

NORTH TEXAS FOOD BANK

FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

North Texas Food Bank
Financial Statements
(including single audit reports)

June 30, 2010 and 2009

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Independent Auditor's Report

Board of Directors
North Texas Food Bank

We have audited the accompanying statement of financial position of North Texas Food Bank, (a nonprofit organization) as of June 30, 2010, and the related statements of financial activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from North Texas Food Bank's June 30, 2009 financial statements and in our report dated October 29, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Texas Food Bank as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2010, on our consideration of North Texas Food Bank's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards 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 of North Texas Food Bank. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Thomas Stephen & Company, LLP

November 22, 2010

THOMAS STEPHEN & COMPANY, LLP

North Texas Food Bank
Statement of Financial Position
June 30, 2010

	2010				2009	
	Unrestricted			Temporarily	(For comparative	
	Operating	Land, Building & Equipment	Total	Restricted Other	Grand Total	Grand Total
Assets						
Current assets						
Cash and cash equivalents	\$ 678,553	\$ 8,940	\$ 687,493	\$ 836,093	\$ 1,523,586	\$ 3,060,057
Shared maintenance fees receivable (net of allowance of \$39,456 in 2010 and \$21,361 in 2009)	214,734	-	214,734	-	214,734	217,249
Pledges receivable (net of allowance of \$1,368 in 2010 and 2009)	1,312,626	-	1,312,626	-	1,312,626	138,591
Other receivables	548,791	-	548,791	10,000	558,791	280,623
Investments	4,269,141	-	4,269,141	-	4,269,141	2,761,953
Inventory of food and commodities	-	-	-	2,765,690	2,765,690	2,318,602
Prepaid expenses and other assets	162,657	-	162,657	-	162,657	57,766
Total current assets	7,186,502	8,940	7,195,442	3,611,783	10,807,225	8,834,841
Pledges receivable	-	-	-	4,441	4,441	75,350
Building, equipment, furniture and fixtures (net)	-	5,893,491	5,893,491	-	5,893,491	6,163,051
Total assets	\$ 7,186,502	\$ 5,902,431	\$ 13,088,933	\$ 3,616,224	\$ 16,705,157	\$ 15,073,242
Liabilities						
Accounts payable and accrued expenses	\$ 701,171	\$ -	\$ 701,171	\$ -	\$ 701,171	\$ 535,720
Due (to) from other funds	(439,222)	8,940	(430,282)	430,282	-	-
Total liabilities (all current)	261,949	8,940	270,889	430,282	701,171	535,720
Net assets						
Unrestricted	6,924,553	5,893,491	12,818,044	-	12,818,044	11,760,196
Temporarily restricted	-	-	-	3,185,942	3,185,942	2,777,326
Total net assets	6,924,553	5,893,491	12,818,044	3,185,942	16,003,986	14,537,522
Total liabilities and net assets	\$ 7,186,502	\$ 5,902,431	\$ 13,088,933	\$ 3,616,224	\$ 16,705,157	\$ 15,073,242

See accompanying notes.

North Texas Food Bank
Statement of Financial Activities
for the year ended June 30, 2010

	2010			2009		
	Unrestricted		Total	Temporarily Restricted	Grand Total	(For comparative purposes only)
	Operating	Land, Building & Equipment		Other	Grand Total	Grand Total
Support and revenue						
Public support						
Public contributions	\$ 9,575,553	\$ 199,499	\$ 9,775,052	\$ 1,844,372	\$ 11,619,424	\$ 9,915,261
Donated food and commodities	-	-	-	52,695,084	52,695,084	41,818,291
Total public support	<u>9,575,553</u>	<u>199,499</u>	<u>9,775,052</u>	<u>54,539,456</u>	<u>64,314,508</u>	<u>51,733,552</u>
Government grants and cost reimbursements	<u>2,122,654</u>	<u>-</u>	<u>2,122,654</u>	<u>149,819</u>	<u>2,272,473</u>	<u>1,676,375</u>
Revenue						
Shared maintenance	2,429,983	-	2,429,983	-	2,429,983	2,382,252
Investment income	65,107	-	65,107	-	65,107	100,548
Other revenue	11,263	-	11,263	-	11,263	37,943
Loss on sale of fixed assets	-	(48,434)	(48,434)	-	(48,434)	-
Gain (loss) on investments - realized and unrealized, net	<u>397,915</u>	<u>-</u>	<u>397,915</u>	<u>-</u>	<u>397,915</u>	<u>(853,052)</u>
Total revenue	<u>2,904,268</u>	<u>(48,434)</u>	<u>2,855,834</u>	<u>-</u>	<u>2,855,834</u>	<u>1,667,691</u>
Total public support and revenue before net assets released from restrictions	14,602,475	151,065	14,753,540	54,689,275	69,442,815	55,077,618
Net assets released from restrictions	<u>54,241,070</u>	<u>39,589</u>	<u>54,280,659</u>	<u>(54,280,659)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>68,843,545</u>	<u>190,654</u>	<u>69,034,199</u>	<u>408,616</u>	<u>69,442,815</u>	<u>55,077,618</u>
Functional expenses						
Program	63,631,438	503,828	64,135,266	-	64,135,266	51,864,277
Management and general	1,337,097	10,497	1,347,594	-	1,347,594	1,040,930
Fundraising	2,482,994	10,497	2,493,491	-	2,493,491	2,262,141
Total expenses	<u>67,451,529</u>	<u>524,822</u>	<u>67,976,351</u>	<u>-</u>	<u>67,976,351</u>	<u>55,167,348</u>
Increase (decrease) in net assets	1,392,016	(334,168)	1,057,848	408,616	1,466,464	(89,730)
Net assets, beginning of year	<u>5,532,537</u>	<u>6,227,659</u>	<u>11,760,196</u>	<u>2,777,326</u>	<u>14,537,522</u>	<u>14,627,252</u>
Net assets, end of year	<u>\$ 6,924,553</u>	<u>\$ 5,893,491</u>	<u>\$ 12,818,044</u>	<u>\$ 3,185,942</u>	<u>\$ 16,003,986</u>	<u>\$ 14,537,522</u>

See accompanying notes.

North Texas Food Bank
Statements of Cash Flows
for the years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from contributors, grants and cost reimbursements	\$ 12,522,101	\$ 11,762,410
Cash received from service recipients and customers	2,396,308	2,388,835
Investment income	65,107	100,548
Miscellaneous receipts	17,861	39,443
Cash paid to employees and suppliers	(15,124,879)	(13,108,790)
Total cash flows (used in) provided by operating activities	(123,502)	1,182,446
Cash flows from investing activities:		
Purchase of fixed assets	(447,166)	(280,823)
Proceeds from sale of fixed assets	143,470	12,561
Proceeds from sale of investments	1,404,999	636,178
Purchases of investments	(2,514,272)	(686,187)
Total cash flows (used in) investing activities	(1,412,969)	(318,271)
Net (decrease) increase in cash and cash equivalents	(1,536,471)	864,175
Cash and cash equivalents, beginning of year	3,060,057	2,195,882
Cash and cash equivalents, end of year	\$ 1,523,586	\$ 3,060,057
Supplemental schedule of noncash operating activities:		
Donated food received	\$ 52,695,084	\$ 41,818,291
Donated food distributed	\$ 52,247,996	\$ 41,412,824
Cash flows from operating activities:		
Change in net assets	\$ 1,466,464	\$ (89,730)
Adjustments to reconcile change in net assets to activities:		
net cash provided by operating activities:		
Depreciation	524,822	486,236
Loss on disposal of fixed assets	48,434	-
Unrealized (gain) loss on investments	(118,710)	707,353
Realized (gain) loss on sale of investments	(279,205)	145,699
(Increase) decrease in receivables	(1,378,779)	167,662
(Increase) decrease in inventory	(447,088)	(406,006)
(Increase) decrease in prepaid expenses and other assets	(104,890)	29,230
(Decrease) increase in accounts payable and accrued expenses	165,450	142,002
Net cash provided by operating activities	\$ (123,501)	\$ 1,182,446

See accompanying notes.

North Texas Food Bank
Statement of Functional Expenses
for the year ended June 30, 2010

	Program Services	Management and General	Fundraising	Total
Salaries and temporary personnel	\$ 2,512,346	\$ 786,868	\$ 806,433	\$ 4,105,647
Employee benefits and insurance	655,113	186,006	184,008	1,025,127
Payroll taxes	173,530	48,805	48,805	271,140
Total salaries and related expenses	<u>3,340,989</u>	<u>1,021,679</u>	<u>1,039,246</u>	<u>5,401,914</u>
Professional fees	36,580	55,883	93,558	186,021
Supplies	199,664	4,591	70,010	274,265
Postage	5,568	5,568	59,945	71,081
Occupancy	312,319	30,639	25,901	368,859
Telephone	79,984	12,748	12,748	105,480
Equipment maintenance	542,561	155,020	173,528	871,109
Insurance	20,640	2,580	2,580	25,800
Food purchases distributed	4,732,491	-	-	4,732,491
Donated food distributed	52,247,996	-	-	52,247,996
Local transportation	650,944	-	-	650,944
Conference, conventions and meetings	57,798	24,879	19,266	101,943
Printing and publications	39,102	9,654	923,245	972,001
Freight on food	591,973	-	-	591,973
Bad debt expense	35,004	-	-	35,004
Grants to agencies	646,539	-	-	646,539
Miscellaneous	91,285	13,856	62,967	168,108
Total expenses other than salaries and related expenses	<u>60,290,448</u>	<u>315,418</u>	<u>1,443,748</u>	<u>62,049,614</u>
Total expenses before depreciation	63,631,438	1,337,097	2,482,994	67,451,529
Depreciation	<u>503,828</u>	<u>10,497</u>	<u>10,497</u>	<u>524,822</u>
Totals	<u>\$ 64,135,266</u>	<u>\$ 1,347,594</u>	<u>\$ 2,493,491</u>	<u>\$ 67,976,351</u>

See accompanying notes.

North Texas Food Bank
Statement of Functional Expenses
for the year ended June 30, 2009

	Program Services	Management and General	Fundraising	Total
Salaries and temporary personnel	\$ 2,245,167	\$ 634,528	\$ 598,737	\$ 3,478,432
Employee benefits and insurance	514,526	146,929	144,302	805,757
Payroll taxes	147,748	41,554	41,554	230,856
Total salaries and related expenses	<u>2,907,441</u>	<u>823,011</u>	<u>784,593</u>	<u>4,515,045</u>
Professional fees	45,966	58,210	100,592	204,768
Supplies	152,869	6,186	68,048	227,103
Postage	6,679	6,679	72,683	86,041
Occupancy	294,175	31,654	23,987	349,816
Telephone	69,001	10,028	10,028	89,057
Equipment maintenance	180,173	43,153	54,369	277,695
Insurance	23,143	2,893	2,893	28,929
Food purchases distributed	4,348,462	-	-	4,348,462
Donated food distributed	41,412,284	-	-	41,412,284
Local transportation	501,286	-	-	501,286
Conference, conventions and meetings	50,816	21,110	16,939	88,865
Printing and publications	44,251	13,821	1,044,400	1,102,472
Freight on food	238,614	-	-	238,614
Bad debt expense	9,557	-	-	9,557
Grants to agencies	1,017,836	-	-	1,017,836
Miscellaneous	94,938	14,460	73,884	183,282
Total expenses other than salaries and related expenses	<u>48,490,050</u>	<u>208,194</u>	<u>1,467,823</u>	<u>50,166,067</u>
Total expenses before depreciation	51,397,491	1,031,205	2,252,416	54,681,112
Depreciation	466,786	9,725	9,725	486,236
Totals	<u>\$ 51,864,277</u>	<u>\$ 1,040,930</u>	<u>\$ 2,262,141</u>	<u>\$ 55,167,348</u>

See accompanying notes.

North Texas Food Bank
Notes to Financial Statements
June 30, 2010 and 2009

1. Summary of Significant Accounting Policies

In fulfilling its responsibility for the preparation of the Organization's financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to those principles. Below is a summary of certain significant accounting policies selected by management.

Basis of Presentation

The accompanying financial statements of the Organization are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The statement of financial activities is a statement of the various financial activities and changes to net assets during the current reporting period. It does not purport to represent the results of operations or of net income or loss for the period since the primary objective of the Organization is not to achieve a "profit", but to solicit, collect and distribute donated food and food purchased with cash donations to charitable organizations working toward the reduction and elimination of hunger and malnutrition in the North Texas area.

As a nonprofit organization, North Texas Food Bank maintains its records on a fund accounting basis in order to ensure observance of the limitations and restrictions placed on the use of its resources. This is the procedure by which net assets for various purposes are classified for accounting and reporting purposes into self-balancing funds according to their nature and purpose. The various funds are as follows:

Unrestricted funds represent resources that are available for the support of the Organization's operations.

Temporarily Restricted funds include grants, gifts and other program income expendable only for purposes specified or approved by the grantor or donor.

Prior period information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2009, from which this summarized information was derived.

Cash and cash equivalents

The statement of cash flows is presented using the "direct method". For purposes of this statement, the Organization considers all cash on hand, cash in checking accounts, money market funds and other similar instruments with initial maturities of three months or less to be cash and cash equivalents.

Bad Debts

Bad debts are accounted for using the allowance method. Management periodically reviews accounts receivable on an account by account basis concentrating on accounts more than 90 days old. Management considers the Organization's past history with the customer, current contact information and the size of the account in evaluating the reserve requirements. Accounts are written off when it appears collection efforts will not be successful.

North Texas Food Bank
Notes to Financial Statements
June 30, 2010 and 2009

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at estimated market value at date of receipt, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of the assets ranging from 5 to 40 years. The cost of maintenance and repairs and acquisitions of fixed assets with costs under \$500 are charged to expense as incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increase the net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of financial activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of financial activities. Costs are allocated between program services, support services and fundraising based on management's judgment considering space used, time spent or direct relation to the service indicated.

Accounting Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates and assumptions primarily relate to valuation, unsettled transactions, funding continuation and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts. Significant estimates and assumptions are valuation of donated food, accounts receivable, allocations of functional expenses, lives used to depreciate fixed assets and estimates of accrued expenses. The methods used in making accounting estimates and assumptions are believed by management to be reasonable and have been consistently applied. Actual results could differ from these estimates.

Inventory

Inventory is valued at an average of the national wholesale prices as determined by Feeding America or at the cost of products purchased as determined by the first-in, first-out method. Inventory donated by the U. S. Department of Agriculture is valued based on prices provided by the U. S. Department of Agriculture.

Fair Value of Financial Instruments

The Organization defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. Financial instruments included in the financial statements include cash and cash equivalents, investments, receivables and other assets. Unless otherwise disclosed in the notes to the financial statements, the carrying value of financial instruments is considered to approximate fair value due to the maturity and the characteristics of those instruments.

North Texas Food Bank
Notes to Financial Statements
June 30, 2010 and 2009

1. Summary of Significant Accounting Policies (continued)

Investments

The fair value of investments is based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quote prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The assets 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 used of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Bonds: Valued based on a compilation of primarily observable market information or a broker quote in a non-active market.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of September 30, 2010:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 2,283,179	\$ -	\$ -	\$ 2,283,179
Mutual funds	938,526	-	102,789	1,041,315
Bonds	-	944,647	-	944,647
Total	<u>\$ 3,221,705</u>	<u>\$ 944,647</u>	<u>\$ 102,789</u>	<u>\$ 4,269,141</u>

Realized and unrealized gains and losses that related to market fluctuations are recognized in the period in which the change in market value occurs.

Shipping and Handling

Shipping and handling costs are expensed as incurred as a program expense, "Freight on food". For the years ended June 30, 2010 and 2009, shipping and handling expenses were \$591,973 and \$238,614, respectively.

Advertising Expenses

The Organization expenses advertising costs as incurred as printing and publications expense. For the years ended June 30, 2010 and 2009, advertising expenses were \$252,251 and \$448,627, respectively.

2. Tax Status

North Texas Food Bank is a nonprofit Texas corporation which is classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

North Texas Food Bank
Notes to Financial Statements
June 30, 2010 and 2009

2. Tax Status (continued)

In 2009, the Company adopted Financial Accounting Standard ASC 740-10 regarding uncertain tax positions (previously Financial Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109).

The Company does not believe it has uncertain tax positions as of June 30, 2010. Generally the prior three years tax returns remain subject to examination by the internal revenue services.

3. Credit and Support Concentration

The Organization operates within the North Texas area. Therefore, collectability of receivables and the level of public support are subject to the economic condition of the area. A significant portion of support and revenues is received through grants from The United States Department of Agriculture administered by the Texas Department of Health and Human Services.

For the years ended June 30, 2010 and 2009, approximately 16% and 14% of total support was received from these grants, respectively. The Organization derives its remaining revenue mainly from public contributions and shared maintenance revenue. Continued funding from these sources at current levels is dependent upon various factors. Such factors include economic conditions, compliance with grant provisions, government approval, new legislation, donor satisfaction and public perception of mission effectiveness and relative importance.

4. Property and Equipment

Property and equipment at June 30, 2010 and 2009, consisted of the following:

	2010	2009
Warehouse equipment	\$ 1,226,994	\$ 1,222,226
Building and improvements	5,225,164	5,225,165
Office furniture and fixtures	485,382	490,121
Transportation equipment	727,741	649,178
Computer equipment	530,063	326,257
Total depreciable assets	8,195,344	7,912,947
Land	406,375	406,375
Art work	19,949	19,949
Total assets	8,621,668	8,339,271
Accumulated depreciation	(2,728,177)	(2,176,220)
Building, equipment, furniture and fixtures (net)	\$ 5,893,491	\$ 6,163,051

5. Retirement Plans

The Organization has adopted 401(a) and 403(b) retirement saving plans. The 401(a) is available to employees who have completed one year (equivalent to a twelve - month period with 1,000 hours or more) of service and are at least twenty-one years old. The 403(b) is available to all employees immediately after beginning employment. The Organization contributes 5% of employee compensation to the 401(a) plan and does not contribute to the 403(b) plan.

North Texas Food Bank
Notes to Financial Statements
June 30, 2010 and 2009

5. Retirement Plans (continued)

For the years ended June 30, 2010 and 2009, expenses related to these plans were \$129,321 and \$98,486, respectively.

The Organization adopted a 457(b) deferred compensation plan for the Chief Executive Officer, Chief Operating Officer, and the Chief Marketing Officer. These individuals may contribute up to 2% of their compensation annually.

During the year ended June 30, 2009, the Organization adopted a 457(f) deferred compensation plan for the Chief Executive Officer. For the year ended June 30, 2010, expenses related to this plan were \$50,000.

6. Compensated Absences

Employees of the Food Bank are entitled to paid vacation and paid personal days off depending on job classification, length of service and other factors. At June 30, 2010 and 2009, the accrued expenses for compensated absences included in accounts payable and accrued expenses were \$163,815 and \$113,722, respectively.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2010 and 2009, were restricted for the following purposes:

	2010	2009
Disaster relief	\$ 29,590	\$ 29,590
Kids cafe	57,627	-
Community coalition	63,668	63,845
Inventory	2,765,660	2,318,602
Senior helping	42,365	42,489
Food-4-Kids	226,178	322,800
Operation frontline	854	-
Total temporarily restricted net assets	\$ 3,185,942	\$ 2,777,326

8. Donated Materials and Services

Donated equipment, furniture and fixtures are reflected as contributions in the accompanying statements at their estimated values on the date of receipt. In order to enable North Texas Food Bank to meet its mission, a substantial number of volunteers donate significant amounts of their time to the Organization's program and fundraising functions. There is no objective basis to value these services. For the years ending June 30, 2010 and 2009, volunteers donated approximately 82,000 and 72,000 hours of their services, respectively. Management estimates the value of volunteer services to be approximately \$1,025,000 and \$900,000 for 2010 and 2009, respectively. This estimate is based on the fair market value for such services.

9. Donated Food and Commodities

The Organization receives donated food and commodities from Feeding America, the U. S. Department of Agriculture (USDA) and local area merchants. During the years ended June 30, 2010 and 2009, the Organization received approximately 43 million and 34 million pounds respectively, (unaudited) of donated products having wholesale values of approximately \$53 million and \$42 million, respectively. The average price per pound was \$1.24 and \$1.23 at June 30, 2010 and 2009, respectively.

North Texas Food Bank
Notes to Financial Statements
June 30, 2010 and 2009

10. Shared Maintenance Fees Receivable

The Organization charges recipient agencies, churches or other charitable organizations a fee on a per pound basis on selected categories of products to partially offset the handling and redistribution costs incurred by the Food Bank. Fees during 2010 and 2009, were set at \$.00, \$.07, \$.14, \$.18 and \$.42 per pound depending on the type of product.

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

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

11. Pledges Receivable

The Organization held a capital campaign during 2006 to renovate the warehouse. In addition, the Organization also held a three year Close the Gap campaign during 2009 to fund operational expenditures. These unconditional promises to give are recorded as receivables and revenue when received. Net pledges receivable for the year ended June 30, 2010 and 2009 consist of the following:

	2010	2009
In one year or less	\$ 1,312,626	\$ 139,959
Between one year and five years	1,368	75,350
	1,313,994	215,309
Less:		
Allowance for doubtful accounts	(1,368)	(1,368)
	\$ 1,312,626	\$ 213,941

12. Related Party Transactions

The Organization, with the approval of the Board of Directors, enters into transactions with companies with which various members of the Board are employed/affiliated. During the years ended June 30, 2010 and 2009, \$1,021,961 and \$780,439, was paid to these companies, respectively. In 2010, Feeding America, Schepps Dairy and Food Bank West Central Texas were major parties, and transactions such as food purchases, shared maintenance fees, freight expenses and equipment rentals, to each represented approximately 55%, 20% and 16%, respectively.

13. Investments

Investments, at fair value as of June 30, consist of the following:

	2010	2009
Mutual funds	\$ 1,041,315	\$ 275,241
Bonds	944,647	-
Equities	2,283,179	2,486,712
Total	\$ 4,269,141	\$ 2,761,953

Investment income at June 30, 2010 and 2009 consists of interest and dividends.

North Texas Food Bank
Notes to Financial Statements
June 30, 2010 and 2009

13. Investments (continued)

Components of gain (loss) on investments - realized and unrealized consist of the following:

	2010	2009
Realized gain (loss)	\$ 279,205	\$ (145,699)
Unrealized gain (loss)	118,710	(707,353)
Total	\$ 397,915	\$ (853,052)

14. Commitments and Contingencies

In the normal course of business, the Organization periodically maintains balances with financial institutions in excess of federally insured amounts.

The Organization leases office equipment and moving trucks under several 3-year operating leases and 6-year operating leases, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2011	\$ 259,704
2012	259,704
2013	259,704
2014	235,782
2015	18,984
Total	\$ 612,991

Office, warehouse equipment, and vehicle rental expense for years end June 30, 2010 and 2009, was \$291,135 and \$224,781, respectively.

15. Sale-Leaseback Transaction

In August 2009, the Organization entered into a sale-leaseback agreement relating to three trucks. Under the terms of the agreement, the Organization's trucks, which had a carrying amount of \$191,904, were sold for \$143,470 in cash. The Company then leased the property back under a 6-year operating lease that requires annual lease payments of \$46,872.

16. Subsequent Events

The Organization has evaluated subsequent events through November 22, 2010, the date which the financial statements were available to be issued. The Organization has no subsequent events to report.

North Texas Food Bank
Schedule of Federal Expenditures
for the year ended June 30, 2010

<u>Federal Grantor/ Pass - through Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Total Expenditures</u>	<u>Value of Commodities Redistributed</u>
Department of Agriculture/Passed through the Texas Health and Human Services Commission			
Emergency Food Assistance Program:			
Administrative costs	10.568	\$ 965,900	\$ -
Commodities	10.569	-	8,690,482
Commodity Supplemental Food Program	10.565	498,218	-
Food Stamp Nutrition Education Program	10.551	27,105	-
Food Stamp Education Outreach Program	10.551	296,201	-
American Recovery and Reinvestment Act	84.397	331,769	-
Federal Emergency Management Agency/ Passed through the United Way	10.558	3461	-
Emergency Food and Shelter National Board Program	83.523	<u>149,819</u>	<u>-</u>
Total expenditures of federal awards		<u>\$ 2,272,473</u>	<u>\$ 8,690,482</u>

See accompanying notes to schedule of expenditures of federal awards.

North Texas Food Bank
Notes to Schedule of Federal Expenditures
for the year ended June 30, 2010

1. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

The value of commodities redistributed as shown on the schedule of Federal Expenditures is calculated as follows:

Amount in beginning inventory	\$ 1,024,019
Donation received	8,410,760
Amount in ending inventory	(744,297)
Value of commodities redistributed	<u>\$ 8,690,482</u>

2. Summary of Significant Accounting Policies

- A. Expenditures reported on the Schedule are reported on the accrual basis of accounts. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organization*, wherein certain types of expenditures are not allowable or are limited reimbursement.
- B. Pass-through entity identifying numbers are presented where available.

**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
North Texas Food Bank
4500 S. Cockrell Hill Rd.
Dallas, Texas 75236-2028

We have audited the financial statements of North Texas Food Bank as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Texas Food Bank's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Texas Food Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Texas Food Bank's internal control over financial reporting.

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.

Our consideration of the internal control over compliance was for the limited purpose in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Texas Food Bank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Board of Directors, the audit committee, others within the entity, the U.S. Department of Agriculture, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Stephen & Company, LLP

November 22, 2010

THOMAS STEPHEN & COMPANY, LLP

North Texas Food Bank
 Schedule of Findings and Questioned Costs
 June 30, 2010 and 2009

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of North Texas Food Bank.
2. No significant deficiencies relating to the audit of the financial statements are reported in part B of this schedule.
3. No instances of noncompliance material to the financial statements of North Texas Food Bank, which would be required to be reported in compliance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for North Texas Food Bank expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for North Texas Food Bank are reported in Part C of this schedule.
7. The programs tested as major programs are:

Department of Agriculture/Passed through Texas Health and Human Services Commission	Federal CFDA Number
Commodity Supplemental Food Program	10.565
Emergency Food Assistance Program	
Administrative costs	10.568
Commodities	10.569

8. The threshold for determining Types A and B programs was \$300,000.
9. North Texas Food Bank was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
North Texas Food Bank
4500 S. Cockrell Hill Rd.
Dallas, Texas 75236-2028

Compliance

We have audited North Texas Food Bank's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. North Texas Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements is the responsibility of North Texas Food Bank's management. Our responsibility is to express an opinion on North Texas Food Bank's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 North Texas Food Bank'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. Our audit does not provide a legal determination of North Texas Food Bank's compliance with those requirements.

In our opinion, North Texas Food Bank complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of North Texas Food Bank is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered North Texas Food Bank's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB 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 North Texas Food Bank's internal control over compliance.

A *deficiency* in internal control over compliance 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 noncompliance with the type of compliance requirement of a federal program on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, the audit committee, others within the entity, the U.S. Department of Agriculture, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Stephen & Company, LLP

November 22, 2010

THOMAS STEPHEN & COMPANY, LLP