

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
and
CAPITAL AREA FOOD BANK FOUNDATION
(both nonprofit organizations)
FINANCIAL STATEMENTS
and Other Financial Information
September 30, 2013 and 2012**

**WITH
INDEPENDENT AUDITORS' REPORT**

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BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Capital Area Food Bank of Texas, Inc., and
Capital Area Food Bank Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Capital Area Food Bank of Texas, Inc. and Capital Area Food Bank Foundation (both nonprofit organizations) which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, 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 Capital Area Food Bank of Texas, Inc. and Capital Area Food Bank Foundation as of September 30, 2013 and 2012, 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 21 and activities and changes in net assets by fund on page 22 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 24 is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 activities 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 audits 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 20, 2014, on our consideration of Capital Area Food Bank of Texas, 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 Capital Area Food Bank of Texas, Inc.'s internal control over financial reporting and compliance.



Austin, Texas
January 20, 2014

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012

ASSETS	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 3,391,135	\$ 2,710,213
Investments	4,074,105	3,533,156
Accounts Receivable	270,130	194,190
Food Inventory Held for Distribution	1,385,442	759,031
Purchased Food Inventory	75,540	134,268
Prepaid Expenses	23,176	46,821
Pledges Receivable - Capital Campaign	785,213	1,117,050
Property and Equipment (Net of Accumulated Depreciation of \$3,919,068 and \$3,726,538)	7,531,801	7,733,003
Other non-current assets	<u>2,500</u>	<u>14,500</u>
TOTAL ASSETS	<u><u>\$ 17,539,042</u></u>	<u><u>\$ 16,242,232</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	\$ 6,777	\$ 460,711
Accrued Liabilities	<u>228,595</u>	<u>109,858</u>
Total Liabilities	<u>235,372</u>	<u>570,569</u>
Net Assets:		
Unrestricted:		
Undesignated	871,615	676,402
Designated:		
For Future Food Distribution	1,385,442	759,031
For Property and Equipment	4,311,948	4,538,809
For Operating Reserve	2,290,752	2,052,898
For Capital Campaign	3,080,192	3,080,192
For CAFB Foundation	<u>2,137,108</u>	<u>1,890,730</u>
Total Unrestricted	14,077,057	12,998,062
Temporarily Restricted		
For Programs	240,855	225,943
For Capital Campaign	<u>2,834,664</u>	<u>2,296,564</u>
Total Temporarily Restricted	3,075,519	2,522,507
Permanently Restricted		
	<u>151,094</u>	<u>151,094</u>
Total Net Assets	<u>17,303,670</u>	<u>15,671,663</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,539,042</u></u>	<u><u>\$ 16,242,232</u></u>

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

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Donated Food Received for Distribution, (Net of Food Scrapped of \$1,484,702)	\$49,755,831	\$ -	\$ -	\$49,755,831
Grants and Contracts	1,396,811	-	-	1,396,811
Contributions	5,604,638	1,405,080	-	7,009,718
Revenue:				
Program Service Fees	2,568,765	-	-	2,568,765
Investment Income/(Loss)	593,707	-	-	593,707
Other	33,180	-	-	33,180
	<u>59,952,932</u>	<u>1,405,080</u>	<u>-</u>	<u>61,358,012</u>
Net Assets Released from Restrictions -				
Program Expenditures	852,068	(852,068)	-	-
Total Public Support and Revenue	60,805,000	553,012	-	61,358,012
EXPENSES				
Program Services:				
Donated Food Program	57,538,305	-	-	57,538,305
Supporting Services:				
Management and General	873,493	-	-	873,493
Fund Raising	1,314,207	-	-	1,314,207
Total Expenses	<u>59,726,005</u>	<u>-</u>	<u>-</u>	<u>59,726,005</u>
Change in Net Assets	1,078,995	553,012	-	1,632,007
Net Assets at Beginning of Year	<u>12,998,062</u>	<u>2,522,507</u>	<u>151,094</u>	<u>15,671,663</u>
Net Assets at End of Year	<u>\$14,077,057</u>	<u>\$ 3,075,519</u>	<u>\$ 151,094</u>	<u>\$17,303,670</u>

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

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Donated Food Received for Distribution, (Net of Food Scrapped of \$1,645,392)	\$35,717,852	\$ -	\$ -	\$35,717,852
Grants and Contracts	932,157	-	-	932,157
Contributions	7,150,660	1,315,293	-	8,465,953
Revenue:				
Program Service Fees	1,860,907	-	-	1,860,907
Investment Income/(Loss)	501,080	-	-	501,080
Other	28,794	-	-	28,794
	<u>46,191,450</u>	<u>1,315,293</u>	<u>-</u>	<u>47,506,743</u>
Net Assets Released from Restrictions -				
Program Expenditures	<u>621,086</u>	<u>(621,086)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	46,812,536	694,207	-	47,506,743
EXPENSES				
Program Services:				
Donated Food Program	44,083,546	-	-	44,083,546
Supporting Services:				
Management and General	978,597	-	-	978,597
Fund Raising	<u>1,176,940</u>	<u>-</u>	<u>-</u>	<u>1,176,940</u>
Total Expenses	<u>46,239,083</u>	<u>-</u>	<u>-</u>	<u>46,239,083</u>
Change in Net Assets	573,453	694,207	-	1,267,660
Net Assets at Beginning of Year	<u>12,424,609</u>	<u>1,828,300</u>	<u>151,094</u>	<u>14,404,003</u>
Net Assets at End of Year	<u>\$12,998,062</u>	<u>\$ 2,522,507</u>	<u>\$ 151,094</u>	<u>\$ 15,671,663</u>

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

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Donated Food Program	Supporting Services		Total
		Management & General	Fund Raising	
Donated Food Distributed to Others	\$ 49,053,879	\$ -	\$ -	\$ 49,053,879
Salaries and Related Expenses	3,160,062	521,157	631,395	4,312,614
Food Acquisitions	2,447,007	-	-	2,447,007
Mileage and Freight	708,154	17,626	18,483	744,263
Fees for Service	-	107,721	465,490	573,211
Equipment Rent and Maintenance	533,750	6,965	-	540,715
Occupancy	487,144	21,949	12,111	521,204
Grants to Agencies	403,561	-	-	403,561
Professional Fees	69,694	38,195	56,686	164,575
Supplies	102,263	24,896	11,719	138,878
Insurance	110,313	13,032	3,561	126,906
Printing and Publication	17,083	6,505	67,292	90,880
Conferences and Meetings	42,501	21,250	10,617	74,368
Telephone	42,597	2,366	2,366	47,329
Postage	4,038	4,360	17,283	25,681
Miscellaneous	4,511	11,693	-	16,204
Memberships	2,739	3,653	2,739	9,131
	<u>57,189,296</u>	<u>801,368</u>	<u>1,299,742</u>	<u>59,290,406</u>
Depreciation	<u>349,009</u>	<u>72,125</u>	<u>14,465</u>	<u>435,599</u>
TOTAL EXPENSES	<u><u>\$ 57,538,305</u></u>	<u><u>\$ 873,493</u></u>	<u><u>\$ 1,314,207</u></u>	<u><u>\$ 59,726,005</u></u>

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

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Donated Food Program	Supporting Services		Total
		Management & General	Fund Raising	
Donated Food Distributed to Others	\$ 36,403,074	\$ -	\$ -	\$ 36,403,074
Salaries and Related Expenses	3,142,008	721,823	537,319	4,401,150
Food Acquisitions	1,946,202	-	-	1,946,202
Mileage and Freight	674,527	1,404	13,795	689,726
Fees for Service	-	72,140	499,805	571,945
Equipment Rent and Maintenance	448,304	20,806	-	469,110
Occupancy	428,133	22,773	4,555	455,461
Grants to Agencies	377,122	-	-	377,122
Supplies	95,526	6,579	4,386	106,491
Printing and Publication	19,016	4,312	79,520	102,848
Insurance	91,506	4,868	973	97,347
Conferences and Meetings	36,474	12,046	11,712	60,232
Telephone	42,814	1,883	2,352	47,049
Professional Fees	-	28,299	11,574	39,873
Postage	11,332	618	8,654	20,604
Memberships	2,295	3,061	2,295	7,651
Miscellaneous	-	3,183	-	3,183
	<u>43,718,333</u>	<u>903,795</u>	<u>1,176,940</u>	<u>45,799,068</u>
Depreciation	<u>365,213</u>	<u>74,802</u>	<u>-</u>	<u>440,015</u>
TOTAL EXPENSES	<u><u>\$ 44,083,546</u></u>	<u><u>\$ 978,597</u></u>	<u><u>\$ 1,176,940</u></u>	<u><u>\$ 46,239,083</u></u>

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

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2013</u>	<u>2012</u>
Increase (Decrease) in Net Assets	\$ 1,632,007	\$ 1,267,660
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Net Loss on Disposal of Property and Equipment	1,261	-
Depreciation	435,599	440,015
Capital Gains on Investments	(76,469)	(68,541)
Unrealized (Gain) Loss on Investments	(414,538)	(334,242)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(75,940)	209,761
Food Inventory	(567,683)	550,954
Prepaid Expenses	23,645	(129,654)
Pledges Receivable	331,837	(17,050)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(453,934)	315,290
Accrued Liabilities	118,737	(4,198)
	<u>954,522</u>	<u>2,229,995</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Investments	(982,547)	(1,292,883)
Proceeds from Sale of Investments	932,605	1,559,480
Purchase of Property and Equipment	(223,658)	(1,804,206)
Contribution of Land	-	(1,516,978)
	<u>(273,600)</u>	<u>(3,054,587)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used by) Financing Activities	<u>-</u>	<u>-</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	680,922	(824,592)
Cash and Cash Equivalents at Beginning of Year	<u>2,710,213</u>	<u>3,534,805</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,391,135</u>	<u>\$ 2,710,213</u>
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash Paid During the Year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Federal Income Taxes	<u>\$ -</u>	<u>\$ -</u>

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

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Capital Area Food Bank of Texas, Inc. (the Food Bank) is a Texas nonprofit corporation. The Food Bank acts as a central clearinghouse to which the food industry and the public may donate edible surplus food and personal care products for distribution to human service agencies which assist victims of poverty or crisis, the ill, infants, and the elderly.

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 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 and the Foundation (collectively, the Organizations). The majority of the Foundation's Board of Directors are derived from the directors of the Food Bank's Board. All significant inter-company transactions have been eliminated in the consolidated financial statements.

Basis of Presentation. The accompanying 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.

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.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Statement 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 2013 and 2012, 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, immediately distributing it to various agencies. Donated food inventory on-hand at September 30, 2013 and 2012, is recorded in the financial statements at an average value of \$1.69 and \$1.66, respectively, per pound as calculated by Feeding America.

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 in 2013 and 2012 was \$0 and \$1,516,978, respectively.

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.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 96,000 and 93,000 hours to the food distribution program in 2013 and 2012, 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.

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 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.

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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,:

	2013	2012
Cash Held at Financial Institutions	\$ 2,884,897	\$ 2,138,764
Money Market Accounts	506,238	571,449
	\$ 3,391,135	\$ 2,710,213

NOTE 3 - INVESTMENTS

The Organizations follow FASB ASC 958-320-50. This statement requires entities to report investments in the consolidated 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, 2013 and 2012, included in the Consolidated Statements of Activities and Changes in Net Assets, is summarized as follows:

	2013	2012
Unrealized Gain (Loss) on Investments	\$ 414,538	\$ 334,242
Interest and Dividends	102,700	98,297
Gain (Loss) on Sale of Investments	76,469	68,541
Investment Income	\$ 593,707	\$ 501,080

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 3 - INVESTMENTS - CONTINUED

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. Market values and unrealized appreciation (depreciation) at September 30, are summarized as follows:

September 30, 2013:	Cost	Market Value	Unrealized Gain/(Loss)
<u>FOOD BANK</u>			
Short-Term Investments:			
Money Market Accounts (cash equivalents)	\$ 262,479	\$ 262,479	\$ -
Long-Term Investments			
Corporate Bonds	304,675	308,992	4,317
Government Obligations	589,431	593,985	4,554
Equities and Other	775,087	1,126,685	351,598
	<u>1,669,193</u>	<u>2,029,662</u>	<u>360,469</u>
Total Food Bank	<u>\$ 1,931,672</u>	<u>\$ 2,292,141</u>	<u>\$ 360,469</u>
 <u>FOUNDATION</u>			
Short-Term Investments:			
Money Market Accounts (cash equivalents)	\$ 243,759	\$ 243,759	\$ -
Long-Term Investments:			
Corporate Bonds	287,060	302,629	15,569
Government Obligations	211,409	203,197	(8,212)
Equities and Other	1,042,516	1,538,617	496,101
	<u>1,540,985</u>	<u>2,044,443</u>	<u>503,458</u>
Total Foundation	<u>\$ 1,784,744</u>	<u>\$ 2,288,202</u>	<u>\$ 503,458</u>
Total Food Bank and Foundation	<u>\$ 3,716,416</u>	<u>\$ 4,580,343</u>	<u>\$ 863,927</u>
 September 30, 2012:			
<u>FOOD BANK</u>			
Short-Term Investments:			
Money Market Accounts (cash equivalents)	\$ 279,214	\$ 279,214	\$ -
Long-Term Investments			
Corporate Bonds	199,266	213,758	14,492
Government Obligations	530,406	595,994	65,588
Equities and Other	832,230	973,815	141,585
	<u>1,561,902</u>	<u>1,783,567</u>	<u>221,665</u>
Total Food Bank	<u>\$ 1,841,116</u>	<u>\$ 2,062,781</u>	<u>\$ 221,665</u>

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

NOTE 3 - INVESTMENTS - CONTINUED

<u>FOUNDATION</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Short-Term Investments:			
Money Market Accounts (cash equivalents)	\$ 292,235	\$ 292,235	\$ -
Long-Term Investments:			
Corporate Bonds	260,727	285,452	24,725
Government Obligations	110,874	141,156	30,282
Equities and Other	1,121,164	1,322,981	201,817
	<u>1,492,765</u>	<u>1,749,589</u>	<u>256,824</u>
Total Foundation	<u>\$ 1,785,000</u>	<u>\$ 2,041,824</u>	<u>\$ 256,824</u>
Total Food Bank and Foundation	<u>\$ 3,626,116</u>	<u>\$ 4,104,605</u>	<u>\$ 478,489</u>

NOTE 4 - PLEDGES RECEIVABLE

Unconditional pledges receivable for the capital campaign as of September 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Receivables due in less than one year	\$ 414,610	\$ 504,183
Receivables due in less than two years	316,888	352,683
Receivables due in less than three years	52,215	249,684
Receivables due in less than four years	1,500	9,000
Receivables due in less than five years	-	1,500
	<u>\$ 785,213</u>	<u>\$ 1,117,050</u>

NOTE 5 - PROPERTY AND EQUIPMENT

The major classes of property and equipment held as of September 30, were:

	<u>Life</u>	<u>2013</u>	<u>2012</u>
Land	-	\$ 3,387,747	\$ 3,387,747
Building	5-50 years	4,555,384	4,549,757
Office Equipment	3-10 years	477,310	606,411
Warehouse Equipment	3-10 years	813,985	871,806
Vehicles	5-8 years	1,952,801	1,827,268
Construction in Progress	-	263,642	216,552
		<u>11,450,869</u>	<u>11,459,541</u>
Accumulated Depreciation		<u>(3,919,068)</u>	<u>(3,726,538)</u>
		<u>\$ 7,531,801</u>	<u>\$ 7,733,003</u>

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
 CAPITAL AREA FOOD BANK FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

NOTE 5 - PROPERTY AND EQUIPMENT - CONTINUED

Depreciation expense of \$435,599 and \$440,015 was recorded during the years ended September 30, 2013 and 2012, 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 is intended to be used 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. The Board of Directors has approved a capital campaign to raise funds for this purpose and management is aggressively focused on raising the funds required for the new facility.

NOTE 6 - CITY AND COUNTY GRANTS

Expenditures of the City of Austin and Travis County grant funds for the years ended September 30, 2013 and 2012, consist of salaries of \$90,078 and \$115,387, respectively.

NOTE 7 - RESTRICTIONS ON NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Capital Campaign	\$ 2,834,664	\$ 2,296,564
Programs:		
Disaster Relief	176,520	191,685
Walmart SNAP Program	62,330	-
Various Programs	2,005	-
Backpack Program	-	47
Target Meals for Minds Program	-	34,211
	<u>\$ 3,075,519</u>	<u>\$ 2,522,507</u>

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 8 - 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 on September 30 were:

	<u>2013</u>	<u>2012</u>
Kids' Café Program	\$ 262,221	\$ 194,866
Healthy Options Program for the Elderly (HOPE)	179,404	100,540
Mobile Food Pantries	126,043	79,201
Capital Campaign	77,016	37,133
Walmart SNAP Program	42,670	-
Target's Meals for Minds Program	34,211	40,707
Disaster Relief	28,822	110,429
Various Programs	28,679	26,852
Summer Feeding Program	27,228	-
Food Purchase	19,651	6,100
Fresh Food for Families Program	14,358	14,540
St. John's Pantry	9,568	1,718
Food Rescue Program	2,000	9,000
Backpack Program	197	-
	<u>\$ 852,068</u>	<u>\$ 621,086</u>

NOTE 9 - CONTRIBUTIONS

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

	<u>2013</u>	<u>2012</u>
Individuals	\$ 3,641,446	\$ 3,608,462
Special events and other	1,146,576	1,227,854
Foundations	703,464	652,068
Businesses	799,778	636,900
Religious and service organizations	103,337	97,174
Campaign	615,117	2,243,495
	<u>\$ 7,009,718</u>	<u>\$ 8,465,953</u>

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 10 - 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 Texas Commodities Assistance Program (TEXCAP). During the years ended September 30, 2013 and 2012, the Food Bank recognized \$552,796 and \$442,993 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 \$552,796 and \$422,993 in 2013 and 2012, respectively.

NOTE 11 - 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, 2013 and 2012, the Food Bank contributed \$162,555 and \$159,634 to the Plan, respectively.

NOTE 12 - 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 13 - 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 \$2,937,243 and \$0 at financial institutions exceeded federally guaranteed limits at September 30, 2013 and 2012, respectively.

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 \$506,238 and \$571,449 in money market accounts were not insured by the FDIC at September 30, 2013 and 2012, respectively.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 14 - FAIR VALUE MEASUREMENTS

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.

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, 2013.

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.

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

NOTE 14 - FAIR VALUE MEASUREMENTS - CONTINUED

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.

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of September 30, 2013:

FOOD BANK

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 1,126,685	\$ -	\$ -	\$ 1,126,685
Corporate bonds	308,992	-	-	308,992
Government securities	593,985	-	-	593,985
	<u>\$ 2,029,662</u>	<u>-</u>	<u>-</u>	<u>\$ 2,029,662</u>

FOUNDATION

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 1,538,617	\$ -	\$ -	\$ 1,538,617
Corporate bonds	302,629	-	-	302,629
Government securities	203,197	-	-	203,197
	<u>\$ 2,044,443</u>	<u>-</u>	<u>-</u>	<u>\$ 2,044,443</u>

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of September 30, 2012:

FOOD BANK

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 973,815	\$ -	\$ -	\$ 973,815
Corporate bonds	213,758	-	-	213,758
Government securities	595,994	-	-	595,994
	<u>\$ 1,783,567</u>	<u>-</u>	<u>-</u>	<u>\$ 1,783,567</u>

FOUNDATION

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 1,322,981	\$ -	\$ -	\$ 1,322,981
Corporate bonds	285,452	-	-	285,452
Government securities	141,156	-	-	141,156
	<u>\$ 1,749,589</u>	<u>-</u>	<u>-</u>	<u>\$ 1,749,589</u>

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

NOTE 15 - RELATED PARTY TRANSACTIONS

The Capital Area Food Bank is an affiliate of Feeding America. As such, the Food Bank is offered donations from national food companies. The Food Bank received 8,962,691 and 4,960,174 pounds of food as a result of this affiliation during the periods ended September 30, 2013 and 2012, respectively. The Food Bank paid affiliate fees (dues) of \$18,517 and \$16,486 to Feeding America in 2013 and 2012, respectively.

ADDITIONAL INFORMATION

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
SEPTEMBER 30, 2013

	Food Bank							
	Operating	Property and Equipment	Operating Reserve	Campaign	Total	Foundation	Eliminations	Consolidated
ASSETS								
Cash and Cash Equivalents	\$ 977,045	\$ 100,564	\$ 262,479	\$ 1,807,288	\$ 3,147,376	\$ 243,759	\$ -	\$ 3,391,135
Investments	1,389	-	2,028,273	-	2,029,662	2,044,443	-	4,074,105
Accounts Receivable	270,130	-	-	-	270,130	-	-	270,130
Food Inventory Held for Distribution	1,385,442	-	-	-	1,385,442	-	-	1,385,442
Purchased Food Inventory	75,540	-	-	-	75,540	-	-	75,540
Prepaid Expenses	21,238	-	-	1,938	23,176	-	-	23,176
Pledges Receivable - Capital Campaign	-	-	-	785,213	785,213	-	-	785,213
Property and Equipment (Net of Accumulated Depreciation of \$ 3,919,068)	-	4,211,384	-	3,320,417	7,531,801	-	-	7,531,801
Other non-current assets	2,500	-	-	-	2,500	-	-	2,500
TOTAL ASSETS	\$ 2,733,284	\$ 4,311,948	\$ 2,290,752	\$ 5,914,856	\$ 15,250,840	\$ 2,288,202	\$ -	\$ 17,539,042

LIABILITIES AND NET ASSETS

Liabilities:								
Accounts Payable	\$ 6,777	\$ -	\$ -	\$ -	\$ 6,777	\$ -	\$ -	\$ 6,777
Accrued Liabilities	228,595	-	-	-	228,595	-	-	228,595
Total Liabilities	235,372	-	-	-	235,372	-	-	235,372
Net Assets:								
Unrestricted:								
Undesignated	871,615	-	-	-	871,615	-	-	871,615
Designated for Future Food Distribution	1,385,442	-	-	-	1,385,442	-	-	1,385,442
Designated for Property and Equipment	-	4,311,948	-	-	4,311,948	-	-	4,311,948
Designated for Operating Reserve	-	-	2,290,752	-	2,290,752	-	-	2,290,752
Designated for Capital Campaign	-	-	-	3,080,192	3,080,192	-	-	3,080,192
Designated for CAFB Foundation	-	-	-	-	-	2,137,108	-	2,137,108
Total Unrestricted	2,257,057	4,311,948	2,290,752	3,080,192	11,939,949	2,137,108	-	14,077,057
Temporarily Restricted	240,855	-	-	2,834,664	3,075,519	-	-	3,075,519
Permanently Restricted	-	-	-	-	-	151,094	-	151,094
Total Net Assets	2,497,912	4,311,948	2,290,752	5,914,856	15,015,468	2,288,202	-	17,303,670
TOTAL LIABILITIES AND NET ASSETS	\$ 2,733,284	\$ 4,311,948	\$ 2,290,752	\$ 5,914,856	\$ 15,250,840	\$ 2,288,202	\$ -	\$ 17,539,042

See Independent Auditors' Report

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued on page 23)**

	Capital Area Food Bank						
	Operating Fund			Campaign Fund			
	Unrestricted	Temporarily Restricted	Property and Equipment	Operating Reserve	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE							
Public Support:							
Donated Food Received for Distribution, (Net of Food Scrapped of \$1,484,702)	\$ 49,755,831	-	\$ -	\$ -	-	-	\$ 49,755,831
Grants and Contracts	1,396,811	-	-	-	-	-	1,396,811
Contributions	5,687,052	789,963	9,999	-	-	615,117	7,102,131
Revenue:							
Program Service Fees	2,568,765	-	-	-	-	-	2,568,765
Investment Income	-	-	-	245,556	-	-	245,556
Other	34,441	-	(1,261)	-	-	-	33,180
Released from Restrictions	59,442,900	789,963	8,738	245,556	-	615,117	61,102,274
	852,068	(775,051)	-	-	-	(77,017)	-
Total Public Support and Revenue	60,294,968	14,912	8,738	245,556	-	538,100	61,102,274
EXPENSES							
Program Services:							
Donated Food Program	57,189,296	-	349,009	-	-	-	57,538,305
Supporting Services:							
Management and General Fund Raising	784,306	-	72,125	7,702	-	-	864,133
	1,299,742	-	14,465	-	-	-	1,314,207
Total Expenses	59,273,344	-	435,599	7,702	-	-	59,716,645
Change in Net Assets	1,021,624	14,912	(426,861)	237,854	-	538,100	1,385,629
Transfers Among Funds	(200,000)	-	200,000	-	-	-	-
Net Assets at Beginning of Year	1,435,434	225,943	4,538,809	2,052,898	3,080,192	2,296,564	13,629,840
Net Assets at End of Year	\$ 2,257,058	\$ 240,855	\$ 4,311,948	\$ 2,290,752	\$ 3,080,192	\$ 2,834,664	\$ 15,015,469

See Independent Auditors' Report

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued from page 22)**

	Foundation Funds			Consolidated Total	
	Unrestricted	Permanently Restricted	Total		Eliminations
PUBLIC SUPPORT AND REVENUE					
Public Support:					
Donated Food Received for Distribution, (Net of Food Scrapped of \$1,484,702)	\$ -	\$ -	\$ -	\$ -	\$ 49,755,831
Grants and Contracts	-	-	-	-	1,396,811
Contributions	2,371	-	2,371	(94,784)	7,009,718
Revenue:					
Program Service Fees	-	-	-	-	2,568,765
Investment Income	348,151	-	348,151	-	593,707
Other	-	-	-	-	33,180
Released from Restrictions	350,522	-	350,522	(94,784)	61,358,012
	-	-	-	-	-
Total Public Support and Revenue	350,522	-	350,522	(94,784)	61,358,012
EXPENSES					
Program Services:					
Donated Food Program	-	-	-	-	57,538,305
Supporting Services:					
Management and General Fund Raising	104,144	-	104,144	(94,784)	873,493
	-	-	-	-	1,314,207
Total Expenses	104,144	-	104,144	(94,784)	59,726,005
Change in Net Assets	246,378	-	246,378	-	1,632,007
Transfers Among Funds	-	-	-	-	-
Net Assets at Beginning of Year	1,890,729	151,094	2,041,823	-	15,671,663
Net Assets at End of Year	\$ 2,137,107	\$ 151,094	\$ 2,288,201	\$ -	\$ 17,303,670

See Independent Auditors' Report

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor Number	Disbursements
<u>U.S. Department of Agriculture</u>			
Passed Through the Texas Department of Agriculture (TDA)			
Summer Food Service Program	10.559	75V8015	\$ 121,988
<u>The Emergency Food Assistance - Cluster</u>			
Texas Commodity Assistance Emergency Food Assistance Program (Food Commodities) (Note A)			
	10.569	227702K	5,083,692
Texas Commodity Assistance Emergency Food Assistance Program (Administrative Costs)			
	10.568	227702K	<u>552,796</u>
Total passed through TDA			<u>5,758,476</u>
Passed Through the Texas Health and Human Services Commission			
Food Stamp Nutrition Education	10.561	529-06-0002-00009	123,160
Passed Through the Texas Food Bank Network			
Food Stamp Outreach	10.561	529-06-0423-0001	<u>127,375</u>
Total U. S. Department of Agriculture			<u>6,009,011</u>
<u>Department of Health and Human Services</u>			
TANF Commodity Program	93.558	N/A	<u>236,930</u>
Total Department of Health and Human Services			<u>236,930</u>
<u>Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program			
	97.024	7824-00-006	<u>88,150</u>
Total Department of Homeland Security			<u>88,150</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 6,334,091</u></u>

Note A - This program represents food with a value of \$5,083,692 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
Capital Area Food Bank of Texas, Inc.
Austin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Capital Area Food Bank of Texas, Inc., which comprise the statement of financial position as of September 30, 2013, 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 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Area Food Bank of Texas, 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 Capital Area Food Bank of Texas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Capital Area Food Bank of Texas, 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 Capital Area Food Bank of Texas, 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 *Governmental 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 20, 2014



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
OMB CIRCULAR A-133

To the Board of Directors of
Capital Area Food Bank of Texas, Inc.

Report on Compliance for Each Major Federal Program

We have audited Capital Area Food Bank of Texas, Inc.'s, a non-profit organization, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Capital Area Food Bank of Texas, Inc.'s major federal programs for the year ended September 30, 2013. Capital Area Food Bank of Texas, 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 Capital Area Food Bank of Texas, 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 are contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards and OMB Circular A-133, 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 Capital Area Food Bank of Texas, 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 Capital Area Food Bank of Texas, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion Capital Area Food Bank of Texas, 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, 2013.

Report on Internal Control Over Compliance

Management of Capital Area Food Bank of Texas, 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 Capital Area Food Bank of Texas, 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 OMB Circular A-133, 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 Capital Area Food Bank of Texas, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Austin, Texas
January 20, 2014

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(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)
93.558	TANF Commodity Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

II. Financial Statement Findings

None

III. Findings Related to Federal Awards

None

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

No prior year findings