

**CENTRAL TEXAS FOOD BANK, INC.,  
CAPITAL AREA FOOD BANK FOUNDATION,  
and CAFB OF TX SUPPORT CORPORATION  
(nonprofit organizations)  
FINANCIAL STATEMENTS  
and Other Financial Information  
September 30, 2016 and 2015**

**WITH  
INDEPENDENT AUDITORS' REPORT**

## TABLE OF CONTENTS

	<u>Page</u>
<u>BASIC FINANCIAL STATEMENTS</u>	
Independent Auditors' Report	1
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	
For the Year Ended September 30, 2016	4
For the Year Ended September 30, 2015	5
Consolidated Statement of Functional Expenses	
For the Year Ended September 30, 2016	6
For the Year Ended September 30, 2015	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
<u>ADDITIONAL INFORMATION</u>	
Consolidating Schedule of Financial Position	23
Consolidating Schedule of Activities and Changes in Net Assets by Fund	25
Schedule of Expenditures of Federal Awards	27
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with Uniform Guidance	30
Schedule of Findings and Questioned Costs	32
Schedule of Prior Year Findings and Questioned Costs	33

**BASIC FINANCIAL STATEMENTS**



## **Independent Auditors' Report**

To the Board of Directors of  
Central Texas Food Bank, Inc.,  
Capital Area Food Bank Foundation, and  
CAFB of TX Support Corporation

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Central Texas Food Bank, Inc., Capital Area Food Bank Foundation, and CAFB of TX Support Corporation (all nonprofit organizations) which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of Central Texas Food Bank, Inc., Capital Area Food Bank Foundation, and CAFB of TX Support Corporation as of September 30, 2016 and 2015, and the changes in their financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters - Other Information**

Our audits were conducted for the purpose of forming opinions on the basic consolidated financial statements as a whole. The accompanying consolidating schedules of financial position on page 23 and activities and changes in net assets by fund on page 25 are presented for purposes of additional analysis and are not required parts of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 27 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements.

The consolidating schedules of financial position and activities and changes in net assets by fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2017, on our consideration of Central Texas Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Texas Food Bank, Inc.'s internal control over financial reporting and compliance.



Austin, Texas  
January 26, 2017

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2016 AND 2015**

ASSETS	2016	2015
Cash and Cash Equivalents	\$ 4,729,525	\$ 4,675,078
Restricted Cash	-	13,541,308
Investments	4,749,888	4,510,918
Accounts Receivable	385,832	507,898
Food Inventory Held for Distribution	1,994,534	1,743,682
Purchased Food Inventory	-	31,250
Prepaid Expenses	104,239	87,330
Pledges Receivable - Capital Campaign	241,692	288,882
Property and Equipment (Net of Accumulated Depreciation of \$2,274,321 and \$4,591,718, respectively)	24,306,342	11,501,283
Notes Receivable	12,745,100	12,745,100
Debt Issuance Costs	617,537	764,970
<b>TOTAL ASSETS</b>	<b><u>\$ 49,874,689</u></b>	<b><u>\$ 50,397,699</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts Payable	\$ 42,010	\$ 2,573,353
Accrued Liabilities	404,743	309,177
Deferred Revenue	61,410	-
Long-Term Debt	2,861,205	7,784,569
New Market Tax Credit Notes Payable	18,270,000	18,270,000
Total Liabilities	<u>21,639,368</u>	<u>28,937,099</u>
Net Assets:		
Unrestricted:		
Undesignated	2,658,181	2,071,796
Designated:		
For Future Food Distribution	1,994,534	1,743,682
For Property and Equipment	6,549,830	6,613,233
For Operating Reserve	2,635,366	2,425,332
For Capital Campaign	11,903,208	3,321,087
For CAFB Foundation	2,229,602	2,070,715
Total Unrestricted	<u>27,970,721</u>	<u>18,245,845</u>
Temporarily Restricted		
For Programs	113,506	193,500
For Capital Campaign	-	2,870,161
Total Temporarily Restricted	<u>113,506</u>	<u>3,063,661</u>
Permanently Restricted		
	<u>151,094</u>	<u>151,094</u>
Total Net Assets	<u>28,235,321</u>	<u>21,460,600</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 49,874,689</u></b>	<b><u>\$ 50,397,699</u></b>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public Support:				
Donated Food Received for				
Distribution	\$ 59,054,121	\$ -	\$ -	\$ 59,054,121
Grants and Contracts	2,218,057	-	-	2,218,057
Contributions	8,941,192	3,622,794	-	12,563,986
Revenue:				
Program Service Fees	2,701,149	-	-	2,701,149
Investment Income	491,536	-	-	491,536
Other	2,323,074	-	-	2,323,074
	<u>75,729,129</u>	<u>3,622,794</u>	<u>-</u>	<u>79,351,923</u>
Net Assets Released from Restrictions	<u>6,572,949</u>	<u>(6,572,949)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	82,302,078	(2,950,155)	-	79,351,923
<b>EXPENSES</b>				
Program Services:				
Donated Food Program	69,333,917	-	-	69,333,917
Supporting Services:				
Management and General	1,365,871	-	-	1,365,871
Fund Raising	1,877,414	-	-	1,877,414
Total Expenses	<u>72,577,202</u>	<u>-</u>	<u>-</u>	<u>72,577,202</u>
Change in Net Assets	9,724,876	(2,950,155)	-	6,774,721
Net Assets at Beginning of Year	<u>18,245,845</u>	<u>3,063,661</u>	<u>151,094</u>	<u>21,460,600</u>
Net Assets at End of Year	<u>\$ 27,970,721</u>	<u>\$ 113,506</u>	<u>\$ 151,094</u>	<u>\$ 28,235,321</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public Support:				
Donated Food Received for				
Distribution	\$ 54,600,774	\$ -	\$ -	\$ 54,600,774
Grants and Contracts	1,578,391	-	-	1,578,391
Contributions	7,090,030	1,782,231	-	8,872,261
Revenue:				
Program Service Fees	2,439,773	-	-	2,439,773
Investment Income (Loss)	(94,233)	-	-	(94,233)
Other	108,475	-	-	108,475
	<u>65,723,210</u>	<u>1,782,231</u>	<u>-</u>	<u>67,505,441</u>
Net Assets Released from Restrictions	<u>3,477,486</u>	<u>(3,477,486)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	69,200,696	(1,695,255)	-	67,505,441
<b>EXPENSES</b>				
Program Services:				
Donated Food Program	63,664,819	-	-	63,664,819
Supporting Services:				
Management and General	1,025,621	-	-	1,025,621
Fund Raising	1,822,061	-	-	1,822,061
Total Expenses	<u>66,512,501</u>	<u>-</u>	<u>-</u>	<u>66,512,501</u>
Change in Net Assets	2,688,195	(1,695,255)	-	992,940
Net Assets at Beginning of Year	<u>15,557,650</u>	<u>4,758,916</u>	<u>151,094</u>	<u>20,467,660</u>
Net Assets at End of Year	<u>\$ 18,245,845</u>	<u>\$ 3,063,661</u>	<u>\$ 151,094</u>	<u>\$ 21,460,600</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.



**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Donated Food Program	Supporting Services		Total
		Management & General	Fund Raising	
Donated Food Distributed to Others	\$ 58,759,942	\$ -	\$ -	\$ 58,759,942
Salaries and Related Expenses	3,918,800	755,877	948,658	5,623,335
Food Acquisitions	2,889,955	-	4,225	2,894,180
Fees for Service	25,682	92,858	668,806	787,346
Mileage and Freight	684,951	-	-	684,951
Equipment Rent and Maintenance	587,047	10,378	-	597,425
Occupancy	902,204	49,674	49,088	1,000,966
Grants to Agencies	219,602	-	-	219,602
Supplies	399,197	51,417	13,344	463,958
Conferences and Meetings	108,519	31,905	46,555	186,979
Insurance	152,102	15,022	3,747	170,871
Printing and Publication	22,664	131,082	81,296	235,042
Professional Fees	-	58,329	-	58,329
Postage	2,015	2,061	30,483	34,559
Telephone	37,091	2,061	2,061	41,213
Miscellaneous	11,695	6,578	610	18,883
Memberships	111	2,365	2,610	5,086
	<u>68,721,577</u>	<u>1,209,607</u>	<u>1,851,483</u>	<u>71,782,667</u>
Interest	75,316	32,465	2,092	109,873
Depreciation	<u>537,024</u>	<u>123,799</u>	<u>23,839</u>	<u>684,662</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 69,333,917</u></u>	<u><u>\$ 1,365,871</u></u>	<u><u>\$ 1,877,414</u></u>	<u><u>\$ 72,577,202</u></u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Donated Food Program	Supporting Services		Total
		Management & General	Fund Raising	
Donated Food Distributed to Others	\$ 54,978,806	\$ -	\$ -	\$ 54,978,806
Salaries and Related Expenses	3,326,503	709,501	972,684	5,008,688
Food Acquisitions	2,451,639	-	-	2,451,639
Fees for Service	125,548	82,958	613,200	821,706
Mileage and Freight	637,562	-	-	637,562
Equipment Rent and Maintenance	474,640	8,071	11,168	493,879
Occupancy	464,627	23,754	-	488,381
Grants to Agencies	354,778	-	-	354,778
Supplies	141,607	33,308	17,640	192,555
Conferences and Meetings	92,155	28,972	45,587	166,714
Insurance	141,077	14,731	3,465	159,273
Printing and Publication	38,710	2,168	59,170	100,048
Professional Fees	-	26,514	44,292	70,806
Postage	15,819	2,721	30,639	49,179
Telephone	35,090	1,949	1,949	38,988
Miscellaneous	1,128	3,379	965	5,472
Memberships	333	397	4,612	5,342
	<u>63,280,022</u>	<u>938,423</u>	<u>1,805,371</u>	<u>66,023,816</u>
Interest	-	-	-	-
Depreciation	<u>384,797</u>	<u>87,198</u>	<u>16,690</u>	<u>488,685</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 63,664,819</u></u>	<u><u>\$ 1,025,621</u></u>	<u><u>\$ 1,822,061</u></u>	<u><u>\$ 66,512,501</u></u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<u>2016</u>	<u>2015</u>
Change in Net Assets	\$ 6,774,721	\$ 992,940
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Contribution of Property and Equipment	(55,000)	(47,564)
(Gain) Loss on Disposal of Property and Equipment	(2,136,785)	(6,657)
Depreciation and Amortization	684,662	488,685
Unrealized (Gain) Loss on Investments	(82,810)	196,901
(Increase) Decrease in Operating Assets:		
Accounts Receivable	122,066	(179,309)
Food Inventory	(219,602)	446,120
Prepaid Expenses	(16,909)	(55,158)
Pledges Receivable	47,190	1,800,679
Other Assets	-	2,500
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(2,531,343)	2,442,613
Accrued Liabilities	95,566	44,432
Deferred Revenue	61,410	-
Net Cash Provided by (Used by) Operating Activities	<u>2,743,166</u>	<u>6,126,182</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of Investments	(1,225,867)	(1,051,462)
Proceeds from Sale of Investments	1,069,707	970,695
Proceeds from Sale of Property and Equipment	4,914,201	12,802
Purchase of Property and Equipment	(16,088,664)	(4,386,184)
Change in Restricted Cash	13,541,308	(13,541,308)
Issuance of Notes Receivable	-	(12,745,100)
Net Cash Provided by (Used by) Investing Activities	<u>2,210,685</u>	<u>(30,740,557)</u>
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Debt Issuance Costs	23,960	(764,970)
Payments on Long-Term Debt	(4,923,364)	(2,780,000)
Proceeds from Issuance of Long-Term Debt	-	28,834,569
Net Cash Provided by (Used by) Financing Activities	<u>(4,899,404)</u>	<u>25,289,599</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	54,447	675,224
Cash and Cash Equivalents at Beginning of Year	<u>4,675,078</u>	<u>3,999,854</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,729,525</u>	<u>\$ 4,675,078</u>
 <b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u></b>		
Cash Paid During the Year for:		
Interest	\$ 109,873	\$ 87,577
Federal Income Taxes	<u>\$ -</u>	<u>\$ -</u>
Non-Cash Transactions		
Donation of Property and Equipment	<u>\$ 55,000</u>	<u>\$ 47,564</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization.** Central Texas Food Bank, Inc. (the Food Bank), formerly the Capital Area Food Bank of Texas, Inc, is a Texas nonprofit corporation. The Food Bank accepts food donations and distributes it to various agencies and food insecure individuals.

The Capital Area Food Bank Foundation (the Foundation), also a Texas nonprofit corporation, was created in January 2000 to provide a stable source of revenue to support the Food Bank's general program operations.

The CAFB of TX Support Corporation (the Support Corporation), also a Texas nonprofit corporation, was created in April 2015 and is organized and will be operated at all times exclusively for the benefit of the Food Bank. The Support Corporation constructed a new facility which it leases to the Food Bank.

The Food Bank raises funds through government grants and donations from organizations, businesses and individuals. A portion of the program costs is shared by the recipient agencies in correlation with the amount of food each agency receives. Funding is provided primarily by donated food received, public support, program fees, and grants and contracts.

**Consolidated Financial Statements.** The accompanying consolidated financial statements include the financial statements of the Food Bank, the Foundation, and the Support Corporation (collectively, the Organizations). The majority of the Foundation's Board of Directors is derived from the directors of the Food Bank's Board. The Support Corporation's Board of Directors is appointed by its sole member, the Food Bank. All significant inter-company transactions have been eliminated in the consolidated financial statements.

**Basis of 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 of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

*Unrestricted net assets* — Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* — Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Permanently restricted net assets* — Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on any related investments for general or specific purposes. Permanently restricted net assets are invested in perpetuity. The income may be used to support the Organizations' general program operations, subject to the restrictions contained in the Foundation's organizational documents.

**Cash Equivalents.** The Organizations consider all deposits held at financial institutions or brokerage houses that are subject to withdrawal by check and investments with an original maturity of three months or less to be cash equivalents.

**Investments.** Investments are recorded at fair value as of year-end. Unrealized gains and losses as well as all interest and dividends earned are included in the change in unrestricted net assets in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

**Accounts Receivable.** The Food Bank considers all recorded accounts and grants to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

**Pledges Receivable.** During 2016 and 2015, the Food Bank received multi-year pledges restricted for the Capital Campaign. The pledges were not discounted to present value as the total amount of the discount was immaterial. The Food Bank considers all pledges to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

**Food Inventory.** The Food Bank acts as an agent for the donors of food, distributing it to various agencies. Donated food inventory on-hand at September 30, 2016 and 2015, is recorded in the financial statements at an average value of \$1.67 and \$1.70, respectively, per pound as calculated by Feeding America, a nationwide network of member food banks.

**Property and Equipment.** Donations of property and equipment are recorded as support revenue at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased property and equipment is recorded at cost. The value of capital assets donated during the years ended September 30, 2016 and 2015, totaled \$55,000 and \$47,564, respectively.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The Food Bank capitalizes all depreciable assets with a cost equal to or greater than \$500 with a useful life of more than one year. Assets retired from service during the year are charged against their accumulated depreciation account and removed from the fixed asset records. If the asset is not fully depreciated the residual asset balance is charged to depreciation expense for the current year.

Depreciation on property and equipment is provided using the straight-line method over estimated useful lives of the respective assets, ranging from 3 to 50 years. Upon sale or other disposition of assets, the costs and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as an increase or decrease in unrestricted net assets.

**Board Designated Unrestricted Net Assets.** The Board of Directors has set aside amounts to be used for designated future purposes of the Organizations as reflected in these consolidated financial statements. A portion of the unrestricted net assets is set aside as an operating reserve fund in compliance with Feeding America recommendations.

**Revenue Recognition.** In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, *Revenue Recognition*, contributions (grants) received from federal, state, and local governments that are conditioned upon the Food Bank incurring certain qualifying costs are considered to be conditional promises to give and therefore are recognized as revenue as those costs are incurred.

**Donations.** Donated material and services, although significant in amount, are not recorded unless there is an objectively measurable basis for determining their fair value.

A substantial number of people donate significant amounts of services to the Food Bank. The financial statements do not reflect the value of these services as no objective basis exists for the reasonable measuring of the value of such services in accordance with FASB ASC 958-605-25. It is estimated that volunteers contributed approximately 91,200 and 84,500 hours to the food distribution program during the years ended September 30, 2016 and 2015, respectively.

**Recognition of Donor Restrictions.** Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unrestricted contributions are recorded as an increase in unrestricted net assets in the period in which the notice of unconditional promise to give is received.

Contributions or grants, which contain a donor-imposed restriction or a stipulation that the contribution cannot be used until a future period, are recorded as restricted contributions. Contributions, which are restricted with respect to the expenditure of the funds, are recorded as increases in temporarily restricted net assets available in the period in which the notice of grant award is received. Temporarily restricted net assets are reclassified to unrestricted net assets in the period in which the use restriction has been met or the time restriction lapses.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Federal Income Taxes.** The Organizations are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and are classified as organizations other than private foundations. The Organizations' federal exempt organization returns for the years ended September 30, 2013, and after are subject to examination by the Internal Revenue Service.

The Organizations have adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Tax*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the consolidated financial statements.

**Fair Value Measurement.** The Organizations have implemented FASB ASC 820-10-50, *Fair Value Measurements*, which 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 FASB ASC 820-10-50 are described below:

Level 1                    Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations 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.

**CENTRAL TEXAS FOOD BANK, INC  
CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2016.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organizations believe the 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.

**Use of Estimates and Assumptions.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassification Of Certain Prior Period Balances.** Certain prior period balances have been reclassified to conform to the current year presentation. Neither net assets nor the change in net assets were affected by the reclassification.

**Subsequent Events.** Management of the Organizations have evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the consolidated financial statements were available to be issued.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following at September 30:

	2016	2015
Cash Held at Financial Institutions	\$ 4,442,061	\$ 4,539,057
Money Market Accounts	287,464	136,021
	\$ 4,729,525	\$ 4,675,078



**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 3 - INVESTMENTS**

The Organizations follow FASB ASC 958-320-50. This statement requires entities to report investments in the statement of financial position at fair value and report realized and unrealized gains and losses in the statement of activities and changes in net assets. Investment income for the years ended September 30, 2016 and 2015, included in the Consolidated Statements of Activities and Changes in Net Assets, is summarized as follows:

	2016	2015
Unrealized Gain (Loss) on Investments	\$ 82,810	\$ (196,901)
Interest and Dividends	408,726	102,668
Investment Income (Loss)	\$ 491,536	\$ (94,233)

Short-term investments are recorded at fair value and are recorded in the financial statements as cash and cash equivalents. Long-term investments are recorded at fair value as determined by quoted market prices, which is Level 1 under the fair value hierarchy. Market values and unrealized appreciation (depreciation) at September 30, 2016 and 2015, are summarized as follows:

	Cost	Market Value (Level 1)	Unrealized Gain/(Loss)
September 30, 2016:			
<u>FOOD BANK</u>			
<b>Short-Term Investments:</b>			
Money Market Accounts (cash equivalents)	\$ 172,531	\$ 172,531	\$ -
<b>Long-Term Investments:</b>			
Corporate Bonds	399,971	402,265	2,294
Government Obligations	227,797	239,140	11,343
Common Stocks and Other	1,540,822	1,844,058	303,236
	2,168,590	2,485,463	316,873
Total Food Bank	\$2,341,121	\$ 2,657,994	\$ 316,873
 <u>FOUNDATION</u>			
<b>Short-Term Investments:</b>			
Money Market Accounts (cash equivalents)	\$ 114,933	\$ 114,933	\$ -
<b>Long-Term Investments:</b>			
Corporate Bonds	262,383	263,627	1,244
Government Obligations	109,045	111,684	2,639
Common Stocks and Other	1,471,354	1,889,114	417,760
	1,842,782	2,264,425	421,643
Total Foundation	\$1,957,715	\$ 2,379,358	\$ 421,643
Total Food Bank and Foundation	\$4,298,836	\$ 5,037,352	\$ 738,516

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 3 - INVESTMENTS - CONTINUED**

September 30, 2015:	Cost	Market Value (Level 1)	Unrealized Gain/(Loss)
<u>FOOD BANK</u>			
<b>Short-Term Investments:</b>			
Money Market Accounts (cash equivalents)	\$ 97,845	\$ 97,845	\$ -
<b>Long-Term Investments:</b>			
Corporate Bonds	581,100	578,732	(2,368)
Government Obligations	230,867	239,529	8,662
Common Stocks and Other	1,218,626	1,509,226	290,600
	<u>2,030,593</u>	<u>2,327,487</u>	<u>296,894</u>
Total Food Bank	<u>\$ 2,128,438</u>	<u>\$ 2,425,332</u>	<u>\$ 296,894</u>
 <u>FOUNDATION</u>			
<b>Short-Term Investments:</b>			
Money Market Accounts (cash equivalents)	\$ 38,176	\$ 38,176	\$ -
<b>Long-Term Investments:</b>			
Corporate Bonds	438,549	441,314	2,765
Government Obligations	109,045	111,562	2,517
Common Stocks and Other	1,283,219	1,630,555	347,336
	<u>1,830,813</u>	<u>2,183,431</u>	<u>352,618</u>
Total Foundation	<u>\$ 1,868,989</u>	<u>\$ 2,221,607</u>	<u>\$ 352,618</u>
Total Food Bank and Foundation	<u>\$ 3,997,427</u>	<u>\$ 4,646,939</u>	<u>\$ 649,512</u>

**NOTE 4 - PLEDGES RECEIVABLE**

Unconditional pledges receivable for the capital campaign as of September 30, 2016 and 2015, are as follows:

	2016	2015
Receivables due in less than one year	\$ 107,626	\$ 191,548
Receivables due in less than two years	90,913	77,334
Receivables due in less than three years	43,153	20,000
	<u>\$ 241,692</u>	<u>\$ 288,882</u>

**CENTRAL TEXAS FOOD BANK, INC  
CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 5 - PROPERTY AND EQUIPMENT**

The major classes of property and equipment held as of September 30, 2016 and 2015, are as follows:

	Life	2016	2015
Land	-	\$ 3,056,775	\$ 3,387,747
Building	5-50 years	18,980,656	4,610,014
Office Equipment	3-10 years	1,150,633	592,419
Warehouse Equipment	3-10 years	562,451	868,553
Vehicles	5-8 years	2,389,701	2,392,816
Kitchen Equipment	5-10 years	406,510	-
Agency Capacity	5-10 years	33,937	-
Construction in Progress	-	-	4,241,452
		<u>26,580,663</u>	<u>16,093,001</u>
Accumulated Depreciation		<u>(2,274,321)</u>	<u>(4,591,718)</u>
		<u>\$24,306,342</u>	<u>\$11,501,283</u>

Depreciation expense of \$561,189 and \$488,685 was recorded during the years ended September 30, 2016 and 2015, respectively.

Capitalized interest of \$247,972 and \$98,890, was recorded during the years ended September 30, 2016 and 2015, respectively.

The Food Bank completed the purchase of land on February 23, 2012. The total market value of the land as determined by an independent appraisal was \$2,780,000 of which \$1,516,978 was donated. The remaining \$1,263,022 was paid at closing. The land was used for the site for the construction of a new Food Bank facility, housing its administrative offices, dry, cold and freezer storage, production and teaching kitchen and community garden. Construction was completed during the 2016 fiscal year.

**NOTE 6 - NOTES RECEIVABLE**

In connection with the issuance of New Market Tax Credits Financing (See Note 7) the Food Bank entered into the following notes receivable:

The Food Bank entered into an agreement on May 19, 2015, amended on August 19, 2015, to lend \$8,637,500 to Chase NMTC CAFB of TX Investment Fund, LLC (Chase NMTC Fund 1). The note is secured by Chase NMTC Fund 1's membership interest in TMF SUB-CDE XXIV, LLC (TMF CDE) and CNMC SUB-CDE 81, LLC (CNMC CDE), collectively the CDE's) and other cash accounts held by a secured party. Interest on the unpaid principal amount at the rate of one percent (1.00%) per annum shall be payable quarterly for interest accruing through the last day of the last month of the applicable quarter until August 31, 2022. The first quarterly payment shall be on June 10, 2015, and payments shall be made on each December 10, March 10, June 10, and September 10 thereafter through June 10, 2022.

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 6 - NOTES RECEIVABLE - CONTINUED**

On September 10, 2022, there shall be a one-time payment of \$35,471 reflecting a partial payment of interest for accrued and unpaid interest from July 1, 2022 through August 31, 2022 and a payment of principal and interest for a partial quarter beginning on September 1, 2022 and ending on September 30, 2022. Commencing on December 10, 2022, and continuing on each March 10, June 10, September 10, and December 10, thereafter until the maturity date of August 31, 2045, Chase NMTC Fund 1 shall make quarterly payments of principal and interest in an amount equal to \$106,431.

The Food Bank entered into an agreement on August 19, 2015, to lend \$4,107,600 to Chase NMTC CAFB of TX Investment Fund 2, LLC (Chase NMTC Fund 2). The note is secured by Chase NMTC Fund 2's membership interest in UACD SUB-CDE XIX, LLC (UACD CDE) and CNMC SUB-CDE. Interest on the unpaid principal amount at the rate of one percent (1.00%) per annum shall be payable quarterly for interest accruing through the last day of the last month of the applicable quarter until August 31, 2022. The first quarterly payment shall be on September 10, 2015, and payments shall be made on each December 10, March 10, June 10, and September 10 thereafter through June 10, 2022. On September 10, 2022, there shall be a one-time payment of \$23,524 reflecting a partial payment of interest for accrued and unpaid interest from July 1, 2022, through August 31, 2022, and a payment of principal and interest for a partial quarter beginning on September 1, 2022, and ending on September 30, 2022. Commencing on December 10, 2022, and continuing on each March 10, June 10, September 10, and December 10, thereafter until the maturity date of August 31, 2045, Chase NMTC Fund 2 shall make quarterly payments of principal and interest in an amount equal to \$50,035.

Interest earned during the years ended September 30, 2016 and 2015, was \$131,368 and \$40,895, respectively.

**NOTE 7 - NEW MARKET TAX CREDITS NOTES PAYABLE**

The Support Corporation executed loan agreements on August 19, 2015, that provide for borrowings of \$10,890,000, \$1,500,000 and \$5,880,000 from TMF SUB-CDE XXIV, LLC, CNMC SUB-CDE 81, LLC, and UACD SUB-CDE XIX, LLC, respectively. The loans were used to finance the building of a new 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 fixture filing on this property and a guaranty by the Food Bank.

Pursuant to the issuance of the New Market Tax Credits Financing Commitment, the Support Corporation was required to maintain certain funds at JPMorgan Chase Bank, N.A. At September 30, 2015, \$13,541,308 was held at JPMorgan Chase Bank, N.A. for this purpose. During 2016, these funds were used and this requirement was released.

Each loan accrues interest payable quarterly beginning in September 2015 with the principal balance due in its entirety on the stated maturity dates. The Support Corporation is not permitted to prepay any portion of the loans until the seventh anniversary of the loan. The balances outstanding on the notes payable, maturity dates and repayment terms are as follows:

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 7 - NEW MARKET TAX CREDITS NOTES PAYABLE - CONTINUED**

	2016	2015
Note payable to TMF Sub CDE, matures on August 31, 2045, with quarterly interest only payments with an interest rate of 1.23393%		
Loan A	\$ 7,640,600	\$ 7,640,600
Loan B	3,249,400	3,249,400
Note payable to Chase NMC Sub CDE, matures on August 31, 2045, with quarterly interest only payments with an interest rate of 1.23393%		
Loan A	996,900	996,900
Loan B	503,100	503,100
Note payable to UACD Sub CDE, matures on August 31, 2045, with quarterly interest only payments with an interest rate of 1.41293%		
Loan A	4,107,600	4,107,600
Loan B	1,772,400	1,772,400
Total	\$ 18,270,000	\$ 18,270,000

At any time after the seventh anniversary and before the eighth anniversary of the combined amount of the Loan Bs above of \$5,524,900, JPMorgan Chase Bank, N.A. can exercise its put option to sell its interest in the Chase NMTC Fund to the Food Bank for \$2,000. After exercising its option to purchase the interest in the Chase NMTC Fund, the Food Bank may cancel the new market tax credits notes payable.

**NOTE 8 - LONG-TERM DEBT**

On August 19, 2015, the Food Bank entered into a construction loan with Compass Bank for up to \$10,000,000. Proceeds from the loan were used for the development and construction of new operating facilities located at 6500 Metropolis Drive in Austin, Texas.

The loan has a seven-year term and a variable interest rate of 1.20% + 30-day LIBOR adjusted monthly, 1.7232% at September 30, 2016. Monthly interest payments are due until maturity at August 19, 2022, when all principal and unpaid interest will be due. The amount of the monthly installment shall be equal to the amount which is calculated on the basis of a straight-line amortization of the then outstanding principal balance of the loan over a period of one hundred twenty (120) months; monthly payments are principal of \$24,455 plus interest. Under the terms of the agreement, the Food Bank is required to maintain the Organizations' primary depository account with the lender.

**CENTRAL TEXAS FOOD BANK, INC  
CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 8 - LONG-TERM DEBT - CONTINUED**

The balances outstanding on the notes payable, maturity dates and repayment terms are as follows:

	<u>2016</u>	<u>2015</u>
Balance outstanding at September 30:	<u>\$ 2,861,205</u>	<u>\$ 7,784,569</u>

Future maturities of long-term debt are as follows:

<u>September 30,</u>	
2017	\$ 293,460
2018	293,460
2019	293,460
2020	293,460
2021	293,460
Thereafter	<u>1,393,905</u>
	<u>\$ 2,861,205</u>

**NOTE 9 - CITY AND COUNTY GRANTS**

Expenditures of the City of Austin and Travis County grant funds for the years ended September 30, 2016 and 2015, consist of salaries of \$321,544 and \$90,078, respectively.

**NOTE 10 - RESTRICTIONS ON NET ASSETS**

The following are temporarily restricted net assets which the Organizations held at September 30:

	<u>2016</u>	<u>2015</u>
Capital Campaign	\$ -	\$ 2,870,161
Programs:		
Disaster Relief	104,736	171,021
Snack Pack	4,618	-
Misc Programs	2,814	-
Walmart SNAP Program	1,338	1,338
SNAP - Saint David's Foundation	-	21,141
	<u>\$ 113,506</u>	<u>\$ 3,063,661</u>

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 11 - RELEASE OF DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, or by the change of restrictions specified by the donors. Amounts released during the years ending September 30 were:

	<u>2016</u>	<u>2015</u>
Capital Campaign	\$ 5,641,226	\$ 2,608,264
Healthy Options Program for the Elderly (HOPE)	183,435	175,931
Food Purchase	112,190	31,263
Kids' Café Program	106,196	114,075
Property and Equipment	105,000	60,193
Mobile Food Pantries	100,524	129,071
Backpack Program	80,668	29,303
Disaster Relief	69,110	35,306
Food Rescue Program	50,100	77,800
Feeding America SNAP Pilot	41,044	7,500
Fresh Food for Families Program	22,955	17,221
SNAP - Saint David's Foundation	21,141	19,234
Summer Feeding Program	17,442	20,530
Snack Pack	13,357	-
Misc Programs	8,561	-
Various Programs	-	61,679
Nutrition Education	-	52,500
Walmart SNAP Program	-	37,616
	<u>\$ 6,572,949</u>	<u>\$ 3,477,486</u>

**NOTE 12 - CONTRIBUTIONS**

Contributions for the years ended September 30 are composed of receipts from:

	<u>2016</u>	<u>2015</u>
Individuals	\$ 6,241,555	\$ 4,661,177
Special events and other	1,826,782	1,601,123
Foundations	713,944	686,048
Businesses	923,414	905,936
Religious and service organizations	86,349	63,280
Capital Campaign	2,771,065	954,697
	<u>\$ 12,563,109</u>	<u>\$ 8,872,261</u>

**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 13 - TEXAS COMMODITIES ASSISTANCE PROGRAM (TEXCAP)**

The Food Bank contracted with the Texas Health and Human Services Commission (HHSC) for the distribution of USDA commodities to Food Bank partner agencies under The Emergency Food Assistance Program (TEFAP). During the years ended September 30, 2016 and 2015, the Food Bank recognized \$611,732 and \$586,384 of revenue, respectively, from HHSC for reimbursement of allowable actual direct costs of storage and distribution of commodities. The related costs charged to the program totaled \$611,732 and \$586,384 in 2016 and 2015, respectively.

**NOTE 14 - RETIREMENT PLAN**

The Food Bank offers a defined contribution retirement plan (the Plan) which qualifies under the Internal Revenue Code Section 403(b)(7). Eligible employees may contribute to the Plan a portion of their annual salary through payroll deductions. The Food Bank contributes 2% of each eligible employee's salary to the Plan and also matches up to 5% of each employee's salary reduction contribution. All full-time employees with one year of service are eligible to participate in the Plan. All Food Bank contributions are fully vested. For the years ended September 30, 2016 and 2015, the Food Bank contributed \$155,471 and \$146,330, respectively.

**NOTE 15 - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain common costs have been allocated among the program and supporting services benefited, as summarized in the Consolidated Statement of Functional Expenses.

**NOTE 16 - CONCENTRATION OF CREDIT RISK**

The Organizations maintain cash deposits at financial institutions, which at times exceed federally guaranteed limits. Management closely monitors the financial institutions as well as the account balances. The Organizations have not experienced any losses on deposits at these institutions. Combined cash deposits of \$4,821,448 at financial institutions exceeded federally guaranteed limits at September 30, 2016.

In addition, the Organizations invest in various money market funds that are classified as cash equivalents in the financial statements. No losses were experienced during the period on these short-term investments, which are held by high credit quality institutions. Investments of \$287,464 and \$136,021 in money market accounts were not insured by the FDIC at September 30, 2016 and 2015, respectively.



**CENTRAL TEXAS FOOD BANK, INC**  
**CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**NOTE 17 - RELATED PARTY TRANSACTIONS**

The Central Texas Food Bank is an affiliate of Feeding America. As such, the Food Bank is offered donations from national food companies. The Food Bank received 109,386 and 243,428 pounds of food as a result of this affiliation during the periods ended September 30, 2016 and 2015, respectively. The Food Bank paid affiliate fees (dues) of \$22,395 and \$21,533 to Feeding America in 2016 and 2015, respectively.

Certain members of the Board of Directors of the Organizations contributed \$107,355 and \$118,274 during the years ended September 30, 2016 and 2015, respectively. The Organizations expensed \$45,723 and \$4,000 for services from companies that the Board of Directors are a part of during the years ended September 30, 2016 and 2015, respectively.

**ADDITIONAL INFORMATION**

**CENTRAL TEXAS FOOD BANK, INC  
CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
SEPTEMBER 30, 2016**

<b>ASSETS</b>	Food Bank		
	Operating	Property and Equipment	Operating Reserve
Cash and Cash Equivalents	\$ 2,759,192	\$ (110,841)	\$ 172,531
Restricted Cash	-	-	-
Investments	22,628	-	2,462,835
Accounts Receivable	385,832	-	-
Food Inventory Held for Distribution	1,994,534	-	-
Purchased Food Inventory	-	-	-
Prepaid Expenses	94,911	-	-
Pledges Receivable - Capital Campaign	-	-	-
Property and Equipment (Net of Accumulated Depreciation of \$ 4,250,945)	-	1,528,019	-
Notes Receivable	-	-	-
Debt Issuance Costs	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,257,097</b>	<b>\$ 1,417,178</b>	<b>\$ 2,635,366</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts Payable	\$ 29,106	\$ -	\$ -
Accrued Liabilities	400,360	-	-
Deferred Revenue	61,410	-	-
Long-Term Debt	-	-	-
New Market Tax Credit Notes Payable	-	-	-
<b>Total Liabilities</b>	<b>490,876</b>	<b>-</b>	<b>-</b>
Net Assets:			
Unrestricted:			
Undesignated	2,658,181	-	-
Designated for Future Food Distribution	1,994,534	-	-
Designated for Property and Equipment	-	1,417,178	-
Designated for Operating Reserve	-	-	2,635,366
Designated for Capital Campaign	-	-	-
Designated for CAFB Foundation	-	-	-
<b>Total Unrestricted</b>	<b>4,652,715</b>	<b>1,417,178</b>	<b>2,635,366</b>
Temporarily Restricted	113,506	-	-
Permanently Restricted	-	-	-
<b>Total Net Assets</b>	<b>4,766,221</b>	<b>1,417,178</b>	<b>2,635,366</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,257,097</b>	<b>\$ 1,417,178</b>	<b>\$ 2,635,366</b>

Food Bank					
Capital Campaign	Total	Foundation	Support Corporation	Eliminations	Consolidated
\$ 1,702,007	\$ 4,522,889	\$ 116,271	\$ 90,365	\$ -	4,729,525
-	-	-	-	-	-
-	2,485,463	2,264,425	-	-	4,749,888
-	385,832	-	-	-	385,832
-	1,994,534	-	-	-	1,994,534
-	-	-	-	-	-
-	94,911	-	9,328	-	104,239
241,692	241,692	-	-	-	241,692
79,997	1,608,016	-	22,698,326	-	24,306,342
12,745,100	12,745,100	-	-	-	12,745,100
-	-	-	617,537	-	617,537
<u>\$ 14,768,796</u>	<u>\$ 24,078,437</u>	<u>\$ 2,380,696</u>	<u>\$ 23,415,556</u>	<u>\$ -</u>	<u>\$ 49,874,689</u>
\$ -	\$ 29,106	\$ -	\$ 12,904	\$ -	\$ 42,010
4,383	404,743	-	-	-	404,743
-	61,410	-	-	-	61,410
2,861,205	2,861,205	-	-	-	2,861,205
-	-	-	18,270,000	-	18,270,000
<u>2,865,588</u>	<u>3,356,464</u>	<u>-</u>	<u>18,282,904</u>	<u>-</u>	<u>21,639,368</u>
-	2,658,181	-	-	-	2,658,181
-	1,994,534	-	-	-	1,994,534
-	1,417,178	-	5,132,652	-	6,549,830
-	2,635,366	-	-	-	2,635,366
11,903,208	11,903,208	-	-	-	11,903,208
-	-	2,229,602	-	-	2,229,602
11,903,208	20,608,467	2,229,602	5,132,652	-	27,970,721
-	113,506	-	-	-	113,506
-	-	151,094	-	-	151,094
<u>11,903,208</u>	<u>20,721,973</u>	<u>2,380,696</u>	<u>5,132,652</u>	<u>-</u>	<u>28,235,321</u>
<u>\$ 14,768,796</u>	<u>\$ 24,078,437</u>	<u>\$ 2,380,696</u>	<u>\$ 23,415,556</u>	<u>\$ -</u>	<u>\$ 49,874,689</u>

See Independent Auditors' Report

**CENTRAL TEXAS FOOD BANK, INC  
CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION  
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Food Bank							
	Operating Fund		Property and Equipment		Operating Reserve	Capital Campaign Fund		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
<b>PUBLIC SUPPORT AND REVENUE</b>								
Public Support:								
Donated Food Received for Distribution	\$ 59,054,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,054,121
Grants and Contracts	2,218,057	-	-	-	-	-	-	2,218,057
Contributions	9,035,931	746,729	-	105,000	-	-	2,771,065	12,658,725
Revenue:								
Program Service Fees	2,701,149	-	-	-	-	-	-	2,701,149
Investment Income	810	-	-	-	222,603	-	-	223,413
Other	47,551	-	2,136,785	-	-	131,368	-	2,315,704
	<u>73,057,619</u>	<u>746,729</u>	<u>2,136,785</u>	<u>105,000</u>	<u>222,603</u>	<u>131,368</u>	<u>2,771,065</u>	<u>79,171,169</u>
Released from Restrictions	<u>826,723</u>	<u>(826,723)</u>	<u>105,000</u>	<u>(105,000)</u>	<u>-</u>	<u>5,641,226</u>	<u>(5,641,226)</u>	<u>-</u>
Total Public Support and Revenue	<u>73,884,342</u>	<u>(79,994)</u>	<u>2,241,785</u>	<u>-</u>	<u>222,603</u>	<u>5,772,594</u>	<u>(2,870,161)</u>	<u>79,171,169</u>
<b>EXPENSES</b>								
Program Services:								
Donated Food Program	68,760,867	-	573,050	-	-	-	-	69,333,917
Supporting Services:								
Management and General	959,579	-	-	-	12,569	3,049,672	-	4,021,820
Fund Raising	1,859,012	-	-	-	-	18,402	-	1,877,414
Total Expenses	<u>71,579,458</u>	<u>-</u>	<u>573,050</u>	<u>-</u>	<u>12,569</u>	<u>3,068,074</u>	<u>-</u>	<u>75,233,151</u>
Change in Net Assets	2,304,884	(79,994)	1,668,735	-	210,034	2,704,520	(2,870,161)	3,938,018
Transfers Among Funds	(1,467,647)	-	(4,409,954)	-	-	5,877,601	-	-
Net Assets at Beginning of Year	<u>3,815,478</u>	<u>193,500</u>	<u>4,158,397</u>	<u>-</u>	<u>2,425,332</u>	<u>3,321,087</u>	<u>2,870,161</u>	<u>16,783,955</u>
Net Assets at End of Year	<u>\$ 4,652,715</u>	<u>\$ 113,506</u>	<u>\$ 1,417,178</u>	<u>\$ -</u>	<u>\$ 2,635,366</u>	<u>\$ 11,903,208</u>	<u>\$ -</u>	<u>\$ 20,721,973</u>

See Independent Auditors' Report

**CENTRAL TEXAS FOOD BANK, INC  
CAPITAL AREA FOOD BANK FOUNDATION, AND CAFB OF TX SUPPORT CORPORATION  
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016 - Continued**

	Foundation			Support Corporation		Eliminations	Consolidated Total
	Foundation Funds			Support Corporation Funds			
	Unrestricted	Permanently Restricted	Total	Unrestricted	Total		
<b>PUBLIC SUPPORT AND REVENUE</b>							
Public Support:							
Donated Food Received for Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,054,121
Grants and Contracts	-	-	-	-	-	-	2,218,057
Contributions	3,111	-	3,111	3,049,877	3,049,877	(3,147,727)	12,563,986
Revenue:							
Program Service Fees	-	-	-	-	-	-	2,701,149
Investment Income	268,123	-	268,123	-	-	-	491,536
Other	-	-	-	7,370	7,370	-	2,323,074
	271,234	-	271,234	3,057,247	3,057,247	(3,147,727)	79,351,923
Released from Restrictions	-	-	-	-	-	-	-
Total Public Support and Revenue	271,234	-	271,234	3,057,247	3,057,247	(3,147,727)	79,351,923
<b>EXPENSES</b>							
Program Services:							
Donated Food Program	-	-	-	-	-	-	69,333,917
Supporting Services:							
Management and General	112,347	-	112,347	379,431	379,431	(3,147,727)	1,365,871
Fund Raising	-	-	-	-	-	-	1,877,414
Total Expenses	112,347	-	112,347	379,431	379,431	(3,147,727)	72,577,202
Change in Net Assets	158,887	-	158,887	2,677,816	2,677,816	-	6,774,721
Transfers Among Funds	-	-	-	-	-	-	-
Net Assets at Beginning of Year	2,070,715	151,094	2,221,809	2,454,836	2,454,836	-	21,460,600
Net Assets at End of Year	\$ 2,229,602	\$ 151,094	\$ 2,380,696	\$ 5,132,652	\$ 5,132,652	\$ -	\$ 28,235,321

See Independent Auditors' Report

**CENTRAL TEXAS FOOD BANK, INC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor Number	Disbursements
<b><u>U.S. Department of Agriculture</u></b>			
Passed Through the Texas Department of Agriculture (TDA)			
CACFP	10.558	01576	\$ 239,844
Summer Food Service Program	10.559	01576	264,780
<b><u>The Emergency Food Assistance - Cluster</u></b>			
Texas Commodity Assistance Emergency Food Assistance Program (Food Commodities) (Note A)			
	10.569	01576	4,220,836
Texas Commodity Assistance Emergency Food Assistance Program (Administrative Costs)			
	10.568	01576	<u>611,732</u>
Total passed through TDA			<u>5,337,192</u>
<b>Total U. S. Department of Agriculture</b>			<u>5,337,192</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 5,337,192</u></u>

Note A - This program represents food with a value of \$4,220,836 which was distributed under the TEXCAP program.

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
Central Texas Food Bank, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Texas Food Bank, Inc., which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Texas Food Bank, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Texas Food Bank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Central Texas Food Bank, Inc.'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 Central Texas Food Bank, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Austin, Texas

January 26, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

To the Board of Directors of  
Central Texas Food Bank, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Central Texas Food Bank, Inc.'s, a non-profit organization, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central Texas Food Bank, Inc.'s major federal programs for the year ended September 30, 2016. Central Texas Food Bank, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the compliance for each of Central Texas Food Bank, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and 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 Central Texas Food Bank, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Central Texas Food Bank, Inc.'s compliance.

## **Opinion on Each Major Federal Program**

In our opinion Central Texas Food Bank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

## **Report on Internal Control Over Compliance**

Management of Central Texas Food Bank, Inc. 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 Central Texas Food Bank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Central Texas Food Bank, Inc.'s internal control over compliance.

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

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

## **Purpose of this Report**

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Austin, Texas  
January 26, 2017

**CENTRAL TEXAS FOOD BANK, INC  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? No

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Federal Program Title - Cluster</u>
10.569	Texas Commodity Assistance Emergency Food Assistance Program (Food Commodities)
10.568	Texas Commodity Assistance Emergency Food Assistance Program (Administrative Costs)
10.559	Summer Food Services Program

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

Auditee qualified as low-risk auditee? Yes

**II. Financial Statement Findings**

None

**III. Findings Related to Federal Awards**

None

**CENTRAL TEXAS FOOD BANK, INC**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

No prior year findings.