



# **Tarrant Area Food Bank and Subsidiaries**

**Consolidated Financial Statements  
For the Year Ended September 30, 2020**

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, 2020**



# **Tarrant Area Food Bank and Subsidiaries**

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Consolidated Financial Statements  
For the Year Ended September 30, 2020

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, 2020

# Tarrant Area Food Bank and Subsidiaries

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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, 2020, 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, 2020 and the changes in its net assets and cash flows for the year ended September 30, 2020 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 January 25, 2021 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

January 25, 2021

## **Consolidated Financial Statements**

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# Tarrant Area Food Bank and Subsidiaries

## Consolidated Statement of Financial Position

<i>September 30,</i>	<b>2020</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 12,120,333
Grants receivable	827,146
Other receivable	371,228
Inventory of food and commodities	3,277,229
Investments	1,322,113
Prepaid expenses	59,281
<b>Total current assets</b>	<b>17,977,330</b>
Note receivable	5,364,500
Land, buildings, and equipment, net	15,659,512
Other assets	49,059
Investments - restricted endowment funds	633,288
<b>Total assets</b>	<b>\$ 39,683,689</b>
<b>Liabilities and net assets</b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,618,711
<b>Total current liabilities</b>	<b>1,618,711</b>
Notes payable	8,335,697
<b>Total liabilities</b>	<b>9,954,408</b>
<b>Commitments and contingencies</b>	
<b>Net assets</b>	
Without donor restrictions	24,259,442
With donor restrictions	5,469,839
<b>Total net assets</b>	<b>29,729,281</b>
<b>Total liabilities and net assets</b>	<b>\$ 39,683,689</b>

*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>	2020		
	Without Donor Restriction	With Donor Restriction	Total
<b>Support and revenues:</b>			
Public support			
Public contributions	\$ 12,265,483	\$ 5,677,484	\$ 17,942,967
Donated food and commodities	-	91,426,954	91,426,954
Special events, net	113,794	-	113,794
<b>Total public support</b>	<b>12,379,277</b>	<b>97,104,438</b>	<b>109,483,715</b>
<b>Revenues:</b>			
Handling fees	1,391,880	-	1,391,880
Investment income, net	227,493	15,706	243,199
Change in value of beneficial interest in trust	103	-	103
Other revenue, gains and losses, net	44,194	-	44,194
Gain from unwind of TAFB - SPE	1,323,618	-	1,323,618
<b>Total revenue</b>	<b>15,366,565</b>	<b>97,120,144</b>	<b>112,486,709</b>
Government grants and cost reimbursements	6,921,875	-	6,921,875
Net assets released from restrictions	95,415,628	(95,415,628)	-
<b>Total support and revenues</b>	<b>117,704,068</b>	<b>1,704,516</b>	<b>119,408,584</b>
<b>Expenses:</b>			
Program	102,487,797	-	102,487,797
Management and general	2,737,085	-	2,737,085
Fundraising	1,797,471	-	1,797,471
<b>Total expenses</b>	<b>107,022,353</b>	<b>-</b>	<b>107,022,353</b>
Change in net assets	10,681,715	1,704,516	12,386,231
Net assets at October 1, 2019	13,577,727	3,765,323	17,343,050
<b>Net assets at September 30, 2020</b>	<b>\$ 24,259,442</b>	<b>\$ 5,469,839</b>	<b>\$ 29,729,281</b>

*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>	<b>2020</b>
<b>Cash flows from operating activities</b>	
Cash received from contributors, grants and cost reimbursements	\$ 24,897,650
Cash received from partner agencies	1,240,691
Interest and other cash received	276,033
Cash paid to employees, suppliers and food vendors	(14,931,014)
Net cash provided by operating activities	11,483,360
<b>Cash flows from investing activities</b>	
Purchase of investments	(46,518)
Purchase of building, equipment and construction in process	(3,167,621)
Net cash used in investing activities	(3,214,139)
<b>Cash flows from financing activities</b>	
Borrowing on PPP loan	1,171,800
Net cash provided by financing activities	1,171,800
Net increase in cash and cash equivalents	9,441,021
Cash and cash equivalents at October 1, 2019	2,679,312
Cash and cash equivalents at September 30, 2020	\$ 12,120,333
<b>Reconciliation of changes in net assets to change in net cash provided by operating activities</b>	
Change in net assets	\$ 12,386,231
Depreciation	641,873
Unrealized loss on investments	32,834
Gain of TAFB - SPE unwind dissolution	(1,323,618)
Change in value of beneficial interest in trust	22,674
Changes in assets and liabilities:	
Other receivable	(151,189)
Prepaid expenses and other assets	(568)
Grants receivable	(147,957)
Inventory of food and commodities	(550,349)
Accounts payable and accrued liabilities	573,429
Net cash provided by operating activities	\$ 11,483,360
<b>Supplemental Disclosures</b>	
Noncash activities:	
Donated food and commodities received	\$ 91,426,954
Donated food and commodities distributed	\$ 91,361,893
Forgiveness of notes receivable related to unwind of TAFB - SPE	\$ 4,353,000
Forgiveness of notes payable related to unwind of TAFB - SPE, net capitalized financing costs	\$ (5,676,618)
Cash paid for interest	\$ 225,995

*See accompanying notes to consolidated financial statements.*

## Tarrant Area Food Bank and Subsidiaries

### Consolidated Statement of Functional Expenses

For the year ended September 30, 2020

	TARRANT AREA FOOD BANK				TAFB-DCI		ELIMINATIONS		CONSOLIDATED			
	Program	Management and General	Fund Raising	Total	TAFB-DCI Program	TAFB-DCI Management and General	ELIMINATIONS Program	ELIMINATIONS Management and General	Program	Management and General	Fund Raising	Total
Compensation	\$ 3,992,889	\$ 1,403,716	\$ 692,991	\$ 6,089,596	\$ -	\$ -	\$ -	\$ -	\$ 3,992,889	\$ 1,403,716	\$ 692,991	\$ 6,089,596
Benefits and taxes	1,009,923	278,567	187,689	1,476,179	-	-	-	-	1,009,923	278,567	187,689	1,476,179
<b>Total compensation, benefits and taxes</b>	<b>5,002,812</b>	<b>1,682,283</b>	<b>880,680</b>	<b>7,565,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,002,812</b>	<b>1,682,283</b>	<b>880,680</b>	<b>7,565,775</b>
Donated food	91,213,517	-	-	91,213,517	-	-	-	-	91,213,517	-	-	91,213,517
Purchased food	3,593,007	-	-	3,593,007	-	-	-	-	3,593,007	-	-	3,593,007
Professional fees	6,374	351,580	752,090	1,110,044	-	11,665	-	-	6,374	363,245	752,090	1,121,709
Supplies, printing, and postage	518,342	72,154	91,090	681,586	-	-	-	-	518,342	72,154	91,090	681,586
Occupancy and insurance	858,653	60,826	53,806	973,285	-	-	(144,000)	(11,665)	714,653	49,161	53,806	817,620
Equipment expense	345,569	11,198	11,896	368,663	-	-	-	-	345,569	11,198	11,896	368,663
Travel/conferences	11,672	53,188	4,081	68,941	-	-	-	-	11,672	53,188	4,081	68,941
Vehicle expense	667,557	4,232	806	672,595	-	-	-	-	667,557	4,232	806	672,595
Interest and miscellaneous	15,553	122,814	3,022	141,389	-	135,678	-	-	15,553	258,492	3,022	277,067
<b>Total expenses before depreciation</b>	<b>102,233,056</b>	<b>2,358,275</b>	<b>1,797,471</b>	<b>106,388,802</b>	<b>-</b>	<b>147,343</b>	<b>(144,000)</b>	<b>(11,665)</b>	<b>102,089,056</b>	<b>2,493,953</b>	<b>1,797,471</b>	<b>106,380,480</b>
Depreciation	147,020	243,132	-	390,152	251,721	-	-	-	398,741	243,132	-	641,873
<b>Total</b>	<b>\$ 102,380,076</b>	<b>\$ 2,601,407</b>	<b>\$ 1,797,471</b>	<b>\$ 106,778,954</b>	<b>\$ 251,721</b>	<b>\$ 147,343</b>	<b>\$ (144,000)</b>	<b>\$ (11,665)</b>	<b>\$ 102,487,797</b>	<b>\$ 2,737,085</b>	<b>\$ 1,797,471</b>	<b>\$ 107,022,353</b>

*See accompanying notes to consolidated financial statements.*

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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### 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 was 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 was the sole member of TAFB-SPE. The TAFB-SPE was unwound and dissolved in 2020 following a board resolution in September 2020.

TAFB-Distribution Center Inc. (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 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 TAFB 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 TAFB 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

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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 6.

### ***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

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### ***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, 2020.

### ***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 \$1.74 per pound and USDA food at \$1.49 per pound for the year ended September 30, 2020. The Feeding America valuation study was published in June 2020 and was based on food and commodity donation data from calendar year 2019. 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, 2020.

### ***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, 2020.

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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### ***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, 2020, there were no interest or penalties recorded or incurred related to taxes. The Organization is still open to examination by taxing authorities from 2016 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

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### *Recently Adopted Authoritative Guidance*

#### *Accounting Pronouncements Issued*

##### **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. On October 1, 2019, the TAFB adopted ASU 2018-08. All grants within the scope of ASU 2018-08 were accounted for as contributions that were unconditional as of September 30, 2020.

#### *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," which establishes a comprehensive revenue recognition standard for virtually all industries under GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-4, "Revenue from Contracts with Customers (Topic 606) - Deferral of Effective Date," which deferred the effective date for one year. The FASB issued ASU 2020-05 to provide an additional year of deferral to Topic 606. Accordingly, this ASU will be effective for the TAFB for the year ending September 30, 2021.

##### **Leases (Topic 842)**

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the TAFB for the year ending September 30, 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated 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.

### 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, 2019	\$ 1,761,154	\$ 965,727	\$ 2,726,881
Donations	38,374,982	53,051,972	91,426,954
Purchases	-	2,898,819	2,898,819
Distribution of donations	(38,647,482)	(52,714,411)	(91,361,893)
Distribution of purchases	-	(2,873,549)	(2,873,549)
Other adjustments	56,255	403,762	460,017
Inventory at September 30, 2020	\$ 1,544,909	\$ 1,732,320	\$ 3,277,229

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 \$1.74 and \$1.49 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, 2020:

	Cost	Market
Mutual funds	\$ 1,179,232	\$ 1,387,312
Investments held by the Communities Foundation	420,445	568,089
	1,599,677	1,955,401
Less restricted endowment funds		(633,288)
Investments		\$ 1,322,113



# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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The change in unrealized gain on investments for the year ended September 30, 2020 is as follows:

Unrealized gain at October 1, 2019	\$ 388,558
Unrealized loss during the year	(32,834)
<hr/>	
Unrealized gain at September 30, 2020	<b>\$ 355,724</b>

Investment income for the year ended September 30, 2020 is composed of the following:

Interest and dividend income, net	\$ 219,845
Unrealized loss on investments	(32,834)
Capital gains on investments	56,188
<hr/>	
Investment income	<b>\$ 243,199</b>

#### 4. Note Receivable

The Organization has a note receivable at September 30, 2020 related to new market tax credit transactions further described in Note 9.

##### 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 \$53,645 for the year ended September 30, 2020. 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.

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.

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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### 5. Land, Buildings and Equipment

The composition of land, buildings and equipment is as follows at September 30, 2020:

Land	\$ 1,214,359
Buildings	12,473,738
Furniture and equipment	1,098,076
Distribution center equipment	46,077
Vehicles	768,206
Software	110,687
<hr/>	
Total land, building, and equipment	15,711,143
Less accumulated depreciation	(2,552,754)
<hr/>	
Net land, building, and equipment	13,158,389
Construction in progress	2,501,123
<hr/>	
Land, building, and equipment, net	\$ 15,659,512

The TAFB has acquired a building that is intended to serve as a rural distribution center. The costs for the building and related acquisition costs make up the construction in progress balance at September 30, 2020. Renovations and expansions are anticipated for this building. See note 18 for construction contract signed after year-end related to this construction in progress.

### 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

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### *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, 2020, 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, 2020 is as follows:

Donor-restricted endowment funds **\$ 898,240**

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Changes in endowment net assets for the year ended September 30, 2020 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, 2019	\$ 271,438	\$ 633,288	\$ 904,726
Investment income	15,706	-	15,706
Amounts appropriated for expenditure	(22,192)	-	(22,192)
Endowment net assets at September 30, 2020	<b>\$ 264,952</b>	<b>\$ 633,288</b>	<b>\$ 898,240</b>

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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### 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.

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, 2020.

#### ***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***

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

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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.

The following tables set forth by level within the fair value hierarchy the Organization's assets at fair value as of September 30, 2020.

	Level 1	Level 2	Level 3	Total
Total mutual funds	\$ 1,387,312	\$ -	\$ -	\$ 1,387,312
Investments held by the Communities Foundation	-	-	568,089	568,089
<b>Total assets at fair value</b>	<b>\$ 1,387,312</b>	<b>\$ -</b>	<b>\$ 568,089</b>	<b>\$ 1,955,401</b>

The change in value of the investments held by the Communities Foundation for the year ended September 30, 2020 is as follows:

Fair value of assets at October 1, 2019	\$ 582,954
Realized gain, net fees	20,306
Unrealized loss	(14,865)
Distributions	(20,306)
<b>Fair value of asset at September 30, 2020</b>	<b>\$ 568,089</b>

### 8. Line of Credit

The Organization has a line of credit with a local bank for up to \$2,500,000, with interest accruing at a variable rate equal to the bank's prime rate plus .25% (3.50% at September 30, 2020). The line of credit matured in January 2021. The line of credit had no balance as of September 30, 2020 and nothing has been drawn through the date of this report.

### 9. Notes Payable

Notes payable consist of the following as of September 30, 2020:

Note payable under the Paycheck Protection Program (PPP). The loan was in the form of a note dated April 17, 2020 which matures April 17, 2022 and bears an interest rate of 1% per annum. The note may be prepaid by the TAFB at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The TAFB intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, the balance of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. While the TAFB believes that its use of the loan meets the conditions for forgiveness, there is no assurance that the loan will be forgiven, in whole or in part. See note 17.

**1,171,800**

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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

	<b>8,671,800</b>
Less capitalized financing costs net accumulated amortization	<b>(336,103)</b>

Total notes payable	<b>\$ 8,335,697</b>
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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, 2020:

Amounts due in fiscal year 2021	\$	-
Amounts due in fiscal year 2022		1,171,800
Amounts due in fiscal year 2023		7,500,000
Total	\$	<b>8,671,800</b>

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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### 10. Net Assets With Donor Restrictions

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, 2020, which are as follows:

Food distribution	\$ 2,864,071
Unappropriated endowment earnings - feeding children	162,941
Unappropriated endowment earnings - general operations	102,011
Food purchases and other	1,707,528
<hr/>	
Net assets with donor restrictions	\$ 4,836,551

Net assets with donor restrictions - not subject to spending policy or appropriations are restricted for the following purposes at September 30, 2020:

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

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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, 2020:

Release of purpose restriction - Food	\$ 91,213,517
Release of purpose restriction - Endowment	22,192
Release of purpose restriction - Other	4,179,919

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Total release of restrictions for satisfaction of purpose	\$ 95,415,628
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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, 2020, the Organization paid \$275,675 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 year ended September 30, 2020 was \$466,889 and the future commitments are as follows:

2021	\$ 385,415
2022	301,213
2023	254,840
2024	184,807
2025	157,020
<hr/>	
Future lease commitments	\$ 1,283,295

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# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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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.

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 \$57,177 for the year ended September 30, 2020.

### 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, 2020

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Cash and cash equivalents	\$ 12,120,333
Grant receivable	827,146
Other receivable	371,228
Investments	1,322,113
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Total financial assets available within one year for general expenditures	\$ 14,640,820

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# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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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. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the COVID-19 outbreak and its effect on the Organization's financial condition, liquidity, operations, suppliers, industry, and workforce. As a result of the COVID-19 outbreak, the Organization has eliminated programs relying on congregant feeding methods and replaced them with direct-to-client mobile distribution. Overall staffing levels have been maintained and it is anticipated that fiscal year 2021 will require significant staff additions to meet pandemic-related need. The organization has added a facility in Parker County to address rural area needs and foresees sufficient direct support from the local community there to fund its build-out and operations. There is uncertainty as to the level of government support in terms of both food and funding, but current activity suggests a continuation of the increased levels seen since the beginning of the pandemic.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

# Tarrant Area Food Bank and Subsidiaries

## Notes to Consolidated Financial Statements

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The Organization has applied for, and has received, funds under the Paycheck Protection Program in the amount of \$1,171,800 on April 17, 2020. The application for these funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account their current business activity and their ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on their future adherence to the forgiveness criteria.

Management will continue to examine the impact that the CARES Act may have on the Organization. Currently, management is unable to determine with certainty the impact that the CARES Act will have on the Organization's financial condition, results of operation, or liquidity.

### **18. Subsequent Events**

After year end, the Organization entered into a contract for renovations and additions to their new building that will serve as a rural distribution center. The amount of the contract is \$2,227,181 with work beginning in February 2021.

The Organization evaluated events occurring between the end of our most recent fiscal year and January 25, 2021, the date the financial statements were available to be issued.

## Supplemental Information

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# Tarrant Area Food Bank and Subsidiaries

## Consolidating Statement of Financial Position

September 30, 2020

	TAFB	TAFB-DCI	Consolidated
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 12,110,333	\$ 10,000	\$ 12,120,333
Grants receivable	827,146	-	827,146
Other fees receivable	371,228	-	371,228
Inventory of food and commodities	3,277,229	-	3,277,229
Investments	1,322,113	-	1,322,113
Prepaid expenses	59,281	-	59,281
Inter-organizational receivable (payable)	32,505	(32,505)	-
<b>Total current assets</b>	<b>17,999,835</b>	<b>(22,505)</b>	<b>17,977,330</b>
Note receivable	5,364,500	-	5,364,500
Land, buildings, and equipment, net	8,614,217	7,045,295	15,659,512
Other assets	49,059	-	49,059
Investments - restricted endowment funds	633,288	-	633,288
<b>Total assets</b>	<b>\$ 32,660,899</b>	<b>\$ 7,022,790</b>	<b>\$ 39,683,689</b>
<b>Liabilities and net assets</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 1,618,711	\$ -	\$ 1,618,711
<b>Total current liabilities</b>	<b>1,618,711</b>	<b>-</b>	<b>1,618,711</b>
Notes payable	1,171,800	7,163,897	8,335,697
<b>Total liabilities</b>	<b>2,790,511</b>	<b>7,163,897</b>	<b>9,954,408</b>
<b>Commitments and contingencies</b>			
<b>Net assets</b>			
Without Donor Restriction	24,400,549	(141,107)	24,259,442
With Donor Restriction	5,469,839	-	5,469,839
<b>Total net assets</b>	<b>29,870,388</b>	<b>(141,107)</b>	<b>29,729,281</b>
<b>Total liabilities and net assets</b>	<b>\$ 32,660,899</b>	<b>\$ 7,022,790</b>	<b>\$ 39,683,689</b>

*See accompanying notes to consolidated financial statements.*

## Tarrant Area Food Bank and Subsidiaries

### Consolidating Statement of Activities

For the year ended September 30,

2020

	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
<b>Support and revenues:</b>									
Public support									
Public contributions	\$ 12,265,483	\$ 5,677,484	\$ 17,942,967	\$ -	\$ -	\$ -	\$ 12,265,483	\$ 5,677,484	\$ 17,942,967
Donated food and commodities	-	91,426,954	91,426,954	-	-	-	-	91,426,954	91,426,954
Special events, net	113,794	-	113,794	-	-	-	113,794	-	113,794
<b>Total public support</b>	<b>12,379,277</b>	<b>97,104,438</b>	<b>109,483,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,379,277</b>	<b>97,104,438</b>	<b>109,483,715</b>
Revenues:									
Handling fees	1,391,880	-	1,391,880	-	-	-	1,391,880	-	1,391,880
Investment income	227,493	15,706	243,199	-	-	-	227,493	15,706	243,199
Change in value of beneficial interest in trust	103	-	103	-	-	-	103	-	103
Other revenue, gains and losses, net	55,859	-	55,859	-	144,000	(155,665)	44,194	-	44,194
Gain from unwind of TAFB - SPE	1,323,618	-	1,323,618	-	-	-	1,323,618	-	1,323,618
<b>Total revenue</b>	<b>15,378,230</b>	<b>97,120,144</b>	<b>112,498,374</b>	<b>-</b>	<b>144,000</b>	<b>(155,665)</b>	<b>15,366,565</b>	<b>97,120,144</b>	<b>112,486,709</b>
Government grants and cost reimbursements	6,921,875	-	6,921,875	-	-	-	6,921,875	-	6,921,875
Net assets released from restrictions	95,415,628	(95,415,628)	-	-	-	-	95,415,628	(95,415,628)	-
<b>Total support and revenues</b>	<b>117,715,733</b>	<b>1,704,516</b>	<b>119,420,249</b>	<b>-</b>	<b>144,000</b>	<b>(155,665)</b>	<b>117,704,068</b>	<b>1,704,516</b>	<b>119,408,584</b>
<b>Expenses:</b>									
Program	102,631,797	-	102,631,797	-	-	(144,000)	102,487,797	-	102,487,797
Management and general	2,349,686	-	2,349,686	-	399,064	(11,665)	2,737,085	-	2,737,085
Fundraising	1,797,471	-	1,797,471	-	-	-	1,797,471	-	1,797,471
<b>Total expenses</b>	<b>106,778,954</b>	<b>-</b>	<b>106,778,954</b>	<b>-</b>	<b>399,064</b>	<b>(155,665)</b>	<b>107,022,353</b>	<b>-</b>	<b>107,022,353</b>
Change in net assets	10,936,779	1,704,516	12,641,295	-	(255,064)	-	10,681,715	1,704,516	12,386,231
Net assets at October 1, 2019	14,677,657	\$ 3,765,323	\$ 18,442,980	(1,213,887)	113,957	-	13,577,727	\$ 3,765,323	\$ 17,343,050
Dissolution of TAFB - SPE	(1,213,887)	-	(1,213,887)	1,213,887	-	-	-	-	-
<b>Net assets at September 30, 2020</b>	<b>\$ 24,400,549</b>	<b>\$ 5,469,839</b>	<b>\$ 29,870,388</b>	<b>\$ -</b>	<b>\$ (141,107)</b>	<b>\$ -</b>	<b>\$ 24,259,442</b>	<b>\$ 5,469,839</b>	<b>\$ 29,729,281</b>

*See accompanying notes to consolidated financial statements.*

## **Tarrant Area Food Bank and Subsidiaries**

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Schedule of Expenditures of Federal Awards and Independent Auditor's  
Reports Required by *Government Auditing Standards*  
and the Uniform Guidance  
Year Ended September 30, 2020

# Tarrant Area Food Bank and Subsidiaries

## Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2020

*Year Ended September 30, 2020*

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
<b>U.S. Department of Agriculture passed through from Texas Department of Agriculture:</b>				
Child and Adult Care Food Program	10.558	01686	\$ -	\$ 573,194
Women, Infants and Children Farmers' Market Nutrition Program	10.572	01686	-	12,303
Summer Food Services Program	10.559	01686	-	126,262
<b>Food Assistance Program Cluster Programs passed through from Texas Department of Agriculture:</b>				
Emergency Food Assistance Program Cluster (Administrative Costs)	10.568	01686	-	1,159,594
Trade Mitigation Food Purchases and Distribution Program (Administrative Costs)	10.178	01686	-	621,296
Emergency Food Assistance Program Cluster (Food Commodities)	10.569	01686	-	14,558,421
Trade Mitigation Food Purchase and Distribution Program (Food Commodities)	10.569	01686	-	17,402,610
<b>Total Food Assistance Program Cluster</b>				<b>34,453,680</b>
<b>Food Assistance Program Programs passed through from Texas Department of Agriculture:</b>				
Coronavirus Food Assistance Program (Food Commodities)	10.130	01686	-	6,413,951
<b>Total U.S. Department of Agriculture</b>				<b>40,867,631</b>
<b>U.S. Department of Homeland Security Passed Through from Texas Department of Emergency Management:</b>				
Coronavirus Aid, Relief, and Economic Security Act	97.036	01686	-	3,066,894
<b>Total U.S. Department of Homeland Security</b>				<b>3,066,894</b>
<b>Health and Human Services</b>				
Coronavirus Relief Fund Flow Through United Way	21.019	N/A	-	58,186
Coronavirus Relief Fund Flow Through Tarrant County	21.019	N/A	-	164,218
<b>Total Health and Human Services</b>				<b>222,404</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$</b>	<b>\$ 44,156,929</b>

*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, 2020

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### 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, 2020. 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, 2020 the Organization had federally funded food commodities in inventory totaling \$1,544,909.

### 4. Matching Contributions

The Organization incurred a total of approximately \$5,901,158 of costs associated with the warehousing of food commodities, of which \$1,780,890 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.





**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, 2020 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 January 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a 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 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 TAFB's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

BDO USA, LLP

January 25, 2021



**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, 2020. 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, 2020.



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

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



## Report on 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, 2020, and have issued our report thereon dated January 25, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for 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*

January 25, 2021

# Tarrant Area Food Bank and Subsidiaries

## Schedule of Findings and Questioned Costs Year Ended September 30, 2020

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### Section I - 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      x   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      x   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes      x   no

#### *Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      x   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      x   no

# Tarrant Area Food Bank and Subsidiaries

## Schedule of Findings and Questioned Costs Year Ended September 30, 2020

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Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.130	Coronavirus Food Assistance Program (Food Commodities)
97.036	Coronavirus Aid, Relief, and Economic Security Act

Dollar threshold used to distinguish  
between type A and type B programs:

\$1,324,516

Auditee qualified as low-risk auditee?

yes     no

### Section II - Financial Statement Findings

None

### Section III - Federal Award Findings and Questioned Costs

None