <u>500,905</u>	\$ <u>782,910</u>

NOTE 6. PROPERTY AND EQUIPMENT

On December 31, 2021 and 2020, property and equipment and accumulated depreciation consisted of the following:

	<u>Useful life</u>	<u>2021</u>	<u>2020</u>
Land		\$ 200,000	\$ 200,000
Building and improvements	40 years	1,947,755	1,947,755
Building improvements	40 years	2,024,141	1,386,431
Furniture and equipment	3-10 years	3,227,113	3,083,990
Vehicle equipment	5-15 years	3,605,741	3,588,436
Computer network	3-5 years	198,444	101,268
Construction in progress		<u>219,298</u>	<u>219,298</u>
Total property and equipment		\$11,422,492	\$10,527,178
Less: accumulated depreciation		<u>2,305,154</u>	<u>1,449,889</u>
Net property and equipment		\$ <u>9,117,338</u>	\$ <u>9,077,289</u>

Depreciation expense for the year totaled \$855,265 and \$484,914 for years ended December 31, 2021 and 2020, respectively.

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 7. NOTE PAYABLE

The Organization obtained a loan from the Small Business Administration under the CARES Act in the amount of \$150,000. Monthly payments are postponed for one year, at which time monthly payments of \$631 are due for a period of 30 years at an interest rate of 2.75%.

The Organization obtained a loan on July 1, 2020 from Borderplex Community Capital, Inc. in the amount of \$303,000 with an interest rate of 2.0% with monthly payments of \$3,869, for a period of 60 months, maturing on July 2027.

	<u>2021</u>	<u>2020</u>
SBA Loan	\$ 148,107	\$ 150,000
Borderplex Community Capital	<u>258,843</u>	<u>299,646</u>
Total	406,950	449,646
Less current portion	<u>45,297</u>	<u>42,897</u>
Long-term portion	\$ <u>361,653</u>	\$ <u>406,749</u>

Maturities of notes payable payments are as follow:

<u>Year</u>	
2021	\$ 45,297
2022	46,239
2023	47,201
2024	48,183
2025	49,187
<u>2026 and thereafter</u>	<u>216,620</u>
Total	\$ <u>406,950</u>

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8. RELATED PARTY

Effective July 1, 2016, the Organization established a Member's Membership in the national Network of Feeding America. This Member Contract supersedes the Feeding America Member Contract entered by and between the Member and Feeding America dated October 1, 2009.

NOTE 9. 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.

NOTE 10. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11. DONOR RESTRICTIONS ON NET ASSETS

Substantially all donor with restriction net assets related to contributions received and pledges for specific programs and purposes will be satisfied after year-end. Donor with restriction net assets are as follows:

	<u>2021</u>	<u>2020</u>
Capital campaign	\$ 251,499	\$ 260,725
Truck	-0-	42,718
Food for Needy Truck	-0-	206,564
Total	<u>\$ 251,499</u>	<u>\$ 510,007</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. 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.

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 12. DIRECT MAIL

For the year ended December 31, 2021 and 2020, direct mail produced the following results:

	<u>2021</u>	<u>2020</u>
Direct mail contributions	\$ 630,667	\$ 116,159
Direct mail expense	(121,267)	(111,786)
Direct mail match back	<u>297,626</u>	<u>522,709</u>
Net direct mail results	<u>\$ 807,026</u>	<u>\$ 527,082</u>

NOTE 13. PAYCHECK PROTECTION PROGRAM LOAN

The Organization received a paycheck protection program loan from the Small Business Administration in April 2020 in the amount of \$389,800 to help with allowable costs during the COVID-19 pandemic. The Organization received forgiveness for the loan in 2021.

NOTE 14. DEFERRED REVENUE

Deferred revenue consists of funding received from the FEMA-TDEM, which will be used to purchase food.

NOTE 15. NEW PRONCEMENTS

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) - Effective Dates for Certain Entities* delayed this standard's effective date. The requirements of this ASU will be effective for periods beginning after December 15, 2019. The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from exchange transactions including certain funding from government agencies. The Organization adopted this standard effective December 1, 2020, using the modified retrospective approach. The cumulative effect of applying the new standard was deemed immaterial by management. Therefore, no adjustments were made to the Organization's financial condition, results of operations or cash flows as of the result of the adoption of ASU 2014-09.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) - Effective Dates for Certain Entities* delayed this standard's effective date. The requirements of this ASU will be effective for periods beginning after December 15, 2021. This ASU requires that a lease liability and related right of-use asset representing the lessee's right to use or control the asset be recorded on the statement of financial position for certain leases that previously were classified as operating leases. The Organization is evaluating the impact this standard will have on our financial reporting.

NOTE 16. RETIREMENT PLAN

The Organization has established a tax-sheltered annuity plan (IRS Code Section 403(b)(7)) with matching contribution by the Organization as of June 1, 2021 for all employees. Presently, the organization contributes 3% automatic base contribution to all employees. Further, the organization will contribute (match) up to 3% based on employee contributions deducted from their pay. Both matches require employees have at least 1 year of service and this contributions vest over 5 year tiered period. The organization's contribution to the plan for the year ended December 31, 2021 was \$66,219. The plan is administered by an external organization which maintains custody of all assets of the plan.

SUPPLEMENTARY INFORMATION

EL PASO ANS FIGHTING HUNGER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass through Grantor Programs	Federal CFDA Number	Pass-through Grantor's Number	Direct Awards	Pass-through Awards	Total
US Department of Agriculture					
SNAP Cluster					
Pass Through Feeding Texas					
HHSC SNAP Application Assistance Subcontract Strategy 2 and 4	10.561	HHS000275600001		\$ 164,857	\$ 164,857
Total SNAP Cluster				\$ 164,857	\$ 164,857
Food Distribution Cluster					
Pass through Texas Department of Agriculture and Feeding Texas					
Community Supplemental Food Program	10.565	N/A		\$ 2,352,073	\$ 2,352,073
Commodity Supplemental Food Program- (CSFP) Food Commodities	10.565	N/A		760,841	760,841
Emergency Food Program-Food Commodities (TEFAP)	10.569	806780706		41,814,664	41,814,664
Emergency Food Program-Administrative Costs	10.568	806780706		719,278	719,278
Total Food Distribution Cluster				\$ 45,646,856	\$ 45,646,856
US Department of Homeland Security					
ARPA	97.024	LRO-803600-030	LRO-803600-030	\$ 93,123	\$ 93,123
Phase 38	97.024	LRO-803600-030	LRO-803600-030	77,642	77,642
Phase 37	97.024	LRO-803600-030	LRO-803600-030	32,874	32,874
CARES	97.024	LRO-803600-030	LRO-803600-030	149,498	149,498
TDEM-FEMA 3rd Round (4/26/21 to 5/26/21)	97.036	N/A		23,380,000	23,380,000
				\$ 23,733,137	\$ 23,733,137
United States Department of Agriculture (USDA)					
CRRSA	10.568	216TX821J77003		\$ 120,260	\$ 120,260
Total United States Department of Agriculture (USDA)				\$ 120,260	\$ 120,260
Treasury Coronavirus Relief Fund					
	21.019	20-1052-1069.06/104	US Depart. of Treasury	\$ 36,000	\$ 36,000
Total United States Department of Treasury				\$ 36,000	\$ 36,000
Area Agency on Aging go The Rio Grande Council of Governments					
Special Initiative- Consumable Supplies Service delivery	93.044		TX Depart of HHS	\$ 864,000	\$ 864,000
Total United States Department of Health and Human Services (HHS)					
U.S. Treasury through the Small Business Administration					
PPP Loan	59.008			389,800	389,800
				\$ 389,800	\$ 389,800
				\$ 70,954,910	\$ 70,954,910

EL PASOANS FIGHTING HUNGER FOOD BANK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2021

NOTE 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.

NOTE 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.

NOTE 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 \$2,587,237 as of December 31, 2021.

NOTE 4. CONTINGENCIES

The Organization had in effect for the fiscal year ended December 31, 2021, the following insurance coverage:

General Liability	\$ 2,000,000
Umbrella	\$ 7,000,000
Workers Compensation	\$ 1,000,000



**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 Food Bank

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 Food Bank (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Pasoans Fighting Hunger Food Bank's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Pasoans Fighting Hunger Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of El Pasoans Fighting Hunger Food Bank'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Pasoans Fighting Hunger Food Bank'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Clifford R. Raudenbush, CPA". The signature is written in a cursive, flowing style.

El Paso, TX
July 25, 2022



Clifford
Ross
Raudenbush
Cooper

Clifford, Ross, Raudenbush & Cooper, CPA's, LLC

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**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 Food Bank

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited El Pasoans Fighting Hunger Food Bank's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of El Pasoans Fighting Hunger Food Bank's major federal programs for the year ended December 31, 2021. El Pasoans Fighting Hunger Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, El Pasoans Fighting Hunger Food Bank 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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).¹ Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to El Pasoans Fighting Hunger Food Bank's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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


Report on Internal Control over Compliance

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

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

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

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



El Paso, TX
July 25, 2022

EL PASOANS FIGHTING HUNGER FOOD BANK
Schedule of Findings and Questioned Costs
December 31, 2021

SECTION 1 - 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
- Significant deficiency identified that are not considered to be material weaknesses? Yes X None reported

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 that are not considered to be material weaknesses? Yes X None reported

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

Finding and questioned costs for Federal Awards as defined in Title 2 U.S. Code of Federal Regulations Part 200 Administrative Requirements, Costs Principles and Audit Requirements of Federal Awards (Uniform Guidance)

 Yes X No

Major programs:

Food Nutrition Cluster:

- | | <u>CFDA #</u> |
|---|---------------|
| a) Commodity Supplemental Food Program | 10.565 |
| b) Emergency Food Assistance Program - Food Commodities | 10.569 |
| c) Emergency Food Assistance Program - Administrative Costs | 10568 |

- Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- Auditee qualified as a low-risk auditee? X Yes No

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

**EL PASOANS FIGHTING HUNGER FOOD BANK
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021**

Section II - Financial Statement Findings

Current Year Findings

None

**EL PASOANS FIGHTING HUNGER FOOD BANK
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021**

Prior Year Findings

None

**EL PASOANS FIGHTING HUNGER FOOD BANK
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021**

Section III- Findings and Questioned Costs - Major Federal Awards Programs Audit Current Year Findings

Current Year Findings

None

Prior Year Findings

None