

**REGIONAL EAST TEXAS FOOD BANK
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2025

REGIONAL EAST TEXAS FOOD BANK

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional East Texas Food Bank

Opinion

We have audited the accompanying financial statements of Regional East Texas Food Bank (the Food Bank), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2025, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 the Food Bank's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the Food Bank'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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, on our consideration of the 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 the 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 the Food Bank's internal control over financial reporting and compliance.



Austin, Texas
December 1, 2025

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS

Current assets

Cash and cash equivalents

Cash	\$ 2,708,755
Board designated	2,940,703
Total cash and cash equivalents	<u>5,649,458</u>

Receivables

Trade	118,424
Grants, net	742,560
Pledges receivable - restricted for capital campaign	-
Total receivables	<u>860,984</u>

Inventory

Purchased	856,035
Donated food and commodities - USDA	813,512
Donated food and commodities - other	586,686
Total inventory	<u>2,256,233</u>

Prepays

Insurance	172,990
Expense	39,463
Total prepaids	<u>212,453</u>

Total current assets

8,979,128

Noncurrent assets

Investments - Board designated	6,053,582
Property, plant, and equipment, net	16,846,154
Beneficial interest in ETFB Foundation	4,349,009
Total noncurrent assets	<u>27,248,745</u>

Total assets

\$ 36,227,873

The accompanying notes are an integral part of these financial statements.

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2025

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 440,095
Grants payable	23,417
Accrued expenses	521,452
Advanced conditional contributions	313,412
Total current liabilities	<u>1,298,376</u>
 Total liabilities	 <u>1,298,376</u>
 Net assets	
Without donor restrictions	34,156,216
With donor restrictions	773,281
Total net assets	<u>34,929,497</u>
 Total liabilities and net assets	 <u><u>\$ 36,227,873</u></u>

The accompanying notes are an integral part of these financial statements.

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public Support			
Donated food and commodities	\$ 47,862,626	\$ -	\$ 47,862,626
USDA commodities	10,483,113	-	10,483,113
Contributions	6,500,126	1,001,943	7,502,069
Contributed non-financial assets	71,666	-	71,666
Total public support	64,917,531	1,001,943	65,919,474
Revenue			
Shared maintenance	1,074,739	-	1,074,739
Purchased food recovery	2,358,266	-	2,358,266
Federal grant revenues	3,817,099	-	3,817,099
Other revenue	359,630	-	359,630
Total revenue	7,609,734	-	7,609,734
Net assets released from restrictions	685,030	(685,030)	-
Total support and revenue	73,212,295	316,913	73,529,208
Expenses			
Program	73,687,466	-	73,687,466
Management and general	2,654,883	-	2,654,883
Fundraising	1,528,173	-	1,528,173
Total expenses	77,870,522	-	77,870,522
Income from Operations	(4,658,227)	316,913	(4,341,314)
Non-Operating Revenue and Expense			
Change in beneficial interest in ETFB Foundation	478,234	-	478,234
Investment return, net	914,324	481	914,805
Loss on sale of property and equipment	(37,443)	-	(37,443)
Total non-operating revenue (expense)	1,355,115	481	1,355,596
Change in Net Assets	(3,303,112)	317,394	(2,985,718)
Net Assets, Beginning of Year	37,459,328	455,887	37,915,215
Net Assets, End of Year	\$ 34,156,216	\$ 773,281	\$ 34,929,497

The accompanying notes are an integral part of these financial statements.

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	Program Food Distribution	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 3,302,772	\$ 842,065	\$ 656,856	\$ 4,801,693
Payroll taxes	265,626	60,472	52,778	378,876
Employee benefits and 401(k)	646,753	371,368	90,658	1,108,779
Total salaries and related expenses	4,215,151	1,273,905	800,292	6,289,348
Contract labor	260,854	1,836	-	262,690
Direct marketing	-	-	440,147	440,147
Donated food and commodities	48,184,265	-	-	48,184,265
Equipment maintenance	86,218	-	832	87,050
Food purchases	5,611,487	-	-	5,611,487
Freight	7,034	-	-	7,034
Fundraising campaigns	14,382	2,556	100,720	117,658
Grants to agencies	543,979	-	-	543,979
Information technology	217,663	55,656	83,759	357,078
Insurance, board, property	87,580	22,354	-	109,934
Marketing and advertising	256,984	48	38,508	295,540
Meeting expenses	8	14,586	4	14,598
Membership dues, fees, and printing	1,303	38,288	1,861	41,452
Minor equipment	2,940	75	493	3,508
Miscellaneous expenses	118	50,576	-	50,694
Occupancy	455,037	15,583	-	470,620
Printing and postage	15,622	17,636	23,982	57,240
Produce for agencies	786,614	-	-	786,614
Professional fees	63,817	187,662	-	251,479
Staff support, travel, and recognition	152,360	128,196	35,124	315,680
Supplies	198,051	18,600	436	217,087
Telephone and answering service	31,247	6,527	1,335	39,109
Transportation	590,856	-	88	590,944
USDA inventory distributed	11,737,339	-	-	11,737,339
Total expenses before depreciation	73,520,909	1,834,084	1,527,581	76,882,574
Depreciation	166,557	820,799	592	987,948
Total Expenses	\$ 73,687,466	\$ 2,654,883	\$ 1,528,173	\$ 77,870,522

The accompanying notes are an integral part of these financial statements.

REGIONAL EAST TEXAS FOOD BANK
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

Cash Flows from Operating Activities:

Change in net assets	\$ (2,985,718)
Items not requiring (providing) cash:	
Depreciation expense	987,948
Change in beneficial interest in ETFB Foundation	(478,234)
Net realized and unrealized gain on investments	(407,915)
Loss on sale of property, plant, and equipment	37,443
Change in:	
Trade accounts receivable	(7,483)
Grants receivable	503,843
Pledge receivable	20,000
Purchased inventory	9,400
Donated USDA inventory	1,254,226
Donated other inventory	310,019
Prepays	(190,866)
Accounts payable	(264,473)
Grants payable	(76,583)
Advanced conditional contributions	(246,337)
Accrued expenses	(51,407)
	<hr/>
Net cash provided by operating activities	(1,586,137)

Cash Flows from Investing Activities

Purchases of property, plant, and equipment	(725,575)
Proceeds from the sale of property, plant, and equipment	20,001
Purchases of investments	3,246,417
Proceeds from the sale of investments	(3,410,446)
	<hr/>
Net cash used in investing activities	(869,603)

Cash Flows from Financing Activities

Net cash provided by financing activities	<hr/> -
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Net Decrease in Cash and Cash Equivalents	(2,455,740)
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Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<hr/> 8,105,198
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Cash, Cash Equivalents, and Restricted Cash, End of Year	<hr/> <hr/> \$ 5,649,458
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The accompanying notes are an integral part of these financial statements

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS

Food Bank and Nature of Operations

The Regional East Texas Food Bank (the Food Bank) is a Texas nonprofit corporation whose mission is to fight hunger and feed hope in East Texas.

The Food Bank's principal program is to accumulate food from various sources and distribute the accumulated food to charitable Food Banks throughout the East Texas area for ultimate distribution to the end recipients. Subprograms within food distribution include:

BackPack Program - The BackPack Program helps to alleviate child hunger by providing hungry children with nutritious and easy to prepare food at times when other resources are not available, such as weekends and school vacations.

Kids Cafe/Snack Program - The Kids Cafe and Afterschool Snack Program helps alleviate child hunger by providing hungry children with nutritious meals at times when other resources are not available, such as afterschool.

Summer Food Program - The Summer Food Program serves children in low-income communities who participate in free and reduced feeding programs during the school year.

Mobile Pantry - The Mobile Pantry program reaches out to feed hungry East Texans who live in isolated, rural communities without access to emergency food assistance.

Fresh Produce Program - The Fresh Produce Program distributes fresh fruits and vegetables to clients through partner agencies.

East Texas Food Bank Garden - The East Texas Food Bank Garden program provides an additional source of fresh produce for hungry East Texans through partnership with the Smith County Sheriff's Office and the Smith County Agricultural Extension Office.

Nutrition Education - The Nutrition Education program offers nutrition education classes and information to low-income community members by partnering with community Food Banks and social service agencies serving limited-resource clients.

SNAP/Food Stamps - The SNAP (Supplemental Nutritional Assistance Program) program works to ensure that all eligible East Texans have the knowledge and benefits of the SNAP program, formerly known as the Food Stamp Program.

Child and Adult Care Food Program - The Child and Adult Care Food Program (CACFP) is a federal child nutrition program that provides reimbursement for meals and snacks served at at-risk afterschool programs. The program follows specific child nutrition guidelines and operates in afterschool programs such as the Boys and Girls Club of East Texas.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Food Bank considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents. The Food Bank does not consider uninvested cash equivalents held in investment accounts as cash equivalents. At June 30, 2025, the Food Bank's cash accounts exceeded federally insured limits by \$1,608,995.

Restricted Cash

Restricted cash represents cash restricted by donor restrictions and board designations.

Trade Receivables

Trade receivables consist primarily of shared maintenance fees with partner agencies. Trade receivables are considered fully collectible by management.

Grant Receivables

Grant receivables consist primarily of reimbursements from federal and state contracts and grants. Grant receivables are stated at the amount that management expects to collect. Grant receivables are considered fully collectible by management.

Employee Retention Credit (ERC)

In 2023, the Food Bank filed for refundable Employee Retention Credits authorized by The Taxpayer Certainty and Disaster Tax Relief Act of 2020 for certain payroll periods in 2020 and 2021. On April 29, 2025, the Food Bank received the ERC refundable credit in the amount of \$298,051.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED

Investments and Net Investment Return

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Beneficial Interest in ETFB Foundation

The beneficial interest in ETFB Foundation represents investments held by the East Texas Food Bank Foundation (Foundation) and consists primarily of government securities and publicly traded funds. The beneficial interest is reflected in the accompanying financial statements at the net asset value of the Foundation.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- | | |
|---------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; 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 | Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED

Fair Value Measurement - Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025.

Investment fair values are based on quoted market prices in the statement of financial position.

Beneficial interest has been valued at the fair value of the underlying assets. Due to the perpetual nature of the interest, it is classified within Level 3 of the hierarchy. The lack of redeemability and liquidity in the near term are considered unobservable inputs.

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

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation, if purchased, and at fair value if donated. The Food Bank capitalizes all expenditures for property, plant, and equipment in excess of \$2,500 which have a useful life greater than one year. Expenditures for maintenance and repairs that do not materially extend the useful lives of assets are charged to expense. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property, plant and equipment are as follows:

Buildings	7 - 39 years
Property improvements	3 - 7 years
Vehicles	5 - 7 years
Furniture and equipment	5 - 7 years

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED

Long-Lived Asset Impairment

The Food Bank evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2025.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets to be utilized for future expansion and an operating reserve in accordance with the Food Bank's strategic plan. Net assets with donor restrictions are subject to donor restrictions, and are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Contributions

Contributions are provided to the Food Bank either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded at fair value at the time of the contribution and net realizable value for pledges for future periods.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED

Inventory Pricing

Inventories consist of donated and purchased products for distribution. Donated products are valued per pound at an average of the national wholesale prices as determined by Feeding America. Products donated by USDA are valued utilizing a cost-per-pound price as determined by USDA donated foods catalog, found in the FNS electronic USDA donated foods ordering system, Web-Based Supply Chain Management (WBSCM). Purchased products are valued at the lower of cost or net realizable value as determined by the first-in, first-out method.

Government Grants

Support funded by grants is recognized as the Food Bank meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Food Bank is exempt from Federal income tax under Section 501 of the Internal Revenue Code (IRC) and a similar provision of state law. However, the Food Bank is subject to federal income tax on any unrelated business income as defined by the IRC. The Food Bank had no unrelated business income during the year ended June 30, 2025. The Food Bank files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services based on management estimates. The statement of functional expenses present the natural classification detail of expenses by function for the year ended June 30, 2025. Certain costs have been allocated among the program, management and general, and fundraising categories based on relative payroll, headcount, or square footage occupied and other methods.

Marketing and Advertising

The Food Bank uses marketing and advertising to promote its programs and services among the audience it serves, increase hunger awareness, spread nutrition education, and conduct social marketing campaigns. The costs of marketing and advertising are expensed as incurred. Marketing and advertising costs totaled \$295,540 for the year ended June 30, 2025.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS - CONTINUED

Subsequent Events

Management of the Food Bank has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

2. CONDITIONAL GIFTS

The Food Bank has received the following conditional promises to give at June 30, 2025, that are not recognized in the financial statements:

	<u>Advanced Contribution</u>	<u>Conditional Promise to Give Remaining</u>	<u>Total</u>
Conditional promise to give to expand programs and services while meeting outcomes stated in the agreement	\$ 890,089	\$ 1,546,069	\$ 2,436,158

3. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following as of June 30, 2025:

Buildings and improvements	\$ 18,519,237
Furniture and fixtures	1,383,810
Warehouse equipment	<u>3,416,721</u>
Total depreciable assets	23,319,768
Land	424,770
Construction in progress	<u>175,562</u>
	600,332
Accumulated depreciation	<u>(7,073,946)</u>
	<u><u>\$ 16,846,154</u></u>

Depreciation expense was \$987,948 for the year ended June 30, 2025.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

4. BENEFICIAL INTEREST IN NET ASSETS OF ETFB FOUNDATION (QUASI-ENDOWMENT)

The Foundation was organized as a Texas nonprofit corporation to be operated exclusively to benefit the Food Bank. The Food Bank made an initial grant in the amount of \$1,039,285 to the Foundation. The Foundation has not been granted variance power by the Food Bank. All property of the Foundation is restricted by the donor to be a quasi-endowment. The bylaws of the Foundation permit it to distribute annually to the Food Bank up to, but not more than, five percent of the average of the fair market value of the endowment assets as of the end of the most recent twelve calendar quarters immediately preceding such year, or if greater, the minimum amount required to be distributed by law.

The Food Bank's interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in the change in net assets. Transfers of assets between the Foundation and the Food Bank are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on the change in net assets.

At June 30, 2025, the Foundation had no net assets to be held and invested in perpetuity.

The Foundation has no liabilities and only distributes assets to the Food Bank. Assets held by the Foundation for the benefit of the Food Bank consisted of the following at June 30, 2025:

Cash and cash equivalents	\$ 650,681
Interest receivable	4,166
Investments, at fair value	<u>3,694,162</u>
	<u><u>\$ 4,349,009</u></u>

5. NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2025, consist of the following:

Undesignated	\$ 24,541,931
Board designated - Capital expenditure reserve	620,000
Board designated - operating reserve	<u>8,994,285</u>
	<u><u>\$ 34,156,216</u></u>

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

5. NET ASSETS - CONTINUED

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2025, consist of the following:

Benefits assistance	\$ 44,914
Healthcare partnership	23,996
Outreach/agency pantry	668,872
Resource centers - Tyler, Longview, Lufkin, and Texarkana	22,235
Senior box program	13,264
	<hr/>
	\$ 773,281
	<hr/> <hr/>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2025, as follows:

BackPack program	\$ 32,651
Benefits assistance	43,175
Disaster relief	4,500
Equipment	67,570
Healthcare partnership	27,709
Outreach/agency pantry	159,767
Resource centers - Tyler, Longview, Lufkin & Texarkana	258,965
Senior box program	65,693
Summer feeding	25,000
	<hr/>
	\$ 685,030
	<hr/> <hr/>

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

6. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2025, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	\$ 5,649,458
Trade receivable	118,424
Grants receivable	742,560
Investments	6,053,582
Beneficial interest in ETFB Foundation	4,349,009
Total financial assets at year-end	<u>16,913,033</u>
Less: Donor-imposed restrictions	
Funds subject to purpose restrictions	773,281
Beneficial interest in ETFB Foundation	4,349,009
Total donor-imposed restrictions	<u>5,122,290</u>
Net financial assets after donor-imposed restrictions	<u>11,790,743</u>
Less: Internal designations	
Cash	2,940,703
Investments	6,053,582
Board designated net assets	<u>8,994,285</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,796,458</u>

The Food Bank manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

7. FUNDRAISING

During the year ended June 30, 2025, the Food Bank incurred costs of \$727,881 for fundraising activities, which included the cost of appeals and development support. In addition, \$800,292 of salaries and related expenses were allocated to fundraising.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

8. EMPLOYEE BENEFIT PLAN

The Food Bank has a defined contribution plan covering substantially all full-time employees. Under the Plan, the Food Bank provides a matching component to the employees' contributions on a discretionary basis. Additional year-end contributions may be made at the Board of Directors' discretion. Plan expenses incurred during the year ended June 30, 2025, totaled \$170,540.

9. INVESTMENTS

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2025:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Investments	<u>\$ 6,053,582</u>	<u>\$ 6,053,582</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held at the East Texas Food Bank Foundation	<u>\$ 4,349,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,349,009</u>

The following table sets forth a summary of changes in the fair value of the Food Bank's Level 3 assets for the year ended June 30, 2025.

	Beneficial Interest
Balance, June 30, 2024	<u>\$ 3,870,775</u>
Investment return, net	<u>478,234</u>
Balance, June 30, 2025	<u>\$ 4,349,009</u>

10. CONCENTRATIONS

A significant portion of support and revenues is received through grants from the United States Department of Agriculture (administered by the Texas Department of Agriculture), and the Texas Department of Agriculture. For the year ended June 30, 2025, approximately 20 percent of total support was received from these grants.

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

Shared Maintenance and Purchased Food Recovery Revenue

Performance obligations are determined based on the nature of the goods or services provided by the Food Bank in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers and the Food Bank does not believe it is required to provide additional goods or services related to that sale.

Transaction Price and Recognition

The Food Bank determines the transaction price on a per pound basis on selected categories of products. There are no explicit or implicit price concession, and the contracts do not contain a significant financing component or variable consideration.

The Food Bank has not incurred material refunds in the past, and accordingly, has not provided for a refund liability at June 30, 2025.

The exchange portion of shared maintenance revenue and purchased food recovery was \$1,074,739 and \$2,358,266, respectively, during the year ended June 30, 2025. For the year ended June 30, 2025, the Food Bank recognized revenue from goods or services that transfer to the customer at a point in time.

Contract Balances

The Food Bank's receivables, contract assets at the beginning of the year was \$110,941 and \$118,424 at the end of the year.

12. CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2025, contributed nonfinancial assets recognized within the statement of activities included:

Food and Commodities

In addition to receiving cash contributions, the Food Bank receives in-kind contributions of food and other products from the United States Department of Agriculture (USDA) and various donors. In-kind contributions donated by individuals, businesses, and Food Banks are valued per pound at an average of the national wholesale prices as determined by Feeding America. In-kind contributions donated by USDA are valued utilizing a cost-per-pound price as determined by USDA donated foods catalog, found in the FNS electronic USDA donated foods ordering system, Web-Based Supply Chain Management (WBSCM).

REGIONAL EAST TEXAS FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

12. CONTRIBUTED NONFINANCIAL ASSETS - CONTINUED

Food and Commodities - Continued

The Food Bank received approximately 5.5 million unrestricted pounds valued at \$10,483,113 of donated food and household commodities from the USDA during the year ended June 30, 2025. The Food Bank received approximately 25.2 million valued at \$47,862,626 of donated food and household commodities from individuals, businesses, and Food Banks other than the USDA, during the year ended June 30, 2025.

It is the Food Bank's policy to distribute the food and household commodities received through partnership agencies located in areas of need and through the use of mobile food pantries. During the year ended June 30, 2025, the Food Bank distributed approximately 31.5 million pounds unrestricted of food and household commodities to benefit the food distribution and nutrition education programs.

Volunteer Time

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate.

A substantial number of volunteers donate significant amounts of their time to enable the Food Bank to meet its mission. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' 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*

Board of Directors
Regional East Texas 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 Regional East Texas Food Bank (the Food Bank), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Food Bank's internal controls over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Atchley & Associates LLP". The signature is written in a cursive, flowing style.

Austin, Texas

December 1, 2025



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors of
Regional East Texas Food Bank

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Regional East Texas Food Bank's (the Food Bank) 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 the Food Bank's major federal programs for the year ended June 30, 2025. The Food Bank's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Food Bank complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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 (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 the Food Bank's federal programs.

Auditors' 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 the 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 GAAS, 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 the Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the 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 the 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 the 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 Auditors' 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.

Government Auditing Standards requires the auditor to perform limited procedures on the Food Bank's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Food Bank's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Food Bank is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Food Bank's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Atchley & Associates LLP

Austin, Texas
December 1, 2025

REGIONAL EAST TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Agency/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipient	Total Federal Expenditures
US Department of Agriculture				
Passed through Texas Department of Agriculture				
Child and Adult Care Food Program	10.558	01544	\$ 767,088	\$ 767,088
Child Nutrition Programs Cluster				
Summer Food Service Program for Children (SFSP)	10.559	01544	359,122	359,122
Food Distribution Cluster				
Commodity Supplemental Food Program (Administrative Costs)	10.565	01544	-	499,985
Commodity Supplemental Food Program (Food Commodities)*	10.565	01544	2,046,715	2,046,715
Total Commodity Supplemental Food Program			2,046,715	2,546,700
Emergency Food Assistance Program (Administrative Costs)	10.568	01544	-	611,477
Emergency Food Assistance Program (Food Commodities)*	10.569	01544	5,562,534	5,562,534
Total Emergency Food Assistance Program			5,562,534	6,174,011
Total Food Distribution Cluster			7,609,249	8,720,711
Emergency Food Assistance Program Commodity Credit				
Corporation Eligible Recipient Funds (Administrative Commodities)	10.187	01544	-	82,633
Corporation Eligible Recipient Funds (Food Commodities)*	10.187	01544	4,128,090	4,128,090
Total Emergency Food Assistance Program Commodity Credit			4,128,090	4,210,723
COVID-19 Pandemic Relief Activities: Local Food				
Purchase Agreements with State, Tribes, and Local Governments	10.182	None Provided	-	878,462
Passed through Texas Health & Human Services Commission				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	529-16-0002-00002	-	357,311
Total U.S. Department of Agriculture			\$ 12,863,549	\$ 15,293,417

* Amount represents noncash food commodities

REGIONAL EAST TEXAS FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

<u>Federal Agency/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	None Provided	\$ -	\$ 4,500
Total U.S. Department of Homeland Security			<u>-</u>	<u>4,500</u>
 Total Federal Awards Expended			<u>\$ 12,863,549</u>	<u>\$ 15,297,917</u>

* Amount represents noncash food commodities

REGIONAL EAST TEXAS FOOD BANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Regional East Texas Food Bank (Food Bank) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Banks, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C - INDIRECT COST RATES

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

**REGIONAL EAST TEXAS FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>FAL No.</u>	<u>Name of Federal Program</u>
10.558	Child and Adult Care Food Program
10.187	Emergency Food Assistance Program Commodity Credit

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

Auditee qualified as low-risk auditee? X Yes No

**REGIONAL EAST TEXAS FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025**

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for Federal Awards

No matters were reported

**REGIONAL EAST TEXAS FOOD BANK
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

None noted.