

**The Houston Food Bank
and Subsidiaries**

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2016 and 2015

The Houston Food Bank and Subsidiaries

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position as of June 30, 2016 and 2015	3
Consolidated Statement of Activities for the year ended June 30, 2016	4
Consolidated Statement of Activities for the year ended June 30, 2015	5
Consolidated Statement of Functional Expenses for the year ended June 30, 2016	6
Consolidated Statement of Functional Expenses for the year ended June 30, 2015	7
Consolidated Statements of Cash Flows for the years ended June 30, 2016 and 2015	8
Notes to Consolidated Financial Statements for the years ended June 30, 2016 and 2015	9
Supplementary Information:	
Consolidating Statement of Financial Position as of June 30, 2016	22
Consolidating Statement of Activities for the year ended June 30, 2016	23

Independent Auditors' Report

To the Board of Directors of
The Houston Food Bank:

Report on the Financial Statements

We have audited the accompanying financial statements of The Houston Food Bank and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015 and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Houston Food Bank and Subsidiaries as of June 30, 2016 and 2015 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the consolidating statement of financial position as of June 30, 2016 and the consolidating statement of activities for the year ended June 30, 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of The Houston Food Bank and Subsidiaries' 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 The Houston Food Bank and Subsidiaries' internal control over financial reporting and compliance.

Blazek & Vetterling

November 17, 2016

The Houston Food Bank and Subsidiaries

Consolidated Statements of Financial Position as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 377,181	\$ 2,451,810
Accounts receivable:		
Government grants and contracts	2,524,491	746,496
Agency	177,219	225,463
Food and other supplies	10,596,946	9,421,189
Prepaid expenses and other assets	357,416	559,129
Operating pledges receivable, net (<i>Note 2</i>)	2,458,759	1,995,184
Cash restricted by notes payable (<i>Notes 7</i>)	727,153	918,791
Operating investments	1,253,587	2,202,896
Note receivable (<i>Note 5</i>)	36,856,479	36,856,479
Pledges receivable restricted for capital campaign (<i>Note 2</i>)	1,876,833	
Investments restricted for capital campaign (<i>Notes 3 and 4</i>)	1,323,577	
Investments restricted for endowment (<i>Notes 3 and 4</i>)	5,724,278	6,027,650
Property and equipment, net (<i>Note 6</i>)	<u>52,112,513</u>	<u>53,506,477</u>
TOTAL ASSETS	<u>\$ 116,366,432</u>	<u>\$ 114,911,564</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 2,007,248	\$ 1,471,935
Accrued expenses	655,612	641,221
New market tax credits notes payable, net (<i>Note 7</i>)	<u>48,647,189</u>	<u>48,634,130</u>
Total liabilities	<u>51,310,049</u>	<u>50,747,286</u>
Net assets (<i>Note 11</i>):		
Unrestricted (<i>Note 8</i>)	56,245,673	60,255,131
Temporarily restricted (<i>Note 9</i>)	7,369,320	2,467,757
Permanently restricted (<i>Note 10</i>)	<u>1,441,390</u>	<u>1,441,390</u>
Total net assets	<u>65,056,383</u>	<u>64,164,278</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 116,366,432</u>	<u>\$ 114,911,564</u>

See accompanying notes to consolidated financial statements.

The Houston Food Bank and Subsidiaries

Consolidated Statement of Activities for the year ended June 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Donated food (Note 12)	\$ 165,434,250			\$ 165,434,250
Contributions	9,218,135	\$ 9,752,496		18,970,631
Other in-kind contributions (Note 12)	474,546			474,546
Special events	408,606	298,914		707,520
Direct donor benefit costs	(45,870)	(69,665)		(115,535)
Government grants and contracts (Note 13)	6,735,935			6,735,935
Agency fees	2,203,068			2,203,068
Building lease income	929,100			929,100
Sales of purchased food	910,400			910,400
Investment return (Note 3)	419,268	(10,918)		408,350
Other income	<u>279,227</u>			<u>279,227</u>
Total revenue	186,966,665	9,970,827		196,937,492
Net assets released from restrictions:				
Expenditures for program purposes	3,664,425	(3,664,425)		
Expiration of time restrictions	<u>1,404,839</u>	<u>(1,404,839)</u>		
Total	<u>192,035,929</u>	<u>4,901,563</u>		<u>196,937,492</u>
EXPENSES:				
Food distribution program	188,518,020			188,518,020
Management and general	4,246,164			4,246,164
Fundraising	<u>3,281,203</u>			<u>3,281,203</u>
Total expenses	<u>196,045,387</u>			<u>196,045,387</u>
CHANGES IN NET ASSETS	(4,009,458)	4,901,563		892,105
Net assets, beginning of year	<u>60,255,131</u>	<u>2,467,757</u>	\$ 1,441,390	<u>64,164,278</u>
Net assets, end of year	<u>\$ 56,245,673</u>	<u>\$ 7,369,320</u>	<u>\$ 1,441,390</u>	<u>\$ 65,056,383</u>

See accompanying notes to consolidated financial statements.

The Houston Food Bank and Subsidiaries

Consolidated Statement of Activities for the year ended June 30, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Donated food (Note 12)	\$ 152,450,992			\$ 152,450,992
Contributions	11,672,262	\$ 2,732,030		14,404,292
Other in-kind contributions (Note 12)	1,076,858			1,076,858
Special events	736,159	28,000		764,159
Direct donor benefit costs	(105,452)			(105,452)
Government grants and contracts (Note 13)	5,538,292			5,538,292
Agency fees	2,323,625			2,323,625
Building lease income	915,856			915,856
Sales of purchased food	847,624			847,624
Investment return (Note 3)	484,580	10,420		495,000
Other income	<u>264,234</u>			<u>264,234</u>
Total revenue	176,205,030	2,770,450		178,975,480
Net assets released from restrictions:				
Expenditures for program purposes	1,993,911	(1,993,911)		
Expiration of time restrictions	490,707	(490,707)		
Capital expenditures	<u>474,836</u>	<u>(474,836)</u>		
Total	<u>179,164,484</u>	<u>(189,004)</u>		<u>178,975,480</u>
EXPENSES:				
Food distribution program	174,206,479			174,206,479
Management and general	3,637,217			3,637,217
Fundraising	<u>3,249,811</u>			<u>3,249,811</u>
Total expenses	<u>181,093,507</u>			<u>181,093,507</u>
CHANGES IN NET ASSETS	(1,929,023)	(189,004)		(2,118,027)
Net assets, beginning of year	<u>62,184,154</u>	<u>2,656,761</u>	<u>\$ 1,441,390</u>	<u>66,282,305</u>
Net assets, end of year	<u>\$ 60,255,131</u>	<u>\$ 2,467,757</u>	<u>\$ 1,441,390</u>	<u>\$ 64,164,278</u>

See accompanying notes to consolidated financial statements.

The Houston Food Bank and Subsidiaries

Consolidated Statement of Functional Expenses for the year ended June 30, 2016

	FOOD DISTRIBUTION PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 7,408,310	\$ 1,857,032	\$ 1,156,137	\$ 10,421,479
Contract labor and intern stipends	410,835	20,115	6,915	437,865
Payroll taxes and benefits	<u>1,559,573</u>	<u>390,937</u>	<u>243,387</u>	<u>2,193,897</u>
Total salaries and related expenses	9,378,718	2,268,084	1,406,439	13,053,241
Distributed donated food and supplies	164,865,196	25,627	5,987	164,896,810
Purchased food	3,752,588			3,752,588
Depreciation	2,653,810	200,332	109,353	2,963,495
Value-added processing expense	1,743,942			1,743,942
Supplies and office expense	781,939	385,750	566,218	1,733,907
Repairs and maintenance	1,229,492	49,139	65,242	1,343,873
Professional fees and contract services	265,245	697,279	337,902	1,300,426
Trucking expense	1,286,638			1,286,638
Utilities and telephone	771,748	175,878	59,168	1,006,794
Printing and boxes	163,536	60,382	656,716	880,634
Warehouse expense	428,940			428,940
Interest	356,924	26,944	14,707	398,575
Insurance	323,068	45,316	8,870	377,254
Travel	218,074	38,357	22,603	279,034
Advertising	9,701	148,113	14,829	172,643
Agency grants	136,425			136,425
Equipment rental	87,182	40,048	3,312	130,542
Training and seminars	32,009	63,418	9,671	105,098
Other	<u>32,845</u>	<u>21,497</u>	<u>186</u>	<u>54,528</u>
Total expenses	<u>\$ 188,518,020</u>	<u>\$ 4,246,164</u>	<u>\$ 3,281,203</u>	196,045,387
Direct donor benefit costs				<u>115,535</u>
Total				<u>\$ 196,160,922</u>

See accompanying notes to consolidated financial statements.

The Houston Food Bank and Subsidiaries

Consolidated Statement of Functional Expenses for the year ended June 30, 2015

	FOOD DISTRIBUTION PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 6,337,154	\$ 1,535,278	\$ 1,294,216	\$ 9,166,648
Contract labor and intern stipends	383,961	23,285	32,435	439,681
Payroll taxes and benefits	<u>1,401,289</u>	<u>339,505</u>	<u>286,202</u>	<u>2,026,996</u>
Total salaries and related expenses	8,122,404	1,898,068	1,612,853	11,633,325
Distributed donated food and supplies	153,090,688	3,345	23,160	153,117,193
Purchased food	2,598,338			2,598,338
Depreciation	2,996,122	226,174	123,458	3,345,754
Value-added processing expense	1,431,730			1,431,730
Supplies and office expense	697,294	210,835	362,157	1,270,286
Repairs and maintenance	1,026,990	45,182	62,393	1,134,565
Professional fees and contract services	62,264	632,002	252,746	947,012
Trucking expense	1,537,369			1,537,369
Utilities and telephone	833,678	175,173	63,703	1,072,554
Printing and boxes	184,747	90,258	644,640	919,645
Warehouse expense	528,637			528,637
Interest	356,925	26,944	14,707	398,576
Insurance	306,773	44,644	7,640	359,057
Travel	167,816	19,093	13,830	200,739
Advertising	36,447	136,900	47,796	221,143
Agency grants	64,223			64,223
Equipment rental	81,598	32,078	9,299	122,975
Training and seminars	12,511	54,178	11,162	77,851
Other	<u>69,925</u>	<u>42,343</u>	<u>267</u>	<u>112,535</u>
Total expenses	<u>\$ 174,206,479</u>	<u>\$ 3,637,217</u>	<u>\$ 3,249,811</u>	181,093,507
Direct donor benefit costs				<u>105,452</u>
Total				<u>\$ 181,198,959</u>

See accompanying notes to consolidated financial statements.

The Houston Food Bank and Subsidiaries

Consolidated Statements of Cash Flows for the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 892,105	\$ (2,118,027)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	2,963,495	3,345,754
Amortization of debt issuance costs	13,059	13,059
Realized and unrealized loss on investments	373,002	370,180
Contributions restricted for capital campaign	(3,267,300)	(320,000)
Changes in operating assets and liabilities:		
Accounts receivable	(1,729,751)	(40,227)
Food and other supplies	(1,175,757)	(383,395)
Prepaid expenses and other assets	201,713	(120,164)
Operating pledges receivable	(463,575)	(228,677)
Accounts payable and accrued expenses	<u>549,704</u>	<u>995,797</u>
Net cash provided (used) by operating activities	<u>(1,643,305)</u>	<u>1,514,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	918,944	1,313,286
Purchases of investments	(1,456,135)	(1,371,678)
Net change in cash and money market mutual funds held as investments	93,293	76,438
Net change in cash restricted by notes payable	191,638	(122,865)
Purchases of property and equipment	<u>(1,569,531)</u>	<u>(1,282,575)</u>
Net cash used by investing activities	<u>(1,821,791)</u>	<u>(1,387,394)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital campaign	<u>1,390,467</u>	<u>431,100</u>
NET CHANGE IN CASH	(2,074,629)	558,006
Cash, beginning of year	<u>2,451,810</u>	<u>1,893,804</u>
Cash, end of year	<u>\$ 377,181</u>	<u>\$ 2,451,810</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$398,575	\$398,575

See accompanying notes to consolidated financial statements.

The Houston Food Bank and Subsidiaries

Notes to Consolidated Financial Statements for the years ended June 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Houston Food Bank is a Texas nonprofit organization founded in 1982 to help feed the hungry by seeking food donations and distributing them to local charitable agencies that care for the needy. The Houston Food Bank is a certified affiliate of Feeding America.

Houston Food Bank Endowment (the Endowment) was organized in 1990 as a Texas nonprofit organization to receive and maintain contributed funds and to support The Houston Food Bank. The Houston Food Bank is the sole member of the Endowment.

The Mary Barden Keegan Food Fund, Inc. (MBKFF) was organized in 2000 as a Texas nonprofit corporation to receive and maintain contributed funds to support End Hunger Network, Houston (End Hunger) or its successor organization. The Houston Food Bank is the sole member of MBKFF.

HFB QALICB LLC (QALICB) was organized in 2010 as a Texas limited liability company. The Houston Food Bank has a 99.90% membership interest and MBKFF has a 0.10% membership interest in QALICB. QALICB was organized to acquire and remodel a warehouse facility (the Portwall facility) for use by The Houston Food Bank.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of The Houston Food Bank, the Endowment, MBKFF, and QALICB (collectively The Food Bank). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – The Houston Food Bank, the Endowment, and MBKFF are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. The Houston Food Bank is classified as a public charity under §170(b)(1)(A)(vi). The Endowment is classified as a Type I supporting organization under §509(a)(3). MBKFF is classified as a Type I supporting organization under §509(a)(3).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Allowance for uncollectible receivables – An allowance for accounts receivable and pledges receivable is provided when management believes the balance may not be collected in full. It is The Food Bank's policy to write off receivables against the allowance when management determines the receivable will not be collected. The allowance is determined using a combination of historical loss experience and individual account-by-account analysis of accounts receivable balances and pledges receivable balances each period. It is possible that management's estimate regarding collectability will change in the near term resulting in a change in the carrying value of accounts receivable and pledges receivable.

Food and other supplies consist primarily of canned goods, produce, and durable household goods. Donated food supplies are valued at approximate average wholesale value of one pound of donated product based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey. Purchased food is valued at the cost of products purchased as determined by the first-in, first-out method. Food and other supplies also includes items donated by a home improvement store for use by agencies. These items are valued at approximate fair market value on the date of contribution. The Food Bank recognizes donated food, commodities, and other goods as food and other supplies and as contributions in these consolidated financial statements.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows.

Note receivable is reported at its outstanding principal balance. The note receivable is considered to be fully collectible, and accordingly, no allowance for doubtful accounts has been provided. In making that determination, management evaluated the financial condition of the borrower, the estimated value of the underlying collateral, and current economic conditions. Interest on the note receivable is recognized over the term of the note receivable and is calculated using the simple-interest method on principal amounts outstanding.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Property and equipment are reported at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 40 years for buildings and 5 years for furniture, equipment, and motor vehicles.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return on permanently restricted net assets is temporarily restricted until used in accordance with donor restrictions.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, The Food Bank reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Non-cash contributions – Donated materials and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with the food distribution program for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles. In fiscal years 2016 and 2015, volunteers contributed approximately 452,000 hours and 340,000 hours, respectively, to The Food Bank.

Government grants and contracts are recognized when the related services are provided.

Agency fees represent fees charged to agencies for handling of distributed food and are recognized when shipments of food are made to the agencies.

Sales of purchased food are recognized as revenue when shipments of food are made to agencies.

Advertising costs are expensed as incurred.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In 2016, The Food Bank adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This amendment requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. As a result of adoption, previously reported assets and liabilities at June 30, 2015 were each reduced by \$330,841. There was no impact on net assets or changes in net assets for 2015.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. The Food Bank plans to adopt this ASU for its fiscal year ending June 30, 2019. Adoption of this ASU will significantly impact the presentation and disclosures of the financial statements.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Total pledges receivable	\$ 4,739,255	\$ 2,001,767
Allowance for uncollectible pledges receivable	(319,264)	
Discount to estimated present value at 0.41% to 0.88%	<u>(84,399)</u>	<u>(6,583)</u>
Pledges receivable, net	<u>\$ 4,335,592</u>	<u>\$ 1,995,184</u>

Pledges receivable at June 30, 2016 are expected to be collected as follows:

Receivable in one year	\$ 1,251,369
Receivable in one to five years	<u>3,487,886</u>
Total pledges receivable	<u>\$ 4,739,255</u>

At June 30, 2016, approximately 47% of pledges receivable are due from three donors. At June 30, 2015, approximately 37% of pledges receivable are due from two donors.

NOTE 3 – INVESTMENTS

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Equity securities	\$ 2,800,362	\$ 2,794,068
Debt securities	2,236,916	1,977,943
Domestic equity mutual funds	1,778,125	1,817,618
International equity mutual funds	1,301,331	1,342,223
Asset-backed securities	113,263	133,956
Money market mutual funds	70,197	163,432
Cash	<u>1,248</u>	<u>1,306</u>
Total investments	<u>\$ 8,301,442</u>	<u>\$ 8,230,546</u>

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return, including earnings on cash and note receivable, consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends earned on investments	\$ 412,787	\$ 496,615
Interest earned on note receivable	368,565	368,565
Realized and unrealized loss on investments	<u>(373,002)</u>	<u>(370,180)</u>
Total investment return	<u>\$ 408,350</u>	<u>\$ 495,000</u>

Investment management fees of approximately \$23,000 and \$22,000 at June 30, 2016 and 2015, respectively, are included in management and general expenses in the statement of activities.

NOTE 4 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value on a recurring basis at June 30, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Equity securities:				
Consumer staples	\$ 472,483			\$ 472,483
Preferred stock	405,570			405,570
Consumer discretionary	404,183			404,183
Information technology	345,268			345,268
Financial	282,652			282,652
International	267,027			267,027
Energy	265,362			265,362
Healthcare	173,454			173,454
Capital goods	125,789			125,789
Materials	58,574			58,574
Debt securities:				
Corporate bonds and notes		\$ 1,123,929		1,123,929
Municipal bonds		1,112,987		1,112,987
Domestic equity mutual funds:				
Small/mid-cap	1,176,009			1,176,009
Large-cap	602,116			602,116
International equity mutual funds:				
Large-cap	764,367			764,367
Strategic	387,420			387,420
Emerging markets	149,544			149,544
Asset-backed securities		113,263		113,263
Money market mutual funds	<u>70,197</u>			<u>70,197</u>
Total assets measured at fair value	<u>\$ 5,950,015</u>	<u>\$ 2,350,179</u>	<u>\$ 0</u>	8,300,194
Cash held as investments				<u>1,248</u>
Total investments				<u>\$ 8,301,442</u>

Assets measured at fair value on a recurring basis at June 30, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Equity securities:				
Consumer staples	\$ 418,014			\$ 418,014
Preferred stock	411,939			411,939
Consumer discretionary	271,821			271,821
Information technology	355,700			355,700
Financial	288,691			288,691
International	325,399			325,399
Energy	302,404			302,404
Healthcare	209,733			209,733
Capital goods	150,557			150,557
Materials	59,810			59,810
Debt securities:				
Corporate bonds and notes		\$ 940,920		940,920
Municipal bonds		1,037,023		1,037,023
Domestic equity mutual funds:				
Small/mid-cap	1,419,014			1,419,014
Large-cap	398,604			398,604
International equity mutual funds:				
Large-cap	752,517			752,517
Strategic	425,253			425,253
Emerging markets	164,453			164,453
Asset-backed securities		133,956		133,956
Money market mutual funds	<u>163,432</u>			<u>163,432</u>
Total assets measured at fair value	<u>\$ 6,117,341</u>	<u>\$ 2,111,899</u>	<u>\$ 0</u>	8,229,240
Cash held as investments				<u>1,306</u>
Total investments				<u>\$ 8,230,546</u>

Valuation methods used for assets measured at fair value on a recurring basis are as follows:

- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate bonds and notes, municipal bonds, and asset-backed securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves, and broker quotes to calculate fair values.
- *Mutual funds* are valued at the net asset value of shares held at year end.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while The Food Bank believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Financial instruments – The carrying value of The Food Bank’s financial instruments including cash, pledges receivable, other short-term assets and liabilities, notes receivable, and debt approximates fair value at June 30, 2016 and 2015.

NOTE 5 – NOTE RECEIVABLE

The Food Bank entered into an agreement on June 23, 2010 to lend \$36,856,479 to Chase NMTC Houston Food Bank Investment Fund, LLC (Chase NMTC Fund). The note is secured by Chase NMTC Fund's membership interest in NDC New Markets Investments LIX, LLC (NDC CDE), Business Loan Conduit No. 10, LLC (CRF CDE), and NDC New Markets Investment 46, LLC (LISC CDE), (collectively the CDEs) and other cash accounts held by a secured party. The interest rate on the note is fixed at 1%. Interest is payable quarterly beginning September 2010 until December 2017. All principal and unpaid interest is due and payable in June 2040. Interest earned in 2016 and 2015 was \$368,565. The Food Bank may accelerate the maturity date of the note to December 2017 with 30-days notice to Chase NMTC Fund.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 5,210,382	\$ 5,210,382
Buildings	48,824,916	48,767,539
Furniture and equipment	8,480,832	7,874,623
Motor vehicles	5,168,957	4,472,711
Construction in progress	<u>175,709</u>	<u> </u>
Total property and equipment, at cost	67,860,796	66,325,255
Accumulated depreciation	<u>(15,748,283)</u>	<u>(12,818,778)</u>
Property and equipment, net	<u>\$ 52,112,513</u>	<u>\$ 53,506,477</u>

NOTE 7 – NEW MARKET TAX CREDITS NOTES PAYABLE

QALICB executed loan agreements on June 23, 2010, that provides for borrowings of \$12,125,000, \$26,500,000 and \$10,339,971 from NDC CDE, CRF CDE, and LISC CDE, respectively. The loans are to finance the purchase and renovations of the Portwall facility and are intended to be treated as a “qualified low-income community investment” for purposes of generating New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property deed of trust, security agreement and fixture filing on this property, and a guaranty by The Food Bank.

Pursuant to the issuance of the New Market Tax Credits Financing Commitment, QALICB is required to maintain certain funds at JPMorgan Chase Bank, N.A. (JPMorgan). At June 30, 2016 and 2015, \$727,153 and \$918,791 is held at JPMorgan for this purpose, respectively.

Each loan accrues interest at 0.814%, payable quarterly beginning in September 2010. QALICB is not permitted to prepay any portion of the loans until the seventh anniversary of the loan.

	<u>2016</u>	<u>2015</u>
Total new market tax credits notes payable	\$ 48,964,971	\$ 48,964,971
Less: Unamortized debt issuance costs	<u>(317,782)</u>	<u>(330,841)</u>
New market tax credits notes payable, net	<u>\$ 48,647,189</u>	<u>\$ 48,634,130</u>

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

	<u>AMOUNT</u>
Note payable to Business Loan Conduit No. 10, LLC, matures on June 23, 2040, with principal payments commencing in September 2020.	\$ 20,146,863
Note payable to NDC New Markets Investment 46, LLC, matures on June 23, 2040, with principal payments commencing in September 2020.	8,878,237
Note payable to NDC New Markets Investments LIX, LLC, matures on June 21, 2040, with principal payments commencing in September 2020.	7,832,827
Note payable to Business Loan Conduit No. 10, LLC, matures on June 23, 2040, with principal payments commencing in September 2030.	6,353,137
Note payable to NDC New Markets Investment 46, LLC, matures on June 23, 2040, with principal payments commencing in September 2030.	3,059,263
Note payable to NDC New Markets Investments LIX, LLC, matures on June 21, 2040, with principal payments commencing in September 2030.	2,507,144
Note payable to NDC New Markets Investment 46, LLC, matures on June 23, 2017, with principal payments commencing in September 2030.	<u>187,500</u>
Total new market tax credits notes payable	<u>\$ 48,964,971</u>

At any time after the seventh anniversary and before the eighth anniversary of the note receivable, JPMorgan can exercise its put option to sell its interest in the Chase NMTC Fund to The Food Bank for \$1,000. After exercising its option to purchase the interest in the Chase NMTC Fund, The Food Bank may cancel the new market tax credits notes payable.

For the years ended June 30, 2016 and 2015, interest expense of \$398,575 was recognized.

NOTE 8 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Undesignated	\$ 51,631,078	\$ 55,411,785
Board-designated – quasi-endowment for general operations	<u>4,614,595</u>	<u>4,843,346</u>
Total unrestricted net assets	<u>\$ 56,245,673</u>	<u>\$ 60,255,131</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Room for Change Capital Campaign	\$ 3,267,300	
Food for Change	2,015,361	
Time restricted	1,404,355	\$ 929,316
Collaborative for Productive Lives	191,493	347,000
Accumulated earnings on general endowment	163,293	237,914
Kids Café	99,877	
Disaster Relief	82,994	76,582
Backpack Buddies		575,435
Meals for Minds		122,212
Other	<u>144,647</u>	<u>179,298</u>
Total temporarily restricted net assets	<u>\$ 7,369,320</u>	<u>\$ 2,467,757</u>

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are to support the following:

	<u>2016</u>	<u>2015</u>
Houston Food Bank Endowment – general operations	\$ 946,390	\$ 946,390
End Hunger central building	<u>495,000</u>	<u>495,000</u>
Total permanently restricted net assets	<u>\$ 1,441,390</u>	<u>\$ 1,441,390</u>

NOTE 11 – ENDOWMENT FUNDS

The Board of Directors of the Endowment has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Food Bank classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of The Food Bank and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of The Food Bank
- The investment policies of the Endowment

Return Objectives and Risk Parameters

The Endowment has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to The Food Bank while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Endowment must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets of the Endowment are invested in a manner that will seek to maintain a level of portfolio risk that is no more than 125% of the risk of the portfolio's tactical index. The Endowment expects its endowment funds, over time, to provide an average rate-of-return net of investment management expenses of 5%, plus the annual rate of inflation over any 10-year period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Endowment relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Endowment has a policy of not appropriating more than 5% of the endowment fund's average market value as of the end of the last three fiscal years prior to the year in which the distribution is planned. In establishing this policy, the Endowment considered the long-term expected return and the effects of inflation on its endowment. This is consistent with the Endowment's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Endowment to retain as a fund of perpetual duration. Deficiencies of this nature are reported as unrestricted net assets.

Endowment net asset composition as of June 30, 2016 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Board-designated endowment funds	\$ 4,614,595			\$ 4,614,595
Donor-restricted endowment funds		\$ 163,293	\$ 946,390	1,109,683
Endowment net assets	<u>\$ 4,614,595</u>	<u>\$ 163,293</u>	<u>\$ 946,390</u>	<u>\$ 5,724,278</u>

Endowment net asset composition as of June 30, 2015 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Board-designated endowment funds	\$ 4,843,346			\$ 4,843,346
Donor-restricted endowment funds		\$ 237,914	\$ 946,390	1,184,304
Endowment net assets	<u>\$ 4,843,346</u>	<u>\$ 237,914</u>	<u>\$ 946,390</u>	<u>\$ 6,027,650</u>

Changes in net assets of the endowment funds are as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, June 30, 2014	\$ 5,059,442	\$ 290,754	\$ 946,390	\$ 6,296,586
Investment return:				
Interest and dividends	300,415	73,458		373,873
Net realized and unrealized loss	<u>(257,802)</u>	<u>(63,038)</u>		<u>(320,840)</u>
Total investment return	<u>42,613</u>	<u>10,420</u>		<u>53,033</u>
Distribution	(229,271)	(56,062)		(285,333)
Investment management fees	<u>(29,438)</u>	<u>(7,198)</u>		<u>(36,636)</u>
Endowment net assets, June 30, 2015	<u>4,843,346</u>	<u>237,914</u>	<u>946,390</u>	<u>6,027,650</u>
Investment return:				
Interest and dividends	246,387	60,247		306,634
Net realized and unrealized loss	<u>(291,036)</u>	<u>(71,165)</u>		<u>(362,201)</u>
Total investment return	<u>(44,649)</u>	<u>(10,918)</u>		<u>(55,567)</u>
Contributions	76,424			76,424
Distribution	(236,374)	(57,798)		(294,172)
Investment management fees	<u>(24,152)</u>	<u>(5,905)</u>		<u>(30,057)</u>
Endowment net assets, June 30, 2016	<u>\$ 4,614,595</u>	<u>\$ 163,293</u>	<u>\$ 946,390</u>	<u>\$ 5,724,278</u>

NOTE 12 – NON-CASH CONTRIBUTIONS

Food donations – The majority of food distributed by The Food Bank is received by contributions from the general public and from the U. S. Department of Agriculture (USDA). The estimated value of these contributions is recognized in the financial statements as contribution revenue and food and other supplies or program expenses if distributed during the year. The pounds collected are recorded by The Food Bank staff at the time of receipt based on actual weight. The total value of contributed food for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>			<u>2015</u>		
	<u>POUNDS</u>	VALUE PER <u>POUND</u>	<u>AMOUNT</u>	<u>POUNDS</u>	VALUE PER <u>POUND</u>	<u>AMOUNT</u>
General donations	76,256,153	\$1.67	\$ 127,347,776	69,513,981	\$1.70	\$ 118,173,768
USDA	<u>22,806,272</u>	\$1.67	<u>38,086,474</u>	<u>20,163,073</u>	\$1.70	<u>34,277,224</u>
Total	<u>99,062,425</u>		<u>\$ 165,434,250</u>	<u>89,677,054</u>		<u>\$ 152,450,992</u>

Other donations – During 2016, The Food Bank received \$474,546 of other donated property, goods and services, including \$290,327 of baseball tickets, \$92,122 of items from a home improvement store for use by agencies and \$92,097 of miscellaneous goods and services. During 2015, The Food Bank received \$1,076,858 of other donated property, goods and services, including \$931,303 of items from a home improvement store for use by agencies and \$145,555 of miscellaneous goods and services.

NOTE 13 – GOVERNMENT GRANTS AND CONTRACTS

The Food Bank is party to contracts with federal, state and local governmental agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of government grants and contracts are as follows:

	<u>2016</u>	<u>2015</u>
U. S. Department of Agriculture	\$ 4,988,097	\$ 4,136,123
Texas Department of Agriculture	920,041	330,517
Texas Health and Human Services Commission	802,549	892,010
Federal Department of Homeland Security	<u>25,248</u>	<u>179,642</u>
Total federal, state, and city grants and contracts	6,735,935	5,538,292
U. S. Department of Agriculture commodities	<u>38,086,474</u>	<u>34,277,224</u>
Total government grants and contracts	<u>\$ 44,822,409</u>	<u>\$ 39,815,516</u>

The grants from federal and state funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by The Food Bank with the terms of the contracts. Management believes such disallowances, if any, would not be material to The Food Bank's financial position or changes in net assets.

NOTE 14 – FREEZER LEASE

The Food Bank entered into a 20-year lease agreement on February 15, 2010 to rent the freezer facility at the Portwall facility effective April 2010. The lease agreement includes two five-year renewal options. The following is a schedule of future rent income as of June 30, 2016:

2017	\$ 883,398
2018	883,398
2019	883,398
2020	903,706
2021	944,322
Thereafter through 2030	<u>8,336,434</u>
Total	<u>\$ 12,834,656</u>

Rental income of \$929,100 and \$915,856 has been recognized in the financial statements related to this lease agreement for 2016 and 2015, respectively.

NOTE 15 – EMPLOYEE BENEFIT PLAN

The Food Bank offers a defined contribution §401(k) benefit plan to qualified employees. The Food Bank matches 50% of an employee's contribution up to 6% of the employee's compensation. Contributions made by The Food Bank vest at the end of one year. The Food Bank's contributions to the plan totaled \$80,486 in 2016 and \$60,818 in 2015.

NOTE 16 – RELATED PARTY TRANSACTIONS

A Board member of The Food Bank is an employee of a utility company that The Food Bank paid approximately \$444,000 and \$731,000 during 2016 and 2015, respectively. Additionally, a Board member of The Food Bank is an employee of a company to which The Food Bank paid approximately \$120,000 during 2016 and \$80,000 during 2015 for supplies and another Board member of The Food Bank is an employee of a produce company to which The Food Bank paid approximately \$104,000 during 2015.

NOTE 17 – SUBSEQUENT EVENTS

In September 2016, The Food Bank entered into a contract to sell its Keegan Building and related land for \$2,150,000. Additionally, in September 2016 The Houston Food Bank entered into a bridge loan agreement for \$4.3 million with a financial institution for the construction of a new kitchen. The note payable matures on September 22, 2021 and bears interest at 3.65%. The note is secured by accounts receivable, pledges receivable, certain investment accounts and an assignment of \$750,000 of the proceeds from the sale of the Keegan Building.

Management has evaluated subsequent events through November 17, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

The Houston Food Bank and Subsidiaries

Consolidating Statement of Financial Position as of June 30, 2016

	HOUSTON FOOD BANK	QALICB	ENDOWMENT	ELIMINATIONS	TOTAL
ASSETS					
Cash	\$ 377,181				\$ 377,181
Accounts receivable:					
Government grants and contracts	2,524,491				2,524,491
Agency	177,219				177,219
Intercompany	1,820,933			\$ (1,820,933)	
Food and other supplies	10,596,946				10,596,946
Prepaid expenses and other assets	282,982	\$ 74,434			357,416
Operating pledges receivable, net	2,458,759				2,458,759
Cash restricted by notes payable		727,153			727,153
Note receivable	36,856,479				36,856,479
Pledges receivable restricted for capital campaign	1,876,833				1,876,833
Investments restricted for capital campaign	1,323,577				1,323,577
Investments	931,291		\$ 6,046,574		6,977,865
Property and equipment, net	<u>6,984,540</u>	<u>45,127,973</u>			<u>52,112,513</u>
TOTAL ASSETS	<u>\$ 66,211,231</u>	<u>\$ 45,929,560</u>	<u>\$ 6,046,574</u>	<u>\$ (1,820,933)</u>	<u>\$ 116,366,432</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 2,007,248				\$ 2,007,248
Accrued expenses	400,065	\$ 255,547			655,612
Intercompany payables		1,498,637	\$ 322,296	\$ (1,820,933)	
New market tax credits notes payable		<u>48,647,189</u>			<u>48,647,189</u>
Total liabilities	<u>2,407,313</u>	<u>50,401,373</u>	<u>322,296</u>	<u>(1,820,933)</u>	<u>51,310,049</u>
Net assets:					
Unrestricted	56,102,891	(4,471,813)	4,614,595		56,245,673
Temporarily restricted	7,206,027		163,293		7,369,320
Permanently restricted	<u>495,000</u>		<u>946,390</u>		<u>1,441,390</u>
Total net assets	<u>63,803,918</u>	<u>(4,471,813)</u>	<u>5,724,278</u>		<u>65,056,383</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 66,211,231</u>	<u>\$ 45,929,560</u>	<u>\$ 6,046,574</u>	<u>\$ (1,820,933)</u>	<u>\$ 116,366,432</u>

The Houston Food Bank and Subsidiaries

Consolidating Statement of Activities for the year ended June 30, 2016

	HOUSTON FOOD BANK	QALICB	ENDOWMENT	ELIMINATIONS	TOTAL
REVENUE:					
Donated food	\$ 165,434,250				\$ 165,434,250
Contributions	19,188,379		\$ 76,424	\$ (294,172)	18,970,631
Other in-kind contributions	474,546				474,546
Special events	707,520				707,520
Direct donor benefit costs	(115,535)				(115,535)
Government grants and contracts	6,735,935				6,735,935
Agency fees	2,203,068				2,203,068
Building lease income	44,702	\$ 1,291,065		(406,667)	929,100
Sales of purchased food	910,400				910,400
Investment return	463,532	385	(55,567)		408,350
Other income	<u>279,227</u>				<u>279,227</u>
Total revenue	<u>196,326,024</u>	<u>1,291,450</u>	<u>20,857</u>	<u>(700,839)</u>	<u>196,937,492</u>
EXPENSES:					
Food distribution program	187,578,020	1,346,667	294,172	(700,839)	188,518,020
Management and general	3,579,511	636,596	30,057		4,246,164
Fundraising	<u>3,229,547</u>	<u>51,656</u>			<u>3,281,203</u>
Total expenses	<u>194,387,078</u>	<u>2,034,919</u>	<u>324,229</u>	<u>(700,839)</u>	<u>196,045,387</u>
CHANGES IN NET ASSETS	1,938,946	(743,469)	(303,372)		892,105
Net assets, beginning of year	<u>61,864,972</u>	<u>(3,728,344)</u>	<u>6,027,650</u>		<u>64,164,278</u>
Net assets, end of year	<u>\$ 63,803,918</u>	<u>\$(4,471,813)</u>	<u>\$ 5,724,278</u>	<u>\$ 0</u>	<u>\$ 65,056,383</u>
