



Tarrant Area Food Bank and Subsidiaries

Consolidated Financial Statements
For the Year Ended September 30, 2019

And

Schedule of Expenditures of Federal Awards
and Independent Auditor's Reports Required
by *Government Auditing Standards* and the
Uniform Guidance

Year Ended September 30, 2019

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Required by *Government Auditing Standards* and the Uniform Guidance
Year Ended September 30, 2019

Tarrant Area Food Bank and Subsidiaries

Contents

Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Functional Expenses	6
Notes to Consolidated Financial Statements	7
Supplemental Information	
Consolidating Statement of Financial Position	24
Consolidating Statement of Activities	25
Schedule of Expenditures of Federal Award and Independent Auditor's Reports Required by <i>Government Auditing Standards</i> and the Uniform Guidance	
Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2019	26
Notes to Schedule of Expenditures of Federal Awards	27
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>	28
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	30
Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019	33



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Independent Auditor's Report

The Board of Directors
Tarrant Area Food Bank and Subsidiaries
Fort Worth, Texas

We have audited the accompanying consolidated financial statements of the Tarrant Area Food Bank and its subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2019, the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tarrant Area Food Bank and its subsidiaries as of September 30, 2019 and the changes in its net assets and cash flows for the year ended September 30, 2019 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the basic 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 consolidated 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 information is 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 December 18, 2019 on our consideration of Tarrant Area 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tarrant Area Food Bank's internal control over financial reporting and compliance.

BDO USA, LLP
December 18, 2019

Consolidated Financial Statements

Tarrant Area Food Bank and Subsidiaries

Consolidated Statement of Financial Position

<i>September 30,</i>	2019
Assets	
Current assets	
Cash and cash equivalents	\$ 2,679,312
Grants receivable	679,189
Other receivable	220,039
Inventory of food and commodities	2,726,881
Investments	1,306,204
Prepaid expenses	51,733
Total current assets	7,663,358
Notes receivable	9,717,500
Land, buildings, and equipment, net	13,133,764
Other assets	58,161
Restricted endowment funds	633,288
Total assets	\$ 31,206,071
Liabilities and net assets	
Current liabilities	
Accounts payable and accrued liabilities	\$ 1,045,282
Total current liabilities	1,045,282
Notes payable	12,817,739
Total liabilities	13,863,021
Commitments and contingencies	
Net assets	
Without donor restrictions	13,577,727
With donor restrictions	3,765,323
Total net assets	17,343,050
Total liabilities and net assets	\$ 31,206,071

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiaries

Consolidated Statement of Activities

<i>For the year ended September 30,</i>	2019		
	Without Donor Restriction	With Donor Restriction	Total
Support and revenues:			
Public support			
Public contributions	\$ 5,994,185	\$ 761,394	\$ 6,755,579
Donated food and commodities	-	69,728,087	69,728,087
Special events, net	248,453	-	248,453
Total public support	6,242,638	70,489,481	76,732,119
Revenues:			
Handling fees	1,540,302	-	1,540,302
Investment income	257,218	1,815	259,033
Change in value of beneficial interest in trust	685	-	685
Other revenue, gains and losses, net	27,704	-	27,704
Total revenue	8,068,547	70,491,296	78,559,843
Government grants and cost reimbursements	3,439,492	-	3,439,492
Net assets released from restrictions	69,081,742	(69,081,742)	-
Total support and revenues	80,589,781	1,409,554	81,999,335
Expenses:			
Program	76,107,594	-	76,107,594
Management and general	1,832,630	-	1,832,630
Fundraising	2,042,308	-	2,042,308
Total expenses	79,982,532	-	79,982,532
Change in net assets	607,249	1,409,554	2,016,803
Net assets at October 1, 2018	12,970,478	2,355,769	15,326,247
Net assets at September 30, 2019	\$ 13,577,727	3,765,323	17,343,050

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiaries

Consolidated Statement of Cash Flows

<i>For the year ended September 30,</i>	2019
Cash flows from operating activities	
Cash received from contributors, grants and cost reimbursements	\$ 10,356,294
Cash received from partner agencies	1,545,993
Interest and other cash received	339,605
Cash paid to employees, suppliers and food vendors	(11,494,554)
Net cash provided by operating activities	747,338
Cash flows from investing activities	
Purchase of investments	(98,615)
Purchase of building, equipment and construction in process	(451,058)
Net cash used in investing activities	(549,673)
Cash flows from financing activities	
Payment on notes payable and lines of credit	22,776
Change in restricted cash	725,525
Net cash provided by financing activities	748,301
Net increase in cash and cash equivalents	945,966
Cash and cash equivalents at October 1, 2018	1,733,346
Cash and cash equivalents at September 30, 2019	\$ 2,679,312
Reconciliation of changes in net assets to change in net cash provided by operating activities	
Change in net assets	\$ 2,016,803
Depreciation	586,313
Unrealized loss on investments	81,973
Change in value of beneficial interest in trust	(684)
Changes in assets and liabilities:	
Other receivable	165,691
Prepaid expenses and other assets	(34,910)
Grants receivable	(437,820)
Pledges receivable	248,138
Inventory of food and commodities	(1,331,309)
Accounts payable and accrued liabilities	(546,857)
Net cash provided by operating activities	\$ 747,338
Supplemental Disclosures	
Noncash activities	
Donated food and commodities received	\$ 69,728,088
Donated food and commodities distributed	\$ 68,408,700
Cash paid for interest	\$ 259,105

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiaries

Consolidated Statement of Functional Expenses

For the year ended September 30, 2019

	TARRANT AREA FOOD BANK				TARRANT AREA FOOD BANK						CONSOLIDATED			
	Program	Management and General	Fund Raising	Total	TAFB-SPE Management and General	TAFB-DCI Program	TAFB-DCI Management and General	ELIMINATIONS Program	ELIMINATIONS Management and General	ELIMINATION S Fundraising	Program	Management and General	Fund Raising	Total
Compensation	\$ 3,504,456	\$ 652,168	\$ 875,656	\$ 5,032,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,504,456	\$ 652,168	\$ 875,656	\$ 5,032,280
Benefits and taxes	905,595	245,903	184,198	1,335,696	-	-	-	-	-	-	905,595	245,903	184,198	1,335,696
Total compensation, benefits and taxes	4,410,051	898,071	1,059,854	6,367,976	-	-	-	-	-	-	4,410,051	898,071	1,059,854	6,367,976
Donated food	68,441,006	-	-	68,441,006	-	-	-	-	-	-	68,441,006	-	-	68,441,006
Purchased food	1,291,922	-	-	1,291,922	-	-	-	-	-	-	1,291,922	-	-	1,291,922
Professional fees	22,672	286,857	834,581	1,144,110	32,000	-	10,400	-	-	-	22,672	329,257	834,581	1,186,510
Supplies, printing, and postage	319,469	16,350	67,367	403,186	-	-	-	-	-	-	319,469	16,350	67,367	403,186
Occupancy and insurance	705,466	93,575	90,012	889,053	7,500	-	-	(208,370)	(80,140)	(42,390)	497,096	20,935	47,622	565,653
Equipment expense	224,923	9,421	10,353	244,697	-	-	-	-	-	-	224,923	9,421	10,353	244,697
Travel/ conferences	57,449	40,235	19,198	116,882	-	-	-	-	-	-	57,449	40,235	19,198	116,882
Vehicle expense	492,857	1,639	551	495,047	-	-	-	-	-	-	492,857	1,639	551	495,047
Interest and miscellaneous	14,654	(15,886)	2,782	1,550	146,112	-	135,678	-	-	-	14,654	265,904	2,782	283,340
Total expenses before depreciation	75,980,469	1,330,262	2,084,698	79,395,429	185,612	-	146,078	(208,370)	(80,140)	(42,390)	75,772,099	1,581,812	2,042,308	79,396,219
Depreciation	94,263	23,248	-	117,511	227,570	241,232	-	-	-	-	335,495	250,818	-	586,313
Total	\$ 76,074,732	\$ 1,353,510	\$ 2,084,698	\$ 79,512,940	\$ 413,182	\$ 241,232	\$ 146,078	\$ (208,370)	\$ (80,140)	\$ (42,390)	\$ 76,107,594	\$ 1,832,630	\$ 2,042,308	\$ 79,982,532

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Tarrant Area Food Bank (TAFB) is a hunger relief organization incorporated in the State of Texas as a 501(c)(3) nonprofit corporation. The TAFB supports the nutritional needs of children, families and seniors through education, advocacy and strategic partnerships. The organization distributes donated, purchased and prepared foods through a network of approximately 330 partner agencies and feeding programs in thirteen North Texas counties.

TAFB-SPE is an organization incorporated in the state of Texas as a 501(c)(3) organization. TAFB-SPE was formed during 2014 to support the educational, charitable and social purposes of TAFB generally, and without limitation, specifically to construct and lease to TAFB an administrative office building on property located in Tarrant County. TAFB is the sole member of TAFB-SPE.

TAFB-Distribution Center (TAFB-DCI) is an organization incorporated in the state of Texas as a 501(c)(3) organization. TAFB-DCI was formed during 2017 to support the educational, charitable and social purposes of TAFB generally, and without limitation, specifically to renovate and lease to TAFB a distribution center and related equipment on property located in Tarrant County. TAFB is the sole member of TAFB-DCI.

Basis of Consolidation

These consolidated financial statements include the assets, liabilities, net assets, and activities of TAFB, TAFB-SPE and TAFB-DCI (collectively, the Organization). All intercompany activity has been eliminated in consolidation.

Consolidated Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets, support and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions

These represent net assets not subject to donor-imposed stipulations. Certain net assets have been designated by the board of directors of the Organization for specific purposes or programs. These net assets are not restricted by donors for purpose or the passage of time.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed stipulations that will never lapse, requiring the funds to be retained permanently. The donors of the assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Support and revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed and/or time restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenue in the period when unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than monetary assets are recorded at their estimated fair value.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Investment income and net realized and unrealized gains and losses on investments of endowment and similar funds are reported as follows:

- As changes in net assets with donor restrictions in perpetuity if the terms of the gift require they be included in principal of a permanent endowment fund;
- As changes in net assets with donor restrictions if the terms of the gift impose restrictions on their use;
- As changes in net assets without donor restriction in all other cases.

As required by the Not-for-Profit Entities – Presentation of Financial Statements topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) shall classify a portion of a donor-restricted endowment fund of perpetual duration as net assets with donor restriction. The amount classified as permanently restricted shall be the amount of the fund (a) that must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, the organization's governing board determines must be retained (preserved) permanently consistent with the relevant law. For each donor-restricted endowment fund for which the restriction exists until the donor-restricted assets are appropriated for expenditure, the Organization will classify the portion of the fund that is not classified as net assets with donor restrictions in perpetuity as net assets with donor restrictions (time restricted) until appropriated for expenditure by the Board of Directors. The Organization is subject to the version of UPMIFA enacted by the State of Texas, which is described in Note 7.

Cash and Cash Equivalents

Cash equivalents consist of cash in banks and money market funds, except amounts held as part of the restricted endowment funds.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Grants and Other Fees Receivable

Grants and other fees receivable are stated at the amount management expects to collect from outstanding balances, which approximates their fair values. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. No allowance was considered necessary by management at September 30, 2019.

Investments

Investments consist of mutual funds, recorded at fair value based on quoted market prices, and amounts held in pooled investments managed by the Communities Foundation of North Texas, recorded at fair value based on the Organization's share of the pooled investments as reported by that foundation. Unrealized gains and losses resulting from fluctuations in fair value are reflected in the consolidated statement of activities.

Inventory of Food and Commodities

Inventories consist of purchased and donated food. Food purchases are valued at cost based on the first-in first-out method. Donated food is valued at fair value as determined annually by Feeding America, a recognized leader in providing hunger-related statistics in the United States. Based on estimates provided by Feeding America the Organization valued donated food and commodities at \$1.62 per pound and USDA food at \$1.52 per pound for the year ended September 30, 2019. The Feeding America valuation study was published in June 2019 and was based on food and commodity donation data from calendar year 2018. Management believes the valuation study provides a reasonable estimate of the value of food and commodities received by the Organization for the year ended September 30, 2019.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, if purchased, or at estimated fair value on the date donated for donated assets. Expenditures for maintenance and repairs are charged to expense. When items are disposed of, the cost and related accumulated depreciation is eliminated from the accounts and any gain or loss is included in the results of operations. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings	30 years
Furniture and equipment	5 years
Distribution center equipment	5 years
Vehicles	5 years
Software	5 years

The Organization capitalizes all items with cost greater than \$5,000 and estimated useful life greater than one year. The Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent fair value of a long-lived asset, determined based upon the estimated future cash inflows attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized. No such losses were recognized during the year ended September 30, 2019.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Other Assets

Other assets consist primarily of a life insurance policy recorded at its cash surrender value.

Functional Expenses

Expenses are charged to program and supporting services based on direct expenditures incurred. Any expenditure not directly chargeable to a program is allocated to program and supporting service by percentages based on management's estimates related to employee counts in the Organization's different departments.

Income Tax Status

TAFB, TAFB-SPE, and TAFB-DCI are each exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for income taxes has been included in the consolidated financial statements.

The Organization follows FASB ASC topic *Accounting for Uncertainty in Income Taxes*. Under this guidance, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Organization does not believe there are any unrecognized tax benefits or liabilities that should be recorded. For the year ended September 30, 2019, there were no interest or penalties recorded or incurred related to taxes. The Organization is still open to examination by taxing authorities from 2014 forward.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, public support and revenue, and functional expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. The most significant estimates are the valuation of donated food and commodities described above and the allocation of costs by function described above.

Donated Materials and Services

Donated materials and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with the food distribution program for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Recently Adopted Authoritative Guidance

Accounting Standards Update (ASU) 2016-14 – *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958)

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, “*Presentation of Financial Statements for Not-for-Profit Entities*” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature of either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expense, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). Management has adopted this ASU during the year ended September 30, 2019.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the TAFB until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the TAFB fiscal years beginning after December 15, 2021 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments (Topic 230)

In August 2016, the FASB issued ASU 2015-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact of this ASU on their financial statements.

ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the TAFB follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on their financial statements.

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which (i) significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model which will be based on an estimate of current expected credit loss (CECL); and (ii) provides targeted improvements on evaluating impairment and recording credit losses on debt securities classified as available-for-sale, including loans that meet the definition of debt securities and are classified as available-for-sales. The allowance for expected credit losses reflects management's estimate of all credit losses that management currently expects to realize from the financial assets recognized on the balance sheet (and on loan commitments), or said in another way, the net asset as of the balance sheet date should represent the net amount expected to be collected over the life of the financial asset. The amendments of this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact that the adoption of ASU 2016-13 will have on the financial statements and related disclosures.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

2. Inventory of Food and Commodities

The Organization had the following activities for food and commodities held in inventory:

	USDA	Other	Total
Inventory at October 1, 2018	\$ 350,821	\$ 1,044,751	\$ 1,395,572
Donations	23,161,165	46,566,923	69,728,088
In network transfers	101,548	-	101,548
Distribution of donations	(21,776,880)	(46,631,820)	(68,408,700)
Distribution of purchases	-	(91,529)	(91,529)
Other adjustments	(75,500)	77,402	1,902
Inventory at September 30, 2019	\$ 1,761,154	\$ 965,727	\$ 2,726,881

The majority of the food distributed by the Organization is received by contributions from general public donations and from the U.S. Department of Agriculture (USDA). The estimated value of these contributions is recognized in the financial statements as contribution revenue and inventory (or program expense if distributed during the reporting period). The Organization values donated food and commodities and USDA food held in inventory, received and distributed during the year from local sources at \$1.62 and \$1.52 per pound respectively. Donated and USDA food valuation rates are based on Feeding America's annual food valuation report.

3. Investments, Including Restricted Endowment Funds

Investments, including amount included in the restricted endowment fund, consisted of the following at September 30, 2019:

	Cost	Market
Equity mutual funds	\$ 664,854	\$ 897,729
Fixed income mutual funds	449,913	458,809
Investments held by foundation	436,167	582,954
	1,550,934	1,939,492
Less restricted endowment funds		(633,288)
Investments		\$ 1,306,204

The change in unrealized gain on investments for the year ended September 30, 2019 is as follows:

Unrealized gain at October 1, 2018		\$ 470,531
Unrealized loss during the year		(81,973)
Unrealized gain at September 30, 2019		\$ 388,558

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Investment income for the year ended September 30, 2019 is composed of the following:

Interest and dividend income	\$ 257,017
Unrealized loss on investments	(81,973)
Capital gains on investments	83,989
<hr/>	
Investment income	\$ 259,033
<hr/>	

4. Notes Receivable

The Organization has two notes receivable at September 30, 2019 related to new market tax credit transactions further described in Note 9. One note receivable was issued in 2014 and one was issued in 2017.

Note Issued in 2014

TAFB entered into an agreement on June 24, 2014 to lend \$4,353,000 to COCRF Investor 22, LLC (the COCRF Borrower). The note is secured by the COCRF Borrower's membership interest in Brownfield Revitalization XVIII, LLC, a Delaware limited liability company, and TX CDE VII, LLC, a Texas limited liability company. The interest rate on the note is 3.11% Interest earned by the Organization was \$162,200 for the year ended September 30, 2019. The note has a maturity date of October 1, 2038.

Commencing on July 10, 2014 and continuing on the tenth day of each October, January, April and July thereafter up to and included October 10, 2021, the COCRF Borrower will pay interest only on the full proceeds of the note quarterly in arrears for the quarter ending on the last day of the month immediately preceding the month in which such payment is made.

Commencing on January 10, 2022 and continuing on the tenth day of each April, July, October and January thereafter until the maturity date, the COCRF Borrower will pay quarterly in arrears for the quarter ending on the last day of the month immediately preceding the month in which such payment is made, equal installments of principal and interest on the note. Payment of the principal balance of the loan, all accrued and unpaid interest thereon, and any other amounts payable by the Borrower to TAFB will be paid in full on the maturity date.

Note Issued in 2017

TAFB entered into an agreement on July 25, 2017 to lend \$5,364,500 to USBCDC Investment Fund 186, LLC (the USBCDC Borrower). The note is secured by the USBCDC Borrower's membership interest in Urban Development Fund XLIX, LLC, a Delaware limited liability company. The interest rate on the note is 1.00% Interest earned by the Organization was \$26,823 for the year ended September 30, 2019. The note has a maturity date of January 1, 2042.

Commencing on October 10, 2017 and continuing on the tenth day of each October, January, April and July thereafter up to and including April 10, 2024, the USBCDC Borrower will pay interest only on the full proceeds of the note quarterly in arrears for the quarter ending on the last day of the month immediately preceding the month in which such payment is made. On September 23, 2023, the USBCDC Borrower shall make an interim interest payment in the aggregate amount of \$12,219 for the interest then accrued and unpaid.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Commencing with July 10, 2024 and on each payment date thereafter a principle and interest payment equal to \$82,554 shall be due and payable with such portion being attributable to interest being paid in arrears. Payment of the principal balance of the loan, all accrued and unpaid interest thereon, and any other amounts payable by the USBCDC Borrower to TAFB will be paid in full on the maturity date.

5. Land, Buildings and Equipment

The composition of land, buildings and equipment is as follows at September 30, 2019:

Land	\$ 1,214,359
Buildings	12,413,674
Furniture and equipment	1,022,175
Distribution center equipment	46,077
Vehicles	263,002
Software	85,358
<hr/>	
Total land, building, and equipment	15,044,645
Less accumulated depreciation	(1,910,881)
<hr/>	
Land, building, and equipment, net	\$ 13,133,764

6. Donor Designated Endowment

The Organization's endowment consists of two donor restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions – not subject to spending policy is classified as net assets with donor restrictions – subject to spending policy until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding for Organization operations supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which meets the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix of mutual funds and cash that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions for operations. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

As of September 30, 2019, the Organization had adopted a formal spending policy to govern the amounts to be distributed from the endowment funds. Appropriation requests are specifically approved as part of the Organization's annual budget.

Endowment net asset composition by type of fund as of September 30, 2019 is as follows:

Donor-restricted endowment funds	\$ 904,726
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Changes in endowment net assets for the year ended September 30, 2019 are as follows:

	With Donor Restrictions – Subject to Spending Policy	With Donor Restrictions – Not Subject to Spending Policy	Total Endowment Net Assets
Endowment net assets at October 1, 2018	\$ 290,615	\$ 633,288	\$ 923,903
Investment income	1,815	-	1,815
Amounts appropriated for expenditure	(20,992)	-	(20,992)
Endowment net assets at September 30, 2019	\$ 271,438	\$ 633,288	\$ 904,726

7. Fair Value Measurements

FASB ASC topic *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the FASB ASC topic are described as follows:

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

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at September 30, 2019.

Mutual Funds

The fair value of mutual funds (registered investment companies) are valued based on exchange listed prices at the close of each business day and are classified in Level 1 of the fair value hierarchy.

Beneficial Interest in Trust

Beneficial interest in trust is comprised of property and investments held by a third-party trust, valued based on quoted market prices for certain assets and estimated values for property provided to the Organization by the trust. These amounts are reflected in level 3.

Investments held by foundation

Investments held by foundation are carried at fair market value as reported by the foundation and are classified in level 3 of the fair value hierarchy because all material inputs into the investment pools are not directly observable.

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

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

The following tables set forth by level within the fair value hierarchy the Organization's assets at fair value as of September 30, 2019.

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	\$ 351,273	-	\$ -	\$ 351,273
Small blend	106,101	-	-	106,101
Mid cap value	243,880	-	-	243,880
Large growth	114,507	-	-	114,507
Health	40,718	-	-	40,718
Technology	41,250	-	-	41,250
Fixed income	458,809	-	-	458,809
Total mutual funds	1,356,538	-	-	1,356,538
Investments held by foundation	-	-	582,954	582,954
Total assets at fair value	\$ 1,356,538	\$ -	\$ 582,954	\$ 1,939,492

The change in value of the investments held by foundation for the year ended September 30, 2019 is as follows:

Fair value of assets at October 1, 2018	\$ 610,258
Investment earnings, net fees	16,190
Unrealized loss	(18,576)
Grants	(19,119)
Fees	(5,799)
Fair value of asset at September 30, 2019	\$ 582,954

8. Line of Credit

The Organization has a line of credit with a local bank for up to \$1,500,000, with interest accruing at a variable rate equal to the bank's prime rate plus .75% (5.25% at September 30, 2019). The line of credit matured in January 2019 but was extended through January 2020. The line of credit had no balance as of September 30, 2019 and nothing has been drawn through the date of this report.

9. Notes Payable

Notes payable consist of the following as of September 30, 2019:

Note payable to Brownfield Revitalization XVIII, LLC. Interest only is due in quarterly installments beginning on July 1, 2014 through October 1, 2021. Thereafter, principal and interest payments in the amount of \$41,387 each are due in quarterly installments. The unpaid principal balance of and all accrued unpaid interest is due in full on October 1, 2044. The Organization may not prepay any portion of the principal balance until September 17, 2020. Interest accrues at 2.295%

\$ 2,952,000

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Note payable to TX CDE VII LLC. Interest only is due in quarterly installments beginning on July 1, 2014 through October 1, 2021. Thereafter, principal and interest payments in the amount of \$19,642 each are due in quarterly installments. The unpaid principal balance of and all accrued unpaid interest is due in full on October 1, 2044. The Organization may not prepay any portion of the principal balance until September 17, 2020. Interest accrues at 2.295%

1,401,000

Note payable to Brownfield Revitalization XVIII, LLC. Interest only is due in quarterly installments beginning on July 1, 2014 through October 1, 2021. Thereafter, principal and interest payments in the amount of \$13,571 each are due in quarterly installments. The unpaid principal balance of and all accrued unpaid interest is due in full on October 1, 2044. The Organization may not prepay any portion of the principal balance until September 17, 2020. Interest accrues at 2.295%

968,000

Note payable to TX CDE VII LLC. Interest only is due in quarterly installments beginning on July 1, 2014 through October 1, 2021. Thereafter, principal and interest payments in the amount of \$8,398 each are due in quarterly installments. The unpaid principal balance of and all accrued unpaid interest is due in full on October 1, 2044. The Organization may not prepay any portion of the principal balance until September 17, 2020. Interest accrues at 2.295%

599,000

Note payable to Urban Development Fund XLIX, LLC (UDF Lender). Interest only is due in quarterly installments beginning on October 1, 2017 through April 1, 2024 at an interest rate of 1.642% However, on September 16, 2023, TAFB-DCI shall pay to UDF Lender a one-time interim interest payment in the amount of \$20,064, with the remaining accrued and unpaid interest for such fiscal quarter due and payable on October 1, 2023. Commencing with the July 1, 2024 payment and on each payment date thereafter, TAFB-DCI shall make a payment of principal and interest in arrears in an amount necessary to fully amortize the unpaid principal balance. TAFB-DCI shall make a final payment of all outstanding principal, accrued interest and any and all unpaid fees and other charges owed pursuant to the loan documents on October 1, 2051 the maturity date.

5,364,500

Note payable to Urban Development Fund XLIX, LLC (UDF Lender). Interest only is due in quarterly installments beginning on October 1, 2017 through April 1, 2024 at an interest rate of 1.642% However, on September 16, 2023, TAFB-DCI shall pay to UDF Lender a one-time interim interest payment in the amount of \$7,987 and a mandatory partial payment of principal due in the amount of \$75,000, with the remaining accrued and unpaid interest for such fiscal quarter due and payable on October 1, 2023. Commencing with the July 1, 2024 payment and on each payment date thereafter, TAFB-DCI shall make a payment of principal and interest in arrears in an amount necessary to fully amortize the unpaid principal balance. Borrower shall make a final payment of all outstanding principal, accrued interest and any and all unpaid fees and other charges owed pursuant to the Loan Documents on October 1, 2051 the maturity date.

2,135,500

13,420,000

Less capitalized financing costs net accumulated amortization

(602,261)

Total notes payable

\$ 12,817,739

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

The notes payable to Brownfield Revitalization XVIII, LLC and TX CDE VII LLC were extended to finance the construction of a programs and administrative facility in Tarrant County and are intended to be treated as a qualified low-income community investment for purposes of generating New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by the constructed property and guaranteed by TAFB.

In June 2015, Capital One, NA (CO Investor) made equity investments in Brownfield Revitalization XVIII, LLC and TX CDE VII LLC in the amounts of \$4,000,000 and \$2,000,000, respectively. On June 24, 2015, CO Investor assigned its membership interest in Brownfield Revitalization XVIII, LLC and TX CDE VII LLC to COCRF Investor 22, LLC (the COCRF Borrower from Note 4), which is entirely owned by the CO Investor.

TAFB granted to the CO Investor an option to sell its interest in COCRF Investor 22, LLC to TAFB for \$1,000 between the seventh and eighth anniversary of the loans. After exercising this option, TAFB may cancel the notes payable related to Brownfield Revitalization XVIII, LLC and TX CDE VII LLC.

The notes payable to Urban Development Fund XLIX, LLC were extended to finance the renovation of a distribution center located in Tarrant County and are intended to be treated as a qualified low-income community investment for purposes of generating New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by the renovated property and guaranteed by TAFB. In July 2017, US Bancorp Community Development Corporation (USBCD Investor) made an equity investment in USBCDC Investment Fund 186, LLC (the USBCDC Borrower from Note 4) in the amount of \$7,500,000 (Investment Fund).

TAFB granted to the USBCD Investor an option to sell its interest in the Investment Fund to TAFB for \$1,000 during the period commencing on September 24, 2023 and ending 180 calendar days thereafter. After exercising this option, TAFB may cancel the notes payable related to Urban Development Fund XLIX, LLC.

Future maturities of notes payable are as follows as of September 30, 2019:

Amounts due in fiscal year 2020	\$	-
Amounts due in fiscal year 2022		196,129
Amounts due in fiscal year 2023 and thereafter		13,223,871
<hr/>		
Total	\$	13,420,000

10. Restricted Net Assets

The net assets with donor restrictions consisted of TAFB donated inventory that has not been distributed and cash received from grants and contributions that had not been used for their intended purpose at September 30, 2019, which are as follows:

Food distribution	\$	2,650,634
Unappropriated endowment earnings – feeding children		177,806
Unappropriated endowment earnings – general operations		93,632
Food purchases		209,963
<hr/>		
Net assets with donor restrictions	\$	3,132,035

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

Net assets with donor restrictions –not subject to spending policy or appropriations are restricted for the following purposes at September 30, 2019:

Feeding children	\$ 405,148
General operations	228,140

Net assets with donor restrictions –not subject to spending policy or appropriations	\$ 633,288
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Release of restrictions are the following at September 30, 2019:

Release of purpose restriction - Food	\$ 68,440,953
Release of purpose restriction - Endowment	20,992
Release of purpose restriction - Other	619,797

Total release of restrictions for satisfaction of purpose	\$ 69,081,742
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11. Retirement Plan

The Organization has a qualified 403(b) defined contribution plan (the Plan) for the benefit of its employees. Qualified employees are eligible to immediately contribute to the Plan. After one year of service, the Organization makes contributions of a set percentage of the employee's base compensation for all qualified employees. During the year ended September 30, 2019, the Organization paid \$266,843 into the Plan on behalf of qualified employees.

12. Leases

The Organization has a non-cancelable operating lease for office and distribution center equipment. The rent expense for the years ended the year ended September 30, 2019 was \$439,103 and the future commitments are as follows:

2020	\$ 235,363
2021	183,858
2022	113,860
2023	68,172
2024	21,252

Future lease commitments	\$ 622,505
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13. Federal Grants

The Organization participates in federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grant, refunds of any money received may be required. In the opinion of the Organization's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies.

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

A separate report has been issued, dated on the same date as this report, on the Organization's compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The Organization received grants and contracts from the U. S. Department of Agriculture that include food distribution, administration of the USDA program and other program-related contracts for which the Organization serves as a vendor.

14. Special Events

Special events are presented net of direct donor benefit expense of \$140,762 for the year ended September 30, 2019.

15. Concentrations of Risk

Concentrations of credit risk consist of cash, grants receivable, handling fees receivable, pledges receivable, and investments.

The Organization places its cash in local banks. At times, cash balances may exceed federally insured limits. The Organization places its investments with investment companies and a foundation. Investments are subject to market risk. The Organization's grants receivable are due from the U.S. Department of Agriculture. The Organization's handling fees receivable are due from various member agencies.

16. Liquidity

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

September 30, 2019

Cash and cash equivalents	\$ 2,679,312
Grant receivable	679,189
Other receivable	220,039
Investments	1,306,204
<hr/>	
Total financial assets available within one year for general expenditures	\$ 4,884,744

Tarrant Area Food Bank and Subsidiaries

Notes to Consolidated Financial Statements

As a part of the Organization's liquidity management, it has informally decided to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization regularly monitors liquidity required to meet its operational needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. The Organization manages its liquidity and reserves following three guiding principles:

Operating with 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.

The Organization has a liquidity policy to maintain unrestricted cash and investments at an average of 90 days fixed operating expenses.

17. Subsequent Events

The Organization evaluated events occurring between the end of our most recent fiscal year and December 18, 2019, the date the financial statements were available to be issued.

Supplemental Information

Tarrant Area Food Bank and Subsidiaries

Consolidating Statement of Financial Position

<i>September 30,</i>	2019			
	TAFB	TAFB-SPE	TAFB-DCI	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 2,638,278	\$ 31,034	\$ 10,000	\$ 2,679,312
Grants receivable	679,189	-	-	679,189
Other fees receivable	220,039	-	-	220,039
Inventory of food and commodities	2,726,881	-	-	2,726,881
Investments	1,306,204	-	-	1,306,204
Prepaid expenses	51,733	-	-	51,733
Inter-organizational receivable (payable)	3,408	38,282	(41,690)	-
Total current assets	7,625,732	69,316	(31,690)	7,663,358
Note receivable	9,717,500	-	-	9,717,500
Land, buildings, and equipment, net	1,453,581	4,383,167	7,297,016	13,133,764
Other assets	58,161	-	-	58,161
Restricted endowment funds	633,288	-	-	633,288
Total assets	\$ 19,488,262	\$ 4,452,483	\$ 7,265,326	\$ 31,206,071
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,045,282	\$ -	\$ -	\$ 1,045,282
Total current liabilities	1,045,282	-	-	1,045,282
Notes payable	-	5,666,370	7,151,369	12,817,739
Total liabilities	1,045,282	5,666,370	7,151,369	13,863,021
Commitments and contingencies				
Net assets				
Without Donor Restriction	14,677,657	(1,213,887)	113,957	13,577,727
With Donor Restriction	3,765,323	-	-	3,765,323
Total net assets	18,442,980	(1,213,887)	113,957	17,343,050
Total liabilities and net assets	\$ 19,488,262	\$ 4,452,483	\$ 7,265,326	\$ 31,206,071

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiaries

Consolidating Statement of Activities

For the year ended September 30,

2019

	Tarrant Area Food Bank			TAFB-SPE Without Donor Restriction	TAFB-DCI Without Donor Restriction	Eliminations Without Donor Restriction	Consolidated Totals		
	Without Donor Restriction	With Donor Restriction	Total				Without Donor Restriction	With Donor Restriction	Total
Support and revenues:									
Public support									
Public contributions	\$ 5,994,185	\$ 761,394	\$ 6,755,579	\$ -	\$ -	\$ -	\$ 5,994,185	\$ 761,394	\$ 6,755,579
Donated food and commodities	-	69,728,087	69,728,087	-	-	-	-	69,728,087	69,728,087
Special events, net	248,453	-	248,453	-	-	-	248,453	-	248,453
Total public support	6,242,638	70,489,481	76,732,119	-	-	-	6,242,638	70,489,481	76,732,119
Revenues:									
Handling fees	1,540,302	-	1,540,302	-	-	-	1,540,302	-	1,540,302
Investment income	257,218	1,815	259,033	-	-	-	257,218	1,815	259,033
Change in value of beneficial interest in trust	685	-	685	-	-	-	685	-	685
Other revenue, gains and losses, net	57,604	-	57,604	157,000	144,000	(330,900)	27,704	-	27,704
Total revenue	8,098,447	70,491,296	78,589,743	157,000	144,000	(330,900)	8,068,547	70,491,296	78,559,843
Government grants and cost reimbursements	3,439,492	-	3,439,492	-	-	-	3,439,492	-	3,439,492
Net assets released from restrictions	69,081,742	(69,081,742)	-	-	-	-	69,081,742	(69,081,742)	-
Total support and revenues	80,619,681	1,409,554	82,029,235	157,000	144,000	(330,900)	80,589,781	1,409,554	81,999,335
Expenses:									
Program	76,074,732	-	76,074,732	-	241,232	(208,370)	76,107,594	-	76,107,594
Management and general	1,353,510	-	1,353,510	413,182	146,078	(80,140)	1,832,630	-	1,832,630
Fundraising	2,084,698	-	2,084,698	-	-	(42,390)	2,042,308	-	2,042,308
Total expenses	79,512,940	-	79,512,940	413,182	387,310	(330,900)	79,982,532	-	79,982,532
Change in net assets	1,106,741	1,409,554	2,516,295	(256,182)	(243,310)	-	607,249	1,409,554	2,016,803
Net assets at October 1, 2018	13,570,916	2,355,769	15,926,685	(957,705)	357,267	-	12,970,478	2,355,769	15,326,247
Net assets at September 30, 2019	\$ 14,677,657	\$ 3,765,323	\$ 18,442,980	\$ (1,213,887)	\$ 113,957	\$ -	\$ 13,577,727	\$ 3,765,323	\$ 17,343,050

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiaries

Schedule of Expenditures of Federal Awards and Independent Auditor's
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
Year Ended September 30, 2019

Tarrant Area Food Bank and Subsidiaries

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2019

Year Ended September 30, 2019

Federal Grant/Pass-Through Grant Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture passed through from Texas Department of Agriculture:				
Child and Adult Care Food Program	10.558	01686	\$ -	\$ 813,833
Women, Infants and Children Farmers' Market Nutrition Program	10.572	01686	-	5,758
Summer Food Services Program	10.559	01686	-	331,291
Food Assistance Program Cluster Programs passed through from Texas Department of Agriculture:				
Emergency Food Assistance Program Cluster (Administrative Costs)	10.568	01686	-	1,138,652
Trade Mitigation Food Purchases and Distribution Program (Administrative Costs)	10.178	01686	-	509,595
Emergency Food Assistance Program Cluster (Food Commodities)	10.569	01686	-	11,181,008
Trade Mitigation Food Purchase and Distribution Program (Food Commodities)	10.569	01686	-	11,980,157
Total Food Assistance Program Cluster				24,809,412
Total U.S. Department of Agriculture				25,960,294
Total Expenditures of Federal Awards			\$	\$ 25,960,294

The accompanying notes are an integral part of this schedule.

Tarrant Area Food Bank and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Tarrant Area Food Bank (the Organization) under programs of the federal government for the year-end September 30, 2019. The information in the 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 Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. 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 Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

3. Non-Monetary Assistance

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. At September 30, 2019 the Organization had federally funded food commodities in inventory totaling \$1,761,154.

4. Matching Contributions

The Organization incurred a total of approximately \$5,736,111 of costs associated with the warehousing of food commodities, of which \$1,648,247 has been reimbursed by the U.S. Department of Agriculture and included in the accompanying Schedule.

5. Indirect Cost Rate

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



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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

Board of Directors
Tarrant Area Food Bank
Fort Worth, 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 Tarrant Area Food Bank (the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2019 and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing the audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 Organization's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of the report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control of 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.

BDO USA, LLP
December 18, 2019



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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Tarrant Area Food Bank
Fort Worth, Texas

Report on Compliance for Each Major Federal Program

We have audited the Tarrant Area Food Bank's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.



Report on Internal Control Over Compliance

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

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

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

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

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Organization as of and for the year ended September 30, 2019, and have issued our report thereon dated December 18, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is 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 consolidated 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 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP
December 18, 2019

Tarrant Area Food Bank and Subsidiaries

Schedule of Findings and Questioned Costs Year Ended September 30, 2019

Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

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

Identification of major federal programs:

CFDA Number 10.568, 10,178, 10.569 (Food Assistance Cluster)
Name of Grantor U.S. Department of Agriculture

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

Auditee qualified as low-risk auditee? yes no