

North Texas Food Bank

Independent Auditor's Reports and Consolidated Financial Statements

June 30, 2019

North Texas Food Bank
June 30, 2019

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Independent Auditor's Report

Board of Directors
North Texas Food Bank
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the North Texas Food Bank (Organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 consolidated 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 Organization'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 Organization'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 consolidated 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 the Organization as of June 30, 2019, 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.

Emphasis of Matter

As described in *Note 1* to the consolidated financial statements, in 2019, the Organization adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis 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 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 November 21, 2019, on our consideration of the North Texas Food Bank's internal control over financial reporting and 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 North Texas Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Texas Food Bank's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
November 21, 2019

North Texas Food Bank
Consolidated Statement of Financial Position
June 30, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 1,136,497
Cash restricted by New Markets Tax Credit Program notes payable (See Note 9)	170,000
Handling fees receivable (net of allowance) (See Note 1)	111,745
Pledges receivable (net of allowance) (See Note 4)	657,580
Pledges receivable – capital campaign (net of allowance and unamortized discount) (See Note 4)	5,840,474
Other receivables (See Note 1)	1,001,977
Investments (See Note 3)	29,126,427
Inventory of food and commodities (See Note 1)	14,925,212
Prepaid expenses and other assets	<u>339,717</u>
Total current assets	<u>53,309,629</u>

Noncurrent Assets

Cash restricted by New Markets Tax Credit Program notes payable (See Note 9)	730,913
Pledges receivable (net of allowance) (See Note 4)	509,100
Pledges receivable – capital campaign (net of allowance and unamortized discount) (See Note 4)	2,148,320
New Markets Tax Credit Program note receivable (See Note 5)	16,838,300
Property and equipment, net (See Note 6)	<u>32,875,532</u>
Total noncurrent assets	<u>53,102,165</u>

Total assets	<u><u>\$ 106,411,794</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 2,164,185</u>
Total current liabilities	<u>2,164,185</u>

Noncurrent Liabilities

New Markets Tax Credit Program notes payable (See Note 9)	<u>22,687,784</u>
Total noncurrent liabilities	<u>22,687,784</u>

Total liabilities	<u>24,851,969</u>
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Net Assets (See Note 10)

Without donor restrictions	49,043,913
With donor restrictions	<u>32,515,912</u>

Total net assets	<u>81,559,825</u>
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Total liabilities and net assets	<u><u>\$ 106,411,794</u></u>
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North Texas Food Bank
Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public Support			
Public contributions	\$ 16,727,258	\$ 3,381,711	\$ 20,108,969
Public support - in-kind	481,137	-	481,137
Capital campaign	-	536,222	536,222
Capital campaign - in-kind	-	354,254	354,254
Donated food and commodities (See Note 1)	-	117,934,991	117,934,991
Total public support	<u>17,208,395</u>	<u>122,207,178</u>	<u>139,415,573</u>
Government grants and cost reimbursements	<u>5,692,115</u>	<u>-</u>	<u>5,692,115</u>
Revenue			
Handling fee (See Note 1)	1,762,574	-	1,762,574
Investment return (See Note 3)	1,458,091	-	1,458,091
Other revenue	<u>15,812</u>	<u>-</u>	<u>15,812</u>
Total revenue	<u>3,236,477</u>	<u>-</u>	<u>3,236,477</u>
Total public support and revenue before net assets released from restrictions	26,136,987	122,207,178	148,344,165
Net assets released from restrictions (See Note 10)	<u>120,789,800</u>	<u>(120,789,800)</u>	<u>-</u>
Total support and revenue	<u>146,926,787</u>	<u>1,417,378</u>	<u>148,344,165</u>
Expenses and Losses			
Program	128,683,336	-	128,683,336
Management and general	2,168,933	-	2,168,933
Fundraising	5,335,153	-	5,335,153
Loss on disposal of fixed assets	<u>115,615</u>	<u>-</u>	<u>115,615</u>
Total expenses and losses	<u>136,303,037</u>	<u>-</u>	<u>136,303,037</u>
Change in Net Assets	10,623,750	1,417,378	12,041,128
Net Assets, Beginning of Year	<u>38,420,163</u>	<u>31,098,534</u>	<u>69,518,697</u>
Net Assets, End of Year	<u>\$ 49,043,913</u>	<u>\$ 32,515,912</u>	<u>\$ 81,559,825</u>

North Texas Food Bank
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and temporary personnel	\$ 5,676,439	\$ 1,322,361	\$ 2,217,030	\$ 9,215,830
Employee benefits and insurance	1,683,156	315,454	445,606	2,444,216
Payroll taxes	<u>374,797</u>	<u>93,388</u>	<u>153,951</u>	<u>622,136</u>
Total salaries and related expenses	<u>7,734,392</u>	<u>1,731,203</u>	<u>2,816,587</u>	<u>12,282,182</u>
Professional fees	192,663	175,548	48,967	417,178
Supplies	372,450	15,371	13,563	401,384
Postage	8,036	858	23,210	32,104
Occupancy	1,007,356	27,312	21,276	1,055,944
Communications	226,368	32,971	44,891	304,230
Equipment maintenance	83,622	88,125	23,404	195,151
Insurance	63,733	9,588	3,805	77,126
Donated food distributed	109,498,514	-	-	109,498,514
Purchased food distributed	5,151,564	-	-	5,151,564
Local transportation	1,345,922	612	616	1,347,150
Conference, conventions and meetings	5,765	4,733	4,081	14,579
Promo, printing and publications	95,693	2,066	2,223,136	2,320,895
Grants to agencies	577,794	318	276	578,388
Miscellaneous expense	<u>536,044</u>	<u>23,122</u>	<u>25,683</u>	<u>584,849</u>
Total expenses other than salaries and related expenses	<u>119,165,524</u>	<u>380,624</u>	<u>2,432,908</u>	<u>121,979,056</u>
Total expenses before depreciation	126,899,916	2,111,827	5,249,495	134,261,238
Depreciation and amortization	<u>1,783,420</u>	<u>57,106</u>	<u>85,658</u>	<u>1,926,184</u>
Total expenses before loss on disposal of fixed assets	<u>\$ 128,683,336</u>	<u>\$ 2,168,933</u>	<u>\$ 5,335,153</u>	<u>\$ 136,187,422</u>
Loss on disposal of fixed assets				<u>115,615</u>
Total expenses and losses				<u>\$ 136,303,037</u>

North Texas Food Bank
Consolidated Statement of Cash Flows
Year Ended June 30, 2019

Operating Activities	
Change in net assets	\$ 12,041,128
Items not requiring (providing) operating cash	
Depreciation and amortization	1,926,184
Loss on disposal of fixed assets	115,615
Unrealized gain on investments	(719,250)
Realized loss on investments	21,371
Capital campaign public support	(536,222)
Capital campaign public support - in-kind	(354,254)
Changes in	
Accounts receivable	349,668
Pledges receivable	(410,730)
Inventories	(8,705,651)
Prepaid expenses and other assets	(42,674)
Accounts payable and accrued expenses	(1,341,275)
Deferred rent	<u>(27,720)</u>
Net cash provided by operating activities	<u>2,316,190</u>
Investing Activities	
Proceeds from disposition of property and equipment	91,675
Purchase of property and equipment	(6,357,250)
Proceeds from sale of investments	9,166,073
Purchase of investments	<u>(19,645,206)</u>
Net cash used in investing activities	<u>(16,744,708)</u>
Financing Activities	
Proceeds from capital campaign contributions restricted for strategic plan	<u>7,213,794</u>
Net cash provided by financing activities	<u>7,213,794</u>
Decrease in Cash and Cash Equivalents	(7,214,724)
Cash and Cash Equivalents, Beginning of Year	<u>9,252,134</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,037,410</u></u>
Supplemental Cash Flow Information	
Interest paid	\$ 380,814
Noncash Activity	
Donated food received	\$ 117,934,991
Donated food distributed	\$ 109,498,514
Contributions of property and equipment	\$ 352,473
Reconciliation of Cash and Cash Equivalents to the Consolidated Statement of Financial Position	
Cash and cash equivalents, current assets	\$ 1,136,497
Cash restricted by New Markets Tax Credit Program, current assets	170,000
Cash restricted by New Markets Tax Credit Program, noncurrent assets	<u>730,913</u>
Total cash and cash equivalents	<u><u>\$ 2,037,410</u></u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

North Texas Food Bank (Organization) is a hunger relief organization that distributes donated, purchased and prepared foods through a network of 210 partner agencies in 13 counties. The Organization supports the nutritional needs of children, families and seniors through education, advocacy and strategic partnerships. The Organization's revenues and other support are derived principally from contributions and federal and state grants and its activities are conducted principally in the North Texas area.

The financial statements are prepared on a consolidated basis and include NTFB – Perot Family Campus (NTFB-PFC) and Feeding North Texas Foundation (FNTF).

NTFB-PFC was organized in June 2017 as a Texas nonprofit corporation to facilitate the New Markets Tax Credit Program and build a distribution facility for use by the Organization. FNTF serves to raise funds and hold an endowment for the support and benefit of and to carry out the purposes of the Organization. The consolidating statements of financial position and activities of all three entities are presented as additional information in the supplemental consolidating schedule. All significant interorganization balances and transactions have been eliminated in consolidation.

Strategic Plan

The Organization's board of directors and management continued a 10-year strategic plan with an associated three-year capital campaign that began in January 2015. The \$55 million strategic plan covers three key areas: (1) Community Engagement, (2) Network Expansion and (3) Client Visibility.

As of June 30, 2019, a total of \$51M had been received as either cash or pledge towards the strategic plan. The balance of the capital campaign funds (\$4.4M) was provided through the benefits of the New Markets Tax Credit Program.

- Community Engagement actions during the year ended June 30, 2019, included the completion of the Northern Distribution Center (known as the Perot Family Campus) financed through the New Markets Tax Credit Program. The Organization's former distribution center has been leased by a partner agency, Crossroads Community Services, as a southern food distribution hub. Also, a portion of the North Texas Food Bank's social services team continues to operate from this facility. At the Organization's Dallas Farmers Market location, some structural issues were identified this year requiring a polymer injection to stabilize the slab. Future plans for the building are being re-evaluated delaying a planned remodel.
- Network Expansion actions during the year ended June 30, 2019, included the purchase of a third mobile pantry truck, upgrades to Crossroads Community Services Hub and grants to Crossroad Community Services and Catholic Charities (for the Jan Pruitt Community Pantry) for operating expenses.

North Texas Food Bank

Notes to Consolidated Financial Statements

June 30, 2019

- Client Visibility actions during the year ended June 30, 2019, included the continued relationship with the Parkland Center for Clinical Innovation (PCCI) to work collaboratively with community partners to reduce emergency department visits for those with unmet needs. As part of this work, PCCI identified Pieces Technology to develop a technology platform, Pieces IRIS, to refer patients to community partners including to NTFB partners to access nutritious food and other needed services. In 2016, the NTFB invested in this technology on behalf of partner agencies to reduce the cost barrier for adoption. However, as adoption by NTFB partner agencies and other community partners has been disappointingly slow, NTFB management is evaluating various options for the technology platform.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2019, the Organization's and NTFB-PFC's cash accounts exceeded federally insured limits by approximately \$1,525,000.

Restricted Cash

Restricted cash represents cash restricted by the New Markets Tax Credit Program related to the notes payable (See *Note 9*). Amounts required to meet current liabilities of the Organization have been reclassified to current assets in the accompanying consolidated statement of financial position at June 30, 2019.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Investment return is reflected in the consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Handling Fees Receivable

The Organization charges recipient partner agencies a fee on a per pound basis on selected categories of products to partially offset the handling and redistribution costs incurred by the Organization. Fees during FY19 ranged from \$.00 to \$.28 per pound depending on the type of product.

In FY16, the Organization introduced a co-op program for eggs, ground beef and ground turkey, with ground chicken added in FY17. Partner agencies were able to purchase these items at the Organization's costs. Average cost per pound varied by item; eggs at \$0.37, ground beef, ground turkey and ground chicken at \$0.73.

Partner agencies take the donated food and other grocery products, and redistribute them at no cost, to the needy and hungry.

The Organization also distributed donated food and other products at \$.00 to \$.07 per pound or at cost (purchased product) depending on what type of product, to affiliate food bank organizations. These food banks redistribute the products to client organizations which serve the needy in their communities.

Handling fees receivable are stated at the amount billed to partner agencies. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Handling fees receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are pursued based on individual credit evaluation and specific circumstances of the customer. At June 30, 2019, the allowance for handling fees receivable was \$15,945.

Other Receivables

Other receivables consist primarily of amounts due from government agencies and represent amounts due to the Organization in accordance with cost-reimbursement contracts. These receivables are considered fully collectible and therefore, the Organization does not consider an allowance necessary at June 30, 2019.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The Organization capitalizes items in excess of \$2,500 which have a useful life greater than one year. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

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

Building	39 years
Leasehold improvements	5 – 15 years
Machinery and equipment	5 – 10 years
Software	5 years
Furniture and fixtures	3 – 10 years

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of the New Markets Tax Credit Program Notes Payable (See *Note 9*). Such costs are being amortized over the life of the notes payable using the effective interest method.

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

North Texas Food Bank

Notes to Consolidated Financial Statements

June 30, 2019

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For the year ended June 30, 2019, revenue recognized from contributed legal services, consulting, pest control, and advertising was \$263,403.

In-kind Contributions

- **Food and Commodities** – In addition to receiving cash contributions, the Organization receives in-kind contributions of food and other products from various donors. In-kind donations of products, the related inventory and the cost of donated food distributed are valued at an average of the national wholesale prices as determined by Feeding America. The Organization received approximately 71 million pounds valued at \$117,934,991 during the year ended June 30, 2019. The average price per pound used was \$1.62 at June 30, 2019.
- **Volunteer Time** – A substantial number of volunteers donate significant amounts of their time to enable the Organization to meet its mission. For the year ended June 30, 2019, volunteers donated approximately 115,000 hours of their services. Management estimates the value of volunteer services to be approximately \$2,875,000, none of which was recognized as revenues or expenses during FY19. This estimate is based on the fair market value for such services.
- **Stock** – During the year ended June 30, 2019, the Organization received \$159,172 in donated stock. The Organization's investment policy dictates that the stock is liquidated upon receipt. Proceeds from the sale of the stock are used for operations, unless restricted by the donor. Of the stock received, \$21,941 was restricted to the capital campaign as pledge payments.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Inventory Pricing

Inventories consist of donated and purchased products for distribution. Donated products are valued per pound at an average of the national wholesale prices as determined by Feeding America. Purchased products are valued at the purchase cost of those products as determined by the first-in, first-out method.

Government Grants

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

Income Taxes

The Organization, NTFB-PFC and FNTF are exempt from income taxes under Section 501 of the Internal Revenue Code (IRC) and a similar provision of state law. However, the Organization, NTFB-PFC and FNTF are subject to federal income tax on any unrelated business taxable income as defined by the IRC. The Organization, NTFB-PFC and FNTF file tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function for the year ended June 30, 2019. Certain costs have been allocated among the program, management and general and fundraising categories based on relative payroll, headcount or square footage occupied and other methods.

Change in Accounting Principle

In 2019, the Organization adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted, and permanently restricted.
- Placed in-service approach is used for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct long-lived assets.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Statement of Activities

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Statement of Functional Expenses

- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change has no impact on previously reported total change in net assets.

Note 2: Grant Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the consolidated financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2019, have been recorded as receivables. Following are grant commitments as of June 30, 2019, and the amount remaining to be drawn by year-end:

Grant	Term	Grant Amount	Earned As of June 30, 2019	Funding Available
Federal Grants:				
Emergency Food Assistance Program	9/30/2019	\$ 2,070,585	\$ 2,070,585	\$ -
Emergency Food Assistance Program - TM	9/30/2019	287,375	287,375	-
Commodity Supplemental Food Program	9/30/2019	471,822	471,822	-
Supplemental Nutrition Assistance Program	9/30/2019	1,105,870	856,314	249,556
Supplemental Nutrition Assistance Program Education	9/30/2019	211,785	184,575	27,210
Summer Food Service Program	9/30/2019	113,142	113,142	-
Emergency Food & Shelter National Board Program	9/30/2019	93,544	93,544	-
Child and Adult Care Food Program	9/30/2019	223,722	223,722	-
Total Federal Grants		<u>4,577,845</u>	<u>4,301,079</u>	<u>276,766</u>
State Grants:				
TDA – Texas Feeding Texas Grant	9/30/2019	530,828	530,828	-
Total State Grants		<u>530,828</u>	<u>530,828</u>	<u>-</u>
Total Grant Commitments		<u>\$ 5,108,673</u>	<u>\$ 4,831,907</u>	<u>\$ 276,766</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 3: Investments and Net Investment Return

Investments at June 30, 2019, consisted of the following:

Common stocks	\$ 6,240,004
Money market/mutual funds	13,118,996
Bonds	<u>9,767,427</u>
	<u>\$ 29,126,427</u>

Total net investment return is comprised of the following:

Interest and dividend income	\$ 817,898
Net realized and unrealized gains on investments reported at fair value	697,879
Management fees	<u>(57,686)</u>
	<u>\$ 1,458,091</u>

Note 4: Pledges Receivable

Pledges receivable for the year ended June 30, 2019, consisted of the following:

	With Donor Restrictions: Time	With Donor Restrictions: Purpose	Total
Due within one year	\$ 185,000	\$ 486,000	\$ 671,000
Less allowance for doubtful accounts	<u>(3,700)</u>	<u>(9,720)</u>	<u>(13,420)</u>
	181,300	476,280	657,580
Due in one to five years	360,000	175,000	535,000
Less allowance for doubtful accounts	<u>(17,428)</u>	<u>(8,472)</u>	<u>(25,900)</u>
	<u>342,572</u>	<u>166,528</u>	<u>509,100</u>
	<u>\$ 523,872</u>	<u>\$ 642,808</u>	<u>\$ 1,166,680</u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Pledges receivable related to the capital campaign for the year ended June 30, 2019, consisted of the following:

	With Donor Restrictions: Purpose	Total
Due within one year	\$ 6,034,582	\$ 6,034,582
Less		
Allowance for doubtful accounts	(120,692)	(120,692)
Unamortized discount	<u>(73,416)</u>	<u>(73,416)</u>
	5,840,474	5,840,474
Due in one to five years	2,324,063	2,324,063
Less		
Allowance for doubtful accounts	(108,982)	(108,982)
Unamortized discount	<u>(66,761)</u>	<u>(66,761)</u>
	<u>2,148,320</u>	<u>2,148,320</u>
	<u>\$ 7,988,794</u>	<u>\$ 7,988,794</u>

Note 5: New Markets Tax Credit Program Note Receivable

In conjunction with the New Markets Tax Credit Program transaction, the Organization entered into an agreement on September 6, 2017, to lend \$16,838,300 to USBCDC Investment Fund 205, LLC (Investment Fund). The note is secured by the Investment Fund's membership interest in Pacesetter CDE XXXVII, LLC (Pacesetter CDE), TMF Sub-CDE XXVI, LLC (TMF 1 CDE) and TMF Sub-CDE XXVII, LLC (TMF 2 CDE) (collectively the CDEs) and other cash accounts held by a secured party. The interest rate on the note consists of a fixed rate of 1.43%.

Interest is payable quarterly beginning September 2017 until September 2047. All principal and unpaid interest is due and payable in September 2047.

Interest earned on notes receivable in 2019 was approximately \$241,000, which is included in investment return in the accompanying consolidated statement of activities.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 6: Property and Equipment

Property and equipment at June 30, 2019, consisted of:

Warehouse equipment	\$ 1,204,595
Building and improvements	28,286,401
Office furniture and fixtures	2,157,402
Transportation equipment	1,593,090
Computer equipment and software	<u>2,868,544</u>
Total depreciable assets	36,110,032
Land	5,026,705
Art work	56,231
Construction in progress	<u>371,282</u>
	41,564,250
Less accumulated depreciation and amortization	<u>(8,688,718)</u>
	<u><u>\$ 32,875,532</u></u>

Note 7: Note Payable to Bank

In June 2019, the Organization renewed its \$2,500,000 line of credit arrangement with Frost Bank, which expires on June 1, 2021. Terms of the loan agreement require \$2,500,000 of unencumbered liquidity maintained at Frost Bank. The interest rate on the line of credit was 3-month LIBOR + 1%. The Organization's intent is to use the line of credit to finance operations each year during low income months. At June 30, 2019, there were no borrowings against the line of credit.

Note 8: Bridge Loan with Frost Bank

On September 7, 2017, the Organization entered into a \$16,000,000 loan agreement with Frost Bank to facilitate the New Markets Tax Credit Program. The interest rate on the loan is 3-month LIBOR plus 1%. Other costs associated with this facility are a \$16,000 origination fee and approximately \$19,000 in legal fees, paid to Frost's legal counsel. The loan is collateralized by the capital campaign pledge receivables. The initial amount drawn on the loan was approximately \$9,400,000. The drawn portion of the loan was repaid as cash became available from capital campaign pledge payments received during FY18 and was fully repaid by January 16, 2018. Until September 6, 2019, the undrawn portion of the loan (\$6,600,000) was eligible for borrowing to the extent collateral was available. At June 30, 2019, there were no borrowings against the bridge loan.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 9: New Markets Tax Credit Program Notes Payable

NTFB-PFC executed loan agreements on September 6, 2017, that provides for borrowings of \$9,000,000, \$7,425,000 and \$7,425,000 from Pacesetter CDE, TMF 1 CDE and TMF 2 CDE, respectively. The loans were to finance the build of the Perot Family Campus facility 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 a property deed of trust, security agreement, and a guaranty by the Organization.

Pursuant to the issuance of the New Markets Tax Credit Program Financing Commitment, NTFB-PFC is required to maintain certain funds at US Bank. At June 30, 2019, \$900,913 is held at US Bank for this purpose, of which \$170,000 is included in current assets for interest and fees payable due within one year and \$730,913 is included in noncurrent assets within the accompanying consolidated statement of financial position.

Each loan accrues interest at 1.5967%, payable quarterly beginning in September 2017 until September 30, 2047.

Total New Markets Tax Credit Program notes payable	\$ 23,850,000
Less: Unamortized debt issuance costs	<u>(1,162,216)</u>
 New Markets Tax Credit Program notes payable, net	 <u><u>\$ 22,687,784</u></u>

The balances outstanding on the New Markets Tax Credit Program notes payable, maturity dates and repayment terms at June 30, 2019, are as follows:

Note payable to Pacesetter CDE Loan, matures on September 30, 2047, with principal payments commencing in September 2024.	\$ 9,000,000
Note payable to TMF CDE Loan 1, matures on September 30, 2047, with principal payments commencing in September 2024.	7,425,000
Note payable to TMF CDE Loan 2, matures on September 30, 2047, with principal payments commencing in September 2024.	<u>7,425,000</u>
 Total New Markets Tax Credit Program notes payable	 <u><u>\$ 23,850,000</u></u>

At any time after the seventh anniversary and before the eighth anniversary of the note receivable, U.S. Bancorp Community Development Corporation can exercise its “put option” to sell its interest in the USBCDC Investment Fund 205, LLC to The Food Bank for \$1,000. After exercising its option to purchase the interest in the USBCDC Investment Fund 205, LLC, The Food Bank may cancel the New Markets Tax Credit Program notes payable.

Interest recognized as expense totaled approximately \$381,000 in 2019.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 10: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Capital Campaign	\$ 16,339,935
Inventory	14,050,535
Feeding Kids	555,515
Disaster Relief	362,953
Food-4-Kids Program	238,840
School Pantry Program	219,413
Capital Assets	174,173
Walmart Leadership	17,564
Walmart SNAP	4,406
Nudge	3,613
Mayor's Intern	2,609
Produce for Brighter Bites	1,356
	<u>31,970,912</u>
 Subject to the passage of time	
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	 545,000
	<u>545,000</u>
	<u><u>\$ 32,515,912</u></u>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, during the year ended June 30, 2019, as follows:

Expiration of time restrictions	\$ 385,000
Satisfaction of purpose restrictions	
Inventory	109,498,514
Capital Campaign	7,561,262
Food-4-Kids	1,211,204
Feeding Children	763,588
Mobile Pantry Truck	383,773
School Pantry Program	229,389
Feeding Seniors	170,460
Feeding Families	137,164
Produce for Brighter Bites	123,644
Kid's Café	82,590
Capital Assets	75,000
Mural - PFC Campus	50,000
Walmart Growth & Expansion	34,045
Food-4-Paws	30,885
White Fluid Milk	14,707
Our Community Pantry	8,420
Disaster Relief	7,963
Nudge	5,443
SNAP	5,000
Feeding Collin County	5,000
Walmart Leadership	2,477
Mayor's Intern	2,378
Nourishing Neighbors	1,000
Walmart SNAP	594
Jan's Garden	300
	<hr/>
	\$ 120,789,800
	<hr/> <hr/>

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Cash and cash equivalents	\$ 1,136,497
Handling fees receivable	111,745
Pledges receivable	657,580
Pledges receivable - capital campaign	5,840,474
Other receivables	1,001,977
Investments	<u>29,126,427</u>
Total financial assets	<u>37,874,700</u>
Less donor imposed restrictions not expected to be used in next year	<u>(13,185,073)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,689,627</u>

Investments include approximately \$12,505,000 of liquid Federated government money market funds to provide readily available assets for capital campaign and strategic plan spending.

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. As of June 30, 2019, \$5,280,305 of these financial assets available are expected to be used by these programs within one year.

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

Note 12: Related Party Transactions

The President and CEO of the Organization is also on the board of directors of Feeding Texas. During the year ended June 30, 2019, the Organization entered into food purchase transactions with Feeding Texas totaling approximately \$279,000.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 13: Operating Leases

Noncancelable operating leases for equipment and vehicles expire in various years through 2023. These leases generally contain renewal options for periods ranging from 5 – 10 years and require the Organization to pay all executory costs (property taxes, maintenance and insurance).

For the year ended June 30, 2019, rent expense for operating leases amounted to \$786,387.

Future minimum lease payments under operating leases are as follows for the year ended:

2020	\$ 601,369
2021	471,426
2022	207,024
2023	<u>214,683</u>
	<u>\$ 1,494,502</u>

Note 14: Compensated Absences

The Organization's employees are entitled to paid personal days off depending on job classification, length of service and other factors. At June 30, 2019, the accrued expenses for compensated absences included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position was \$267,266.

Note 15: Retirement Plans

Beginning the first month following one year of employment during which the employee works a minimum of 1,000 hours, the Organization contributes 5% of eligible employee's salary or wages into a 403(b) individual retirement account. However, employees may begin making pre-tax contributions to the plan through payroll deduction at any time up to the maximum allowed under Internal Revenue Service regulations.

The expense for this plan was \$174,680 for the year ended June 30, 2019.

The Organization also has a 457(b) deferred compensation plan for the chief executive officer, chief operating officer and the chief external affairs officer. The Organization contributes 2% of these executive's compensation annually and they may also make contributions. The assets and liabilities of the Plan are recorded at market value as investments and accrued expenses in the accompanying consolidated statement of financial position.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 16: Disclosures About Fair Value of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 6,240,004	\$ 6,240,004	\$ -	\$ -
Money market/mutual funds	13,118,996	13,118,996	-	-
Corporate bonds	5,755,641	-	5,755,641	-
Private placement bonds	104,787	-	104,787	-
Taxable bonds	2,447,203	-	2,447,203	-
US currency foreign bonds	1,459,796	-	1,459,796	-
	<u>\$ 29,126,427</u>	<u>\$ 19,359,000</u>	<u>\$ 9,767,427</u>	<u>\$ -</u>

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no Level 3 investments at June 30, 2019.

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

A significant portion of support and revenues is received through grants from the United States Department of Agriculture administered by the Texas Department of Health and Human Services.

For the year ended June 30, 2019, approximately 25% of total support was received from these grants.

The Organization derives its remaining revenue mainly from public contributions and shared maintenance revenue. Continued funding from these sources at current levels is dependent on various factors. Such factors include economic conditions, compliance with grant provisions, government approval, new legislation, donor satisfaction and public perception of mission effectiveness and relative importance.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statement of financial position.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 18: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018 (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019 (December 15, 2018, for not-for-profits that are conduit debt obligors). The Organization will implement the ASU for the fiscal year ended 2020 and is in the process of evaluating the effect the amendment will have on the consolidated financial statements.

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2021. The Organization will implement the new ASU for the fiscal year ended 2022 and is in the process of evaluating the effect the standard will have on the consolidated financial statements; however, the standard is expected to have a material effect on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

North Texas Food Bank
Notes to Consolidated Financial Statements
June 30, 2019

Note 19: Subsequent Events

Subsequent events have been evaluated through November 21, 2019, which is the date the consolidated financial statements were available to be issued.

Bridge Loan with Frost Bank

On September 7, 2019, the Bridge Loan with Frost Bank expired and was not renewed.

Dallas Farmers Market Location

In October 2019, NTFB entered into a confidential MOU with a prospective purchaser for NTFB's Dallas Farmers Market location.

Supplementary Information

North Texas Food Bank

Consolidating Schedule

Year Ended June 30, 2019

	North Texas Food Bank	North Texas Food Bank - Perot Family Campus	Feeding North Texas Foundation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,135,977	\$ 375	\$ 145	\$ -	\$ 1,136,497
Cash restricted by New Markets Tax Credit Program notes payable	-	170,000	-	-	170,000
Handling fees receivable, net	111,745	-	-	-	111,745
Pledges receivable	657,580	-	-	-	657,580
Pledges receivable – capital campaign, net	5,840,474	-	-	-	5,840,474
Other receivables	1,001,977	-	-	-	1,001,977
Investments	29,126,427	-	-	-	29,126,427
Investment in NTFB-PFC	1,753,528	-	-	(1,753,528)	-
Inventory of food and commodities	14,925,212	-	-	-	14,925,212
Prepaid expenses and other assets	339,717	-	-	-	339,717
Total current assets	54,892,637	170,375	145	(1,753,528)	53,309,629
Noncurrent Assets					
Cash restricted by New Markets Tax Credit Program notes payable	-	730,913	-	-	730,913
Pledges receivable, net	509,100	-	-	-	509,100
Pledges receivable – capital campaign, net	2,148,320	-	-	-	2,148,320
New Markets Tax Credit Program note receivable	16,838,300	-	-	-	16,838,300
Property and equipment, net	9,326,508	23,549,024	-	-	32,875,532
Total noncurrent assets	28,822,228	24,279,937	-	-	53,102,165
Total assets	\$ 83,714,865	\$ 24,450,312	\$ 145	\$ (1,753,528)	\$ 106,411,794
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	\$ 2,155,185	\$ 9,000	\$ -	\$ -	\$ 2,164,185
Total current liabilities	2,155,185	9,000	-	-	2,164,185
Noncurrent Liabilities					
New Markets Tax Credit Program notes payable	-	22,687,784	-	-	22,687,784
Total noncurrent liabilities	-	22,687,784	-	-	22,687,784
Total liabilities	2,155,185	22,696,784	-	-	24,851,969
Net Assets					
Without donor restrictions	49,043,768	1,753,528	145	(1,753,528)	49,043,913
With donor restrictions	32,515,912	-	-	-	32,515,912
Total net assets	81,559,680	1,753,528	145	(1,753,528)	81,559,825
Total liabilities and net assets	\$ 83,714,865	\$ 24,450,312	\$ 145	\$ (1,753,528)	\$ 106,411,794
Changes in Net Assets Without Donor Restrictions					
Revenues and other support					
Public contributions	\$ 16,649,862	\$ 77,396	\$ -	\$ -	\$ 16,727,258
Public support - in-kind	481,137	-	-	-	481,137
Government grants and cost reimbursements	5,692,115	-	-	-	5,692,115
Handling fee	1,762,574	-	-	-	1,762,574
Investment return, net	(810,748)	-	-	2,268,839	1,458,091
Other revenue	15,812	-	-	-	15,812
Released from restrictions	120,789,800	3,507,070	-	(3,507,070)	120,789,800
Total revenues and other support	144,580,552	3,584,466	-	(1,238,231)	146,926,787
Expenses					
Program	126,337,101	2,346,235	-	-	128,683,336
Management and general	2,168,933	-	-	-	2,168,933
Fundraising	5,335,153	-	-	-	5,335,153
Loss on disposal of fixed assets	115,615	-	-	-	115,615
Total expenses	133,956,802	2,346,235	-	-	136,303,037
Changes in Net Assets Without Donor Restrictions	10,623,750	1,238,231	-	(1,238,231)	10,623,750
Changes in Net Assets With Donor Restrictions					
Public contributions	3,381,711	-	-	-	3,381,711
Capital campaign	536,222	-	-	-	536,222
Capital campaign - in-kind	354,254	-	-	-	354,254
Donated food and commodities	117,934,991	-	-	-	117,934,991
Released from restrictions	(120,789,800)	(3,507,070)	-	3,507,070	(120,789,800)
Changes in Net Assets With Donor Restrictions	1,417,378	(3,507,070)	-	3,507,070	1,417,378
Change in Net Assets	12,041,128	(2,268,839)	-	2,268,839	12,041,128
Net Assets, Beginning of Year	69,518,552	4,022,367	145	(4,022,367)	69,518,697
Net Assets, End of Year	\$ 81,559,680	\$ 1,753,528	\$ 145	\$ (1,753,528)	\$ 81,559,825

North Texas Food Bank
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed through Texas Department of Agriculture				
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	01572	\$ -	\$ 287,375
Food Distribution Cluster				
Commodity Supplemental Food Program (Administrative Costs)	10.565	01572	-	471,822
Commodity Supplemental Food Program (Food Commodities)	10.565	01572	4,039,095	4,039,095 *
Emergency Food Assistance Program (Administrative Costs)	10.568	01572	-	2,070,585
Emergency Food Assistance Program (Food Commodities)	10.569	01572	<u>21,003,092</u>	<u>21,003,092 *</u>
Total Food Distribution Cluster			<u>25,042,187</u>	<u>27,584,594</u>
Passed through Texas Health & Human Services Commission				
SNAP Cluster				
Supplemental Nutrition Assistance Program State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.551	N/A	-	856,314
	10.561	N/A	<u>-</u>	<u>184,575</u>
Total SNAP Cluster			<u>-</u>	<u>1,040,889</u>
Child and Adult Care Food Program	10.558	N/A	223,722	223,722 *
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	N/A	<u>113,142</u>	<u>113,142 *</u>
Total U.S. Department of Agriculture			<u>25,379,051</u>	<u>29,249,722</u>
U.S. Department of Homeland Security				
Passed through Texas Health & Human Services Commission				
ARRA - Emergency Food and Shelter National Board Program	97.114	N/A	<u>-</u>	<u>93,544</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>93,544</u>
Total Federal Awards Expended			<u>\$ 25,379,051</u>	<u>\$ 29,343,266</u>

* Amount represents noncash food commodities

North Texas Food Bank
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Organization did not have any federal loan programs during the year ended June 30, 2019.
4. Of the federal expenditures presented in this schedule, the Organization did not provide any cash federal awards to subrecipients.

**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**

Independent Auditor's Report

Board of Directors
North Texas Food Bank
Dallas, Texas

We have audited, 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, the consolidated financial statements of the North Texas Food Bank (Organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statement 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 November 21, 2019, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principle.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
November 21, 2019

**Report on Compliance for the Major Federal Program
and Report on Internal Control Over Compliance**

Independent Auditor's Report

Board of Directors
North Texas Food Bank
Dallas, Texas

Report on Compliance for the Major Federal Program

We have audited the North Texas Food Bank's (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2019. The Organization's major federal program is 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 the Organization's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

BKD, LLP

Dallas, Texas
November 21, 2019

North Texas Food Bank
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

North Texas Food Bank
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

7. The threshold used to distinguish between Type A and Type B programs was \$880,298.
8. The Organization's major program was:

Cluster/Program	CFDA Number
Food Distribution Cluster	
Commodity Supplemental Food Program	10.565
Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569

9. The Organization qualified as a low-risk auditee? Yes No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
No matters are reportable.	

North Texas Food Bank
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Reference Number	Summary of Finding	Status
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No matters are reportable.