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EL PASOANS FIGHTING HUNGER FOOD BANK

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

El Paso, TX 79936
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EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE

TABLE OF CONTENTS December 31, 2023 and 2022

	<u>Page</u>
BOARD OF DIRECTORS	1
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position.....	4
Consolidated Statements of Activities.....	5
Consolidated Statements of Functional Expenses.....	6-7
Consolidated Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-21
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards.....	22
Notes to the Schedule of Expenditures of Federal Awards.....	23
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 <i>Government Auditing Standards</i>	24-25
Independent Auditor's Report on Compliance for each Major Program And on Internal Control Over Compliance Required by the <i>Uniform Guidance</i>	26-28
Schedule of Findings and Questioned Costs.....	29-32
Consolidated Statements of Financial Position	33
Consolidated Statements of Activities.....	34
Consolidated Statements of Functional Expenses.....	35
Consolidated Statements of Cash Flow.....	36

**EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
BOARD OF DIRECTORS**

December 31, 2023

OFFICERS

Brad Dubow, Board Chair
Robert Moore, Board Vice-Chair
Richard Dayoub, Board Vice-Chair
Richard Lange, MD, Board Vice-Chair
Cyndi Maestas-Henry, Treasurer
Tanny Berg, Assistant Treasurer
Carlos Cardenas, Secretary
Stuart R. Schwartz, Immediate Past Chair

MEMBERS

Bradley V. Byers
Vincet Castro
Shea Marcus Herman
Demetrio Jimenez
Matt Kaplowitz
Brad Kuykendall
Kristi Marcum
Mark Matthys
Kassi Foster Nava
Bishop Mark J. Seitz
Scott Simon
Carol Smallwood
Peter A. Spier
Cindy A. Stout
Kelly A. Tomblin

December 31, 2022

OFFICERS

Brad Dubow, Board Chair
Tanny Berg, Board Vice-Chair
Robert Moore, Board Vice-Chair
Richard Dayoub, Board Vice-Chair
Cyndi Maestas-Henry, Treasurer
Carlos Cardenas, Secretary
Stuart R. Schwartz, Immediate Past Chair

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Bradley V. Byers
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Mark Matthys
Kassi Foster Nava
Bishop Mark J. Seitz
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 and Affiliated
El Paso, Texas

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of El Pasoans Fighting Hunger Food Bank and Affiliate (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial positions of El Pasoans Fighting Hunger Food Bank and Affiliate as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Consolidated Financial Statements section of our report. We are required to be independent of El Pasoans Fighting Hunger Food Bank and Affiliate 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 and Affiliate'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 consolidated 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 and Affiliate'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 consolidated 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*, and the supplementary information presented on pages 33-36 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 and supplementary information on pages 33-36 are fairly stated, in all material respects, in relation to the consolidated 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 June 28, 2024, on our consideration of El Pasoans Fighting Hunger Food Bank and Affiliate'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 and Affiliate'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 and Affiliate's internal control over financial reporting and compliance.



El Paso, TX
June 28, 2024

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,141,686	\$ 2,341,617
Investments-short-term	2,203,192	267,262
Accounts receivable	41,700	86,242
Grants receivable	600,546	524,644
Prepaid expenses	47,763	41,671
Unconditional promises to give, current portion	25,750	148,600
Inventory	9,053,467	12,713,182
Total current assets	14,114,104	16,123,218
 Property and Equipment, net of depreciation	 15,906,353	 10,281,327
Other Assets		
Restricted cash	1,357,480	-
Investments-long term	2,819	785,551
Investment held in Friends of El Pasoans Fighting Hunger	5,892,247	8,162,962
Loan receivable-long term	14,287,400	-
Unconditional promises to give, net of current portion and discount	138,903	274,082
Total other assets	21,678,848	9,222,595
TOTAL ASSETS	\$ 51,699,305	\$ 35,627,140
LIABILITIES and NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 303,732	\$ 136,545
Accrued expenses	226,356	-
Lease payable, current portion	2,858	2,639
Notes payable, current portion	39,765	46,091
Total current liabilities	572,711	185,275
Long-Term Debt		
Long-Term Notes Payable, net of current portion	18,996,367	315,916
Lease Payable, net of current portion	1,260	4,117
Total long-term debt	18,997,627	320,033
Total liabilities	19,570,338	505,308
Net Assets		
Without donor restrictions	31,964,314	34,953,282
With donor restrictions	164,653	168,550
Total net assets	32,128,967	35,121,832
TOTAL LIABILITIES and NET ASSETS	\$ 51,699,305	\$ 35,627,140

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

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
Consolidated Statements of Activities
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUE GAINS AND OTHER SUPPORT</u>						
Donated commodities	\$ 177,184,256	\$ -	\$ 177,184,256	\$ 148,200,784	\$ -	\$ 148,200,784
Government grants	34,179,981	-	34,179,981	44,012,470	-	44,012,470
Individual donations	696,089	164,653	860,742	822,223	168,550	990,773
Corporate and organization donations	2,168,103	-	2,168,103	1,184,931	-	1,184,931
Direct mail	689,998	-	689,998	1,062,308	-	1,062,308
Special events	272,842	-	272,842	46,982	-	46,982
Network support	1,552,011	-	1,552,011	1,129,480	-	1,129,480
In-kind revenue	220,000	-	220,000	90,758	-	90,758
Investment income	202,333	-	202,333	8,620	-	8,620
Other income	691,127	-	691,127	941,672	-	941,672
Foundation grants	1,342,271	-	1,342,271	950,226	-	950,226
Unrealized/realized gain/loss on investments	1,203,388	-	1,203,388	(977,508)	-	(977,508)
Net assets released from restriction	168,550	(168,550)	-	251,499	(251,499)	-
Total unrestricted revenue, gains and other support:	<u>220,570,948</u>	<u>(3,897)</u>	<u>220,567,051</u>	<u>197,724,445</u>	<u>(82,949)</u>	<u>197,641,496</u>
<u>EXPENSES</u>						
Program	222,537,232	-	222,537,232	194,734,001	-	194,734,001
Fundraising	442,304	-	442,304	534,482	-	534,482
Administrative	580,381	-	580,381	597,843	-	597,843
Total Expenses	<u>223,559,916</u>	<u>-</u>	<u>223,559,916</u>	<u>195,866,326</u>	<u>-</u>	<u>195,866,326</u>
INCREASE IN NET ASSETS	(2,988,968)	(3,897)	(2,992,865)	1,858,119	(82,949)	1,775,170
NET ASSETS, BEGINNING OF YEAR	<u>34,953,282</u>	<u>168,550</u>	<u>35,121,832</u>	<u>33,095,163</u>	<u>251,499</u>	<u>33,346,662</u>
NET ASSETS, END OF YEAR	<u>\$ 31,964,314</u>	<u>\$ 164,653</u>	<u>\$ 32,128,967</u>	<u>\$ 34,953,282</u>	<u>\$ 168,550</u>	<u>\$ 35,121,832</u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2023

	<u>Program Services</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
EXPENSES:				
Salaries	\$ 3,552,885	\$ 417,986	\$ 208,993	\$ 4,179,865
Payroll taxes and benefits	1,003,210	118,025	59,012	1,180,247
Professional development/travel	77,497	-	-	77,497
Utilities	176,148	20,723	10,362	207,233
Occupancy expenses	257,797	-	13,568	271,365
Interest expense	248,273	-	-	248,273
Repair and maintenance	200,992	23,646	11,823	236,461
Transportation	2,302,071	-	-	2,302,071
Food purchase and freight	2,532,940	-	-	2,532,940
Commodities distribution	209,182,309	-	-	209,182,309
Supplies	176,815	-	-	176,815
Office supplies and postage	184,601	-	9,716	194,317
Professional fees	395,758	-	-	395,758
Organizational fees/dues	119,824	-	-	119,824
Promotion/marketing	132,965	-	-	132,965
Special programs	883,850	-	-	883,850
Direct mail	-	-	128,830	128,830
Depreciation	722,515	-	-	722,515
In-kind expense	190,000	-	-	190,000
Other expenses	196,781	-	-	196,781
TOTAL PROGRAM EXPENSES	<u>\$ 222,537,232</u>	<u>\$ 580,381</u>	<u>\$ 442,304</u>	<u>\$ 223,559,916</u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
EXPENSES:				
Salaries	\$ 3,120,647	\$ 367,135	\$ 183,567	\$ 3,671,349
Payroll taxes and benefits	729,702	85,847	42,924	858,473
Professional development/travel	30,438	10,192	-	40,630
Utilities	192,147	22,605	11,303	226,055
Occupancy expenses	175,437	18,530	10,209	204,176
Interest expense	957	8,214	-	9,171
Repair and maintenance	191,952	22,583	11,291	225,826
Transportation	1,682,707	-	-	1,682,707
Food purchase and freight	13,135,732	-	-	13,135,732
Commodities distribution	173,674,581	-	-	173,674,581
Supplies	53,956	-	-	53,956
Office supplies and postage	104,746	13,385	6,217	124,348
Professional fees	155,332	49,352	-	204,684
Organizational fees/dues	8,348	-	18,753	27,101
Promotion/marketing	23,697	-	77,329	101,026
Printing	10,442	-	18,367	28,809
Direct mail	-	-	154,522	154,522
Depreciation	819,362	-	-	819,362
In-kind expense	90,758	-	-	90,758
Other expenses	533,060	-	-	533,060
TOTAL PROGRAM EXPENSES	<u>\$ 194,734,001</u>	<u>\$ 597,843</u>	<u>\$ 534,482</u>	<u>\$ 195,866,326</u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ (2,992,865)	\$ 1,775,170
Depreciation	722,515	819,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(31,360)	554,040
Unconditional pledges	258,029	97,848
Prepaid expenses	(6,092)	(7,324)
Inventory and other assets	3,659,715	(1,399,421)
Increase (decrease) in:		
Accounts payable and accrued expenses	304,936	(359,207)
Accrued expenses	88,608	(6,634,789)
Net cash provided by operating activities	2,003,486	(5,154,321)
Cash flows from investing activities		
Purchase of investments	395,002	(25,567)
Loan receivable	(14,287,400)	-
Acquisition of property and equipment	(5,625,026)	(1,976,595)
Net cash used in investing activities	(19,517,424)	(2,002,162)
Cash flows from financing activities		
Proceeds from NMTC	18,864,911	-
Lease payable	(2,638)	-
Principal payment	(190,786)	(44,943)
Net cash provided by financing activities	18,671,487	(44,943)
Net increase (decrease) in cash	1,157,549	(7,201,426)
Cash, beginning of year	2,341,617	9,543,043
Cash, end of year	\$ 3,499,166	\$ 2,341,617
Supplemental disclosures		
Interest paid	\$ 248,273	\$ 9,171
Reconciliation of cash:		
Cash	\$ 3,499,166	\$ 2,341,617
Operating cash	(2,141,686)	(2,341,617)
Restricted cash	\$ 1,357,480	\$ -

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

**EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022**

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 whose mission is to lead the fight against the ongoing hunger crisis in the El Paso region by partnering to provide nutritious food, education, and other vital resources to achieve a hunger-free El Paso region. 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 ASSISTANCE: The Organization is a collaborative hub for hunger initiatives that assists in Supplemental Nutrition Assistance (SNAP) applications. 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). In 2023, 3,214 new enrollees were processed. Offsite hubs at multiple sites from Vinton in the West to San Elizario in the East, as well as at many schools are in use to further increase reach into the community.

MERCADO: The outdoor Mercado at the front of the food bank continues to serve as the food bank's largest daily distribution point. We serve an average of 1,500 families a day, Monday through Friday. This continues to be our lowest cost distribution point and affords the food bank and partners daily access to those we serve and expands reach to provide access to other much needed services to the neediest in our community.

FOOD FARMACY: The Food FARMacy, serving people with food related illness, opened in 2023, seeing 120 medically referred clients weekly by the end of the year. This program provides nutrition education, with a registered dietician on staff and an array of foods and educational materials to help clients choose foods that best meet their medical needs.

HOME DELIVERY: This partnership continued with Door Dash to deliver 64,917 emergency food boxes free of charge to homebound El Pasoans in 2023. We continue to serve low-income elderly and disabled clients with this program.

AGENCY PARTNERS: The food bank continues to partner with 107 agencies and community organizations to distribute food throughout El Paso, Hudspeth, and Culberson counties. Partners include churches, schools, community organizations, soup kitchens and shelters; providing a deeper reach directly into neighborhoods and communities across the region.

MOBILE AND SCHOOL PANTRY DISTRIBUTION: The number of mobile pantries in 2023 was 982. School pantries continued to increase as the relationships with schools continued to deepen. School partners, include UTEP, El Paso, Socorro, and Ysleta ISD sites, with many starting additional pantries and hosting SNAP assistance from the EPFH team.

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Organization (continued)

NSLP: The National School Lunch Program (NSLP) was continued in 2023, ensuring food commodities for the free breakfast and lunch programs for low-income children. Through this program, the Organization provided 561,379 pounds of food to schools; covering 218 schools in 11 West Texas counties.

CSFP: The Commodity Supplemental Food Program (CSFP) serves very low-income seniors in our 3 county region; with an increased case-load of 5,364 per month, the Organization provides consistent access to 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.

Restricted Cash

Restricted cash consists of controlled disbursement accounts for payment of interest, accounting and advisory fees related to the New Market Tax Credit Financing Agreement.

Accounts Receivable

Accounts receivable consist primarily of NSLP fees for storage and distribution. Accounts receivables 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 2023 and 2022, the allowance for doubtful accounts was \$-0- and \$460,059, respectively. Management has determined there was no need for an allowance for doubtful accounts for 2023.

Grants Receivable

The Organization receives grants from various government agencies. Request for reimbursements are submitted to the respective agency funds when food is distributed or direct expenses are incurred. Grants receivables are recognized when performance of services are met in accordance with grant contracts. Management determined no allowance for doubtful accounts was necessary for 2023 and 2022.

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.

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give (continued)

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 unamortized discount represents the adjustment required to record promises to give expected to be received in future years at their present value. (See Note 5).

The promises to give are related to the Organization's capital campaign and private funding sources. Promises to give are written off when deemed uncollectable. As of December 31, 2023, and 2022, management determined that no allowance was necessary for 2023 and 2022.

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 \$1.97 per pound in 2023 and \$1.93 per pound in 2022. Purchased food is valued at cost. USDA commodities are valued based on published USDA fair market values by RMS LLP Accounting Firm.

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.

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated financial statements do not reflect the value of those contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. In-kind revenues totaled approximately \$220,000 and \$90,758 for 2023 and 2022, respectively. 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. In-Kind donations of \$30,000 were for trailers donated and have been reclassified as Vehicle equipment on the statement of financial position.

The Organization received donated goods of \$177,184,256 and \$148,200,784 for 2023 and 2022, respectively, and is included in donated commodities in the statements of activities and functional expenses.

Advertising Cost

Advertising costs are expensed as incurred. A significant portion of the costs are a result of large organizations donor designated gifts, which can only be used for advertising expenses. Advertising expense was \$132,965 and \$101,026 during the years ended December 31, 2023 and 2022, respectively, and are included as promotion/marketing 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 consolidated financial statements. Generally, tax years that remain subject to examination for three years after filed remain open to examination. The Organization's Form 990 federal income tax returns for the tax years 2023, 2022 and 2021 remain subject to examination by the Internal Revenue Service. 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. We have determined that the entity's tractor expenses associated with the tractor revenues were greater and did not require a 990T for 2023 and 2022, and therefore did not file Form 990-T.

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of consolidated 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, Wells Fargo and US Bank financial institution. Accounts are insured by the Federal Deposit Insurance Corporation's (FDIC) up to \$250,000. The Organization's uninsured balance totaled \$2,989,989 and \$2,601,631 for the years 2023 and 2022, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated 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 consolidated financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to the employees.

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,141,686	\$ 2,341,617
Short-term investments	2,203,192	267,262
Accounts receivable	41,700	86,242
Grants receivable	600,546	524,644
Current liabilities	<u>(572,712)</u>	<u>(185,275)</u>
Total	<u>\$ 4,414,412</u>	<u>\$ 3,034,490</u>

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3. FAIR VALUE MEASUREMENT DISCLOSURES

Certain assets are reported at fair value in the consolidated 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.

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, 2023, 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 held by El Pasoans Fighting Hunger at December 31, 2023, were as follows:

	<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 156,489	\$ 156,489
Fixed Income-U.S. Treasuries	244,755	242,607
Certificate of deposits	1,642,427	1,642,427
Bond Funds-Mutual Funds	<u>2,831</u>	<u>2,819</u>
	<u>\$2,046,502</u>	<u>\$2,044,342</u>

Investments held by Friends of El Pasoans Fighting Hunger as December 31, 2023 were as follows:

	<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 114,422	\$ 114,422
Fixed Income-U.S. Treasuries	1,593,176	1,591,312
Bond Funds-Mutual Funds	<u>4,199,343</u>	<u>4,619,093</u>
	<u>\$5,906,941</u>	<u>\$6,324,827</u>

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3. FAIR VALUE MEASUREMENT DISCLOSURES (continued)

Investment returns for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Income from investments:		
Interest and dividends, net of fees	<u>\$ 338,361</u>	<u>\$ 496,287</u>
Gains and losses on investments:		
Net realized and unrealized gains(losses) on investments	<u>\$1,203,388</u>	<u>\$ (977,508)</u>
Total	<u><u>\$1,203,388</u></u>	<u><u>\$ (977,508)</u></u>

Interest and dividends along with investment return are included in the statement of activities under Investment income as income without donor restrictions. The Organization moved \$8,135,863 to an affiliated organization Friends of El Pasoans Fighting Hunger in December 2022. See Related Party Note for additional information.

NOTE 4. INVENTORY

Inventory consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Donated food	\$ 7,411,957	\$ 9,136,046
CSFP	1,067,982	1,130,989
NSLP	382,595	466,669
USDA commodities	73,045	1,531,156
Purchased food	<u>117,888</u>	<u>448,322</u>
Total	<u><u>\$ 9,053,467</u></u>	<u><u>\$12,713,182</u></u>

Inventory turnover for the year ended December 31, 2023 and 2022 is as follows:

	2023		2022	
	Pounds Received	Pounds Distributed	Pounds Received	Pounds Distributed
Donated food	94,537,409	90,654,224	75,341,400	72,217,887
USDA commodities	11,774,227	11,716,908	12,658,863	13,304,848
CSFP	3,587,787	3,030,714	2,089,810	2,100,685
NSLP	761,758	561,379	979,831	992,328
Purchased food	<u>286,456</u>	<u>220,688</u>	<u>2,858,999</u>	<u>5,012,241</u>
Total	<u><u>110,947,137</u></u>	<u><u>106,183,913</u></u>	<u><u>93,928,903</u></u>	<u><u>93,627,989</u></u>

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5. PROMISES TO GIVE

Reflected on the Statement of Financial Position are \$164,652 and \$422,682 for unconditional promises to give for the year ending December 31, 2023 and 2022, 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, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Unconditional promise to give	\$ 185,001	\$ 455,411
Less: Present value discount	<u>20,348</u>	<u>32,729</u>
Total promises to give – present value	<u>164,653</u>	<u>422,682</u>
Receivable in less than one year	25,750	148,600
Receivable in one to five years	<u>159,251</u>	<u>306,811</u>
Total unconditional promises to give	<u>185,001</u>	<u>455,411</u>
Less discounts to net present value	<u>20,729</u>	<u>32,729</u>
Net unconditional promises to give	<u>\$ 164,653</u>	<u>\$ 422,682</u>

NOTE 6. PROPERTY AND EQUIPMENT

On December 31, 2023 and 2022, property and equipment and accumulated depreciation consisted of the following:

	<u>Useful life</u>	<u>2023</u>	<u>2022</u>
Land		\$2,878,811	\$ 200,000
Building and improvements	40 years	4,833,829	4,625,846
Furniture and equipment	3-10 years	3,649,749	3,186,597
Vehicle equipment	5-15 years	5,501,514	4,825,037
Computer network	3-5 years	372,243	353,504
Right to Use Asset	5 years	4,118	6,756
Construction in progress		<u>2,524,314</u>	<u>219,298</u>
Total property and equipment		\$19,764,578	\$13,417,038
Less: accumulated depreciation		<u>3,858,225</u>	<u>3,135,711</u>
Net property and equipment		<u>\$15,906,353</u>	<u>\$10,281,327</u>

In December 2023, the Organization purchased approximately 14.7 acres of land located on the west side of El Paso, Texas for \$2.7million.

Depreciation expense for the year totaled \$722,515 and \$819,362 for years ended December 31, 2023 and 2022, respectively.

**EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE 7. NEW MARKETS TAX CREDIT (NMTC) CREDIT FINANCING AGREEMENT

The Organization entered into multiple agreements, assisted by the New Markets Tax Credit (NMTC) financing program, to partially fund operating cash used for working capital. At the same time, a consolidated non-profit subsidiary (the Friends of El Pasoans Fighting Hunger) facilitated this NMTC financing transaction. In connection with this financing transaction, the following transactions occurred:

The Friends of El Pasoans Fighting Hunger extended a \$14,287,400 note receivable to the NMTC investment fund with a maturity date of April 20, 2048. This note receivable bears interest at 1.0% per annum and requires interest only payments during the 7-year NMTC compliance period.

The Organization incurred \$19,600,000 of notes payable with the two NMTC community development entities in these transactions that are due April 20, 2053 (see Note 8). These notes payable bear interest at 1.2088% per annum and require interest only payments during the 7-year NMTC compliance period, which will end in 2030.

The agreements include a put and call option available to exercise after the 7-year NMTC compliance period which would allow the Organization to obtain 100% ownership interest in the NMTC investment company (which owns the community development entities). The Organization intends for the loan receivable and payable to be forgiven after the 7 years NMTC compliance period.

At the close of the NMTC financing transaction, the Food Bank received \$4,577,511 of cash without restrictions to be used for current operations in exchange for tax credits. Cash to be used for a portion of the interest payments, as well as the on-going annual management fee and accounting cost reimbursements to the community development entities by the Organization over the 7-year NMTC compliance period has been fully funded in bank accounts as part of the NMTC financing transaction.

NOTE 8. NOTES PAYABLE

Notes Payable as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Note Payable, SBA Loan, in the amount of \$150,000, dated June 17, 2020, with interest rate of 2.75%, payable \$641 per month for a period of 30 years.	\$ -0-	\$ 144,790
Note Payable, Borderplex Community Capital, Original amount of \$303,000 dated July 1, 2020, with interest rate of 2%, per annum with monthly payments of \$3,869 per month for 60 months, matures July 2027.	171,221	217,217
Note Payable, Pacesetters A, in the amount of \$7,191,000, dated April 20, 2023, with interest rate of 1.2088%, payable interest only due quarterly for 7 years, matures March5, 2030.	7,191,000	-0-

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 8. NOTES PAYABLE (continued)

Note payable, Pacesetters B, in the amount of \$2,609,000, dated April 20, 2023, with interest rate of 1.2088%, payable interest only due quarterly for 7 years, matures March 5, 2030.	\$ 2,609,000	\$ -0-
Note payable, TMF A, in the amount of \$7,091,000, dated April 20, 2023, with interest rate of 1.2088%, payable interest only due quarterly for 7 years, matures March 5, 2030.	7,091,000	-0-
Note payable, TMF B, in the amount of \$2,709,000, dated April 20, 2023, with interest rate of 1.2088%, payable interest only due quarterly for 7 years, matures March 5, 2030.	<u>2,709,000</u>	<u>-0-</u>
Total	\$19,771,221	362,007
Less current portion	<u>39,765</u>	<u>46,091</u>
Long-term portion	\$19,731,456	\$ 315,916
Less debt issuance, net or amortization	<u>(735,089)</u>	<u>-0-</u>
Long-term portion, net of debt issuance costs	<u>\$18,997,627</u>	<u>\$ 315,916</u>

Maturities of notes payable payments are as follow:

<u>Year</u>		
2024	\$	39,765
2025		44,197
2026		45,090
2027		42,169
2028		-0-
Thereafter		<u>18,600,000</u>
Total		<u>\$19,771,221</u>

On April 20, 2023, the Organization entered into term notes with each community development entity in connection with the NMTC financing transaction (see Note 7), with interest due quarterly partially in advance and partially in arrears for the three-month period ending on the last day of the month in which such payment is due until March 5, 2030 at 1.2088% per annum. Quarterly interest payments on the term notes commenced on June 5, 2023. The outstanding notes payable balance was \$19,600,00 less unamortized debt issuance costs of \$735,089, as of December 31, 2023.

Interest expense for the year ending December 31, 2023 totaled \$248,273.

The debt issuance remaining balance of \$735,089 will be amortized over the next six years. In years two through six, \$116,064 will be expensed and year seven, \$38,688 will be expensed.

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 9. RELATED PARTY

Effective March 1, 2023 the Organization entered into the Partner Food Bank Agreement, which supersedes the Member Contract entered by and between the Organization and Feeding America dated July 1, 2016.

On February 5, 2021, the Organization formed a 501(c)(3) entity, the Friends of El Pasoans Fighting Hunger, which was approved by the Internal Revenue Service on March 2, 2021. The entity is a supporting nonprofit (Type 1) to the Organization.

NOTE 10. 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 11. FUNCTIONALIZED EXPENSES

The consolidated 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 12. 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>2023</u>	<u>2022</u>
Capital campaign	<u>\$ 164,653</u>	<u>\$ 168,550</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, paid in full. 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 AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 13. DIRECT MAIL

For the year ended December 31, 2023 and 2022, direct mail produced the following results:

	2023	2022
Direct mail contributions	\$ 379,224	\$ 487,054
Direct mail expense	(128,830)	(154,522)
Direct mail match back	310,774	575,254
Net direct mail results	\$ 561,168	\$ 907,786

NOTE 14. RIGHT TO USE ASSET

The Organization as one Right to use Asset as of December 31, 2023 and 2022, a copy machine:

	2023	2022
Right to Use Asset	\$4,118	\$6,756
Lease payable, Interlease, in the amount of \$12,675, dated April 23, 2020, with monthly payments of \$257, starting May 8, 2020 for 60 months, secured by copy machine.	\$4118	\$6,756
Less current portion	2,858	2,638
Long-term portion of lease payable	\$1,260	\$4,118

Future lease payments which will be recorded as lease expenses areas follows as of December 31, 2023:

2024	\$2,858
2025	\$1,260

NOTE 15. NEW PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *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 adopted ASU No. 2016-02 as of December 31, 2022, see Note 14.

In September 2020, the FASB issued amended guidance for contributed nonfinancial assets. The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The amendments in the guidance were effective for fiscal years beginning after June 15, 2021. The Organization has no contributed nonfinancial assets.

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 16. RETIREMENT PLAN

The Organization adopted a profit-sharing plan, effective January 1, 2023 for its employees who have attained the age of 21 and 90 days of service. Participants make contributions of their compensation to the plan up to the legal limit prescribed by section 401(k) of the Internal Revenue Code. The Organization makes a profit-sharing contribution of 3% to employees whether or not they contribute to the plan to all eligible employees with a minimum of one year of service. In addition, the Organization makes a 3% match contribution to eligible employees with a minimum of one year of service. For the years ended December 31, 2023 and 2022, the Organization's contribution to the plan was \$297,116 and \$121,974, respectively.

NOTE 17. INVESTMENT HELD IN FRIENDS OF EL PASOANS FIGHTING HUNGER (AFFILIATED ORGANIZATION)

On February 5, 2021 a new non-profit Organization was formed in the State of Texas as a supporting Organization for El Pasoans Fighting Hunger. This Organization is to be used to exclusively carry out the purposes of El Pasoans Fighting Hunger. Funds were transferred to the Organization by El Pasoans Fighting Hunger in December 2022.

NOTE 18. LINE OF CREDIT - FRIENDS OF EL PASOANS FIGHTING HUNGER

The Friends entered into a Credit, Pledge, and Security Agreement (Agreement) as of August 15, 2023, which up to \$2 million may be borrowed against the revolving line of credit. Pursuant to the Agreement, upon a draw on the revolving line of credit minimum payments are due monthly at the Periodic Rate (Floating Rate Basis of an adjusted one month Term SOFR Rate). There were no outstanding borrowings on this line of credit as of December 31, 2023.

NOTE 19. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 28, 2024, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

EL PASOANS FIGHTING HUNGER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass through Grantor Programs	Federal CFDA Number	Pass-through Grantor's Number	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	\$ 173,083	\$ 173,083
Strategy 2 and 4 (FY23-24)	10.561		363,923	87,727
Total SNAP Cluster			<u>537,006</u>	<u>260,810</u>
Local Food Purchase Assistance Program				
TDA administered by Feeding Texas				
Local Food Purchase Assistance Program	10.182		2,175,158	1,000,432
Child Nutrition Cluster				
Pass through Texas Department of Agriculture:				
National School Lunch Program - Food Commodities	10.555	N/A	1,021,843	1,021,843
Total Child Nutrition Cluster			<u>1,021,843</u>	<u>1,021,843</u>
Food Distribution Cluster				
Pass through Texas Department of Agriculture and Feeding Texas				
Community Supplemental Food Program	10.565	N/A	355,581	355,581
Commodity Supplemental Food Program- (CSFP) Food Commodities	10.565	N/A	5,907,500	5,907,500
Emergency Food Program-Food Commodities (TEFAP)	10.569	806780706	21,624,198	21,624,198
Emergency Food Program-Administrative Costs	10.568	806780706	367,013	367,013
TEFAP Reach and Resiliency Grant (R&R) - 2002 carryover	10.568	N/A	760,733	760,733
TEFAP Reach and Resiliency Grant (R&R) - 2023	10.568	N/A	905,925	329,238
Total Food Distribution Cluster			<u>29,920,950</u>	<u>29,344,263</u>
US Department of Agriculture				
Pass through Texas Department of Agriculture:				
Texas Department of Agriculture Capacity Grant	21.027	GFB202215	2,203,785	2,203,785
ARPA - Coronavirus State and Local Fiscal Recovery Funds	21.027	CSLFRF	640,000	134,620
Total US Department of Agriculture			<u>2,843,785</u>	<u>2,338,405</u>
US Department of Homeland Security				
EFSP - Phase 40	97.024	LRO-803600-030	214,228	214,228
FEMA Shelter and Service Program	97.024	LRO-803600-030	456,444	-
Total U.S. Department of Homeland Security			<u>670,672</u>	<u>214,228</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228		1,557,540	-
			<u>\$ 38,726,954</u>	<u>\$ 34,179,981</u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of El Pasoans Fighting Hunger and Affiliate (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 consolidated 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 totaled \$1,523,622 as of December 31, 2023.

NOTE 4. CONTINGENCIES

The Organization had in effect for the fiscal year ended December 31, 2023, the following insurance coverage:

General Liability	\$ 2,000,000
Umbrella	\$ 7,000,000
Workers Compensation	\$ 1,000,000
Officer and Directors	\$ 2,000,000
Cyber Insurance	\$ 2,000,000
Commercial Carrier	\$ 1,000,000

NOTE 5. RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO CONSOLIDATED FINANCIAL STATEMENTS

Total federal awards expended per schedule	
of expenditures of federal award	\$34,179,981
Less: Reported elsewhere	<u>(-0-)</u>
Statements of Activities, page 5	<u>\$34,179,981</u>



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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 and Affiliate
El Paso, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of El Pasoans Fighting Hunger Food Bank and Affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered El Pasoans Fighting Hunger Food Bank and Affiliate'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Pasoans Fighting Hunger Food Bank and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of El Pasoans Fighting Hunger Food Bank and Affiliate'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 consolidated 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 audits 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 and Affiliate's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.



El Paso, TX
June 28, 2024



Clifford
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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 and Affiliate
EL Paso, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited El Pasoans Fighting Hunger Food Bank and Affiliate'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 and Affiliate's major federal programs for the year ended December 31, 2023. El Pasoans Fighting Hunger Food Bank and Affiliate'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 and Affiliate 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, 2023.

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 Affiliate 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 and Affiliate'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 and Affiliate'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 and Affiliate'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 and Affiliate'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 and Affiliate'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 and Affiliate'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 and Affiliate'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
June 19, 2024

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
Schedule of Findings and Questioned Costs
December 31, 2023

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:

- | | <u>CFDA #</u> |
|--|---------------|
| a) Food Nutrition Cluster: | |
| b) National School Lunch Program - Child Nutrition Cluster | 10.555 |
| c) Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| d) Local Food Purchase Assistance Program | 10.182 |

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

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

**EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023**

Section II - Financial Statement Findings

Current Year Findings

None

**EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023**

Prior Year Findings

None

**EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023**

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

Current Year Findings

None

Prior Year Findings

None

EL PASOANS FIGHTING HUNGER AND AFFILIATE

Consolidating Statements of Financial Position
December 31, 2023

	El Pasoans Fighting Hunger	Friends of El Pasoans Fighting Hunger	Total Before Eliminations	Eliminations	Total All Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 2,027,262	\$ 114,424	\$ 2,141,686	\$ -	\$ 2,141,686
Investments-short term	1,885,034	318,158	2,203,192	-	2,203,192
Accounts receivable	41,700	-	41,700	-	41,700
Loan receivable	-	14,287,400	14,287,400	-	14,287,400
Interest receivable	-	137,748	137,748	(137,748)	-
Grants receivables	600,546	-	600,546	-	600,546
Prepaid	47,763	-	47,763	-	47,763
Unconditional promises to give, current portion	25,750	-	25,750	-	25,750
Inventory	9,053,467	-	9,053,467	-	9,053,467
Total current assets	13,681,522	14,857,730	28,539,252	(137,748)	28,401,504
Property and Equipment, net of depreciation	15,906,353	-	15,906,353	-	15,906,353
Other Assets					
Restricted cash	1,357,480	-	1,357,480	-	1,357,480
Investments -long term	2,819	-	2,819	-	2,819
Investment - Friends of El Pasoans Fighting Hunger	-	5,892,247	5,892,247	-	5,892,247
Unconditional promises to give, net of current portion and discount	138,903	-	138,903	-	138,903
Total other assets	1,499,201	5,892,247	7,391,448	-	7,391,448
TOTAL ASSETS	\$ 31,087,076	\$ 20,749,977	\$ 51,837,053	\$ (137,748)	\$ 51,699,305
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 441,481	\$ -	\$ 441,481	\$ 137,748	\$ 303,733
Accrued expenses	226,356	-	226,356	-	226,356
Lease Payable, current portion	2,858	-	2,858	-	2,858
Note payable, current portion	39,765	-	39,765	-	39,765
Total current liabilities	710,460	-	710,460	137,748	572,712
Long-Term Debt					
Long-Term New Money Tax Credit Notes Payable	19,600,000	-	19,600,000	-	19,600,000
Debt insurance, net of amortization	(735,089)	-	(735,089)	-	(735,089)
Long-Term Notes Payable, net of current	131,456	-	131,456	-	131,456
Lease Payable, net of current portion	1,260	-	1,260	-	1,260
Total long-term debt	18,997,627	-	18,997,627	-	18,997,627
Total liabilities	19,708,086	-	19,708,086	-	19,570,338
Net Assets					
Without donor restrictions	11,214,338	20,749,977	31,964,315	-	31,964,315
With donor restrictions	164,652	-	164,652	-	164,652
Total net assets	11,378,990	20,749,977	32,128,967	-	32,128,967
TOTAL LIABILITIES AND NET ASSETS	\$ 31,087,076	\$ 20,749,977	\$ 51,837,053	\$ 137,748	\$ 51,699,305

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

EL PASOANS FIGHTING HUNGER AND AFFILIATE

**Consolidated Statements of Activities
For the Year Ended December 31, 2023**

	El Pasoans Fighting Hunger	Friends of El Pasoans Fighting Hunger	Total before Eliminations	Eliminations	Total All Funds
REVENUES AND OTHER SUPPORT:					
Donated commodities	\$ 177,184,256	\$ -	177,184,256	\$ -	\$ 177,184,256
Government grants	34,179,981	-	34,179,981	-	34,179,981
Individual donations	860,742	-	860,742	-	860,742
Private grants, corporate and organization donations	2,168,103	-	2,168,103	-	2,168,103
Direct mail	689,998	-	689,998	-	689,998
Special events	272,842	-	272,842	-	272,842
Network support	1,552,011	-	1,552,011	-	1,552,011
In-kind revenue	220,000	-	220,000	-	220,000
Investment income (loss)	45,241	157,092	202,333	-	202,333
Other income	691,771	11,290,295	11,982,066	11,290,939	691,127
Foundation donations	1,342,271	-	1,342,271	-	1,342,271
Unrealized/realized gain or loss on investments	48,480	1,154,908	1,203,388	-	1,203,388
Net assets released from restrictions					
Total revenues and other support	<u>219,255,695</u>	<u>12,602,295</u>	<u>231,857,990</u>	<u>11,290,939</u>	<u>220,567,051</u>
EXPENDITURES:					
Program	222,656,590	-	222,656,590	-	222,656,590
Fundraising	311,885	-	311,885	-	311,885
Administrative	11,850,596	31,784	11,882,380	(11,290,939)	591,441
Total expenditures	<u>234,819,071</u>	<u>31,784</u>	<u>234,850,855</u>	<u>(11,290,939)</u>	<u>223,559,916</u>
Change in net assets	(15,563,376)	12,570,511	(2,992,865)	-	(2,992,865)
Net Assets-beginning of year	<u>26,942,366</u>	<u>8,179,466</u>	<u>35,121,832</u>	-	<u>35,121,832</u>
Net Assets-end of year	<u>\$ 11,378,990</u>	<u>\$ 20,749,977</u>	<u>\$ 32,128,967</u>	<u>\$ -</u>	<u>\$ 32,128,967</u>

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

EL PASOANS FIGHTING HUNGER FOOD BANK AND AFFILIATE
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2023

	El Pasoans Fighting Hunger			Total Expenses	Friends of El Pasoans Fighting Hunger	Total before Eliminations	Eliminations	Consolidated Totals
	Program Services	Administrative Expenses	Fundraising Expenses					
Salaries	\$ 3,552,885	\$ 417,986	\$ 208,993	\$ 4,179,865	\$ -	\$ 4,179,865	\$ -	\$ 4,179,865
Payroll taxes and benefits	1,003,210	118,025	59,012	1,180,247	-	1,180,247	-	1,180,247
Professional development/travel	77,497	-	-	77,497	-	77,497	-	77,497
Utilities	196,871	-	10,362	207,233	-	207,233	-	207,233
Occupancy expenses	257,797	-	13,568	271,365	-	271,365	-	271,365
Interest expense	248,273	-	-	248,273	-	248,273	-	248,273
Repair and maintenance	200,992	23,646	11,823	236,461	-	236,461	-	236,461
Transportation	2,302,071	-	-	2,302,071	-	2,302,071	-	2,302,071
Food purchase and freight	2,532,940	-	-	2,532,940	-	2,532,940	-	2,532,940
Commodities distribution	209,182,309	-	-	209,182,309	-	209,182,309	-	209,182,309
Supplies	176,815	-	-	176,815	-	176,815	-	176,815
Office supplies and postage	154,406	-	8,127	162,533	31,784	194,317	-	194,317
Professional fees	395,758	-	-	395,758	-	395,758	-	395,758
Organizational fees/dues	119,824	-	-	119,824	-	119,824	-	119,824
Promotion/marketing	132,965	-	-	132,965	-	132,965	-	132,965
Special programs	883,850	-	-	883,850	-	883,850	-	883,850
Direct mail	128,830	-	-	128,830	-	128,830	-	128,830
Depreciation	722,515	-	-	722,515	-	722,515	-	722,515
In-kind expense	190,000	-	-	190,000	-	190,000	-	190,000
Donations made	-	11,290,939	-	11,290,939	-	11,290,939	(11,290,939)	-
Other expenses	196,781	-	-	196,781	-	196,781	-	196,781
TOTAL PROGRAM EXPENSES	\$ 222,656,590	\$ 11,850,596	\$ 311,885	\$ 234,819,071	\$ 31,784	\$ 234,850,855	\$ (11,290,939)	\$ 223,559,916

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

EL PASOANS FIGHTING HUNGER AND AFFILAITE

Consolidated Statements of Cash Flows
For the Year Ended December 31, 2023

	El Pasoans Fighting Hunger	Friends of El Pasoans Fighting Hunger	Total
Cash Flows from Operating Activities:			
Change in net assets	\$ (15,563,376)	\$ 12,570,511	\$ (2,992,865)
Depreciation	722,515	-	722,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
(Increase) decrease in:			
Accounts receivable	(31,360)		(31,360)
Unconditional pledges	258,029		258,029
Prepaid expenses	(6,092)		(6,092)
Inventory and other assets	3,659,715		3,659,715
Increase (decrease) in:			
Accounts payable and accrued expenses	304,936		304,936
Accrued expenses	88,608		88,608
Net cash provided by operating activities	(10,567,025)	12,570,511	2,003,486
Cash flows from investing activities			
Purchase of investments	(1,419,807)	1,814,809	395,002
Loan receivable	-	(14,287,400)	(14,287,400)
Acquisition of property and equipment	(5,625,026)	-	(5,625,026)
Net cash used in investing activities	(7,044,833)	(12,472,591)	(19,517,424)
Cash flows from financing activities			
Proceeds from NMTC	19,600,000	-	19,600,000
Debt insurance	(735,089)	-	(735,089)
Lease payable	(2,638)	-	(2,638)
Principal payment	(190,786)	-	(190,786)
Net cash provided by financing activities	18,671,487	-	18,671,487
Net increase (decrease) in cash	1,059,629	97,920	1,157,549
Cash, beginning of year	2,325,113	16,504	2,341,617
Cash, end of year	\$ 3,384,742	\$ 114,424	\$ 3,499,166
Supplemental disclosures			
Interest paid	\$ 248,273	\$ -	\$ 248,273
Reconciliation of cash:			
Cash	\$ 3,384,742	\$ 114,424	\$ 3,499,166
Operating cash	(2,027,262)	(114,424)	(2,141,686)
Restricted cash	\$ 1,395,674	\$ -	\$ 1,395,674

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