

Tarrant Area Food Bank and Subsidiary

Consolidated Financial Statements
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, 2025

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Tarrant Area Food Bank and Subsidiary

Consolidated Financial Statements
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, 2025

Tarrant Area Food Bank and Subsidiary

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Independent Auditor's Report

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

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tarrant Area Food Bank and its subsidiaries (TAFB), which comprise the consolidated statement of financial position as of September 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAFB as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of TAFB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the consolidated Financial Statements

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

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



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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2026, on our consideration of TAFB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TAFB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TAFB's internal control over financial reporting and compliance.

BDO USA P.C.

January 14, 2026

Consolidated Financial Statements

Tarrant Area Food Bank and Subsidiary
Consolidated Statement of Financial Position

September 30, 2025

Assets

Current Assets

Cash and cash equivalents	\$	12,120,614
Grants receivable		403,042
Other receivable		446,460
Inventory of food and commodities		3,250,154
Investments		33,292,775
Prepaid expenses		151,331

Total Current Assets 49,664,376

Land, Buildings, and Equipment, Net 32,101,184

Other Assets 44,534

Right of use assets 558,870

Investments - Restricted Endowment Funds 633,288

Total Assets \$ 83,002,252

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities	\$	2,563,558
Lease liability		558,870

Total Liabilities 3,122,428

Commitments and Contingencies

Net Assets

Without donor restriction		75,960,264
With donor restriction		3,919,560

Total Net Assets 79,879,824

Total Liabilities and Net Assets \$ 83,002,252

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiary

Consolidated Statement of Activities

Year ended September 30, 2025

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenues			
Public support:			
Public contributions	\$ 15,876,883	\$ 3,950,992	\$ 19,827,875
Donated food and commodities	-	129,522,954	129,522,954
Special events, net	188,480	-	188,480
Total Public Support	16,065,363	133,473,946	149,539,309
Revenues:			
Handling fees	1,647,674	-	1,647,674
Investment Income	3,463,200	107,369	3,570,569
Other revenue, gains and losses, net	106,009	-	106,009
Total Public Support and Revenues	21,282,246	133,581,315	154,863,561
Government grants and cost reimbursements	1,290,089	2,341,765	3,631,854
Net assets released from restrictions	136,789,501	(136,789,501)	-
Total Support and Revenues	159,361,836	(866,421)	158,495,415
Expenses			
Program	144,884,275	-	144,884,275
Management and general	4,688,728	-	4,688,728
Fundraising	2,623,986	-	2,623,986
Total Expenses	152,196,989	-	152,196,989
Change in Net Assets	7,164,846	(866,421)	6,298,425
Net Assets, beginning of year	68,795,418	4,785,981	73,581,399
Net Assets, end of year	\$ 75,960,264	\$ 3,919,560	\$ 79,879,824

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiary

Consolidated Statement of Cash Flows

Year ended September 30, 2025

Cash Flows from Operating Activities

Cash received from contributors, grants, and cost reimbursements	\$ 24,142,357
Cash received from partner agencies	1,721,236
Interest and other cash received	873,015
Cash paid to employees, suppliers, and food vendors	(21,718,167)

Net Cash Provided by (Used in) Operating Activities 5,018,441

Cash Flows from Investing Activities

Purchase of investments	(20,155,801)
Sale of investments	10,771,215
Purchase of building, equipment, and construction in process	(876,051)

Net Cash Provided by (Used in) Investing Activities (10,260,637)

Net Increase (Decrease) in Cash and Cash Equivalents (5,242,196)

Cash and Cash Equivalents, beginning of year 17,362,810

Cash and Cash Equivalents, end of year \$ 12,120,614

Supplemental Disclosures

Non-cash activities:

Donated food and commodities received	\$ 129,095,640
Donated food and commodities distributed	(130,077,276)

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiary
Consolidated Statement of Functional Expenses

Year ended September 30, 2025

	Program	Management and General	Fundraising	Total
Compensation	\$ 5,154,292	\$ 2,401,075	\$ 674,950	\$ 8,230,317
Benefits and taxes	1,236,932	373,810	155,263	1,766,005
Total Compensation, Benefits, and Taxes	6,391,224	2,774,885	830,213	9,996,322
Donated food	129,715,891	-	-	129,715,891
Purchased food	3,946,453	-	-	3,946,453
Professional fees	379,747	1,072,111	1,412,715	2,864,573
Supplies, printing, and postage	455,776	147,809	273,587	877,172
Occupancy	986,992	217,110	41,042	1,245,144
Equipment expense	310,127	71,352	4,711	386,190
Travel/conferences	23,909	41,005	16,471	81,385
Vehicle expense	387,747	54,166	5,660	447,573
Agency regrants	448,887	76,000	-	524,887
Miscellaneous	-	99,095	-	99,095
Total Expenses, before depreciation	143,046,753	4,553,533	2,584,399	150,184,685
Depreciation	1,837,522	135,195	39,587	2,012,304
Total	\$ 144,884,275	\$ 4,688,728	\$ 2,623,986	\$ 152,196,989

See accompanying notes to consolidated financial statements.

Tarrant Area Food Bank and Subsidiary

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 350 partner agencies and feeding programs in thirteen North Texas counties.

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. TAFB-DCI was dissolved in January 2025.

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 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.

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.

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

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 that they be included in the 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Not-for-Profit Entities - Presentation of Financial Statements*, 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 5.

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.

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, 2025.

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Financial Instruments - Credit Losses (Topic 326)

Effective July 1, 2023, TAFB adopted Accounting Standards Update (ASU) 2016-13, *Financial instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, including subsequent amendments issued thereafter that clarify the standard (collectively, Topic 326). This standard significantly changes the impairment model for most financial instruments. Current guidance requires the recognition of credit losses based on an incurred-impairment methodology that reflects losses once the losses are probable. In accordance with Topic 326, TAFB will be required to use a current expected credit loss model (CECL) that will immediately recognize an estimate of credit losses that are expected to occur over the life of the financial instruments that are within the scope of this update, including miscellaneous receivables. The CECL model uses a broader range of reasonable and supportable information in the development of credit-loss estimates. This guidance became effective for TAFB beginning the year ended September 30, 2024. TAFB has assessed the impact and determined that there is no material effect to the financial statements.

Investments

Investments consist of mutual funds held by Bank of America, recorded at fair value based on quoted market prices, and amounts held in pooled investments managed by the North Texas Community Foundation, 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 \$1.97 per pound and USDA food at \$1.74 per pound for the year ended September 30, 2025. The Feeding America valuation study was published in December 2024 and was based on food and commodity donation data for the fiscal year ended June 30, 2024. 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, 2025.

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:

	Estimated Useful Lives (Years)
Buildings	30
Furniture and equipment	5
Distribution center equipment	5
Vehicles	5
Software	5

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

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, 2025.

Other Assets

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

Leases (Topic 842)

The Organization records leases in accordance with ASC 842, *Leases*. The guidance requires to recognize a lease liability and a right-of-use (ROU) asset for all leases with the exception of short-term leases whose terms are twelve months or less. Additionally, the Organization elected the package of practical expedients permitted under ASC 842, and accordingly, did not reassess whether existing contracts contain leases, lease classifications, or the treatment of initial direct costs capitalized under the previous standard (ASC 840). The Museum has elected to apply the practical expedient to not separate non-lease components from associated lease components.

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 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 740 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, 2025, there were no interest or penalties recorded or incurred related to taxes. The Organization is still open to examination by taxing authorities from 2020 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

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

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 donate significant amounts of their time to assist the Organization with the food distribution program. For the year ended September 30, 2025, volunteers donated approximately 93,205 (unaudited) hours of their services. 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.

Revenue Recognition

The Organization accounts for revenue under ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective method. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as public support and contributions, donated food, and financial instruments. Under ASC 606, an entity recognizes revenue when it transfers control of the promised goods or services to its customer, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Handling fees are recorded when the service is performed.

2. Inventory of Food and Commodities

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

	USDA	Other	Total
Inventory, October 1, 2024	\$ 1,872,682	\$ 1,902,711	\$ 3,775,393
Donations	29,244,062	99,851,578	129,095,640
Purchases ^(a)	-	3,946,453	3,946,453
Distribution of donations	(30,102,418)	(99,974,858)	(130,077,276)
Distribution of purchases	-	(3,616,372)	(3,616,372)
Other adjustments	-	126,316	126,316
Inventory, September 30, 2025	\$ 1,014,326	\$ 2,235,828	\$ 3,250,154

(a) A portion of purchased food was the result of CARES Act funding received through the Texas Department of Agriculture for food purchases.

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 \$1.97 and \$1.74 per pound, respectively. Donated and USDA food valuation rates are based on Feeding America's annual food valuation report.

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

3. Investments, Including Restricted Endowment Funds

Investments, including amounts included in the restricted endowment fund, consisted of the following:

September 30, 2025

	Cost	Market
Equity	\$ 18,903,637	\$ 23,980,775
Fixed income	6,599,664	6,663,506
Hedge funds	1,362,209	1,491,166
Tangible assets	980,042	1,062,256
Investments held by North Texas Community Foundation	502,849	728,360
	28,348,401	33,926,063
Less: restricted endowment funds	(633,288)	(633,288)
Investments	\$ 27,715,113	\$ 33,292,775

4. Land, Buildings, and Equipment

The composition of land, buildings, and equipment is as follows:

September 30, 2025

Land	\$ 1,371,247
Buildings	34,348,936
Furniture	745,221
Warehouse equipment	580,318
Vehicles	3,112,712
Software & IT Project	251,668
Construction in Progress	80,002
Total Land, Building, and Equipment	40,490,104
Less: accumulated depreciation	(8,388,920)
Land, Building, and Equipment, Net	\$ 32,101,184

Depreciation expense was \$2,012,304 for the year ended September 30, 2025.

5. 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 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

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

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.

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 the Organization's 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

The Organization has 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 is as follows:

September 30, 2025

Donor-restricted endowment funds	\$ 1,255,581
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Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Changes in endowment net assets for the are as follows:

Year ended September 30, 2025

	With Donor Restrictions - Subject to Spending Policy	With Donor Restrictions - Not Subject to Spending Policy	Total Endowment Net Assets
Endowment Net Assets , beginning of year	\$ 551,371	\$ 633,288	\$ 1,184,659
Investment income	107,369	-	107,369
Amounts appropriated for expenditure	(36,447)	-	(36,447)
Endowment Net Assets , end of year	\$ 622,293	\$ 633,288	\$ 1,255,581

6. 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.

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

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, 2025.

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

Investments - Investments held by the North Texas Community 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.

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 table sets forth by level within the fair value hierarchy the Organization's assets at fair value.

September 30, 2025

	Level 1	Level 2	Level 3	Total
Equity	\$ 23,980,775	\$ -	\$ -	\$ 23,980,775
Fixed income	6,663,506	-	-	6,663,506
Hedge funds	1,491,166	-	-	1,491,166
Tangible assets	1,062,256	-	-	1,062,256
Investments held by the North Texas Community Foundation	-	-	728,360	728,360
Total Assets, at fair value	\$ 33,197,703	\$ -	\$ 728,360	\$ 33,926,063

The change in value of the investments held by the Communities Foundation is as follows:

Year ended September 30, 2025

Fair Value of Assets, beginning of year	\$ 713,327
Realized gain, net fees	7,322
Interest and dividends	21,700
Unrealized gain	20,699
Distributions	(34,688)
Fair Value of Asset, end of year	\$ 728,360

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

7. Leases

The Organization leases equipment under non-cancelable operating leases that expire at various dates through August 2030.

For operating leases, the operating lease liabilities are initially and subsequently recognized based on the present value of the remaining lease payments using a discount rate that represents the Organization's incremental borrowing rate.

The lease term includes the noncancelable period of the lease plus any additional periods covered by either an option to extend or to terminate the lease. The Organization includes these options in the lease term when it is reasonably certain of exercising them. Right-of-use assets are further adjusted for any lease incentives. Operating lease cost for the years ended September 30, 2025 was \$112,967 and is recognized on a straight-line basis over the lease term and is recorded in management and general on the statement of activities and changes in net assets.

The following is the weighted-average term and discount rate for operating leases:

<i>Year ended September 30,</i>	2025
Weighted-average remaining lease term	40 months
Weighted-average discount rate	6.5%

The following table displays a maturity analysis of the undiscounted cash flows related to operating leases as of September 30, 2025, along with a reconciliation to the discounted amount recorded on the September 30, 2025 statement of financial position:

<i>Year ending June 30,</i>	
2026	\$ 253,344
2027	196,593
2028	68,443
2029	63,123
2030	43,694
Total Lease Payments	625,197
Less: imputed interest	(36,327)
Total Lease Liability	\$ 588,870

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

8. 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, which are as follows:

September 30, 2025

Food distribution	\$	2,663,978
Unappropriated endowment earnings - feeding children		323,212
Unappropriated endowment earnings - general operations		299,082
Net Assets with Donor Restrictions	\$	3,286,272

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

September 30, 2025

Feeding children	\$	405,148
General operations		228,140
Net Assets with Donor Restrictions - Not Subject to Spending Policy or Appropriations	\$	633,288

Release of restrictions are the following:

September 30, 2025

Release of purpose restriction - food	\$	130,820,495
Release of purpose restriction - endowment		2,341,565
Release of purpose restriction - cost reimbursement grant expenses		36,447
Release of purpose restriction - other		3,590,994
Total Release of Restrictions for Satisfaction of Purpose	\$	136,789,501

9. 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, 2025, the Organization paid \$303,146 into the Plan on behalf of qualified employees.

10. 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.

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

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.

11. 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 receivables are due from the U.S. Department of Agriculture. The Organization's handling fees receivable are due from various member agencies.

12. 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, 2025

Cash and cash equivalents	\$ 12,120,614
Grant receivable	403,042
Other receivable	446,460
Investments	33,292,775

Total Financial Assets Available Within One Year for General Expenditures \$ 46,262,891

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.
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Tarrant Area Food Bank and Subsidiary

Notes to Consolidated Financial Statements

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

13. Subsequent Events

The Organization evaluated events occurring between the end of our most recent fiscal year and January 14, 2026, the date the consolidated financial statements were available to be issued.

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

Tarrant Area Food Bank and Subsidiary
Schedule of Expenditures of Federal Awards

Year ended September 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Pass-through from Texas Department of Agriculture:				
Women, Infants and Children Farmers' Market Nutrition Program	10.572	01686	\$ -	\$ 117,909
Food Assistance Program Cluster Programs				
Pass-through from Texas Department of Agriculture:				
Emergency Food Assistance Program Cluster (Administrative Costs)	10.568	01686	-	713,093
Reach & Resiliency	10.568	01686	-	312,202
Emergency Food Assistance Program Cluster (Food Commodities)	10.569	01686	-	28,685,770
Commodity Supplemental Food Program	10.565	01686	-	223,184
Reach and Resiliency	10.565	01686	-	1,416,648
Total Food Assistance Program Cluster			-	31,350,897
Total U.S. Department of Agriculture			-	31,468,806
U.S. Department of Housing and Urban Development HUD CDBG Cluster				
COVID-19 Resource and Education Delivered (CDBG-CV3) CARES Act passed through City of Arlington	14.218	N/A	-	10,858
Total U.S. Department of Housing and Urban Development HUD CDBG Cluster			-	10,858
U.S. Department of Housing and Urban Development				
Economic Development Initiative - Community Project Funding	21.027	N/A		38,782
Total U.S. Department of Housing and Urban Development				49,640
Total Expenditures of Federal Awards			\$ -	\$ 31,518,446

The accompanying notes are an integral part of this schedule.

Tarrant Area Food Bank and Subsidiary

Notes to Schedule of Expenditures of Federal Awards

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 ended September 30, 2025. 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, 2025, the Organization had federally funded food commodities in inventory totaling \$1,104,325.

4. Matching Contributions

The Organization incurred a total of approximately \$8,250,000 of costs associated with the warehousing of food commodities, of which \$1,248,480 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% 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 and its subsidiary (TAFB), which comprise the TAFB's consolidated statement of financial position as of September 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 14, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the TAFB'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 TAFB's internal control. Accordingly, we do not express an opinion on the effectiveness of the TAFB's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 P.C.

January 14, 2026



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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on 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

Opinion on Each Major Federal Program

We have audited Tarrant Area Food Bank and its subsidiary's (the TAFB) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the TAFB's major federal programs for the year ended September 30, 2025. The TAFB's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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



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

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

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

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

We have audited the consolidated financial statements of the TAFB as of and for the year ended September 30, 2025 and have issued our report thereon dated January 14, 2026, 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 P.C.

January 14, 2026

Tarrant Area Food Bank and Subsidiary

Schedule of Findings and Questioned Costs Year Ended September 30, 2025

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

Identification of major federal programs:

Federal Assistance Listing Number

Name of Federal Program or Cluster

10.565, 10.568, and 10.569

Food Assistance Cluster - U.S. Department of Agriculture

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

\$945,227

Auditee qualified as low-risk auditee?

 X yes _____ no

Section II. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported, in accordance with generally accepted government auditing standards.

Section III. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.